IR Integrated Report

SUSTAINED Value

2017

REDEFINE PROPERTIES

We're not landlords. We're people.

About Redefine

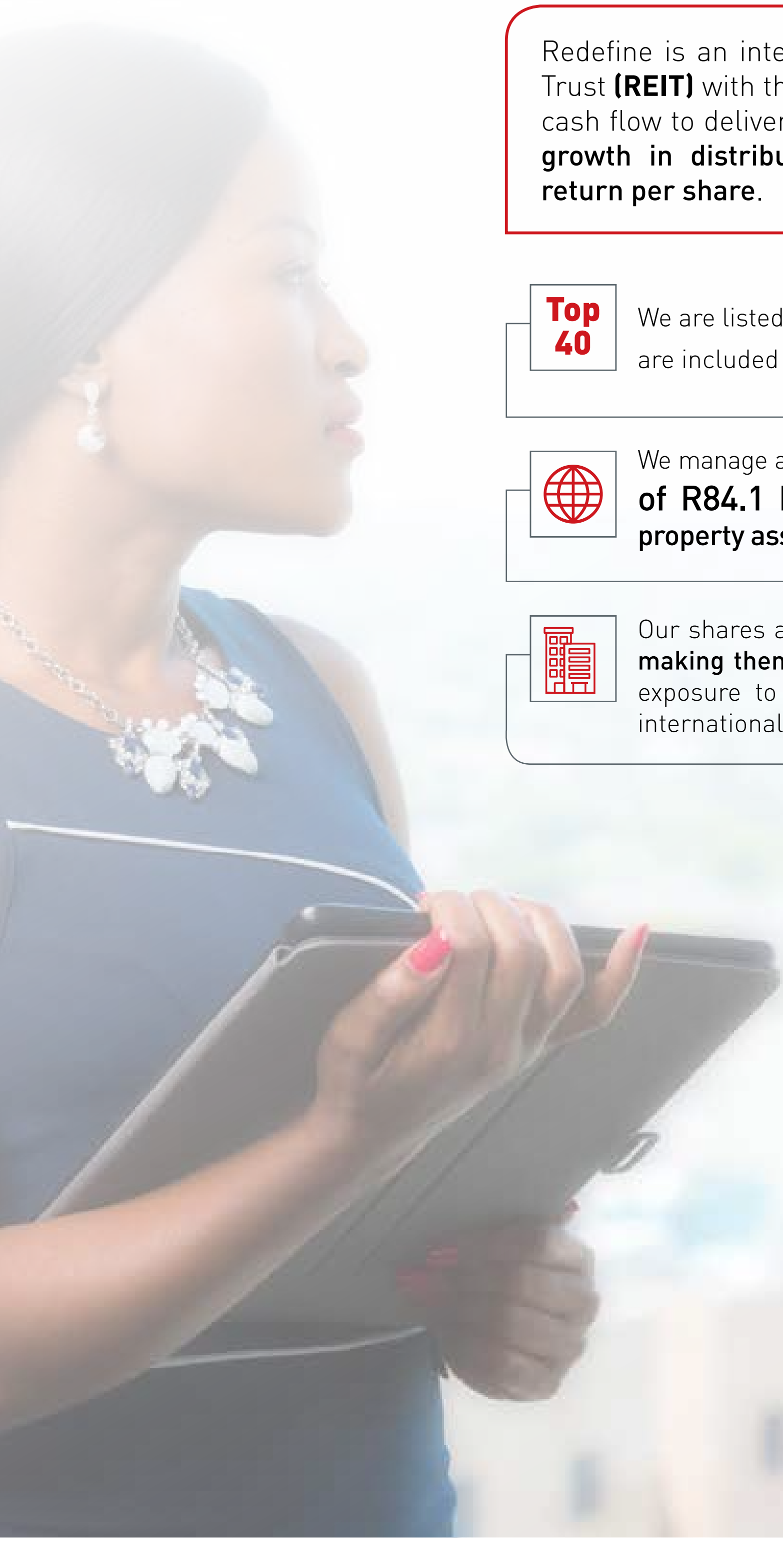
Redefine is an internally managed Real Estate Investment Trust **(REIT)** with the primary goal of growing and improving cash flow to deliver quality earnings, to underpin **sustained growth in distribution, which supports growth in total return per share**.

Top 40

We are listed on the Johannesburg Stock Exchange (JSE) and are included in the **JSE Top 40 index.**

We manage a diversified property asset platform with a **value of R84.1 billion, comprising local and international property assets.**

Our shares are among the **most actively traded on the JSE, making them a highly liquid, single-entry point** for gaining exposure to quality domestic properties, and a spread of international commercial real estate markets.

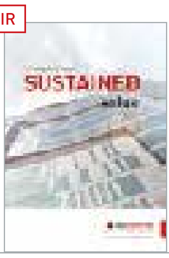


Our reporting suite

We remain committed to reporting transparently to our wide range of stakeholders.

To view the full suite, please visit our website **www.redefine.co.za**

IR

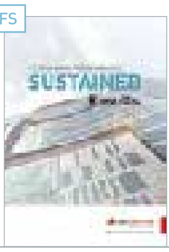


Integrated report (IR)

Our integrated report is the primary report to our stakeholders. It is structured to show the relationship between the interdependent elements involved in our value creation story, in compliance with:

- → The International Integrated Reporting <IR> Framework
- → The Companies Act, No 71 of 2008, as amended (Companies Act)
- → The JSE Listings Requirements
- → King IV report on Corporate Governance for South Africa 2016 (King IV)

AFS



Group annual financial statements (AFS)

A comprehensive report of the group's financial performance for the year, in compliance with:

- → The Companies Act
- → The JSE Listings Requirements
- → King IV
- → International Financial Reporting Standards (IFRS)

ESG

Environmental, social and governance (ESG) report

A detailed account of the group's holistic performance for the year, including environmental, social and governance elements. The report also includes the **remuneration report** and the social, ethics and transformation committee report, in compliance with:

- → The Companies Act
- → The JSE Listings Requirements
- → King IV

AGM

Notice of annual general meeting (AGM)

Supporting information for shareholders to participate in the annual general meeting, in compliance with:

- → The Companies Act
- → The JSE Listings Requirements
- → King IV

HOW TO NAVIGATE OUR REPORT

Throughout our integrated report, the following icons are used to show the connectivity between sections:

CAPITALS

- Financial capital
- Social and relationship capital
- Manufactured capital
- Intellectual capital
- Human capital
- Natural capital

FEEDBACK

Your feedback is important to us and we welcome your input to enhance our reporting processes. Please visit **www.redefine.co.za** or email **investorenquiries@redefine.co.za**

Contents

STRATEGIC MATTERS

- Operate efficiently
- Invest strategically
- Optimise capital
- Engage talent
- Grow reputation

About our report

This report was developed to communicate with all our stakeholders.

Integrated thinking and materiality

Our value creation story (see page 8) is structured to show the relationship between the various elements involved in achieving our stakeholder goals. By analysing the risks and opportunities identified in our operating context, stakeholder engagement process and internally identified risks and opportunities, we have determined which matters are most important to Redefine's value creation in the short, medium and long term. We have used these as points of reference to ensure we have only reported on those matters that could have a substantial effect on our ability to deliver stakeholder value.

Boundary and scope

The major emphasis is placed on the group's South African operations as they account for 73% of the group's distributable earnings and 81% of the group's property asset platform. With regard to operational numbers, such as gross lettable area (GLA), we only include statistics from our directly owned South African property portfolio. Details of our investments in subsidiaries, joint ventures, jointly controlled assets and associates appear in our annual financial statements. Detailed information on our separately listed and managed interests in associates and listed investments, which comprises the bulk of our other property assets, is provided in their annual reports, which are available on their websites.

We have used issues arising from our stakeholder engagement processes and the quality of our relationships as key in determining which matters to report on.

Forward-looking statements

This report may contain forward-looking statements with respect to Redefine's future performance and prospects. While these statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual results to differ materially from our expectations. These include factors that could adversely affect our business and financial performance.

Assurance

Redefine has adopted a combined assurance framework with the aim of integrating assurance, provided by internal and external assurance providers, on risk areas facing the group. Redefine utilises the five lines of assurance approach to co-ordinate and optimise our risk and assurance efforts. Combined assurance includes executive and senior management monitoring and oversight, internal audit and external assurance providers, as well as board and the relevant committees' oversights (refer to our ESG report).

Board responsibility statement

Redefine's board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its collective mind and, in its opinion, this integrated report addresses all material matters, offers a balanced view of its strategy, and how it relates to the organisation's ability to create value in the short, medium and long term. The report adequately addresses the use of, and effects on, the capitals and the manner in which the availability of these capitals is impacting on Redefine's strategy and business model. We, as the board, believe that this report has been prepared in accordance with the International Integrated Reporting <IR> Framework.

Marc Wainer
Executive chairman

Bridgitte Mathews
Deputy chairperson & lead independant non-executive director

Andrew König
Chief executive officer

Bernie Nackan
Independent non-executive director

David Nathan
Independent non-executive director

Harish Mehta
Non-executive director

Leon Kok
Financial director

Marius Barkhuysen
Independent non-executive director

Ntombi Langa-Royds
Independent non-executive director

Phumzile Langeni
Independent non-executive director

Our integrated reporting boundary

Risks and opportunities arising from our **operating context**
See page 12

Risks and opportunities arising from our **property investments**
See page 18

Financial reporting boundary

Redefine Properties Limited

Joint ventures and jointly controlled assets

Investment in associates over which Redefine has significant influence

Subsidiaries

Risks and opportunities arising from our **stakeholder engagement**
See page 16

Who we are

Our VISION is to be the best South African REIT.

Our MISSION is to create sustained value for all our stakeholders.

Our primary GOAL is to grow and improve cash flow.

Our values

Our values-driven culture guides our daily behaviours and actions to create and uphold our brand promise.

- Challenge the norm
- Make it happen
- Respect personal relationships
- Oneness
- Mean it

What sets us apart

We're not landlords. We're people.

Property is our commodity, but people are our business. We believe it is our unique and focused approach to relationships that enables us to create and sustain meaningful value for our stakeholders.

What matters most

We execute our strategic objectives in an integrated manner, by focusing on what matters most.

- Operate efficiently
- Invest strategically
- Optimise capital
- Engage talent
- Grow reputation

Sustaining value

How we deliver sustained value

We want to be the best, not necessarily the biggest, South African REIT. For us, value encompasses more than profitability or size. Our strategy is centred around people and this is communicated through our tagline: **"We're not landlords. We're people."** Relationships are central to who we are and what we want to achieve.

We create **SUSTAINED value** for all our stakeholders, by placing people at the heart of what we do.

Value for Redefine, therefore, means to achieve our stakeholder goals – distributing sustained value to each of these groups over the long term.

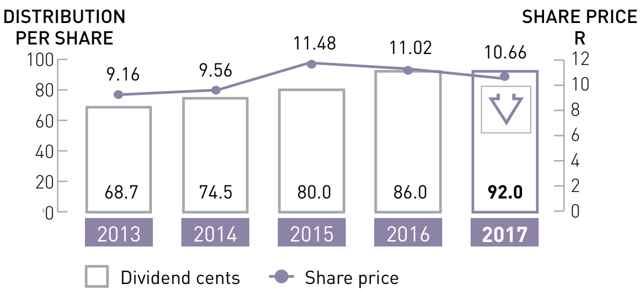
i Refer to page 28 on the value delivered to our stakeholders, and our definition of value for each

How we deliver value to our key stakeholders

Investors & Funders

Source of sustained growth in total returns

TOTAL RETURN TO SHAREHOLDERS



Full year distribution **up 7.0% to 92 cents**

Re-packaged investor **value proposition & increased communication** channels

Employees

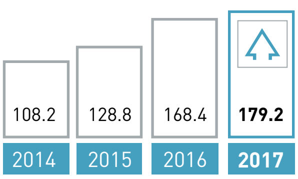
Employer of choice

36 947 man hours spent on training and development

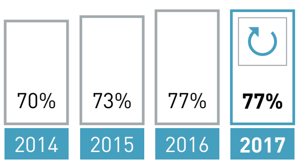
Employee engagement programme include communications and other activities

Employee value proposition re-positioned and communicated

ANNUAL EMPLOYEE REMUNERATION (Rm)



EMPLOYEE ENGAGEMENT SCORE



Tenants

Provider of relevant space

Development of a **tenant engagement strategy** including a tenant experience programme

Internalised retail marketing resources that drives tenant communication and activities to attract shoppers

4 398 121 m² of quality spaces (GLA)

Over **R20 billion** of tenant turnover in retail spaces

43 Green Star rated buildings

Brokers & Suppliers

Preferred business partner

National database of over 300 brokers actively engaged with Redefine

89% of Redefine's procurement spend contributed towards empowering suppliers

Pro-active **broker engagement programme**

Communities

Responsible community participant

Contributed R3.8 million in the form of corporate social investment activities

Created **943 mentorship** hours available to future stakeholders through ***The Mentorship Challenge***

Revised community engagement strategy to ensure impactful and meaningful contributions to the communities in which we operate

Level 4 Black Economic Empowerment **(BEE)** rating under revised sector codes

Value distributed | Positive | Negative | In progress/ongoing

ESSENTIAL READS

To create sustained value for our stakeholders we understand that it's not about what we do – it's a matter of being different at what we do.

2017

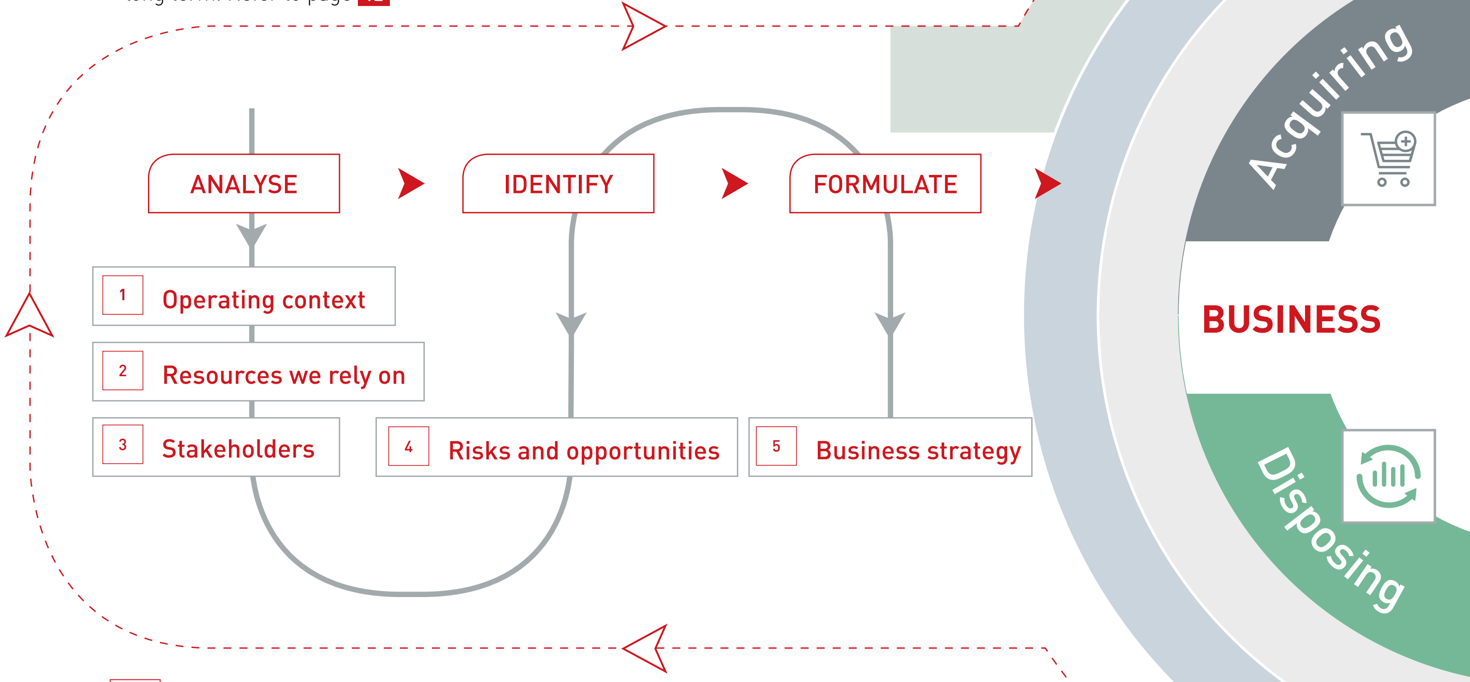
Kyalami Corner, Kyalami

Our value creation story

Our value creation story demonstrates the relationship between the various elements involved in achieving our stakeholder goals. By gaining an in-depth understanding of all the factors that impact our ability to create sustainable value for our stakeholders, we're better able to plan and adjust our business in a constantly changing environment filled with challenges to overcome and opportunities to exploit.

1 Operating context

We analyse our operating context: global, local and property-specific, to determine which risks and opportunities have the greatest impact on our ability to create value in the short, medium and long term. Refer to page 12



2 Resources we rely on

Financial capital

We invest the financial capital received from our equity investors to deliver capital appreciation on their investments, as well as income in the form of distributions. We also obtain financial capital from various debt funders, which we return to them in the form of interest and loan repayments. Refer to page 54

Manufactured capital

We actively manage our manufactured capital to generate cash flow from rental and property-related activities, which translates into capital appreciation. Refer to page 60

Human capital

The knowledge, skill, attitude and innovation of our employees enable us to realise our vision to be the best (but not necessarily the biggest) South African REIT. Refer to page 86

Social and relationship capital

Collaborative stakeholder engagement makes our day-to-day operations more effective, ensuring we remain socially relevant in the communities where we operate. Refer to page 92

Intellectual capital

Our values-driven culture and organisational knowledge-based intangible assets are critical to our ability to sustain and grow the business. Refer to page 98

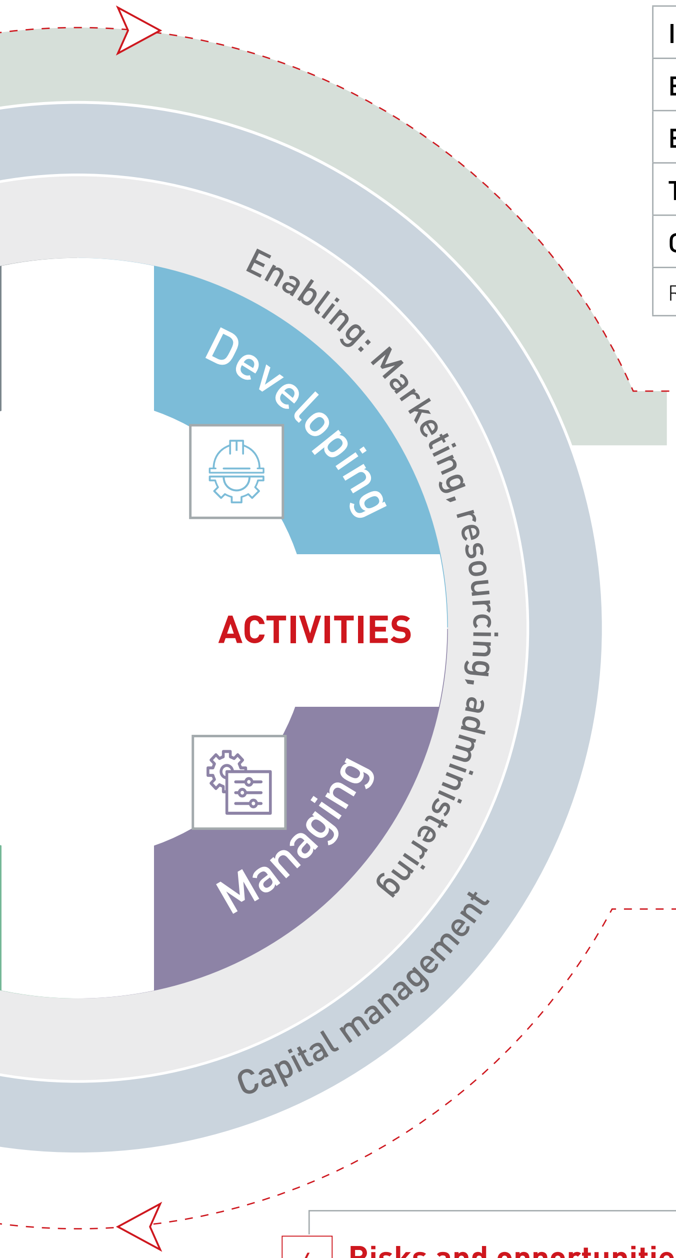
Natural capital

Our business actions, namely developing, operating, occupying and redeveloping buildings, are dependent on natural capital. Refer to page 104

6 Value creation

Key stakeholder goals:

Investors & Funders	Source of sustained growth in total returns
Employees	Employer of choice
Brokers & Suppliers	Provider of relevant space
Tenants	Preferred business partner
Communities	Responsible community participant
Refer to page 28	



6 VALUE CREATION

5 Business strategy: What matters most

We have prioritised our risks and opportunities to determine which matters are most material to our ability to create sustained value in the short, medium and long term. As such, we have identified five strategic matters that enable an integrated approach to the creation of sustained value for all our stakeholders:

- Operate efficiently
- Invest strategically
- Optimise capital
- Engage talent
- Grow reputation

Our performance is measured against what matters most by using relevant key performance indicators (KPIs). Refer to page 22

4 Risks and opportunities

Examining our capabilities to respond to the risks and opportunities identified in our operating context, resources and our stakeholder relationships, enables us to determine our strategic approach. Refer to page 18

3 Stakeholders

We believe that our relationships with people are our strategic differentiator.

The quality of relationships and the issues raised by stakeholders inform the assessment of our top risks and opportunities. Refer to page 16

Business model:
Our activities and their impacts

We carefully manage our inputs, that is the resources we rely on, in order to carry out our day-to-day business activities. In this way, we deliver outputs and outcomes that lead to long-term value creation. Beyond this, we seek to actively manage our business model to ensure we enhance the positive and minimise the negative outcomes of our business, sustaining value for all our stakeholders.

Resources we rely on

FINANCIAL CAPITAL

- Solid credit metrics
- Redefine is a liquid JSE counter
- High level of fixed debt

MANUFACTURED CAPITAL

- A diversified property asset platform with a value of R84.1 billion, comprising local and international property investments

HUMAN CAPITAL

- Stable and highly engaged workforce
- Strong brand alignment
- 424 skilled property and financial professionals, up 13% from 2016

SOCIAL AND RELATIONSHIP CAPITAL

- Integrated stakeholder engagement strategy being formulated and implemented
- Board gender and diversity policy
- Board succession planning

INTELLECTUAL CAPITAL

- Values-driven culture
- Systems that enhance the management of our property portfolio
- Nimble operating model

NATURAL CAPITAL

- Renewable and non-renewable energy sources
- Land under management
- Water sources

Activities

Our business activities are all geared to ensure our ability to secure long-term leases with blue-chip tenants to provide sustained value creation for all our stakeholders.

CAPITAL MANAGEMENT

We have a disciplined approach to capital management. We evaluate the prospective returns of each option to inform our allocation of capital. Underpinning our business activities are the choices we make with regards to how we **source, deploy, manage** and, at times, **recycle** our financial capital in line with our investment strategy, to generate sustained value for our stakeholders.

MANAGING

We actively manage our diversified portfolio to enhance efficiency and maximise returns.

ACQUIRING

Our strategy is to grow and improve the quality of our core portfolio by acquiring buildings, wherever possible, with triple net leases to blue-chip tenants who offer secure cash flows and negligible vacancy rates.

DEVELOPING

Driven by demand and opportunity, we develop innovative, operationally efficient and cost-effective buildings and redevelop existing properties to realise further value.

DISPOSING

We sell secondary assets to recycle the capital into opportunities that have better long-term capital growth prospects once all other alternative uses for the property have been exhausted.

ENABLING

The activities that grow the value of our property portfolio, namely managing, disposing, acquiring and developing, are underpinned by shared services that enable the business to perform these functions in a manner that creates value over the short, medium and long term.

Primary outputs

QUALITY REAL ESTATE INVESTMENTS, EMBEDDED IN SOCIETY, THAT DELIVER SUSTAINED CASHFLOW

i Refer to page 26 for a discussion on the trade-offs that influence value creation over time

Outcomes	Managing our positive and negative outcomes
See page 54 **FINANCIAL CAPITAL** + Raised **R7.1 billion** in debt + Raised **R6.5 billion** in capital - Paid **R2.6 billion** in interest - Distributed **R4.4 billion** in dividends	→ Restructured of expensive debt → Leveraged offshore holdings to reduce cost of debt → Recycled secondary assets to contain the loan-to-value (LTV) ratio → Competitive pricing and good demand in Debt Capital Markets (DCM)
See page 60 **MANUFACTURED CAPITAL** + Expanded property assets by **R11.4 billion** to **R84.1 billion** + Grew total assets to **R91.5 billion**, up **R11.7 billion** - Disposed of 26 non-core properties, valued at **R1.7 billion**	→ Remained opportunistic and invested where we believe the best market opportunities lie → Poland is a market that holds great promise for growth through acquisition, development and extensions – retail in particular → Continued to protect, expand and improve existing well-located local properties, mostly through development activity → Purpose-built student accommodation in Australia poses expansion opportunities
See page 86 **HUMAN CAPITAL** + Engagement capital score of **77%** (2016: 77%) + Invested over **R12 million** in training and development + **41 learnership** participants (2016: 27) - Staff turnover up to **12.6%** (2016: 9%)	→ Advanced learnership programme → Leveraged long-term incentive plan → Deepened accountability and performance management → Continued focus on transformation agenda
See page 92 **SOCIAL AND RELATIONSHIP CAPITAL** - **BEE level 4** under the revised sector codes (down from 3) + **23.5%** of the company is black-owned + New developments contributed to job creation and community upliftment - Employment equity and gender diversity among top management remained challenging	→ Conducted stakeholder engagement surveys and continuously improve stakeholder engagement strategies → Implemented an integrated CSI strategy → Established a BEE committee to encourage sustainable and meaningful transformation
See page 98 **INTELLECTUAL CAPITAL** + Enhanced corporate governance structures - Potential culture dilution due to the high rate of acquisitions and consolidations	→ Continued to improve governance practices through implementation of best practice → Built on values-driven culture → Encouraged innovation and challenged the norm → Leveraged off our partners' expertise and specialist skills
See page 104 **NATURAL CAPITAL** + **3 793** smart meter installations + **43** Green Star rated buildings + **2 289** tonnes of waste diverted from landfill + **10 330 333** KWh saved through optimisation and renewable projects - Total emissions of **774 221** tonnes CO_2e	→ Pursued further renewable sources of energy → Reduced waste-to-landfill → Pursued a waste management footprint assessment → Optimised energy and water use → Pursued further Green Star ratings → Ensured sustainable practices awareness throughout the organisation

+ Increase in capital - Decrease in capital

Our operating context

Where we invest

POLAND

	*	**
Echo Polska Properties N.V.	39.5%	R4.8bn

UNITED KINGDOM

	*	**
RDI REIT PLC	29.5%	R3.9bn
International Hotel Properties Limited	27.5%	R0.2bn

AFRICA

	*	**
Oando Wings Development Limited	37.2%	R0.6bn
Grit Real Estate Income Group	6.3%	R0.2bn

* % Ownership ** Value of investment

Carried at fair value Equity accounted

For detailed disclosure of our investments, refer to AFS

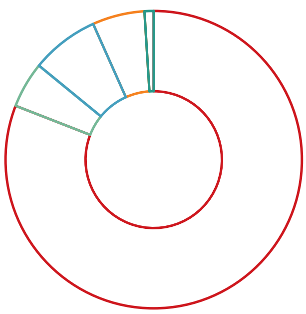
SOUTH AFRICA

	*	**
Property portfolio	100%	R64.0bn
Respublica	51%	R1.0bn
Loans receivable	100%	R3.1bn

AUSTRALIA

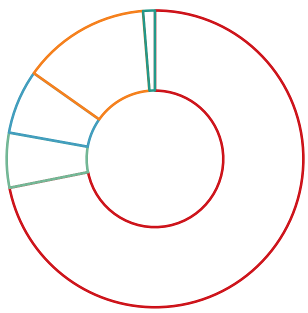
	*	**
Journal Student Accommodation Fund	90.0%	R0.5bn
Northpoint	50.0%	R0.9bn
Cromwell Property Group	25.4%	R4.9bn

GEOGRAPHIC CONTRIBUTION TO PROPERTY ASSETS



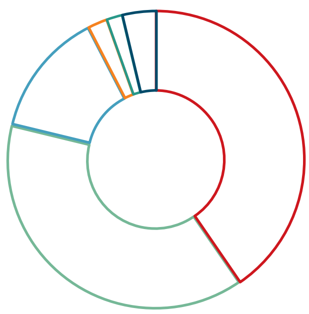
Local	81%
UK	5%
Australia	7%
Poland	6%
Africa	1%

GEOGRAPHIC CONTRIBUTION TO DISTRIBUTABLE INCOME



Local	72%
UK	6%
Australia	7%
Poland	14%
Africa	1%

GROUP ASSETS BY SECTOR



Retail	40%
Office	38%
Industrial	14%
Student accommodation	2%
Hotel	2%
Specialised and loans	4%

Factors to consider in our chosen markets

Our global context

Positive factors	Negative factors
→ Local partners aligned to our interests → Reducing imbalances in many emerging markets, leading to a growing middle class → Growth in selected markets → Continuing monetary easing in Europe leading to low cost of funding → Ease of doing business continues to improve as a result of globalisation	→ Growing competition for capital → Ongoing global financial market volatility → Tepid economic growth as a consequence of Brexit → Social instability and terrorism → Populist liberal governments pose tax risks → Intense globalised competition → Onerous regulatory environment

OUR RESPONSE

- → Diversify geographically through exposure to stable macroeconomic fundamentals and hard currencies
- → Exploit positive initial income yield spreads
- → Invest in value-add opportunities, offering development and asset management potential, to counter low organic growth
- → Hedge international income to improve visibility of income
- → Manage balance sheet risk through gearing offshore assets with in-country funding

South African context

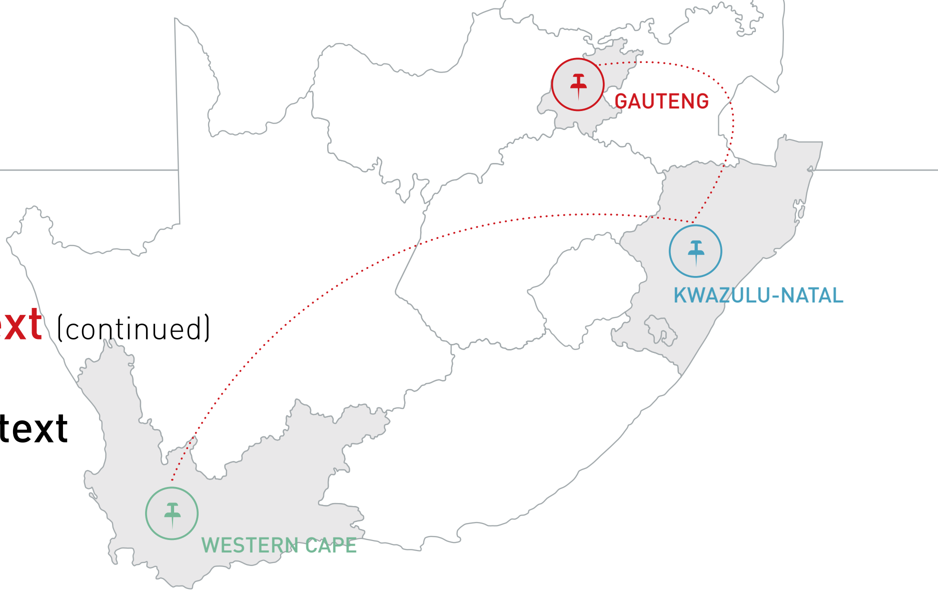
Positive factors	Negative factors
→ Increasing liquidity in capital markets → Emerging alternative real estate asset classes → International retailers looking to expand locally → Improving financial viability of investing in renewable sources of electricity as solar photovoltaic (PV) → Growing demand for student housing → Non-GLA income opportunities → Positive market response to ANC elective conference	→ Weak economic growth → Subdued business and consumer confidence → Scarcity of skilled staff → Policy uncertainty → Risk of further credit downgrades → Competition for capital intensifying

OUR RESPONSE

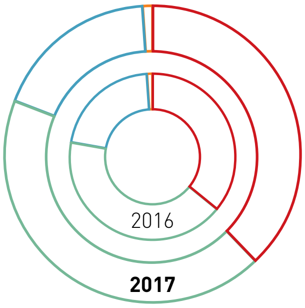
- → Focus on redevelopments to improve, protect and expand existing properties in well-located areas
- → Convert existing secondary properties for alternative uses such as student accommodation
- → Engender a culture of excellence through training
- → Develop to expand in under-represented defensive asset categories
- → Diversify geographically and sectorally
- → Recycle secondary assets that no longer meet Redefine's investment criteria
- → Intensify balance sheet management
- → Extend brand promise to all stakeholders

Our operating context (continued)

Our South African context

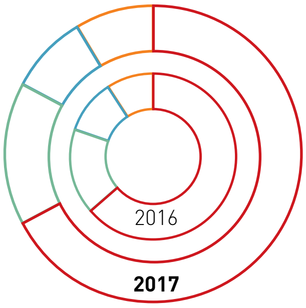


SECTORAL SPREAD BY VALUE



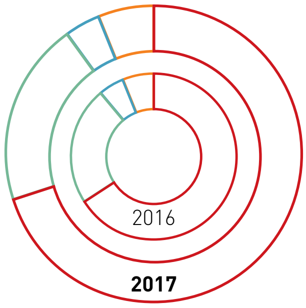
	VALUE (%) 2017	2016
Office	**38**	36
Retail	**43**	42
Industrial	**18**	21
Specialised	**1**	1

GEOGRAPHICAL SPREAD BY NUMBER OF PROPERTIES



	NO. PROPERTIES 2017	2016
Gauteng	**220**	199
Western Cape	**51**	52
KwaZulu-Natal	**28**	33
Other	**28**	28
Grand Total	**327**	312

GEOGRAPHIC SPREAD BY VALUE



	VALUE (%) 2017	2016
Gauteng	**70**	66
Western Cape	**20**	23
KwaZulu-Natal	**4**	5
Other	**6**	6

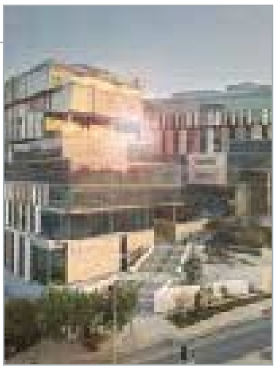
RETAIL TRENDS

The battle for market share continues to intensify

- → Growing battle for market share due to low household consumption and increasing retail supply
- → This battle for market share is between centre formats, merchandise categories and between tenants
- → Potential for greater competition
- → Challenging lease renewals, with larger tenants downscaling significantly
- → Increasing security threats
- → Trading densities across the South African retail landscape are showing negative real growth
- → Growing signs of polarisation in shoppers – choosing convenience and one-stop shopping
- → Decreasing frequency of shopper visits, but increased spending per visit
- → Spending has shifted from big-ticket items and apparel to the things people need

OUR RESPONSE

- → Ensure relevance by optimising tenant mix and centre design
- → Differentiate experience by focusing on the basics – convenience, safety, cleanliness, tenant mix and parking
- → Market strategically within each catchment area to maintain retail spend (market share)
- → Embrace online shopping trends to improve relevance and communication channels
- → Manage trading density growth, occupancy costs and vacancies through space optimisation and tenant mix



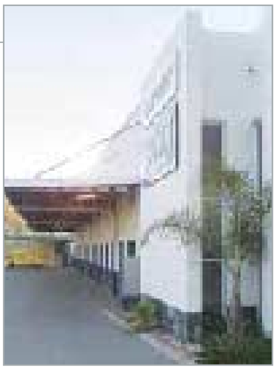
OFFICE TRENDS

Oversupply in the market

- Remains a tenants' market with rentals generally moving sideways
- Demand for high-quality space in prime nodes remains healthy
- Downsizing of space, flexi-hours and hot-desking fuelling reduction in requirements
- Users demanding well-located, modern and efficient facilities
- Flexible lease terms and co-working environments are becoming the new normal
- Growing trend of third-party tenant representation among the larger corporates

OUR RESPONSE

- Focus on tenant retention
- Rejuvenate office premises constantly to ensure that they remain relevant to users' needs
- Adopt a forward-looking approach in preparing for challenging future lease negotiations
- Increase focus on tenant and broker relationships, as well as tenant experience management
- Improve operational sustainability through facilities and utility management interventions
- Increase the number of Green Star-rated buildings



INDUSTRIAL TRENDS

Defensive but price-sensitive

- Ongoing need for efficiency and accessibility continues to drive demand
- Contracting in manufacturing sectors such as the textile industry
- Increasing power demand on new sites
- Differing tenant profiles based on the regions in which they operate
- Tenants demand improved design, latest technology and space capabilities
- Increasing demand for volatility in the commodity and retail supply chain sectors affects lease terms
- Rental growth on shorter leases remains lean while retention has been good

OUR RESPONSE

- Focus on logistics and warehousing
- Implement an improvement roadmap on buildings to enhance tenant retention
- Improve facilities to retain tenant occupancy
- Substantial development-land-bank in key nodes will present opportunities to satisfy demand

Stakeholder relationships

We believe that good quality relationships with all our stakeholders support our ability to create value. By establishing good lines of communication with our various stakeholders and maintaining a constructive relationship with them, we enhance our business sustainability by being better able to identify and address risks and opportunities. We identified our key stakeholders in order to engage with them in the most effective manner. Refer to ESG report for a detailed list of our stakeholders, their concerns and our response.

GAUGING THE QUALITY OF THE RELATIONSHIP

This scale represents our internal assessment of the quality of our relationships

★☆☆☆☆	**1.** No existing relationship
★★☆☆☆	**2.** Relationship established but much work to be done to improve quality of relationship
★★★☆☆	**3.** Relationship established, value-generating connection, but still room for improvement
★★★★☆	**4.** Good-quality, mutually beneficial relationship, with some room for improvement
★★★★★	**5.** Strong relationship of mutual benefit

MEASURING THE IMPACT OF RELATIONSHIPS: In order to formulate meaningful engagement strategies with our stakeholders, we have identified our material stakeholder groups according to their levels of influence on us, our impact on them, and the level to which we collaborate, involve or consult with them.

COLLABORATE INVOLVE CONSULT

Refer to page 93 and ESG for more details on our approach to stakeholder engagement

Investors & Funders ★★★☆☆

Source of sustained growth in total returns

ISSUES RAISED

- Clarity on Redefine's offshore strategy
- Transparency on Redefine's transformation strategy
- Independence of the board
- Concern around the role of the executive chairman
- Clarity on the investment case and value proposition

OUR STRATEGIC RESPONSE

To ensure investors and analysts are exposed to and given an opportunity to engage with the investment proposition, our communications plan for 2017/2018 includes specific themes that underpin the value proposition and delivery on our promise, as well as other topical issues that were highlighted in the perception survey.

We have restructured the board to improve governance.

KEY RISK/OPPORTUNITY IDENTIFIED

Risk

- Lack of investor confidence

Opportunity

By clearly communicating our strategy and demonstrating consistent delivery on this, we build confidence in our leadership and further investment interest in Redefine.

Employees ★★★★☆

Employer of choice

ISSUES RAISED

- Perceived lack of communication
- Long-term incentive (LTI) schemes
- Transformation
- Career development plans and growth opportunities

OUR STRATEGIC RESPONSE

We enhanced communication during 2017 through our extensive employee engagement programme. This programme focused on clearly communicating our employee value proposition (EVP) with regard to strategy and performance, culture and sustainability, training and development and rewards and recognition.

KEY RISK/OPPORTUNITY IDENTIFIED

Risk

- Staff retention and attraction
- Slow pace of transformation
- Meeting the high expectations of our people-centric brand promise

Opportunity

Continuing to enhance our EVP and clearly communicating it to existing and potential employees enables us to attract and retain the best talent.

Enhanced change management programmes to ensure successful delivery on our tenant engagement programme at all touch points, is a key focus.

Tenants ★★★☆☆

Provider of relevant space

ISSUES RAISED

- Inconsistent service levels throughout the tenant lifecycle
- Utility supply interruptions
- Increased costs of occupation

OUR STRATEGIC RESPONSE

We continue to improve our product offering to remain competitive, focusing on greening our buildings to assist with supply interruptions. Enhancing our relationships with tenants through consistent service delivery, remains a key focus.

KEY RISK/OPPORTUNITY IDENTIFIED

Risk

- Provide spaces that keep up with the latest trends

Opportunity

Understanding and adapting to disruptive and innovative technology that may impact on tenants' needs.

Property brokers & Suppliers ★★★★☆

Prefered business partner

ISSUES RAISED

- Information supply and response times
- Late payments
- Lack of time to conclude contracts and agreements

OUR STRATEGIC RESPONSE

We are focused on enhancing our operational efficiency and fine-tuning our structures to build strong relationships with our brokers and suppliers. We understand, however, that in optimising costs there are relational trade-offs that need to be carefully managed.

KEY RISK/OPPORTUNITY IDENTIFIED

Risk

- Loss of potential tenants due to breakdown of relationships with brokers
- Inability to deliver on our brand promise if suppliers are not aligned to our values

Opportunity

By improving our internal processes, we can enhance our broker and supplier relationships and deliver on our brand promise.

Communities ★★★☆☆

Responsible community participant

ISSUES RAISED

- Commitment to make a positive impact on the communities in which we operate

OUR STRATEGIC RESPONSE

We strive to continuously review and improve our corporate social investment (CSI) strategy. A more integrated approach has been taken to engage with the communities in which we operate and to manage impact. We also seek development opportunities in under-resourced areas.

KEY RISK/OPPORTUNITY IDENTIFIED

Risk

- Reputational risk to our brand if communities don't believe we are committed to them

Opportunity

We seek to add value to the communities surrounding our buildings through carefully planned developments that enhance our surrounds. These benefits include job creation during development and the day-to-day operations of the buildings and that of our tenants, offering the correct tenant mix that adds to a community lifestyle and through localised corporate social investment.

Top-of-mind risks and opportunities

What does risk and opportunity mean to Redefine?

It revolves around our ability to create sustained value to our stakeholders. **A risk** is expected to negatively impact, and an **opportunity** is expected to positively impact our ability to deliver sustained value to our stakeholders.

Our risk management processes incorporate our strategy, governance, compliance and performance processes. For us, risk management involves achieving an appropriate balance between realising opportunities for gain while minimising the adverse impacts of these risks.

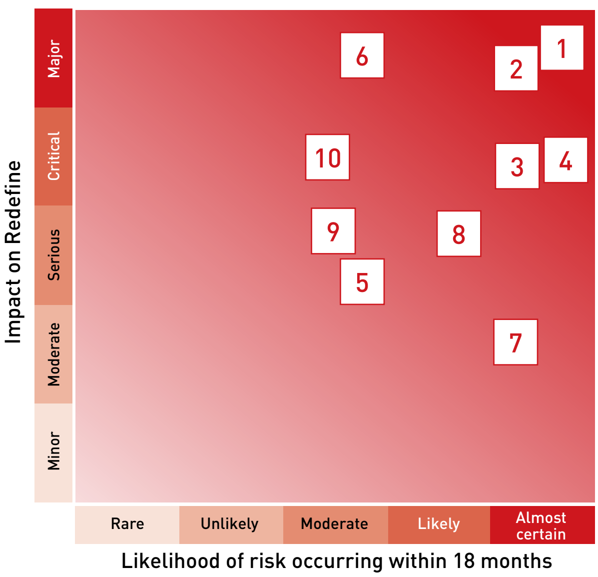
Risk is carefully managed across the organisation to effectively and proactively identify, assess, quantify and mitigate risk events while capitalising on opportunities, providing our stakeholders with reasonable assurance that our strategic objectives will be achieved.

RISK ACTIVITY AND RESPONSIBILITIES

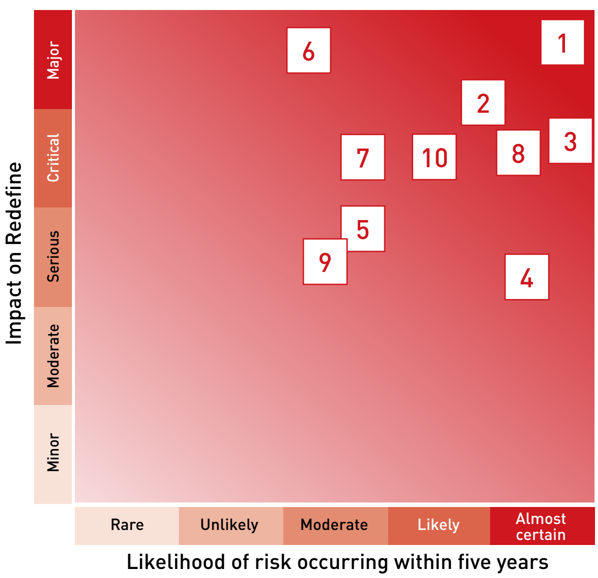
	Risk governance	Risk assessment	Risk monitoring and reporting	Risk quantification	Risk assurance	Risk orientation & awareness	Risk response
Board of directors	■	■	■				
Chairperson of the committees of the board	■		■				
Audit & risk committee	■	■	■	■	■		
Coordinating risk function	■						
Executive management		■	■	■	■	■	■
Senior operational management		■	■	■		■	■
Internal audit					■		

As part of the risk assessment process, risks are assessed over the short, medium and long term. The heatmaps below provide an overview of the assessment of Redefine's top 10 strategic risks, with the strategic risks considered from an inherent risk perspective (before considering mitigating efforts) and from:

AN 18-MONTH TIME HORIZON



A FIVE-YEAR TIME HORIZON



Root causes	Implications for value creation	Mitigating actions and opportunities	Focus*	Capital**	Outlook
1 Uncertainty and impact from potential further sovereign credit downgrades					**No movement (2016: 1)**
→ Political uncertainty → Poor growth outlook → Rising government debt → Current account deficit → Inflationary pressures → Rising interest rates	Credit rating downgrades result in decreased availability and increased cost of capital as financial institutions need to hold more money in reserve. This makes it more difficult to obtain credit, and the credit that is granted comes at a higher cost, impacting on our ability to fund new acquisitions and developments	→ Appropriate diversification of foreign and local assets → Diversification of funding sources → Hedging of funding → Income hedging policy in place → Spreading debt maturity profile → Geographical diversification			Addressing the underlying causes of the downgrades will be a complicated socio-political process. That said, we have adjusted our strategic approach to cope with prolonged difficulties in the economy, and continue to diversify appropriately.
2 Prolonged sluggish or negative economic growth					**No movement (2016: 2)**
→ High inflation → Political uncertainty → Slowdown in domestic economy → Electricity shortages → Weakening Rand → Rising interest rates → Government policy uncertainty → Low business and consumer confidence	Macro-environment weaknesses could reduce demand for space and increase the potential for tenant defaults, thereby undermining rental income levels Pressure on expansion and growth	→ Ensure appropriate tenant selection criteria for good-quality tenants, monitor tenant strength and effective credit management → Appropriate diversification of foreign and local assets → Increase focus on the development of a sound defensive asset base → Enhance efficiency to maintain margins → Geographical diversification			We have adapted our strategic approach to cope with a prolonged slow growth and subdued confidence environment, focusing on efficiencies, differentiation and diversification.
3 Impact of disruptive technologies (risk description broadened)					**(2016: 9)**
→ Changing tenant needs, usage of space, etc. → Change in appeal of property locations → Outdated energy-efficient buildings → Properties become aesthetically outdated → Unprecedented pace of change in technology and innovation → Disruption to tenants' business models affecting use of / demand for space	Digital platforms, the internet and solid media will reduce barriers The collaborative economy will impact on the need for short-term space In time, driverless cars will be commercialised – we already have Uber Retail is being reshaped by online shopping Logistics will be reshaped by online shopping and delivery methods such as drones	Disruption underpins the need to change how we harness technology – we will therefore be looking at various adaptations to the way we do business, including: → Online and virtual reality leasing → Flexible leasing approach → Sizing of stores and malls → Alternative use of potentially excess parking – retail and offices → Embrace rise of online shopping to improve relevance → Adopt a digital approach to communication and use technology as a key offering, and to access shopper information → Adapt reputation management interventions to cope with social media			The rate of change of all businesses needs to keep pace with advances in technology and this area will receive increasing focus within our business in years to come.
4 Financial market volatility (risk description broadened)					**(2016: Outside top 10)**
→ Political uncertainty → Inflationary pressures → Monetary policy → Weakening Rand → Global interest rates → Credit rating downgrading → Volatility of exchange rates	Reduced distributable earnings Difficulty accessing further funding Negative impact on property capitalisation rates	→ Ensure hedging policy in place → Diversify funding sources → Spread debt maturity profile → Geographical diversification → Pro-active investor/funder relationship management			Volatility in financial markets is expected to continue, which forces us to focus on those variables under our control and to further embed our risk management practices in our daily decision-making.

* Addressed through a focus on what matters most

** Capitals mostly impacted by related risk/opportunity

Top-of-mind risks and opportunities (continued)

Root causes	Implications for value creation	Mitigating actions and opportunities	Focus*	Capital**	Outlook
5 Misalignment with international (in-country) partners (emerging risk)					**(2016: -)**
→ Changes in Redefine's strategic direction → Incongruent ethics and values → Changes in regulatory requirements in-country → Breakdown in relation with in-country management → Changes in in-country management	Value destruction Harm to reputation Failure to execute offshore strategies	→ Ensure due diligence and partner selection → Ensure representation on the board → Strategic and economic alignment → Oversight and monitoring of business plans and strategy → Oversight of governance practices			We focus in maintaining a continuous alignment of interests with local partners through ongoing strategic support and involvement.
6 Lack of sustainable growth in total return					**(2016: 3)**
→ Downgrading of Redefine's credit rating → Changes in tenant space demands and usage thereof → Extreme pressure to produce short-term financial returns → Sluggish or negative economic growth → Adverse currency fluctuations	Damage to our reputation and negative impact on our liquidity through a loss of shareholder confidence (share price deterioration) Restricted access to funding, which would place pressure on expansion and growth	→ Regularly forecast and monitor actual performance → Conservative hedging policies → Ongoing stakeholder engagement → Long-term asset management plans → Geographic diversification → External benchmarking of executive remuneration → Transparent reporting → Pipeline projects hedge risk			Our ability to deliver on sustainable growth in total return is enhanced by our relentless focus on what matters most.
7 Inability to achieve transformation targets (risk description broadened)					**(2016: 6)**
→ Scarce skills impacts appropriate equity profile → Economically not feasible to comply with all aspects of the code → Challenging to monitor shareholding → Lack of policy direction from government → New BEE codes introduced	Direct impact on our ability to attract and retain tenants, in particular those tenants who require a landlord with a rating that will maintain or improve their own rating Impacts on ability to compete on development bids and leases as a result of impact on reputation (in particular professional firms as tenants) Potential to negatively impact on relevance	→ Implement and monitor of the BEE compliance strategy, while keeping abreast of any changes in the legislation and scorecard → BEE committee established to continuously assess and drive areas of improvement → Established the Redefine Empowerment Trust to maintain empowerment credentials			We remain focused on increasing the number of employees from designated groups and continue to proactively seek and develop the right candidates – those candidates who best support our overall business objectives. We support the principles of diversity and practise equality of opportunity among all our employees, and we have adopted a board diversity policy to ensure that, over time, we promote gender diversity among senior management.

Root causes	Implications for value creation	Mitigating actions and opportunities	Focus*	Capital**	Outlook
8 Increased competition for capital, tenants and assets					**(2016: 5)**
→ Lack of demand for new spaceing → Increasing supply of space → Increasing flows of investment capital to real estate → Lack of GDP growth → Increasing competition in listed real estate companies and foreign entrants → Dependence on renewal of rental contracts	Diminishing pool of acquisitions, which could increase the cost of property investments Increased competition for tenants could increase vacancies and result in poorer rentals, resulting in reducing profitability and an inability to achieve our strategic objectives	→ Growing our brand is a means of setting us apart, in an increasingly competitive marketplace. → Appropriate sector and geographical diversification of assets → Exploration of alternative asset classes			We will continue to actively manage the variables we can control and explore opportunities in order to differentiate ourselves in a competitive market.
9 Failure to comply with local and international laws and regulations					**(2016: 7)**
→ Lack of awareness of existing and new legislation → Complexity and large volume of legislation → Lack of compliance culture → Economic pressures → Risk of human error → Geographic expansion into new markets, creating a need to understand the local regulatory requirements	The volume and increasing complexity of new and amended legislation that is being introduced in South Africa and internationally often requires the reallocation of financial and human resources to implement and address the legislation requirements. Not complying, however, could have the following consequences: → Possible loss of REIT status → Harm to reputation → Imposition of fines and penalties/sanctions → Loss of insurance cover or increased premiums	→ Ensure better systems and processes and resources (through monitoring and oversight) are in place to assist in achieving compliance requirements, supported through education and training. → The implementation and monitoring of our compliance framework systematises compliance issues and reduces man-hours spent.			Compliance and risk management are no longer regarded as a governance obligation, but rather as a proactive value creation function that will underpin our sustainability.
10 Utility supply failure					**(2016: 8)**
→ Utility suppliers have insufficient supply capacity → Poor maintenance by utility suppliers → Utility suppliers lack the appropriate skills → Natural causes (e.g. prolonged drought) → Inability of councils to deliver services → Deteriorating water supply and quality	Challenges experienced with electricity supply on tenants to run their businesses profitably Increases on operating costs to supply essential utilities to our tenants	→ Smart metering project roll-out → PV solar and backup generators → Enhancing relationships with local councils → Location of properties in well-serviced areas → Focus on building efficiencies to reduce consumption			We will continue to focus on decreasing our dependence on natural capital resources through the development and acquisition of more sustainable buildings to mitigate the risk of utility supply failure, as well as to enhance our brand and attract quality tenants who are willing to sign long-term leases for better performing buildings.

* Addressed through a focus on what matters most

** Capitals mostly impacted by related risk/opportunity

i Refer to page 18 for an overview of the assessment of the strategic risks considered from an inherent risk perspective

Our game plan:
Advancing our integrated thinking

Adapting our approach to sustained value creation in a slow growth, subdued confidence environment

We are opportunistic and invest where we believe the best market opportunities lie	We have deepened our unique approach to relationships
Our focus is on real estate and related investments – not a particular sector	We will continue to protect, expand and improve existing well-located local properties, mostly through development activity
Our strategy is aligned to long-term trends and is tweaked for opportunities and risks	Our secondary assets are recycled to contain the LTV ratio
We continue to actively manage the variables we can control	Poland is a market that holds great promise for growth through acquisition, development and extensions – retail in particular
We uphold Redefine's values	Purpose-built student accommodation in Australia poses expansion opportunities
We maintain alignment throughout the business	We leverage off our holding in RDI REIT PLC and support them in corporate activities

Focusing on what matters most

An integrated approach to making strategic choices

To sustain growth, we need to manage more than simply our finances and properties. We need to make strategic decisions that develop and preserve all our capitals – financial, manufactured, human, social and relationship, intellectual and natural.

Scorecard by strategic matter

We measure our performance against what matters most, using relevant key performance indicators (KPIs) that are linked to our remuneration structures.

Our primary long-term objective

To increase our total returns through improved cash flow and capital appreciation in order to deliver sustained growth.

How we calculate our total return	**Total return** = distribution per share + net tangible asset value (NTAV) growth per share
How we measure up	**Total return:** 2017: 6.6% | 2016: 12.9% R

R Link to executive directors' remuneration

OPERATE EFFICIENTLY

Why it matters most

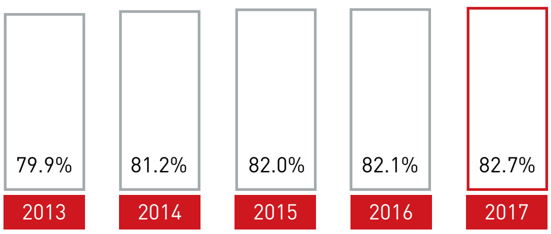
Operational efficiency is not only about cutting costs. It's about finding the best possible way to do what we do with the capitals at our disposal. In the current environment, we need to weatherproof our cash flow by focusing on the variables under our control.

Related risks **(refer to pages 19 to 22)** 1 3 4 5 6 7 8 9 10

KPI: **NOI margin** R

Target: Greater than 80%

Five-year trend



Focus 2018

We've demonstrated our ability to adopt an approach of continuous improvement, as evidenced by the improvement in our NOI margin over the last five years. This will stand us in good stead as we expect a continuation of the tough leasing environment, which will constrain revenue growth. The focus for 2018 will therefore be to continue to drive innovation in the business to ensure that our cost base remains proportionate to our revenue growth and our business processes remain relevant in an ever-changing business environment.

R Link to executive directors' remuneration

INVEST STRATEGICALLY

Why it matters most

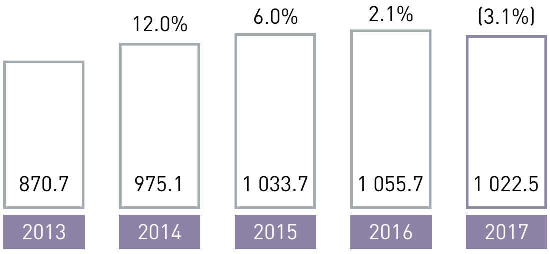
We are seasoned property and financial professionals. We use our combined years of experience to make strategic choices to selectively deploy the six capitals that create enduring benefit for our organisation, while creating value for our investors, tenants and all other stakeholders. This insight sets us apart and is material to our future success.

Related risks **(refer to pages 19 to 22)** 1 2 3 4 5 6 7 8 9 10

KPI: **NAV per share** R

Target: NAV growth of greater than 5%

Five-year trend



Focus 2018

One blemish on our performance scorecard, this year, was the decrease in our net asset value by 33.2 cents per share (3.1%). This was largely caused by depreciation in the value of our unhedged foreign investments due to a stronger Rand against, principally, the Australian Dollar (AUD) and the British Pound (GBP) and subdued underlying performance from our investments in RDI REIT PLC and Cromwell. Unfortunately, our local asset platform's marginal value appreciation was not sufficient to counter this negative effect.

Our focus for 2018 will be to redress this decline through active asset management, conservative balance sheet management and carefully considered capital allocation.

R Link to executive directors' remuneration

Outcome: Positive | Negative | In progress

Scorecard by strategic matter (continued)

OPTIMISE CAPITAL

Why it matters most

We need to have adequate funding available to deploy capital into the right property opportunities and meet operational requirements. Exposure to interest rate and currency volatility needs to be responsibly managed. We also need to ensure that our existing portfolio is optimally funded to increase our returns and ensure sustained and predictable growth. By optimising capital, we make the best use of scarce financial capital to create value for our stakeholders - liquidity trumps credit.

Related risks **(refer to pages 19 to 22)** 1 2 9 10

KPI: LTV R

Target: Maintain LTV ratio of below 40%

Five-year trend

2013	2014	2015	2016	2017
39.9%	37.0%	36.7%	38.5%	41.1%

Focus 2018

Our LTV, as at 31 August 2017 breached our long term comfort ceiling of 40% for the first time at 41.1%. This was principally caused by the depreciation of the value of our unhedged foreign investments, and the high LTV of the development-focused Pivotal fund acquisition.

Our immediate focus for 2018 will be to contain our LTV ratio through recycling of assets, funding local acquisitions with equity and conservative balance sheet management.

R Link to executive directors' remuneration

ENGAGE TALENT

Why it matters most

Recruiting and developing individuals who have the qualifications, know-how and people skills and are aligned to Redefine's human and relationship capital, necessary to support our people-centric business, is an ongoing challenge that we seek to address to continue our growth trajectory. Inspiring our human capital to go above and beyond the call of duty, through various programmes, ensures that we harness these capitals to their best potential to achieve our vision to be the best in all aspects of what we do.

Related risks **(refer to pages 19 to 22)** 1 3 9 10

KPI: Engagement score R

Target: Maintain or improve previous year's engagement score

Five-year trend

2013	2014	2015	2016	2017
*	70%	73%	77%	77%

Focus 2018

We understand that there is nothing more powerful than our employees' passion and the initiative in our efforts to be the best in all aspects of what we do. We attempt to measure our level of employee engagement to ensure we create the right conditions for all people to give of their best each day, committed to our goals and values, motivated to contribute to organisational success and with an enhanced sense of their own wellbeing.

Our focus for 2018 will be to encourage a culture of innovation and deepen levels of accountability.

** Did not participate*

R Link to executive directors' remuneration

GROW REPUTATION

Why it matters most

Our brand is the essence of who we are and the glue that holds our business together. We differentiate ourselves through a dedicated people-centric approach to all aspects of what we do, focusing on excellence in the context of relationships. The strength of our brand is the key factor to differentiate our offering and secure our success in a market that is fiercely competitive.

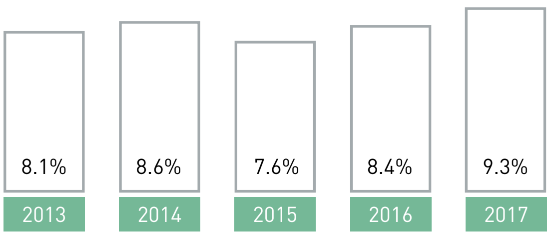
Growing our reputation in the execution of all aspects of what we do leverages off relationship capital.

Related risks **(refer to pages 19 to 22)** 1 3 4 7 8 9 10

KPI: **Forward yield** R

Target: Distribution forward yield of equal or less than R186

Five-year trend



Focus 2018

Our distribution forward yield ultimately reflects the market's rating of our ability to deliver sustained value in the form of growing distributions and capital growth. We benchmark ourselves against the government long bond yield. Our current rating of 9.3% represents a premium of approximately 20bps to the R186, which has a negative impact on our overall cost of capital. Our key focus area for 2018 will be to address this through a relentless focus on what matters most.

R Link to executive directors' remuneration

Our trade-offs

Unpacking the tough choices we made

We strive to allocate our capital and resources in the best possible way to create sustained value for all our stakeholders. Given the constrained and interconnected nature of the capitals we rely upon, we must make tough choices about where to allocate our resources to generate sustained value.

Our five strategic focus areas act as a compass, guiding our decision-making in an integrated manner, allowing us to focus on what matters most to optimise the outcomes of our strategic choices.

Below are some of the primary trade-offs made in 2017 and the rationale behind these decisions.

BALANCING SHORT-TERM PERFORMANCE EXPECTATIONS AND LONG-TERM VALUE CREATION

Understanding the trade-off

Real estate is a long-term asset class. We need to make decisions today that will often only bear fruit in the future. Our single most significant trade-off is managing a long-term strategy against short-term stakeholder performance expectations.

At times, to ensure sustained value creation, we need to make decisions that are right for our property assets in the long term, but may have negative short-term consequences.

How this played out in 2017

Defensive spend on our properties is a short-term cost that can negatively impact our bottom line, but, if not undertaken, can render a building irrelevant in the medium to long-term. Investing in our buildings, particularity our retail centres, can however result in significant benefits for tenants and shoppers, including lower operating costs through green building elements that preserve natural capital, increasing our social and relationship capital and their financial capital, enabling sustained value creation for Redefine in the long term.

R1 billion invested in defensive spend during 2017

Refer to for more information

We seek to manage our impacts and trade-offs vigorously to improve the long-term outcomes of our activities for our business and meet the short-term expectations of our stakeholders.

Related capitals

Related strategic matters

MANAGING WHERE WE ALLOCATE OUR FUNDING

Understanding the trade-off

Our ability to raise financial capital is critical to our business and determines our ability to expand our property asset base. However, we don't have an unlimited supply of funding, forcing us to make difficult choices about where and how to invest.

How this played out in 2017

Investing internationally offers secure income returns and more favourable funding costs. When we invest offshore, we strive to maximise gearing levels to take advantage of the lower funding costs and to also provide a natural Rand hedge, against the offshore assets. The impact of this decision is that we must then be far more conservative on our local gearing levels, limiting how much we can invest locally. This means possibly having to pass up favourable investments locally for international options.

R1.4 billion invested internationally, with **64%** funded internationally.

Refer to for more information

Related capitals

Related strategic matters

BALANCING TENANT RETENTION AND PROFITABILITY

Understanding the trade-off

Given the challenging macroeconomic context, there is significant pushback on local lease renewal and rental escalations from our tenants. Tenant retention and managing vacancies are crucial to our profitability and preserving cash flow. Our leases are long-term that escalate over time, offering a stable, growing source of income, which is critical to our business.

How this played out in 2017

In the current environment, we are always balancing the tension between accepting lower rentals over vacancies. For several negotiations this year, we were faced with the question of whether we renew leases at lower rental rates or accept a higher vacancy risk whilst sourcing higher rental offers.

We engage fully with our current and future tenants and continuously review our risk appetite and controls to ensure we have a full understanding of any risk before carefully making any decision.

Tenant retention remained above 80% in 2017, at 92.6%

Refer to for more information

Related capitals

Related strategic matters

MANAGING DISCRETIONARY SPEND TO ENSURE DISCRETIONARY EFFORT

Understanding the trade-off

In challenging times, it can be easy to aggressively cut discretionary spend, bolstering profits in the short term, with potential negative long-term consequences.

How this played out in 2017

Reducing our investment in our staff training, CSI and marketing may increase short-term profitability, but adversely impacts our employees' productivity, contribution and engagement, as well as our brand and reputation.

To manage this, we are continually reviewing our discretionary spend to ensure it works hard and is a targeted investment, thereby ensuring our stakeholders and our business receive the maximum benefit from this investment.

R12 million invested in training and development, up **71.4%** from 2016

R36 million invested in marketing and related activities (2016: R34 million)

Refer to for more information

Related capitals

Related strategic matters

MANAGING ADMINISTERED COSTS

Understanding the trade-off

Given the constant and uncontrollable hike in administered costs, reducing our buildings' natural capital consumption is a priority. While our investment in green technology lowers occupation costs and attracts quality tenants for the long term, the investment can be costly in the short term.

How this played out in 2017

We believe that the long-term financial capital returns from our investments in solar PV and smart-metering and natural capital savings (from reduced electricity consumption) will add more value than what is detracted in the short term.

Total installed solar PV capacity now **7 807 kWp**

Refer to for more information

Related capitals

Related strategic matters

Delivering sustained stakeholder value

Value for Redefine is about meeting our stakeholder goals. Due to the quality of our relationships and our extensive engagement strategies, we are able to prioritise what each of our key stakeholders value most, but also what value Redefine strives to achieve from each relationship in return.

Investors & Funders

Source of sustained growth in total returns	Value creation indicators*
Value for Investors & Funders → Solid investment case & understanding of the business strategy → Continued, sustained growth in capital and distributions → Assurance that business activities and decisions are aligned to strategy – creating sustained value → Assurance that sustainability & compliance to governance principles is considered and integrated into business strategy → Access to senior management to raise issues and concerns	→ Total return to shareholders → Distribution growth → Perception management through engagement strategies
Value for us → Provision of capital → Liquidity of our shares → Fair rating of Redefine shares → Open dialogue in order to understand their concerns	

Employees

Employer of choice	Value creation indicators*
Value for Employees → A work-environment that provides sustainable income → Opportunities for learning, development and growth → Career growth prospects → The opportunity to make valuable contributions → Quality relationships	→ Employee remuneration → Investment in training and development → Employee engagement score
Value for us → Delivery on our strategic goals and brand promise → Filling the skills gap: nurturing and developing future talent (developing skills within, as well as attracting and up-skilling new talent) → Addressing transformation issues → Engaged employees that make valuable contributions to deliver on business strategy	

* *To ensure we distribute value to our stakeholders, we have identified the key indicators that measure both our financial, as well as non-financial value-creation goals.*

i Refer to page 4 about these indicators

Tenants

Provider of relevant space

Value for Tenants

- → Quality spaces that deliver on business needs and keep up with the latest trends at market-related rentals
- → Retail spaces that attract shoppers and create an environment for business growth
- → Quality relationships and support in business operations
- → Responsible, compliant business partner

Value for us

- → Deliver superior offering that enhances our premises
- → Tenant growth and timeous payment
- → Participation in our efforts to promote and improve our buildings
- → Positive partnerships and renewals of leases

Value creation indicators*

- → GLA/Footprint
- → Tenant turnover
- → Green Star-rated buildings
- → Tenant experience management
- → Business initiatives that provide support to tenants

Brokers & Suppliers

Preferred business partner

Value for Brokers & Suppliers

- → Spaces that deliver on their clients' needs and keep up with the latest trends at market-related rentals
- → Opportunities and partnerships that assist in growing their business
- → Responsible and compliant business partner

Value for us

- → Primary focus and preference to let out Redefine spaces
- → Attraction of quality tenants to promote and improve our buildings
- → Delivering services aligned to Redefine's values and with a positive impact on brand and reputation

Value creation indicators*

- → Broker engagement activities and programmes
- → Procurement spend empowering suppliers

Communities

Responsible community participant

Value for Communities

- → Improved environment around our spaces – including basic services (food, healthcare, security, sports facilities, education, etc.)
- → Employment and business opportunities
- → Opportunities to resources and other exposure

Value for us

- → Active contribution to improve environments and lives of communities around our spaces
- → Attracting quality tenants with relevant, quality offerings suitable for the community
- → Attracting employees for our tenants and creating career opportunities for communities around our spaces
- → Creating a pool of future potential stakeholders: investors, tenants, shoppers and employees

Value creation indicators*

- → CSI initiatives and spend
- → Community engagement and improvement programmes
- → BEE rating

LEADERSHIP AND GOVERNANCE

Sustained value creation is built on ethical leadership.

2017

Alice Lane, Sandton

Board of directors

The calibre and commitment of our leadership is key to achieving our strategic objectives. Our board is responsible to our stakeholders for setting Redefine's strategy.

Marc Wainer (69)
Executive chairman
Appointed: 1999

Bridgitte Mathews (48)
Deputy chairperson
Lead independent non-executive director
CA(SA), Hdip Tax
Appointed: 2017

Andrew König (50)
Chief executive officer
BCom, BAcc, CA(SA)
Appointed: 2011

Bernie Nackan (73)
Independent non-executive director
BA Econ, SEP
Appointed: 2009

David Nathan (68)
Independent non-executive director
CA(SA)
Appointed: 2014

Harish Mehta (67)
Non-executive director
BSc, MBA
Appointed: 2009

Marius Barkhuysen (61)
Independent non-executive director
Appointed: 2015

Leon Kok (46)
Financial director
BCom, BCom Hons (Acc), CA(SA)
Appointed: 2014

Phumzile Langeni (43)
Independent non-executive director
BCom, BCom Hons
Appointed: 2015

Ntombi Langa-Royds (55)
Independent non-executive director
BA (Law), LLB
Appointed: 2015

Summarised corporate governance review

The board believes that good governance contributes to value creation in the short, medium and long term and improves the trust and confidence of the company's stakeholders. A summarised account of the work done by the board during the 2017 financial year follows and describes how the board has applied principles of good governance in order to enable and support the company's value creation process.

Board of directors

Designation	Other public company appointments	AR	REM	NOM	SET	INV
L Kok						
Financial director					Committee member	
A König*						
Chief executive officer	Cromwell Property Group (Australia); Echo Polska Properties N.V. (Netherlands); RDI REIT PLC (UK); (alternate director to M Wainer)					Committee member
M Wainer						
Executive chairman	Cromwell Property Group (Australia); Echo Polska Properties N.V. (Netherlands); RDI REIT PLC (UK)					Committee member
M Barkhuysen						
Independent non-executive director						Committee member
N Langa-Royds						
Independent non-executive director	Kumba Iron Ore Limited; Mpact Limited; Murray & Roberts Holdings Limited				Committee chair	
P Langeni*						
Independent non-executive director	Astrapak Limited; Imperial Holdings Limited; Massmart Holdings Limited; Metrofile Holdings Limited; Transaction Capital Limited	Committee chair				
B Mathews						
Deputy chairperson and lead independent non-executive director	Africum Limited; OneLogix Group Limited; PSG Financial Services Limited; PSG Group Limited		Committee chair	Committee member		
H Mehta						
Non-executive director	The Spar Group Limited; Tiso Blackstar Group SE (UK)		Committee member	Committee member		
B Nackan*						
Independent non-executive director	RDI REIT PLC (UK); Rezco Collective Investments Limited	Committee member	Committee member	Committee chair		Committee chair
D Nathan*						
Independent non-executive director		Committee member			Committee member	

* *Standing for re-election at the AGM in February 2018*

Committee member | Committee chair

ATTENDANCE

Board and committee meetings were held quarterly in line with the group's financial reporting cycle. A separate risk and strategy workshop was held in September 2017. All directors attended at least 75% of the meetings of the board and the committees on which they served during the 2017 financial year.

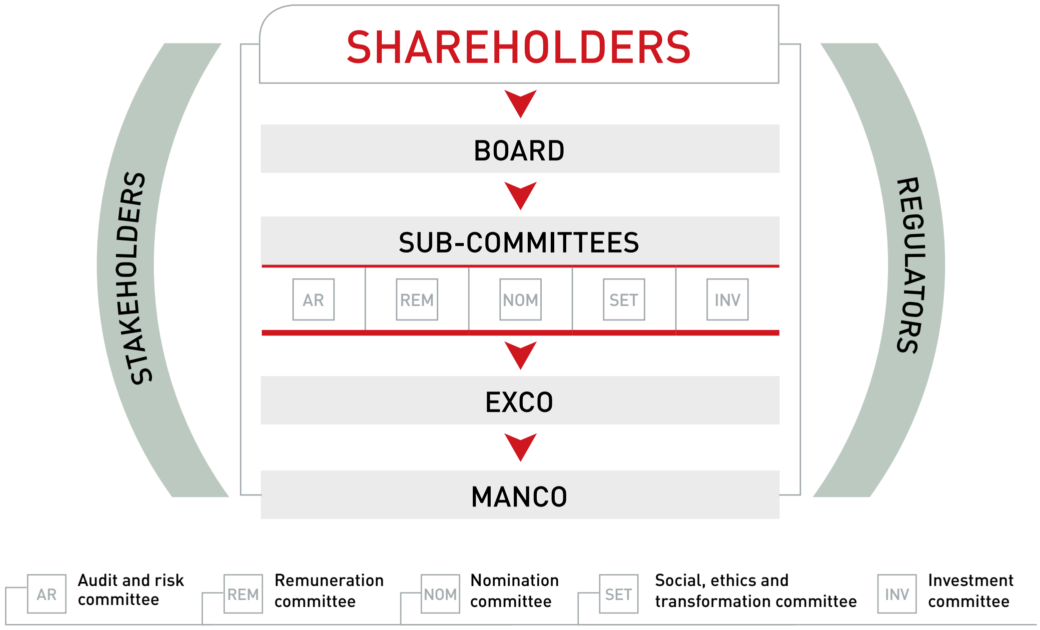
EXPERTISE

Indicates the relevant board members' specific areas of expertise.

Leadership
Technology and information governance
Finance
Compliance and governance
Industry/ operations
Environmental sustainability
Risk and opportunity management
Sales and marketing
Tax
Human resources

GOVERNING STRUCTURES AND DELEGATION

The company's governance structure provides for delegation of authority while enabling the board to retain effective control. The board delegates authority to established board committees, as well as to the CEO, with clearly defined mandates.



LEADERSHIP ROLES AND FUNCTIONS

The board is led by an executive chairman and therefore, in compliance with paragraph 3.84(c) of the JSE Listings Requirements and as recommended by King IV, a lead independent director has been appointed.

The role of the chairman is distinct and separate from that of the chief executive officer (CEO), and the separation of responsibilities is designed to ensure that no single person has unfettered decision-making powers and that appropriate balances of power and authority exist on the board.

Executive chairman	Responsible for leading the board and for ensuring the integrity and effectiveness of the board and its committees. Ensures high standards of corporate governance and ethical behaviour.
Lead independent director	Maintains the effectiveness of the board by providing leadership and advice when the executive chairman has a conflict of interest, without detracting from or undermining his authority. Provides support to the executive chairman, is available as a trusted intermediary for the other directors, as necessary, and chairs a meeting of the non-executive directors at which the performance of the executive chairman is considered.
Chief executive officer	Responsible for the effective management and running of the company's business in terms of the strategies and objectives approved by the board. Chairs the company's executive committee, leads and motivates the management team and ensures that the board receives accurate, timely and clear information about the company's performance.

i Refer to ESG on our governance practices, including details of governing structures, governance functional areas and board and committee mandates, as well as attendance of meetings and remuneration report

Board composition and refreshment

As evidenced below, the board comprises the approriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities. The diversity in its membership across, various attributes, creates value by promoting better decision-making and effective governance.

DIVERSITY OF EXPERTISE

Policy: Create an experienced board with the appropriate balance of knowledge and skills in areas relevant to the group, required to govern effectively.

The following areas of expertise are relevant to Redefine:

60% Leadership – 6/10 directors

60% Finance – 6/10 directors

50% Industry/ operations – 5/10 directors

90% Risk and opportunity management – 9/10 directors

40% Tax – 4/10 directors

10% Technology and information governance – 1/10 directors

70% Compliance and governance – 7/10 directors

20% Environmental sustainability – 2/10 directors

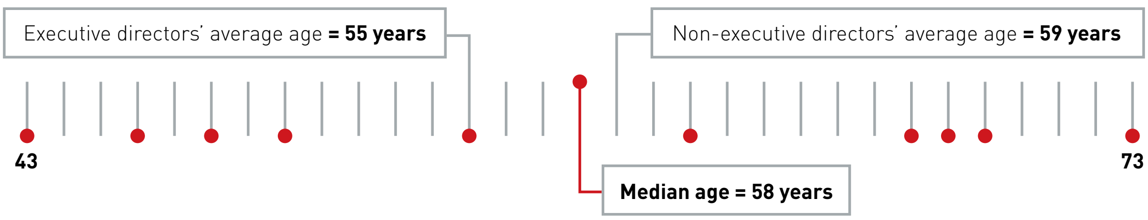
40% Sales and marketing – 4/10 directors

40% Human resources – 4/10 directors

Technology and information management and environmental sustainability have been identified as areas that require specific training and development in 2018. Furthermore, these areas of expertise will be specifically sought when appointing non-executive directors in the future.

DIVERSITY OF AGE

Policy: Executive directors retire from their positions and from the board at the age of 65. Our retirement policy does, however, make provision to extend this working relationship beyond the normal retirement age. Non-executive directors, 70 years or older, retire from the board at every annual general meeting and are submitted for re-election, if eligible.

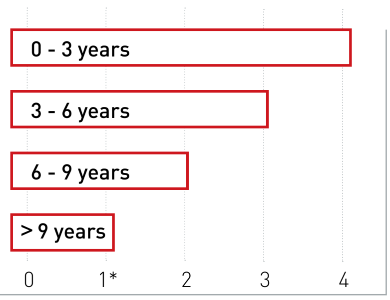


DIVERSITY OF TENURE

Policy: Periodic, staggered rotation of board members so as to ensure the introduction of members with new expertise and perspectives while retaining valuable knowledge, skills and experience, and maintaining continuity.

Non-executive director average tenure = 3,6 years

Succession plans make provision for the identification, mentorship and development of future members.



** Executive director*

INDEPENDENCE

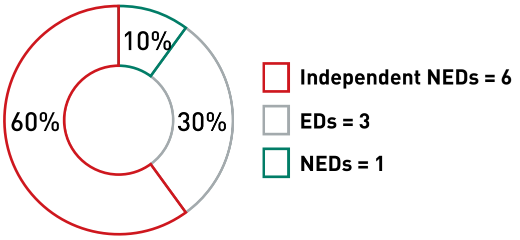
Policy: Comprises a majority of non-executive directors, the majority of whom should be independent.

Perceptual independence

Directors' independance is judged from the perspective of a reasonable and informed third party, based on *inter alia* the prevailing circumstances, conflicts of interest, whether perceived or actual, and other relevant considerations.

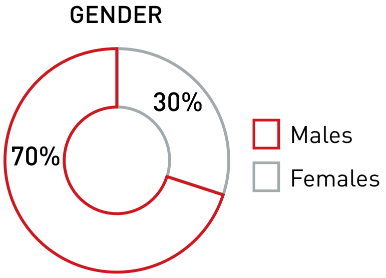
Statutory independence

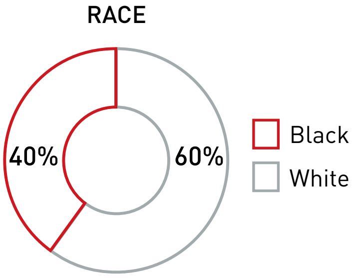
All directors act with independence of mind and in the best interests of the company, in accordance with their statutory duties.



GENDER AND RACIAL DIVERSITY

Policy: Redefine's gender diversity policy promotes a voluntary target of 40% female representation on the board over a three-year period, while the racial diversity policy promotes a voluntary target of 50% black representation on the board over the same period.

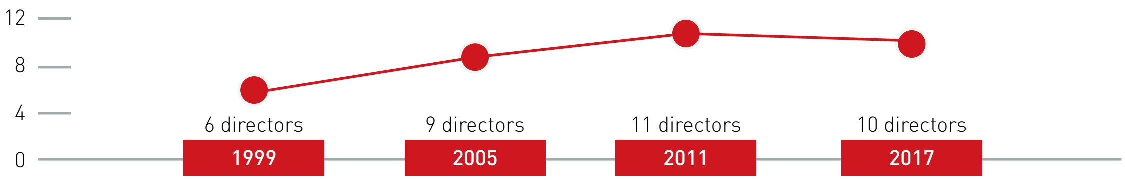




	Diversity progress	
GENDER	**2017**	**2015**
Females	30%	9%
Males	70%	91%
RACE		
Black	40%	18%
White	60%	82%

BOARD SIZE

Policy: Sufficient number of directors to meet regulatory requirements and provisions of the company's memorandum of incorporation.



BOARD REFRESHMENT

Succession and tenure + Rotation plans + Retirement age + Annual board evaluations

12 new directors | **13** retired directors

over last five years

Summarised corporate governance review (continued)

Board effectiveness – demonstrating leadership and accountability as custodians of corporate governance

The board leads the company with **integrity** and **competence** and in a manner that is **responsible, accountable, fair and transparent**, so as to ensure leadership that results in the achievement of the company's strategic objectives and positive outcomes over time. The board assumes collective responsibility for **strategy, policy, oversight and accountability** and has adopted a stakeholder-inclusive approach in the execution of its governance role and responsibilities. The board understands that a well-governed company inspires the confidence of stakeholders and lowers the cost of capitals, and that inclusive and integrated governance, that aspires to sustainability, is good for society and the economy.

The decisions and actions taken by the board in directing the company, shape and determine its prospects and longer-term viability and ensure that the company subscribes to full compliance with applicable laws, regulations and governance practices.

Value creation through our governance structures

- Compliance with applicable laws, regulations and governance practices
- Collective responsibility for primary governance roles
- Custodians of corporate governance
- Cultivation and exhibition of ethical characteristics

ACTIVITIES

- Leadership, ethics and corporate citizenship
- Strategy, performance and reporting
- Risk, oversight and compliance
- Remuneration
- Stakeholder relations
- Corporate governance

OUTCOMES

Enable and support the company's value-creation process

i Refer to activities and outcomes on page 39

VALUE CREATION

Achievement of and benefits realised through good governance outcomes

- Ethical culture
- Effective control
- Good performance
- Legitimacy

Delivery on strategic matters

- Operate efficiently
- Invest strategically
- Optimise capital
- Engage talent
- Grow reputation

Achievement of stakeholder goals

- Source of sustained growth in total returns
- Employer of choice
- Provider of relevant space
- Preferred business partner
- Responsible community participant

Activities	Outcomes
Leadership, ethics and corporate citizenship → Set the tone of the company's values, including principles of ethical business practice → Approved formal code of business conduct and ethics policies → Commissioned Independent ethics management system audit → Monitored protected disclosure and whistle-blowing mechanisms → Disclosed directors' dealings in accordance with JSE Listings Requirements → Disclosed and proactively monitored conflicts of interest, subject to legal provisions → Participated in induction, training and development programmes, where relevant	→ Independent, informed and effective judgment on material decisions → Ethical and effective leadership, resulting in the achievement of strategic objectives and positive outcomes over time → Sound ethical foundation throughout the company, resulting in ethical interaction with stakeholders → Responsible corporate citizenship status → Continuous development of director competence
Strategy, performance and reporting → Oversaw and constructively challenged strategic direction in relation to risks, opportunities, resources and relationships → Held annual risk and strategy workshop to debate, refine and approve strategy → Approved key performance measures and targets for assessing achievement of strategic objectives → Approved 2018 budget → Considered material acquisitions, disposals, investments and capital expenditure → Conducted review of strategic policies and procedures to ensure effective implementation of strategy → Approved management's determination of relevant reporting frameworks and basis for determining materiality	→ A well-governed company, run for the purpose of, and in a manner that is intent on delivering value → Realisation of the company's core purpose and values through its strategy → Reliable external reports that enable stakeholders to make an informed assessment of the company's performance → 2016 Integrated report ranked second in the EY Excellence in Integrated Reporting Awards
Risk, oversight and compliance → Reviewed and evaluated strategic risks and associated opportunities → Considered an appropriate risk appetite for the company and approved risk appetite framework → Commenced implementation of revised business continuity arrangements → Considered potential impact of a South African sovereign rating downgrade and of disruptive technologies → Reviewed solvency, liquidity and going-concern status, and agreed dividend payments → Oversaw technology and information management → Monitored corporate activities → Approved integrated report, annual financial statements, financial results and results announcements	→ Appropriate governance structures and processes in place to ensure effective control of the company → Risk and compliance management practices that support the company in setting and achieving its strategic objectives → Ethical and responsible use of technology and information → Submission of the annual REIT compliance declaration and the annual compliance certificate, confirming the company's compliance with the JSE Listings Requirements
Remuneration → Approved remuneration policy and oversaw that implementation and execution achieved stated objectives → Approved and implemented malus and claw-back policy → Monitored executive directors' compliance with minimum shareholding requirement → Approved and implemented long-term staff incentive scheme → Considered and applied Binding General Rulings, issued by SARS, regarding VAT registration for non-executive dircetors	→ Fair, responsible and transparent remuneration → Provision for voting by shareholders on the remuneration policy and implementation report → Alignment between executive director and stakeholder interests
Stakeholder relations → Identified material stakeholders and oversaw formulation of stakeholder engagement strategies → Conducted independent annual perception survey with investors and analysts → Engaged with various institutional investors regarding remuneration and other ESG matters and considered feedback → Oversaw facilitation by management of regular and pertinent communication with shareholders	→ Stakeholder-inclusive approach adopted in the execution of governance roles and responsibilities → Reasonable needs, interests and expectations of stakeholders, balanced in the best interests of the company over time → ESG policies and practices, integrated into the company's strategy and daily operations in order to realise long-term value → Equitable treatment of shareholders that protects minority interests
Corporate governance → Approved appointment of Bridgitte Mathews as lead independent director → Refreshed composition of board committees, giving due attention to diversity considerations → Considered independent board evaluation report and implemented action plans → Approved racial diversity policy and monitored progress made in terms of gender diversity policy → Considered the recommendations of King IV, for which disclosure on the application can be found on the company's website – www.redefine.co.za	→ Strengthened independence of the board and its committees → Continued improvement in the performance and effectiveness of the board → Achieved voluntary gender diversity targets at board level → Substantial compliance with the spirit and principles of King IV

Executive chairman's interview

Marc Wainer

Q: From your perspective as executive chairman, please comment on the past year regarding the external operating context.

At Redefine, we have come to expect the unexpected. Disruption, volatility and uncertainty are here to stay. Looking back at 2017, it's fair to say that these applied to all the jurisdictions we operate in.

Locally, the year was marked by a stark lack of confidence from both business and consumers on the back of political/policy uncertainty and the impact of the sovereign credit rating downgrade and, of course, resultant low economic growth.

In Europe, the divorce proceedings of the United Kingdom from the European Union commenced and are expected to be drawn out and complicated, making the past year particularly tough and fraught with uncertainty.

Q: Within this context, how would you describe the group's performance for 2017?

Given the difficult operating environment, especially locally, I believe the group has performed well. From a property investment perspective, we have, over the past years advanced our strategy to create a diversified asset platform because we know that, while there are continuous risks and uncertainty to deal with, there's also always opportunity to capture.

And that's where we focus – on finding the value creation opportunities, on tenant retention, and on cash flow.

The offshore low-interest rate environment created an opening for us to exploit attractive income yield spreads by investing abroad, utilising in-country debt funding. This, coupled with a natural Rand hedge on the capital invested, has made international investments more appealing.

Looking at Australia, there has been some talk about the Cromwell business, but we're happy with our investment and continue to support Cromwell and its management.

In South Africa, it was a case of expecting the unexpected. We're focused on improving, expanding and protecting our domestic property portfolio while recycling capital from assets that no longer meet our investment criteria. Aside from the completion of several development projects in our retail, office and industrial portfolios, one of the highlights was the completion of the Redefine head office in Rosebank, Johannesburg. It brought our people together and boosted morale. The building is a modern, fully-let, quality property and speaks to the type of asset we are continually looking to add to our portfolio.

Q: You're passionate about mentorship and social responsibility, as embodied in the new Redefine-sponsored *The Mentorship Challenge*. Can you tell us a little about this initiative?

THE MENTORSHIP CHALLENGE
WITH MARC WAINER

Of course, business, I believe, has a huge role to play in addressing some of the ills facing South Africa.

We have enormous challenges and opportunities with the high levels of youth unemployment. We cannot thrive in a country if the majority of our youth are unemployed during their most productive working years. If each business can do a little more, many opportunities can be opened up to address rising despair among one of the world's youngest, but most unproductive workforces.

In this vein, I've taken the lead on the Redefine-sponsored *The Mentorship Challenge*, with the objective of creating a bank of mentorship hours, which our young talent can tap into. On a personal level, my participation in the Challenge has given me incredible insight into the talent we have in South Africa and how. with some advice and a gentle push, so much more potential can be unleashed.

The Mentorship Challenge demonstrates Redefine's commitment to making a tangible difference in South Africa. It offers talented and passionate young people a chance to thrive and help build a better South Africa for us all.

I sincerely hope that this show will inspire my peers in the corporate world as much as it has inspired me. We need business in South Africa to take up the mantle of mentorship and give back to communities in a meaningful and sustainable way.

Q: There's been a lot of talk about disruptive technology. What does this mean for Redefine?

The pace and scale of the innovations, driven by technology, we're seeing is unprecedented.

I've been in business for decades now. The one thing I know for sure is that we need to adapt to remain relevant. As a business, we've embarked on scenario planning to look at disruptive technologies that will re-engineer modern urban nodes of the future. For example, we're asking ourselves how driverless cars and online shopping will affect our business model in the short to medium term.

Understanding this, we're on the lookout for new ways to extend the life of our buildings. We believe that shopping centres, for example, could become hubs for communities to spend quality time with their families after trading hours. It's this type of value-add that will keep people coming back for the experience, not just the merchandise.

It's an exciting time to be in business!

Q: What are the prospects for Redefine in the year ahead?

We expect the year ahead to be even tougher. Operating conditions and the lack of political stability and policy certainty will test businesses like never before.

Internationally, the Brexit negotiations will continue, offering little in the way of stability in that part of the world.

Q: Finally, do you have any closing thoughts you would like to share?

Notwithstanding the challenges, looking back and blaming conditions simply creates a mindset for future poor performance excuses. The playing field is the same for everyone. It is what it is. We have to do whatever we can to outperform. Tough times breed character and Redefine will, relatively speaking, thrive and emerge even stronger.

I still look forward to coming to work every day knowing that whatever the day will bring, as a collective, the executive team has the talent and commitment to deal with it.

It is an honour and privilege to have their support and loyalty, for which I am extremely grateful.

I'd like to express my gratitude to everyone of our stakeholders: investors, employees, tenants, brokers, suppliers / service providers and the communities in which we operate, for their continued support.

A special thank you to our board for their considered counsel. I'm grateful to work with such an extraordinary team of people.

"Business, I believe, has a huge role to play in addressing some of the ills facing South Africa."

Marc Wainer
Executive chairman

Chief executive officer's review

Andrew König

Integrated thinking forms the blueprint for our integrated report – our value creation story for all our stakeholders. Our report contains the most relevant information on what matters most in creating sustained value for our key stakeholders.

Our 2017 operating context

We can safely conclude that the macroeconomic environment, both at home and internationally, is undergoing seismic shifts. In a counter-intuitive, disruptive environment, our reference points are continuously reset.

On the international stage, protectionist, anti-trade rhetoric continued to be exacerbated by political leanings to the right, a rise in terrorism, a surge in populism, and the threat of a nuclear conflict in Asia Pacific.

Domestically, we have steadily adjusted to operating in a deteriorating credit rating environment, the ongoing threat to judiciary independence, heightened political upheaval fueled by the changing of the guard within the country's ruling party, and the rising debate around "state capture".

It is no surprise that, in this environment, business confidence has fallen to levels not seen since the 2009 recession and consumer confidence has been subdued for the longest period since the early 1980s.

In the absence of credible initiatives to reduce uncertainty and buoy confidence, it is unclear where the drivers of real growth in South Africa will come from in the short to medium term.

With all of these forces at play, giving in to the pervasive negativity could be easy. But, at Redefine, we believe in making things happen and to look beyond the current cycle.

As an agile, non-hierarchical organisation, we are pragmatic and quick to adapt, especially during times such as these. Collectively, the board and our executive management team have adjusted our strategic approach to cope with this period of prolonged slow growth and a low sentiment environment.

Creating value in a changing context

The unexpected is here to stay. For us, relentlessly **focusing on what matters most** is critical if we want to not only withstand the downturn, but thrive as we **create long-term value for our stakeholders by being the best in all aspects of what we do.**

We understand that to sustain value, we need to manage more than simply our finances and properties. We need to apply integrated thinking by making strategic choices that develop and preserve our relationships and natural resources too. As such, we have identified five strategic matters that enable the application of integrated thinking to sustained value creation, namely:

- Operate efficiently
- Invest strategically
- Optimise capital
- Engage talent
- Grow reputation

During the year, we continued to make steady progress in executing our strategy. In a constrained environment, there is a flight to quality assets. Our strategy ensures that we are continuously improving the quality of our local property portfolio, while divesting underperforming assets and diversifying geographically into real estate opportunities that offer growth. ***We expanded our property assets by R11.4 billion to R84.1 billion, with our international real estate investments, valued at R16.0 billion, representing 19.0% of our total portfolio.***

Local growth

During the year, our primary domestic portfolio focus was on protecting, expanding and improving existing well-located properties, primarily through redevelopments and selected acquisitions.

The active portfolio vacancy rate decreased marginally during the year by 0.3% to 4.6%. Leases covering 536 310m^2 were renewed during the year at an average rental increase of 2.9% (down from 3.3%), reflecting the difficult operating environment, with the tenant retention a pleasing 92.6%. A further 406 406m^2 was let across the portfolio. Net arrears increased to R67.9 million, representing 7.5% of the gross monthly rental, largely due to The Pivotal Fund Limited (Pivotal) acquisition.

We completed projects totalling R3.2 billion during the year. We are currently managing R4.7 billion in value of active new developments and R0.5 billion of refurbishment projects. We have committed to new development projects totaling R0.8 billion.

Retail redevelopments totalling R1.1 billion were completed to protect, expand and upgrade major malls, and projects amounting to R714.5 million are underway.

In the office porfolio, we completed several development projects totalling R1.5 billion, including the prestigious Alice Lane Building 3, a R948.1 million project, and commenced work on the R712 million Rosebank Link development.

In the industrial sector, we completed development projects totalling R404.1 million, including a R194 million redevelopment at 34 Wrench Road, Isando, in Gauteng, and commenced a R600.3 million print facility for Hirt & Carter at Cornubia in KwaZulu-Natal.

The acquisition of Pivotal, which was completed during the first half of the financial year, was successfully integrated into the business and has significantly improved the quality of our portfolio – especially our office portfolio, where 76% of our assets, by value, are P- and A-grade. Through this transaction, we acquired 32 Pivotal properties valued at R10.4 billion, including developments in progress and land holdings for future development.

Recycling capital, through the disposal of assets no longer aligned with our long-term investment strategy, has been an area of focus in sourcing and optimising capital. We disposed of 25 properties with a GLA of 259 203m^2 that did not meet our strict investment criteria, to various buyers for an aggregate consideration of R1.9 billion, at an average yield of 8.4%. In addition, agreements, subject to the usual conditions precedent, were concluded for the disposal of properties for an aggregate consideration of R2.4 billion, with a GLA of 227 699m^2, at an average yield of 8.2%.

Furthermore, during the year under review, we sold our 22.8% interest in Delta to an empowerment consortium for a consideration of R1.5 billion. We also disposed of our total interest in Arrowhead Properties Limited and Emira Property Fund Limited, for a combined value of R1.0 billion.

Our investment in local student accommodation offers us the opportunity to diversify into a new asset class. Respublica's current bed capacity of 5 873 will grow to 9 403 beds by 2019 once committed expansion activity is completed, with Hatfield Square Blocks C and D in Pretoria, comprising 535 and 1 030 beds respectively, making up the bulk. The extension of Yale Village by a further 350 beds, and the spread outside Gauteng into Bloemfontein (469 beds), Cape Town (570 beds) and Pietermaritzburg (576 beds), accounts for the balance of the expansion activity.

The Rosebank Park Central residential project, totalling R426 million, has begun and is a high growth opportunity for the group.

"We expanded our property assets by **R11.4 billion to R84.1 billion,** with our international real estate investments, valued at R16.0 billion, representing 19.0% of our total portfolio. "

Strategic international diversification

Our international investment strategy is centred on geographic diversification and taking advantage of positive initial income yield spreads. We concentrate on capturing development and asset management opportunities to counter the low offshore organic growth rates.

In Poland, Redefine participated in Echo Polska Properties' (EPP) EUR150 million capital raise, by subscribing for 47.7 million shares at R18.50 (EUR1.27) per share to maintain our shareholding of approximately 40%, which equated to R882.9 million. We have seen great results from our investment and believe there is scope for further expansion in this market.

In Australia, the AUD130 million redevelopment of Northpoint Tower, anticipated to be completed in March 2018, poses significant capital upliftment potential given the buoyant office market in Sydney and the strategic location of the property.

During the year, we acquired another purpose-built student accommodation development site in Melbourne for AUD26 million, with a bed capacity of at least 650. Once both student accommodation sites have been developed, we expect to have a bed capacity of 1 500 beds in Australia.

In the UK, arrangements have been concluded between RDI REIT PLC and Redefine Properties for the sale of all Redefine's shares in International Hotel Properties. We also sold our joint venture interest in the German retail portfolio for EUR49 million to RDI REIT PLC during April.

Managing our capital strategically

Access to well-priced capital is critical to our business and is challenging in the current operating environment. In this context, Redefine's forward yield at 9.3% is expensive and in our view, punitive, especially as the R186 (10-year government bond) is currently on a yield of 8.6%. Recycling of capital therefore remained a prominent feature of our capital optimisation strategy during 2017 and will continue in 2018, starting with the sale of N1 City Mall to Growthpoint and Thibault Square, which has realised R1.5 billion.

In 2017, we continued our proactive programme to restructure expensive debt, leverage offshore holdings to reduce the overall cost of debt and lean towards competitive pricing and good demand in debt capital markets.

A combination of the recalibration of Redefine's Moody's local credit rating to Aa1.Za and a drying up of bond issues, on the back of a slowdown in expansion, has had a beneficial impact on Redefine's bond programme. The upgrade in the Moody's rating means that Redefine's paper is now classified by the banks as High Quality Liquid Assets (HQLA), opening the door for the banks to participate in Redefine's bond programme as they aggressively look to grow their exposure to HQLA to meet regulatory reserve requirements by the end of 2019. The banks' participation has also driven margins down.

In addition to competing with banks, regular fixed-income investors are sitting on excess cash due to the overall slowdown in investments (with fewer issues coming to market) and a general market aversion to investing in state-owned entities. This situation poses an opportunity for Redefine to optimise debt funding through issuing well-priced, unsecured bonds to refinance higher-priced, secured bank debt.

A balance sheet management focus for us in the new year will be lowering our LTV ratio to our comfort zone (no more than 40%) through funding local acquisitions with equity, containing debt funding through conserving capital and benefiting from the recent Rand weakness, which will lift the value of our international asset base.

Delivering sustained value through engaged human talent

We employ extraordinary people who embody the values of our organisation because we believe that there is nothing more powerful than our employees' passion, skill and initiative in our quest to be the best in all aspects of what we do.

This year, following extensive engagement with our leadership, we launched our new employee engagement programme to ignite the individual and collective talents of our people to enable the implementation of our strategic objectives. The **Heads up, Hearts in, Hands on** programme was launched at our staff engagement roadshow, held in Johannesburg. During this time, we shared with staff how our vision, mission and strategic objectives are enabled through our stakeholder engagement strategy. The emphasis of the plan is to encourage employees to consider stakeholder engagement as a front of mind matter.

Furthermore, we are placing a strong emphasis, through our internal rewards and recognition programme, on encouraging our staff to be innovative and think differently in the new normal environment.

This year, we were pleased to have achieved an employee engagement capital score of 77%, well above the benchmark of 61%. This metric is designed to give the organisation an overall score that gauges employee commitment, discretionary effort and intent to remain within the company.

We understand the importance of investing in our employees to enable them to be the best authentic version of who they are destined to be. This year, we invested 36 947 man hours in training and development and 41 participants enrolled in our learnership programme, now in its fifth year.

We support the principles of diversity and practise equality of opportunity among all our employees. We believe that the diverse knowledge and skills of our workforce benefit our entire organisation, fostering creativity and expanding our approach to problem-solving and responsiveness to changing conditions. In 2017, we adopted a diversity policy to ensure that, over time, we promote gender diversity among senior management.

Our guiding principles to address transformation, retain and attract talent, and meet the career advancement objectives of our people, are achieved through simplicity and straight talk. We recognise that we have a lack of diversity at the mid- to top-tier levels in our business and have implemented a long-term incentive plan to address this critical matter.

Sustaining value through responsive strategies

We are principally invested in South Africa. A better South Africa means a better Redefine. We therefore seek to be an agent of social change by pursuing financial success in a way that also yields societal benefits. In 2017, Redefine disbursed R1.7 billion in contributions to society through direct and indirect taxes, and community investments.

Corporate social investment (CSI) is not just a catchphrase at Redefine. We want our investments into social upliftment to truly address some of the challenges the country faces in order to create meaningful change. The growth in unemployment, especially among the youth, who make up circa 36% of the South African population and account for roughly 70% of total unemployment, remains deeply concerning to us.

When young people cannot find employment, and cannot earn a living, this youth bulge becomes a demographic time bomb. We believe that this is a direct risk to our properties, which are embedded in the communities in which they operate.

With this in mind, we are revisiting our approach to corporate social investment, to better serve the communities in which we operate, to make a sustainable difference. We are also looking to engage with tenants and local communities to make use of their services and ensure that new developments create local employment opportunities beyond completion, through revisiting our lease conditions.

The plight of informal traders competing with national retailers in disadvantaged areas was highlighted by the recent Competition Commission hearings into the retailers' exclusivity clauses contained in their leases, requiring us to be sensitive to unintended consequences caused by our properties and to look at how best we integrate our presence with local communities' needs to meet value expectations – such as providing informal traders with secure facilities to operate from, which we already have at Golden Walk's taxi rank in Gauteng. Furthermore, we will continue to develop pop-up stores as an incubator for small businesses who also offer 'new merchandise' options.

Redefine's approach to transformation is to create benefit for the wider society. During the year, we achieved a level 4 contribution status under the new codes, which provides us with a 100% BEE procurement recognition level and in turn benefits our valued clients' BEE scorecards. We remain committed to BEE and are continually striving to improve our score.

Meeting our communities' needs includes preserving valuable natural resources that we all rely on. Our environmental strategy focuses on facilitating the reduction of our environmental footprint while having a positive effect on asset values and reducing vacancy rates. During the year, we increased our total installed solar PV capacity to 7 807 kWp from 4 000 MWp. We also increased our Green Star South Africa certifications from 14 to 43.

Outlook and appreciation

Our strategy is designed to create sustainable value over the short, medium and long term, managing risk while optimising reward. Looking ahead, there will be a strident focus on the protection and expansion of our asset portfolio and remaining relevant to the communities in which we operate while adapting to fast-moving, modern consumer lifestyles.

We will continue to actively manage the variables we control: upholding and living Redefine's values, maintaining alignment throughout our business and deepening our unique approach to relationships.

I believe that all our achievements this year were made possible by our excellent team. My appreciation, therefore, goes to all my colleagues for their relentless efforts to soar to greater heights.

I would like to thank the board for their guidance during the year. To our stakeholders, thank you for your continued support of Redefine.

I know that, with all our Heads up, Hearts in and Hands on, we can realise our vision: To be the best Real Estate Investment Trust in South Africa.

Andrew König
Chief executive officer

Financial director's review

Leon Kok

Our financial performance and value creation for shareholders is measured through the increase in distribution per share and the generation of growth in net tangible asset value per share, which amounted to a total return of 6.6% for the year (2016: 12.9%).

Distribution

Redefine's board declared a distribution of 47.18 cents per share (2016: 44.30) for the six months ended 31 August 2017, an increase of 6.5% (2016: 8.0%) on the comparable period. This brings the full year distribution to 92.00 cents per share (2016: 86.00), resulting in year-on-year growth of 7.0% (2016: 7.5%), in line with market guidance. Total revenue showed significant growth of 17.3% (2016: 0.0%), benefiting from a number of substantial quality acquisitions made in recent years. Gross distributable income for the year increased by 22.2% (2016: 21.8%) to R4.8 billion (2016: R4.0 billion). For more information, see AFS.

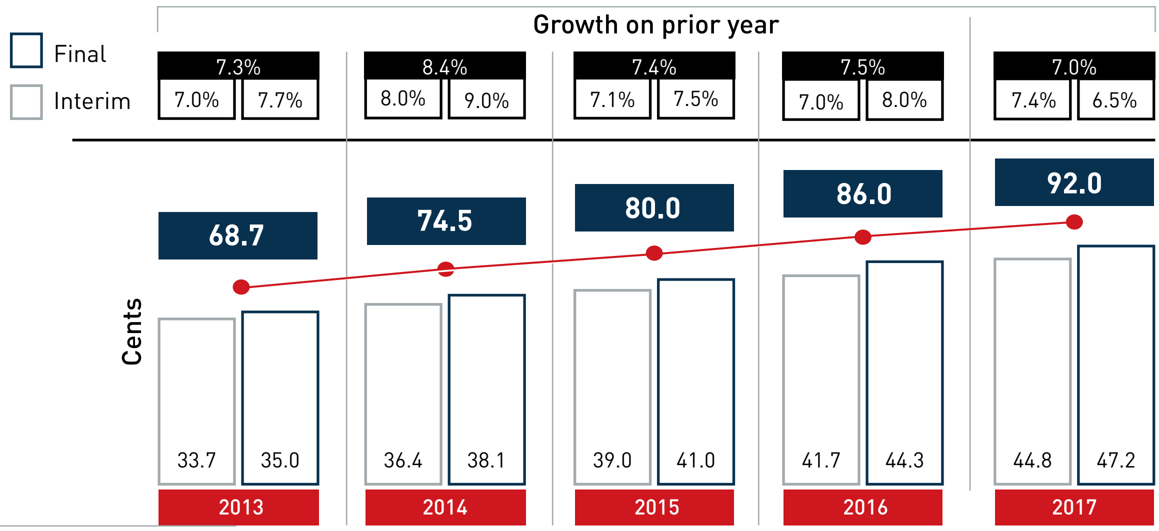
Redefine's property portfolio contributed virtually its total revenue (2016: 98.5%), with minimal income from listed securities (2016: 1.5%), following the disposal of the remaining South African listed securities.

Operating costs were stable at 34.2% (2016: 34.4%) of contractual rental income. Net of electricity and utility recoveries, operating costs were 15.9% (2016: 17.9%) of contractual rental income, benefiting from improved recoveries and metering of consumption. The cost-to-income ratios are calculated in accordance with the SA REIT Association's best practice recommendations.

Redefine's international property investments contributed 27.3% (2016: 25.9%) of distributable income.

The company's use of distribution per share as a relevant measure of results for trading statement purposes remains unchanged from prior periods.

DISTRIBUTION PER SHARE GROWTH



SIMPLIFIED DISTRIBUTABLE INCOME STATEMENT

The simplified distributable income statement provides a functional analysis of the contributers to our financial result.

	2017 R'million	2016 R'million	Change %
Net property income	**4 951**	4 244	16.7%
Listed security income	**181**	163	11.0%
Fee income	**15**	32	(53.1%)
Total revenue	**5 147**	4 439	15.9%
Administration costs	**(232)**	(180)	28.9%
Net operating profit	**4 915**	4 259	15.4%
Net finance charges	**(1 402)**	(1 330)	5.4%
Taxation	**2**	2	0%
South African distributable income	**3 515**	2 931	19.9%
International distributable income	**1 316**	1 023	28.5%
Distributable income	**4 831**	3 954	22.1%

i Refer to the AFS for a traditional IFRS statement of profit and loss and other comprehensive income

NET PROPERTY INCOME

Net operating income (NOI) from the property portfolio grew year-on-year by 16.7% (2016: 33.9%), driven mainly by the completed developments and acquisitions during the current and prior years. The active portfolio's NOI growth was 4.2% (2016: 4.1%). This modest growth is a function of depressed local economic conditions and prolonged negative business confidence and consumer sentiment. We define properties owned for the full period in both years as the active portfolio.

The active portfolio margin was well maintained at 82.7% (2016: 82.6%), despite the relatively subdued revenue growth of 4.1% (2016: 4.5%) which bears testimony to responsible and effective cost management.

LISTED SECURITY INCOME

Redefine disposed of its total interest in Arrowhead Properties Limited and Emira Property Fund Limited, for a combined cash value of R1.0 billion.

During June 2017, Redefine sold its 22.8% interest in Delta to an empowerment consortium for a consideration of R1.5 billion. The consortium funded this transaction with a vendor loan from Redefine at an interest rate of prime plus 2.0% for an initial period of five years, with an extension option of three years. The shares are ceded to Redefine as security for the loan. In terms of IFRS, Redefine has assessed that this constituted a deemed sale as it retained substantially all risks and rewards of the ownership of these shares. As Redefine does not have significant influence nor continued involvement in the Delta shares held as security for its vendor loan, this investment is classified with other listed securities and measured at fair value through profit or loss.

FEE INCOME

The decrease in fee income from the prior year of 53.1% relates predominantly to a reduction in development fees earned.

ADMINISTRATION COSTS

The growth in administration costs on the prior year of 28.9% is largely driven by payroll costs and other administration-related costs which was principally due to the acquisition of the Pivotal Group.

NET FINANCE CHARGES

Net finance charges increased by 5.4% on the prior year due to Redefine's increased interest-bearing borrowings, as explained in the sources and uses of capital section, which was partially offset by higher capitalised interest due to the higher development activity, and the reduced funding cost due to the restructuring of debt.

INTERNATIONAL DISTRIBUTABLE INCOME

The increase in international income on the prior year of 28.5% is mainly due to the investment in Poland through EPP which was implemented in the last quarter of 2016 and was therefore included in the current year for 12 months (2016: two months).

Simplified statement of financial position

The statement of financial position shows the position of the group's assets, liabilities and equity at 31 August, and reflects what the group owns, owes and the equity attributable to shareholders.

As a REIT, the assets on our statement of financial position generate our income, through both capital appreciation and rental income, while the liabilities and the equity line items reflect where our funding was obtained. Refer to the AFS for a traditional IFRS statement of financial position.

	2017 R'million	2016 R'million
Property-related assets	84 148	72 687
Goodwill and intangible assets	5 809	5 304
Other assets	1 535	1 821
Total assets	91 492	79 812
Shareholders' interest	53 786	49 641
Interest-bearing borrowings	34 713	28 190
Total funding	88 499	77 831
Other liabilities	2 993	1 981
Total equity and liabilities	91 492	79 812

THE PRIMARY DRIVERS OF OUR STATEMENT OF FINANCIAL POSITION

Where we invest – our manufactured capital, which is our investment properties, listed securities and investments in associates and joint ventures, loans receivable and non-current assets held-for-sale, collectively referred to as 'property-related assets'

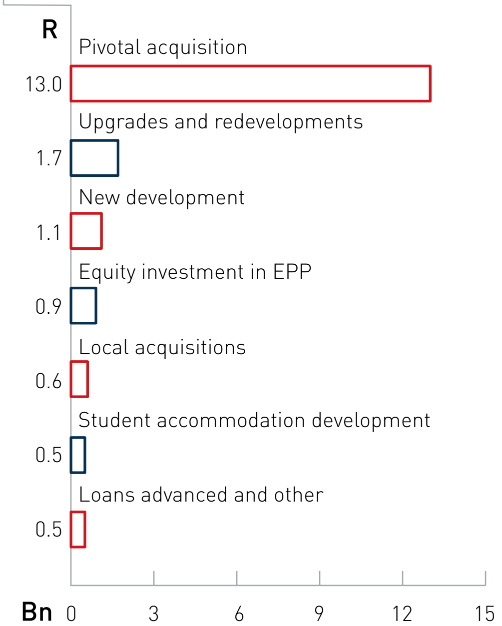
How we fund – our financial capital is shown in the balance sheet as shareholders' interest and interest-bearing borrowings

Sources and uses of capital

The following funding and investment activities were undertaken to extend and diversify our platform for sustained value creation:

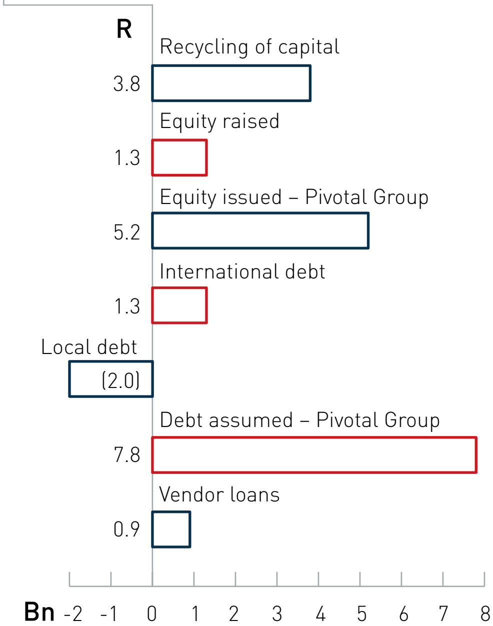
Where we invest – Uses of capital

TOTAL R18.3 billion



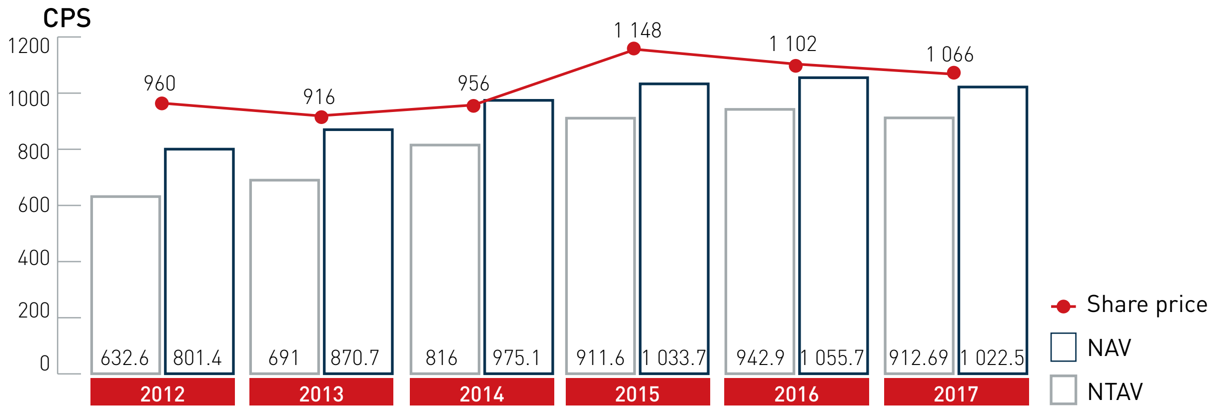
How we fund – Sources of capital

TOTAL R18.3 billion

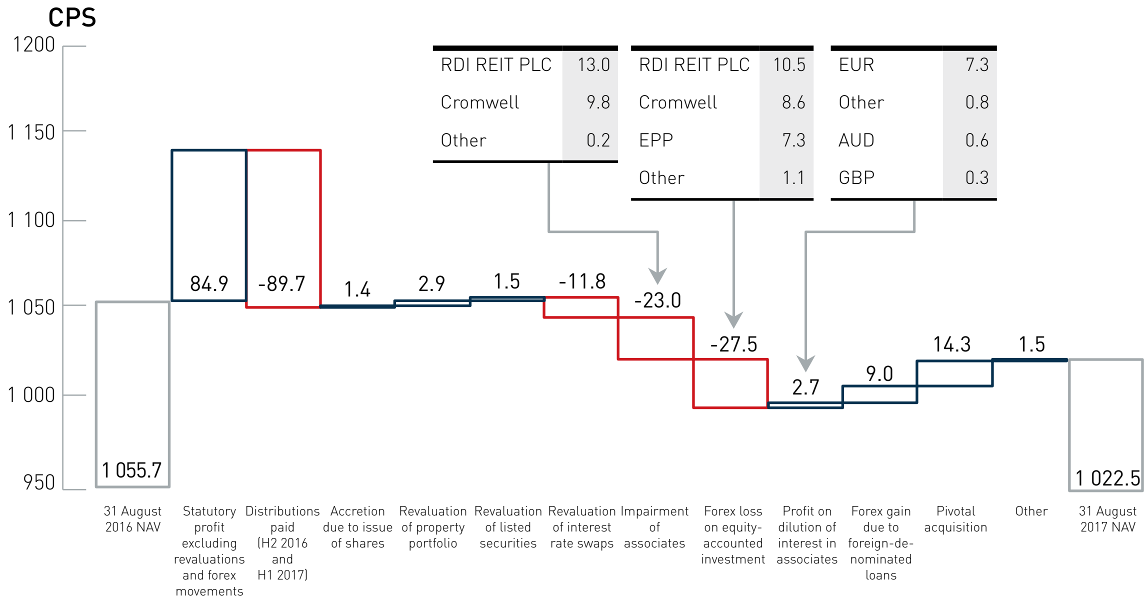


NAV PERFORMANCE

The decrease in NAV per share of 33.2 cents per share (3.1%) in FY2017 was largely caused by the depreciation in the value of our unhedged foreign investments, due to a stronger Rand against, principally, the AUD and GBP, as well as subdued underlying performance from our investments in the RDI REIT PLC and Cromwell. Unfortunately, our local asset platforms' marginal value appreciation was not sufficient to counter this negative effect.



DRIVERS OF NAV PERFORMANCE



Sensitivity analysis

Redefine has a diversified asset base which is robust and capable of absorbing risks to provide a platform for sustainable growth. Given the environment we operate in and current economic conditions, we are subject to a number of variable factors outside of management control. The analysis below provides some insight to these factors and their potential impact on distributable income per share:

2018 OUTLOOK SENSITIVITY ANALYSIS	FORECAST 2018 IMPACT (CENTS PER SHARE)
Change in vacancy by 10 000m^2	0.2
Change in municipal charges by 5%	0.1
Change in bad debts by R5 million	0.1
Change in admin costs by 5%	0.2
Change in interest rate by 50bps	0.1
Change in international listed securities distribution by 1%	0.2
Change in GBP/ZAR exchange rate by R1	0.4
Change in EUR/ZAR exchange rate by R1	0.3
Change in AUD/ZAR exchange rate by R1	0.3
Change in USD/ZAR exchange rate by R1	0.1

Appreciation

We believe that relationships support our ability to create sustainable value. By establishing good lines of communication with our stakeholders and maintaining constructive relationships with them, we enhance our business sustainability by being better able to meet stakeholder needs.

In line with this objective, our integrated report is a valuable tool, communicating our value creation journey, in all its facets, to our diverse stakeholder groups. This year, we made significant progress against this objective, as measured by the feedback we have received on our report. Not only has it been positively received by our immediate stakeholders, but it has also been in the public spotlight, winning a number of awards. These include:

Second with honours in EY's Excellence in Integrated Reporting Awards 2017
(out of the top 100 JSE-listed companies)

Best 2016 Integrated Report Award
from the SA Publications Forum

"A" rating and best in Financials sector
in the Nkonki SA Top 100 JSE-listed companies and SOCs Integrated Reporting Awards 2017

These awards bear testimony to our pursuit of being the best in everything we do and motivates us to continue improving our stakeholder engagement processes.

Leon Kok
Financial director

Rosebank Link, Rosebank

VALUE CREATION

We adopt an integrated approach to understanding our business. We believe that in order to create sustained value for our stakeholders, we need to look beyond short-term returns, integrating all the capitals into each facet of our everyday business.

2017

Financial capital

What financial capital means to Redefine

Our financial capital is the pool of funds available to us for deployment, which includes debt and equity funding, as well as the capital profits retained from the recycling of assets.

Creating value

How we manage and utilise our financial capital is fundamental to our ability to create sustained value for our stakeholders, particularly the financial stakeholders. Our ability to access cost-effective funding, either through equity or debt, is a key determinant of our commercial success. The maintenance of sound credit metrics, and the group's ability to manage its total cost of capital, makes a significant contribution to its sustainability and its ability to fund expansion of its distributable income.

Highlights

→ **International funding** restructured

Recycling of capital realised **R3.5 billion**

→ **Broadened** quality-rated funding sources

Cost of debt funding reduced to **7.3%**

→ Income **hedging policy adopted**

88.7% of debt interest rates now hedged

CHALLENGES	STRATEGIC RESPONSES
Downgrading of the South African sovereign global credit rating and heightened risk that the local rating will also be downgraded to junk impairs our ability to raise funding and increases the cost thereof	To address this, we have broadened our funding sources and optimised our foreign exchange debt, extended average term of hedges and increased percentage hedged
Political risk and economic uncertainty continues to increase financial market volatility	Optimise maturity profiles, broaden funding sources, adopt conservative hedging strategy and maintain credit metrics

Reflecting on 2017

In our 2016 integrated report, we reported on certain priorities for our 2017 financial year.

This is how we did	Our performance
Target the lowest available cost of fixed and variable debt funding	▲
Optimise funding maturity profiles	↻
Maintain LTV at or below 40%	▼
Optimise funding structures	▲
Maintain strong credit metrics	↻
Optimise working capital	▲
Broaden quality-rated funding sources	▲
Improve investment profile to maintain current forward yield	▼
Ensure visibility of income through hedging	↻
Protect against interest rate fluctuations	▲
Maintain liquidity	▲

▲ Achieved target ↻ Still in progress/ongoing[1] ▼ Did not achieve target

[1] *Performance elements still in progress may refer to those aspects of the business that will remain ongoing objectives due to the nature of our business or to elements not yet achieved in a previously defined timeline.*

Priorities for 2018

- → Reduce **LTV** to at or **below 40%**
- → Manage **cash resources**
- → Optimise **gearing** of **international investments**
- → Optimise **working capital**
- → Maintain strong **credit metrics**
- → Optimise **funding maturity profiles**
- → Broaden quality-rated **funding sources**
- → Maintain **liquidity**

Financial capital (continued)

How we source and use our financial capital

R'million	2017	2016
Stated capital	**43 071**	36 526
Interest-bearing borrowings	**34 713**	28 190
Funding structure	**77 784**	64 716
FUNDING RAISED DURING THE YEAR		
ISSUE OF SHARES		
For cash	**-**	1 549
Dividend reinvestment plan	**1 338**	1 797
For assets	**5 207**	-
Total equity raised	**6 545**	3 316
NET INTEREST-BEARING BORROWINGS RAISED/(REPAID)		
Bank funding	**1 797**	4 695
Secured	**5 626**	(480)
Unsecured	**(3 829)**	5 175
Debt capital market funding	**4 726**	(87)
Bonds	**5 038**	25
Commercial paper	**(312)**	(112)
TOTAL FUNDING RAISED	**13 068**	7 924

i Refer to the AFS for a traditional IFRS statement of financial position

Managing our liquidity profile to meet future cash requirements and debt maturities

Liquidity risk is managed through proactive renegotiation of short-term debt maturities, optimisation of maturity profiles, monitoring forecast and actual cash flows, and ensuring there is an optimal funding and cash management plan in place for each asset acquisition or disposal. Redefine maintains a healthy level of undrawn, committed revolving bank facilities to meet immediate funding needs and cover short-term debt maturities. Revolving bank facilities reduce the need to hold unproductive cash resources and are cost-effective as the cash earns interest at the borrowing rate versus the cash deposit rate. Redefine's liquidity requirements are managed by monitoring forecast and actual cash flows, recyling of manufactured capital to avoid expensive funding, and renegotiating and extending debt facilities coming up for renewal to ensure manageable levels of debt maturities in any given financial year.

UNDRAWN COMMITTED FACILITIES

Extending our maturity profile

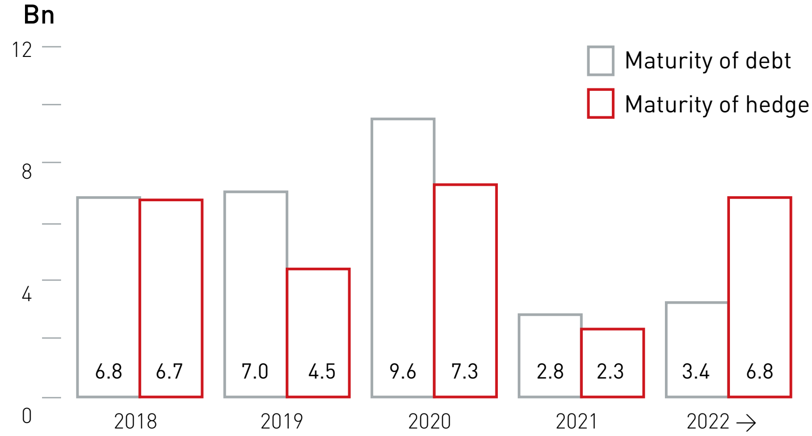
Redefine manages its maturity profile by aiming to spread the repayment dates to ensure that approximately 25% of the group's interest-bearing borrowings mature in any given financial year. Redefine proactively reviews its facilities and extends, restructures (for better terms) and renews upcoming maturities. Redefine actively monitors the financial markets, which assists in the fast and efficient execution of a funding plan for any new acquisition opportunities that may arise.

Maturities between each of the sources of finance are spread in order to mitigate the risk of refinancing. As a result, at 31 August 2017, Redefine had R6.8 billion in the short-term portion of interest-bearing borrowings. Redefine is currently in various stages of negotiation to refinance these facilities at acceptable terms.

AVERAGE TERM OF SOUTH AFRICAN DEBT

2017	**2.4 years**
2016	2.5 years
2015	3.3 years
2014	3.2 years

MATURITY PROFILE OF SA DEBT AND HEDGES



Maintaining adequate protection against interest rate movements

Volatile interest rate movements result in increased borrowing costs, reducing distributable income. International and local economic conditions impact on the cost of Redefine's debt through movements in bond yields and central bank monetary policy. To manage this risk, Redefine fixes the cost of variable South African interest rate borrowings by entering into derivative instruments (interest rate swaps and caps). The board has set a hedging target of 75% of South African interest-bearing borrowings to be fixed for as long as possible. To take advantage of the lower interest rate environment internationally, Redefine prefers to enter into fixed-rate loans for its international borrowings.

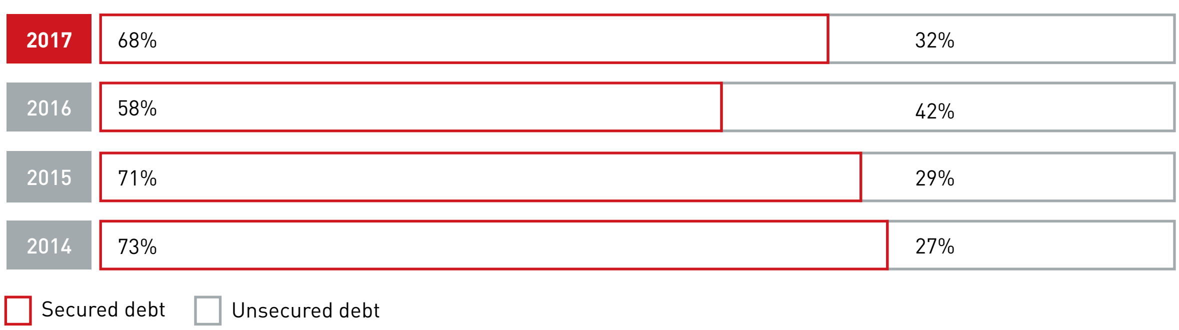
% OF SOUTH AFRICAN DEBT HEDGED

2017	2016	2015	2014
93.0%	82.1%	81.3%	78.0%

Diversifying our funding sources

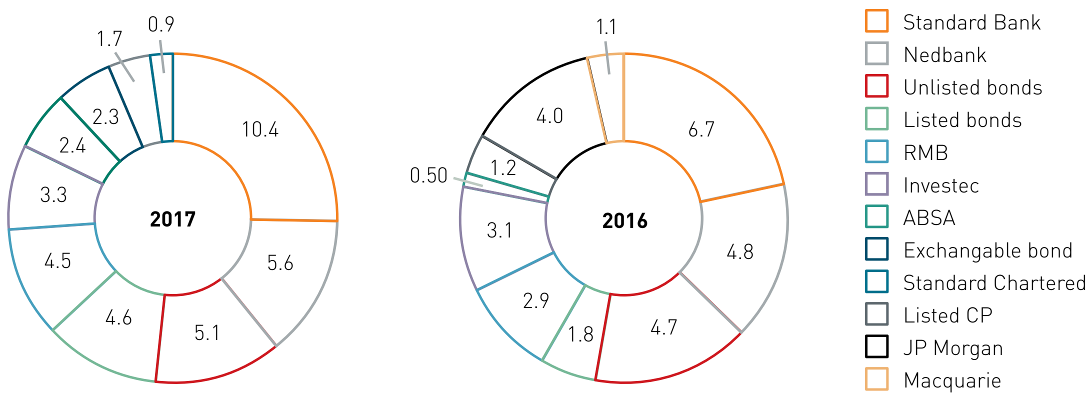
Concentration risk may arise from a credit crisis, the introduction of Basel III requirements or prudential limits, which are imposed by debt providers. Redefine limits the concentration risk by diversifying the sources of funding among financial institutions (the banks) and the debt capital market. Our HQLA credit rating, the size and the quality of our unsecured assets, as well as the equity headroom on unencumbered assets, allows us to arrange unsecured debt.

SECURED VERSUS UNSECURED SOURCES OF DEBT (%)



Financial capital (continued)

SOURCES OF DEBT (Rbn)



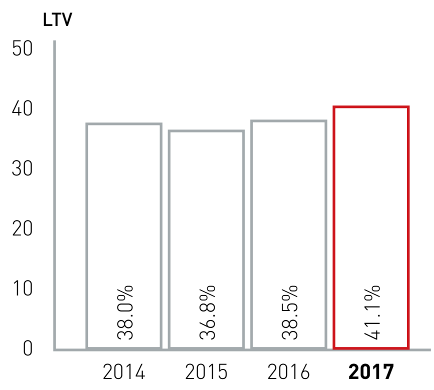
Maintaining strong credit metrics

We strive to maintain an average LTV target range of 35% to 40%, believing this is the optimal level of gearing over the long term. During June 2017, Moody's refreshed the Redefine credit rating which remains unchanged, except for Redefine's national credit rating which improved as follows:

Global long-term	Global short-term	National long-term	National short-term
BAA3	**P-3**	**AA1.ZA**	**P-1.ZA**

On 29 November 2017 Moody's have advised Redefine that it's global scale rating has been placed under review for downgrade, following the weakening of the South African government credit profile. Redefine has encumbered R52.9 billion (2016: R38.8 billion) of its property assets against secured borrowings of R21.9 billion (2016: R16.4 billion). For unsecured lenders (currently R12.8 billion), R62.2 billion of property assets are available (the remaining unsecured property assets of R31.2 billion, plus the secured assets' funding headroom of R31.0 billion) to support their exposure.

Redefine is looking to increase its level of unsecured borrowings by leveraging this situation, which has the added benefit of providing the unsecured lender with a diversified asset pool.



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Manufactured capital

What manufactured capital means to Redefine

Our manufactured capital is our diversified property asset platform, comprising local and international property investments, which effectively represents the deployment of financial capital.

We are tasked with allocating our manufactured capital to ensure its highest and best use to sustain long-term value creation.

Creating value

We allocate capital where we believe sustained stakeholder value can be created and reduce risk by diversifying our property portfolio. To this end, we continue to invest in well-located properties that are high value, high quality and more efficient, with a focus on blue-chip tenants to secure growth in rentals and to diversify geographically by investing offshore – all of which result in improved cash flow.

Highlights

→ Completed the **acquisition** of Pivotal as part of our drive to **improve** the quality of our **local portfolio**

→ Acquired two attractive **development sites** for **student accommodation** in Australia with the potential to cater for up to **1 500 additional beds**

→ Property assets expanded by **R11.4 billion to R84.1 billion**

Reduced vacancy to **4.6%** from 4.9% in a tough trading environment

Completed developments totalling **R3.0 billion**

Sold our holding in Delta Property Fund to a black women-led BEE consortium for **R1.5 billion**

CHALLENGES	STRATEGIC RESPONSES
Local political instability and policy uncertainty continues to contribute to weak domestic economic growth	→ To address these challenges we have focused on the factors we can control, looking inward to ensure we have a sharper focus on operational efficiency and effectively managing relationships → We continue to build our diversified, quality property platform – both through acquiring the right properties and by disposing of non-core assets → We invest in local and international properties that are strategically selected to attract and retain top tenants, accomplish steady growth and secure growth prospects in the long run
Weak growth in certain international markets	→ Given the low growth in the United Kingdom and Australia, we continually review our exposure to these markets while balancing our international portfolio with investments in high-growth markets such as Poland, which holds great promise for growth through acquisition, development and extensions
The availability, cost and competition for capital continues to increase, inhibiting our ability to acquire and develop new buildings	→ Recycling of capital became a prominent feature in capital management during 2017 → Given that our current cost of capital and LTV ratio is at the upper end of our comfort zone (circa 41%), this trend is expected to continue into the 2018 financial year
Ongoing municipal inefficiencies in some municipalities regarding delays in the town planning processes and utility billing	→ We'll continue to reposition our portfolio around quality and location. Ownership of properties in municipalities that are not meeting service delivery standards, and are slow in processing regulatory permissions, are being carefully reviewed. Ongoing consideration and action is being initiated to move business operations out of such municipalities

Reflecting on 2017

In our 2016 integrated report, we reported on certain priorities for our 2017 financial year.

This is how we did	Our performance
Expand foreign income and capital growth opportunities at low risk	▲
Optimise asset allocation between defensive and secondary properties	▲
Explore investments outside traditional sectors	↻
Maintain a long-term strategy per asset	↻
Recycle capital to sustain future growth	↻
Limit speculative development to a maximum 5% of portfolio value	▲
Exploit non-GLA income opportunities	↻
Extend lease expiry profile	↻
Reduce vacancies	↻

▲ Achieved target ↻ Still in progress/ongoing[1] ▼ Did not achieve target

Priorities for 2018

- → Tenant **retention** is a top-of-mind priority, as well as **reducing vacancies** and extending the lease expiry profile
- → In a constrained environment, there is a flight to quality. Therefore, we continue to **improve**, **expand** and **protect** our domestic properties in order to **attract** and **retain quality** tenants
- → Non-core assets (secondary properties, Africa and listed securities) to be **recycled**
- → Expand **foreign income** and **capital growth** opportunities at low risk
- → **Maintain** and **implement** a long-term strategy per asset
- → Continue to identify **innovative** non-GLA income **opportunities**
- → Maintain operating margins and **optimise energy**, **water usage and recoveries** in our existing buildings
- → **Increased** focus on tenant and broker **relationship management**
- → Facilities and **utility management** interventions to further **improve operational sustainability**
- → Focus on **growth** in **renewal** rentals

Manufactured capital (continued)

Local property portfolio

Overview

Looking back on 2017, it was a challenging year for South African businesses across the spectrum. The year brought further political, social and economic uncertainty, coupled with a weakening economic outlook and a volatile demand for space. As a result, our primary local portfolio focus remained on protecting, expanding and improving our properties. This, along with an emphasis on upgrading the quality (relevance) and efficiency, as well as extending the lease maturity profile of our local portfolio, bore fruit during the year. Our high-quality assets are well-matched to the changing needs of our tenants and shoppers, which we see as a vital advantage in securing leases in uncertain times.

As at 31 August 2017, Redefine's diversified local property portfolio was valued at R64.0 billion (2016: R51.6 billion). Despite our focus on maintaining, protecting and improving our existing portfolio, we remain open to local acquisition opportunities and are poised to capture them by taking decisive action which is in line with our strategy to secure long-term growth for our investors.

Accordingly, during the year, Redefine acquired all of the shares in property developer and capital growth fund, The Pivotal Fund Limited, in a share swap transaction. This deal further diversifies our portfolio by investing in high-quality assets, while the share swap conserves our use of cash and debt. As a result of this acquisition, the company acquired 32 properties, valued at R10.4 billion (including developments in progress and land holdings for future development). The portfolio consists of 17 office, 10 retail and five industrial properties. The initial areas of focus in such a significant acquisition included the integration of the portfolio in terms of property management systems, staff onboarding, entrenching Redefine's culture and aligning goals to our strategic objectives through asset management interventions.

During the year, the active portfolio vacancy rate decreased marginally during the year, by 0.3% (2016: 0.5%) to 4.6% (2016: 4.9%). Leases covering 536 310m² (2016: 492 126m²) were renewed during the year at an average rental increase of 2.9% (2016: 3.3%), with the tenant retention rate a pleasing 92.6% (2016: 91.8%). A further 406 406m² (2016: 401 128m²) was let across the portfolio.

25 properties with a GLA of 259 203m², which did not meet Redefine's investment criteria, were disposed of during the year to various buyers for an aggregate consideration of R1.9 billion, at an average yield of 8.4%. In addition, agreements, subject to the usual conditions precedent, were concluded for the disposal of properties for an aggregate consideration of R2.4 billion with a GLA of 227 699m², at an average yield of 8.2%.

	2017					
	Office	Retail	Industrial	Specialised	Land	Total
Number of properties	118	79	101	4	25	327
Total GLA (m²) (million)	1.4	1.4	2.0	0.03	-	4.8
Vacancy (%)	8.1	3.3	3.3	-	-	4.6
Asset value (R billion)	23.3	26.2	11.2	1.0	2.4	64.0
Average property value (R million)	183 .0	287.0	107.0	304.0	96.0	182.0
Value as % of portfolio	36.0	41.0	17.0	2 .0	4 .0	100 .0
Average gross rent per m² (R)	147.0	160.0	48.0	159.0	-	128.0
Weighted average retention rate by GLA (%)	87.0	94.0	95.0	100.0	-	93.0
Weighted average renewal rental growth by GLA (%)	0.1	2.0	5.6	-	-	1.7
Weighted average lease period by GMR (years)	3.3	3.7	5.1	4.0	-	3.8
Weighted average portfolio escalation by GLA (%)	7.7	6.9	7.7	7.9	-	7.5

Developments offer the opportunity to protect, refine and improve the quality of our assets

Unlock new income streams

Strengthen tenant relationships

Extend the lifespan of our core properties

In addition to Redefine's own developments, we participate with other development firms to offer customised and creative development solutions, either through improvements to existing premises or through greenfield developments, designed and developed according to a tenant's specific requirements.

Development projects in progress in the existing portfolio

R5.2 billion

Future committed development projects total

R3.0 billion

David Rice
Chief operating officer

2016				
Office	Retail	Industrial	Specialised	Total
119	82	109	2	312
1.3	1.3	1.9	–	4.5
8.7	3.6	3.4	–	4.9
18.7	21.5	11	0.4	51.6
157.0	262.5	100.5	205.2	164.3
36.3	41.7	21.2	0.8	100.0
121.8	144.4	42.3	147.0	94.2
89.4	90.9	93.7	100.0	91.8
3.4	6.5	3.5	–	4.5
7.6	7.5	7.2	8.4	7.8
3.3	3.1	5.7	4.8	3.8

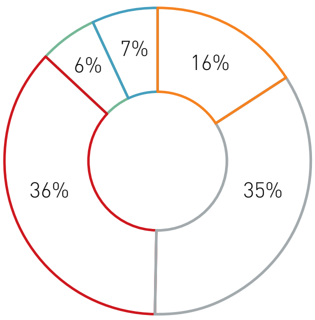
Manufactured capital (continued)

RETAIL PORTFOLIO

Key indicators

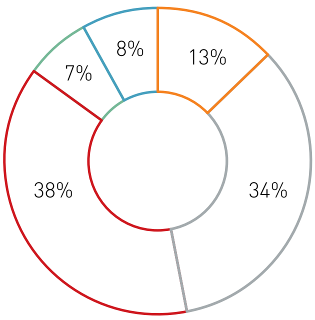
- The retail portfolio value **increased** from **R21.5 billion to R26.2 billion** with a GLA of 1.4 million m^2 (2016: 1.3 million m^2)
- Rent-to-turnover ratios averaged **9.3% (2016: 7.3%)**
- Footcount has **declined by 0.1%** on average (2016: -1.0%), mainly due to development activity at Benmore Gardens and Centurion Mall
- The vacancy rate has **decreased to 3.3%** (2016: 3.6%)
- The tenant retention rate by GLA was **93.6%** (2016: 90.9%), with an average **growth** in renewal rentals of **2.2%** (2016: 6.5%), a satisfactory result in a tight market
- Trading density growth of **0.4%** (2016: 5.4%). Impacted by Centurion Lifestyle, Centurion Mall and the Boulders

VALUE BY TYPE



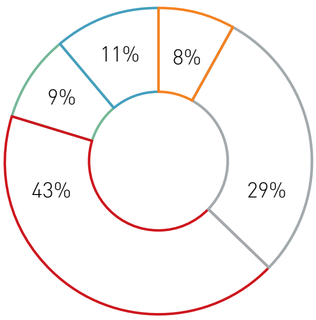
Super regional
Regional
Community/Small regional
Neighbourhood
Other

GMR BY TYPE



Super regional
Regional
Community/Small regional
Neighbourhood
Other

GLA BY TYPE



Super regional
Regional
Community/Small regional
Neighbourhood
Other

Top 5 properties by value

CENTURION MALL

Location	Pretoria, Gauteng
GLA	118 533 m^2
Property valuation	R4.1 billion
Occupancy	96%
Average footcount per month	1.2 million
Major anchor tenants	Woolworths, Pick n Pay, Checkers Hyper, Dis-Chem, Game, Edgars, Truworths and Foschini

EAST RAND MALL (50% OWNERSHIP)

Location	Boksburg, Gauteng
GLA (50%)	34 389 m^2
Property valuation (50%)	R1.3 billion
Occupancy	98%
Average footcount per month	1.0 million
Major anchor tenants	Edgars, Woolworths, H&M, Ster-Kinekor, Truworths and Foschini

KENILWORTH CENTRE

Location	Claremont, Western Cape
GLA	53 387 m^2
Property valuation	R1.3 billion
Occupancy	100%
Average footcount per month	0.8 million
Major anchor tenants	Pick n Pay, Checkers, Woolworths, Game, Edgars and Virgin Active

GOLDEN WALK

Location	Germiston, Gauteng
GLA	45 251 m^2
Property valuation	R1.1 billion
Occupancy	99%
Average footcount per month	1.3 million
Major anchor tenants	Shoprite, Pick n Pay and Woolworths

BLUE ROUTE MALL

Location	Tokai, Western Cape
GLA	55 496 m^2
Property valuation	R1.0 billion
Occupancy	100%
Average footcount per month	0.7 million
Major anchor tenants	Checkers, Woolworths, Ster-Kinekor and Edgars

Manufactured capital (continued)

RETAIL PORTFOLIO (continued)

CHALLENGES	STRATEGIC RESPONSES
Push back from tenants on rental levels and annual escalations	→ We have a strong focus on optimising tenant mix and space utilisation to improve trading densities
Low household consumption growth and increasing retail supply, resulting in increased competition for market share and depressed trading conditions	→ To address these challenges, we focus on: → Marketing to drive footcount, increase dwell time and differentiation, as well as to improve spend per head → Differentiating our centres based on experiential offerings with an associated brand positioning → Keeping tenant mix relevant to market and brand positioning → Attracting new retailers entering the South African Market, e.g. Leroy Merlin, Decathlon and H&M
Increase in administered costs	→ We remain focused on implementing initiatives to optimise utility costs and contesting municipal valuations, where appropriate
Rising labour costs, primarily contract security and contract cleaning services	→ We continue to pursue cost-savings initiatives, using economies of scale across the portfolio
Ongoing low performance of several department stores	→ We support our tenants through initiatives such as restructuring lease terms, space allocation and re-leasing of excess area to alternate tenants
Increase in crimes perpetrated in malls	→ We continue to explore and implement preventative security measures and procedures, including staff training and new technology, as well as cooperation with community policing forums and SAPS

Overview

The lack of economic growth continues to contribute to weak consumer confidence. As a result of the tough trading conditions, there is significant push back from tenants regarding lease renewal rentals, escalations, duration of leases and tenant installation contributions. Continuous engagements are being held with national retail role players, with a particular emphasis on lease discussions.

In addition, retailers continue to close secondary and non-performing stores with a focus on "right-sizing".

Coupled with this, super-regional and regional centres continue to lose market share due to cannibalisation and convenience shopping, and accordingly continue to see a reduction in footfall.

Shoppers are looking for a personal experience, and shopping centres must differentiate their product offering.

This requires innovative marketing and management, an appealing product, and a real understanding of our shoppers and their requirements, to drive tenant mix.

Development activity

Property	Description	Total cost R	Yield	Completion date
Development projects completed during the year				
Matlosana TWT	New value retail development	7 763 000	9.3%	December 2016
Kyalami Corner	New retail development	449 130 088	8.6%	April 2017
Benmore Gardens Phase 2	Retail redevelopment	75 594 000	7.2%	December 2016
East Rand Mall	Alterations and additions	233 354 490	5.6%	November 2016
Sammy Marks Square	Extension and redevelopment	7 514 620	16.0%	November 2016
Stoneridge Phase 1	Mall upgrade	41 289 000	1.5%	October 2016
Kenilworth Shopping Centre	Alterations and additions	280 560 000	8.9%	April 2017
South Coast Mall Phase 3	Extension and redevelopment	32 273 736	6.7%	May 2017
Total		**1 127 478 934**	**10.4%**	

Property	Description	Total cost R	Yield	Completion date
Current redevelopments in progress				
Benmore Phase 3-4	Retail redevelopement	252 177 768	6.6%	November 2017
Centurion Mall Phase 2	Retail redevelopement	199 929 520	6.3%	September 2017
Park Meadows Phase 1	Retail redevelopement	12 774 000	8.3%	June 2017
Total		**464 881 288**	**6.5%**	
Current new developments in progress				
Stoneridge Phase 2	New international hardware retailer	249 675 000	9.3%	August 2018
Total		**249 675 000**	**9.3%**	
Future redevelopment projects				**Start date**
Matlosana Access Road	Road construction project	51 897 916	N/A	August 2017
Centurion Mall Phase 3 & 4	Retail and commerial	491 242 000	6.0%	June 2017
Brackengate: Planet Fitness	Retail	64 682 978	10.0%	September 2017
Total		**607 822 894**	**7.3%**	

Responding strategically

KEY FOCUS AREAS IN THE RETAIL PORTFOLIO DURING THE YEAR INCLUDED:

Differentiating

Shopper experience is the quintessential driving force in retail – respecting time, individuality, choices and the needs of each shopper. Our focus is to distinguish our centres from those of our competitors, creating outstanding places for modern consumer lifestyles. Differentiation through a defining brand positioning, as well as strong tenant mixes with new players, including new international companies, is also a critical area of focus. Getting the basics right is an ongoing priority – this includes ensuring convenience (access and egress), safety, cleanliness (toilets), signage, tenant mix and managing parking tariffs to promote dwell time without penalising visitors by charging more for a longer stay. During the year, we also focused on developing specific marketing initiatives within each catchment area to absorb a higher portion of the declining retail spend.

Ensuring rigorous management

Optimising efficiency and strong relationship management are crucial to our ongoing success in a constrained operating environment. Managing trading density growth, occupancy costs and vacancies through space optimisation and tenant mix have been areas of focus and require ongoing engagement with all parties. We have also introduced category-based leasing across the retail portfolio, and we now have dedicated people who focus on specific merchandise categories. We believe that these combined actions will work toward further reducing vacancies and increasing income growth going forward.

Growing the contribution of non-GLA income

Building the contribution of non-GLA income gained significant traction during the year. Initiatives included promotional courts, kiosks, pop-up stores, in-mall media, exterior media, digital media, exhibitions and entertainment and rooftop management. Contributing to available entertainment will draw shoppers into the super-regional centres, as well as assist with dwell time and average spends.

During the year, we also expanded into third-party digital advertising. We have rolled out digital LED screens to a number of locations, including exterior sites and in-mall. While the process of attaining council approval has presented a significant challenge, we are reasonably pleased with the progress made to date. This move towards digital screens allows us to capitalise on the growing trend in the advertising industry towards digital media, which encourages more significant levels of engagement and offers more flexibility in contrast to static billboards. The initial cost of the screens is much higher than frames for static billboards and involves ongoing maintenance and data expenses. However, income derived from this type of media is significantly higher.

Manufactured capital (continued)

RETAIL PORTFOLIO (continued)

WHAT IS NON-GLA?

Non-GLA income refers to the income we can derive from spaces within our portfolio that do not form part of our regular revenue streams.

MEASURING OUR PERFORMANCE

R61.1 million in non-GLA revenue versus **R46.9 million** in 2016.

29.9% growth.

R10.4 million
(2016: R10.4 million)

Exterior media

Focus on iconic digital solutions on key sites, aggressive roll-out planned for 2018.

R1.6 million
(2016: R1.0 million)

Connectivity (Fibre)

Growth of **68.5%** on prior year.

Aggressive roll-out to 100 buildings by March 2018 with significant improvement in the tenant experience.

R15.8 million
(2016: R12.0 million)

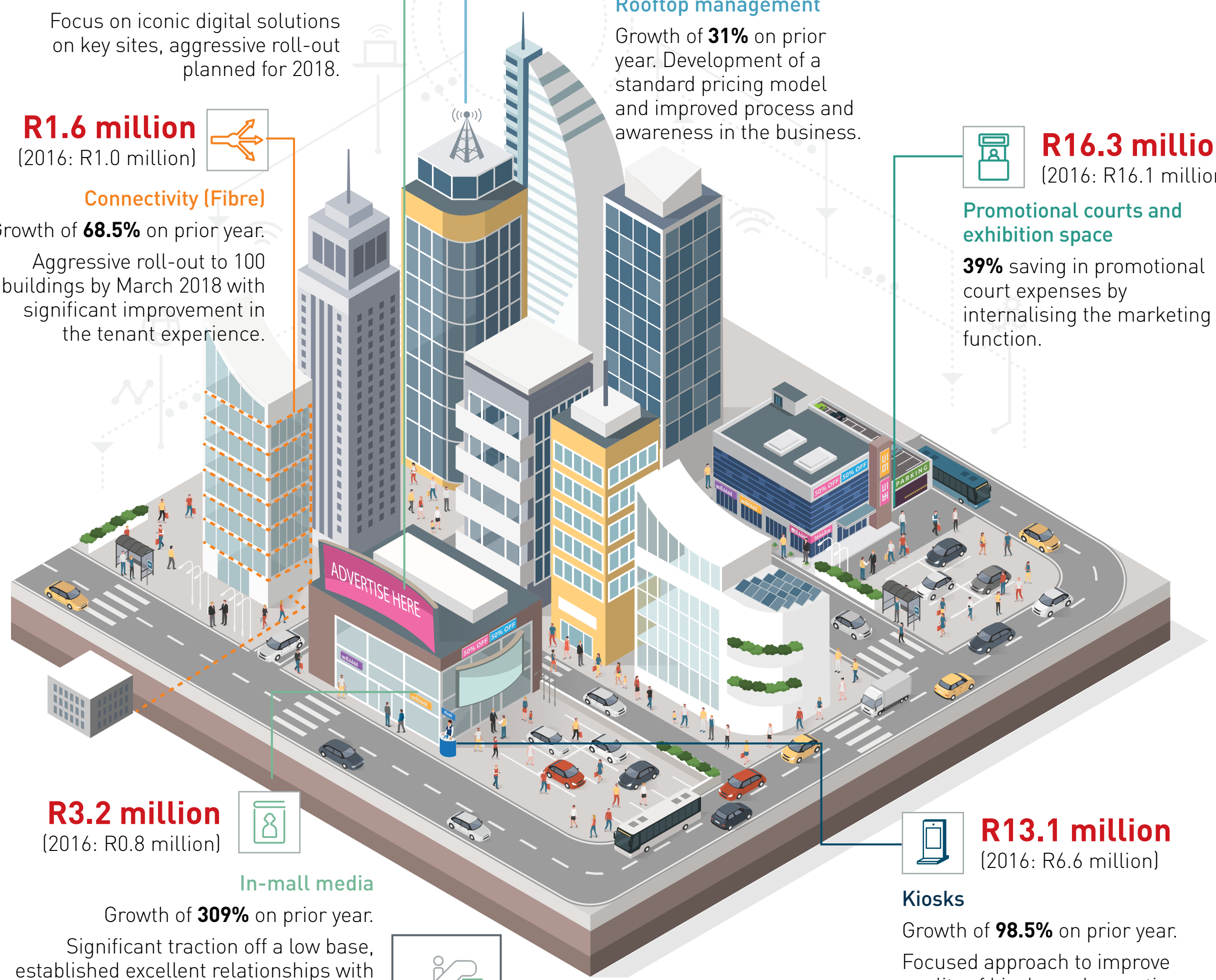
Rooftop management

Growth of **31%** on prior year. Development of a standard pricing model and improved process and awareness in the business.

R16.3 million
(2016: R16.1 million)

Promotional courts and exhibition space

39% saving in promotional court expenses by internalising the marketing function.



R3.2 million
(2016: R0.8 million)

In-mall media

Growth of **309%** on prior year.

Significant traction off a low base, established excellent relationships with different media partners, each specialists in their specific mall classification.

R13.1 million
(2016: R6.6 million)

Kiosks

Growth of **98.5%** on prior year.

Focused approach to improve quality of kiosks and executing a strategic leasing plan.

Other

Additional focus on identification of new revenue streams and innovation. Good growth, delivering over **R600 000** in 2017.

Outlook

The retail sector remains a highly competitive environment, characterised by low growth and oversupply. Continued tension in retail lease negotiations is expected and astute management will be required to achieve a favourable balance between escalations, vacancies and strategic tenancies. Consumer spending will remain subdued, and the retail sector will continue to be a battlefield for market share.

Regional and super-regional centres will likely continue to experience lower growth while convenience centres are likely to outperform. Retailers will continue to focus on the cost of occupation in a bid to maintain margins and, combined with increases in administered costs and declining sales growth, rental levels will be under pressure.

In this challenging operating context, there will be a continued focus on marketing and brand positioning of each retail asset, improving tenant mix, innovative leasing strategies, including entertainment elements that attract shoppers, and focused cost control.

Retail statistics and consumer spending patterns indicate that consumers are favoring community and regional shopping centres, with community centres leading trading density growth by 2.7%.

The rent-to-sales ratio for centres in these categories are also low relative to super regionals, indicating that the current rentals and associated growth is sustainable in these centres.

Redefine's exposure to community and regional centres (77% by value and 72% of its gross monthly rental) places the retail portfolio in a good position to address the market challenges facing the retail sector, and to deliver sustainable returns.

MEETING TENANTS' NEEDS

As French home-improvement and gardening retailer, LEROY MERLIN, prepares to open its first store in South Africa, Redefine is proud to be partnering with them as they embark on this journey.

Part of the ADEO Group, which boasts a workforce of 89 000 employees worldwide, LEROY MERLIN is the world's third largest international DIY retailer, operating in over 12 countries with nearly 400 chain-stores.

To differentiate itself, LEROY MERLIN aims to offer a variety of internationally sourced products and specialised advice for a customer of any level of expertise and will pay particular attention to staying close to their customers. Each store has between 30 000 and 60 000 products available and aims to assist the shopper in every aspect of their project. The new store will open at Stoneridge Mall in Modderfontein during the second part of 2018. Consisting of 16 343m² of gross lettable area and over 450 parking bays, the store will be the first in the country.

The lower level will boast a showroom and 3 000m² material yard, while the upper level will contain 8 810m² of trading floor with an office mezzanine, as well as a storage and pick-up area.

The project involved converting a specification document, suited to the European environment, into one adapted for the South African market, while still providing the tenant with their expected level of quality, look and feel.

We hope to build a lasting relationship with LEROY MERLIN and have subsequently commenced negotiations elsewhere in the Redefine portfolio.

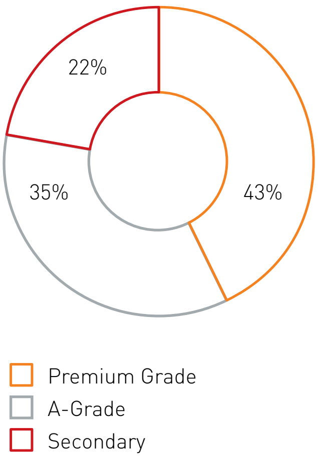
Manufactured capital (continued)

OFFICE PORTFOLIO

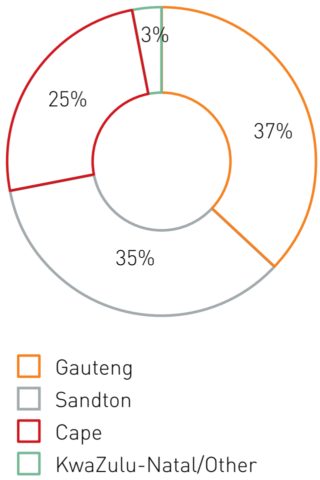
Key indicators

- → The office portfolio value **increased** from **R18.7 billion to R23.3 billion**, principally due to the acquisition of the Pivotal portfolio. The core portfolio remained relatively static, showing a **growth** in value of **1.25%** with a GLA of 1.4 million m^2 (2016: 1.3 million m^2)
- → The portfolio is **70%** let to **P-** and **A-grade** tenants
- → Vacancies **improved** to **8.1%**, which is lower than the prior year's 8.7% due to challenging economic conditions
- → Tenant retention rate by GLA was **87.1%;** however, the cost of retaining tenants is high
- → Average **growth** in renewal rentals of **0.1%**

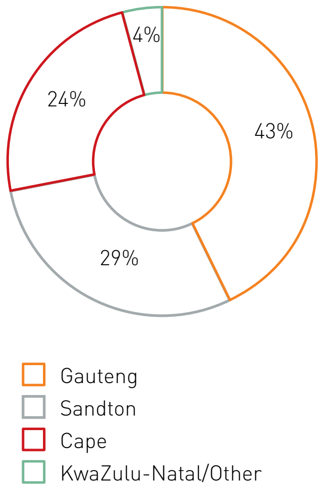
VALUE BY GRADE



VALUE BY LOCATION



GMR BY LOCATION



Top 5 properties by value

ALICE LANE

Location	Sandton, Gauteng
GLA	70 758 m^2
Property valuation	R2.6 billion
Occupancy	87%
Key tenants	Bowman Gilfillan, Marsh and Sanlam

BLACK RIVER OFFICE PARK

Location	Observatory, Western Cape
GLA	71 474 m^2
Property valuation	R1.5 billion
Occupancy	97%
Key tenants	Dimension Data and Adidas

90 RIVONIA ROAD

Location	Sandton, Gauteng
GLA	39 864 m^2
Property valuation	R1.2 billion
Occupancy	97%
Key tenant	Webber Wentzel

THE TOWERS

Location	Foreshore, Western Cape
GLA	59 358 m^2
Property valuation	R1.1 billion
Occupancy	98%
Key tenants	Standard Bank, Vodacom, City of Cape Town and Innovation Holdings

115 WEST STREET (50% OWNERSHIP)

Location	Sandton, Gauteng
GLA	20 546 m^2
Property valuation	0.8 billion
Occupancy	100%
Key tenant	Alexander Forbes

Manufactured capital (continued)

OFFICE PORTFOLIO (continued)

CHALLENGES	STRATEGIC RESPONSES
Lacklustre economic growth, coupled with increased vacancies in the office sector, continue to place pressure on rentals and returns across the office portfolio **Furthermore, new supply coming into the market, even in prime nodes such as Sandton and Rosebank, means increased competition and higher vacancies in secondary properties**	→ There is still evidence of healthy demand for high-quality accommodation in prime nodes. Our office properties are primarily situated in these nodes, geographically spread across South Africa's major metropolitan areas, and are substantially let to blue-chip tenants → We also continue to improve our product offering to remain competitive and working proactively to incentivise prospective tenants to relocate through innovative deal structures and tenant installation offerings, combined with competitive rentals
The demand from tenants to reduce space and consolidate offices continues, complemented by the demand for serviced office and flexible leases, as more staff members work remotely	→ By targeting flexible workspace companies and opportunities within the South African market, we have been able to capitalise on this market trend and are continuously growing the contribution from these tenants
Third-party tenant representation remains a key trend, placing growing pressure on property owners to stay competitive, driving down asking rentals and increasing the cost of tenant installations	→ Our approach to business, investment and specifically tenant retention, allows us to be in a position to respond appropriately to third-party professional tenant representation → We build professional relationships, have the products in key locations and price competitiveness due to innovative deal structuring, where necessary
Increased pressure on core building design elements, specifically relating to occupancy and space efficiency	→ All our new developments are built to meet these design specifications, as well as our long-term asset management strategies

Overview

Political uncertainty and weak economic growth, coupled with an oversupply of office space in the market in general, continued to place pressure on rentals and returns across the office portfolio. Although there is still potential for additional development in prime nodes, it is likely that developers will take a more cautious approach, refraining from speculative developments – awaiting sufficient demand from tenants. Remaining relevant through refurbishment and redevelopment of well-located properties, to ensure continuity of rental growth and to stay competitive in a tough leasing market, remains a focus.

Development activity

Property	Description	Total cost R	Yield	Completion date
Office developments and re-developments completed during the year				
Alice Lane 3	New commercial development	948 109 098	9.5%	April 2017
Hill on Empire A	New commercial development	162 065 636	9.0%	April 2017
Rosebank Towers	New development (RDF 42.5% share)	306 153 151	9.5%	November 2016
Rosebank Corner	Commercial upgrade	19 804 852	12.2%	December 2016
Sandhurst Office Park	Commercial upgrade	101 788 014	1.5%	September 2016
Total		**1 537 920 751**	**9.0%**	

Property	Description	Total cost	Yield	Completion date
Current new office developments in progress				**Start date**
2 Pybus	New commercial development	475 518 700	8.0%	April 2019
Loftus Phase 1 & 2	New mixed-use development	598 036 917	9.1%	March 2018
Park Central	Residential	425 775 822	13.1%	June 2019
Rosebank Link	New commercial development	712 131 090	8.7%	November 2018
Total		**2 211 462 529**	**10.0%**	

Responding strategically

KEY FOCUS AREAS IN THE OFFICE PORTFOLIO DURING THE YEAR INCLUDED:

SPACE2SPEC

Tenant retention and attraction remains essential

Tenant retention remains our top priority in a very competitive environment. During the year, we continued with our leasing campaign, Space2Spec, to ensure the offering of selected properties is even more attractive by allowing the new tenant to customise the rental on selected secondary properties. Ensuring our buildings are both aesthetically appealing, as well as operationally efficient, remains key in attracting and retaining quality tenants. Facilities and utility management interventions to further improve operational sustainability, therefore, remain priorities. During the year, we increased the number of Green Star-rated buildings to 43 existing properties (2016: 14).

Driving development, as well as refurbishment and redevelopment

We completed several developments, totalling R1.5 billion, at a yield of 8.9%. Alice Lane Building 3, a R984 million development, was completed during April 2017. The R712 million Rosebank Link development, strategically located near the Gautrain station, is anticipated to be finalised end of 2018, well in advance of competing speculative developments in the Rosebank node. The R476 million redevelopment of 2 Pybus (adjoining 90 Rivonia Road) to house advocates' chambers is well underway for completion in April 2019, and is 75% pre-let. Loftus Phase One, an office, gym, retail and hotel development totalling 34 850m^2 and costing R598 million, is expected to be completed in March 2018. Post year end, demolition works commenced at the Galleria site in preparation for mixed-use development.

Targeting flexible workspace

Working practices are changing, with office workers and their employers gradually adopting a more relaxed view of the traditional nine-to-five, five-days-a-week working structure, fuelling space reduction requirements most apparent with sections of the commercial market such as sales and administration. To capitalise on this trend, we've partnered with a flexible workspace solutions company, increasing our exposure in this area of the market.

The **R712 million** Rosebank Link development, strategically located near the Gautrain station, is anticipated to be finalised end of 2018, well in advance of competing speculative developments in the Rosebank node.

Manufactured capital (continued)

OFFICE PORTFOLIO (continued)

Outlook

We foresee no marked improvement in overall office vacancy rates during 2018, with high vacancy rates in both secondary and prime nodes as new developments come online and demand for serviced office and flexible leases are expected to increase as more staff members work remotely.

In a constrained environment, a continued focus on sustainability and increased operational efficiency of buildings will remain top of mind for tenants. Our aim is for all new offices to have at least a 4-star green rating and we made impressive progress during the year on rating existing buildings. This focus on sustainability is particularly pertinent given the water crisis faced in the Western Cape.

Tenant retention will remain a focus going forward. The challenge currently in the market is a strong downward pressure on expiry rentals. We will also continue to focus on the redevelopment of existing well-located buildings, rather than large-scale development of new buildings.

Concentrated property management and building tenant relationships to secure long-term tenancies is vital. Increased focus on broker relationships and tenant experience management will also be priorities to differentiate ourselves in the market.

ADVOCATING FOR OUR TENANTS

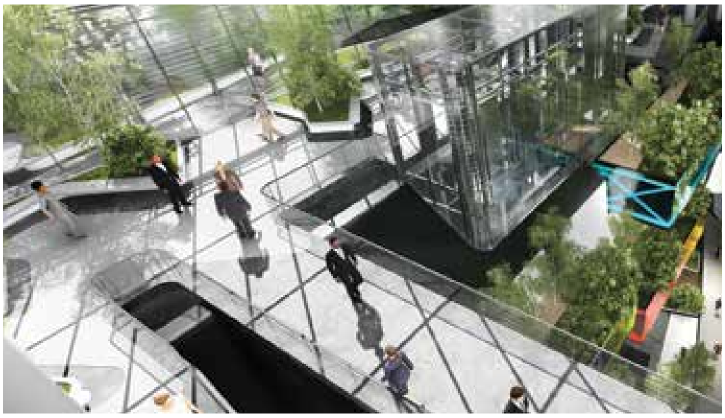
In an era defined by fast-paced innovation, we realise we need to anticipate the needs of our tenants in order to remain the landlord of choice. Our new R476 million Sandton-based office development, Advocates (2 Pybus), has been designed with advocates' needs in mind, seeking to match the exacting demands of legal services in a functional and aesthetically pleasing manner.

Our vision for the building was to create a landmark office development to represent the pursuit of business and the legal practice. The scheme offers a contemporary yet sleek and timeless design, which is both internationally inspired and locally grounded, responding to the site specifics. The design knits the new building into the supporting environment and creates a generous and welcoming architectural form, which contributes to and engages positively with its surrounds. We have sought to modernise the traditional work experience, creating a space that meets operational efficiency and client expectations.

The building has 15 levels in total, 6 parking levels, 8 office levels and a ground floor – and will offer 13 500 m^2 GLA. It is surrounded by blue-chip tenants – and is near the Sandton Gautrain station and bus networks.

As part of the best-practice good business journey, the Advocates building is one that is being built with sustainability at the forefront of our thinking and is set to achieve a 4-star GBCSA green rating. A combination of sensible passive design principles and selected active technologies will be used to minimise the impact of the building and its ongoing use on the environment, as well as to enhance the experience of working in and visiting the building.

MAKING THE LINK



The new 15-storey office tower, located at 173 Oxford Road in the heart of the bustling and cosmopolitan Rosebank has aptly been named Rosebank Link. The building will have direct, convenient and safe access to the Gautrain station through a landscaped ground-level pedestrianised thoroughfare. It will offer tenants a unique location, immediately adjacent to The Zone and Rosebank Mall, and will offer an estimated gross lettable area of 19 000m^2 of office space, with approximately 817m^2 of retail on the ground floor.

Construction commenced during July 2016 and is expected to be completed by the end of 2018. The project will see the existing building transformed into an expressive steel and glass-clad structure, a signature visual that will have an imposing presence on the skyline.

Rosebank, with its recent facelift from an older office node to a mixed-use precinct, is attracting tenants looking to move out of their outdated and inefficient office spaces to more modern and Green Star-rated properties.

Rosebank Link is designed to draw as much daylight as possible into the building, with a multi-storey, enclosed north-facing atrium, fashioned to capture sunlight. Landscaped terraces on the upper two floors are part of the overall design. The green terraces will complement the upper two floors by benefiting the tenancies with spectacular views and creating external breakaway areas. Contributing further to Rosebank Link's green credentials, are smart metering throughout, motion sensor-based internal lighting, backup water, and backup on-site power generation for essential building services only.

Mike Ruttell
Executive director: development

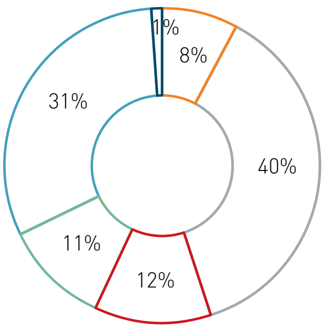
Manufactured capital (continued)

INDUSTRIAL PORTFOLIO

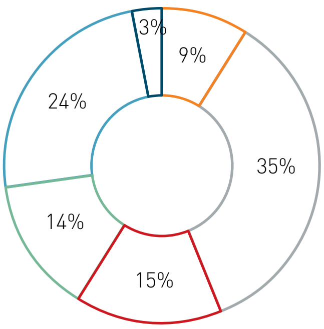
Key indicators

- → The industrial portfolio value **increased** from **R11.0 billion to R11.2 billion**, with a GLA of R2.0 million m^2 (2016: 1.9 million m^2)
- → Vacancies improved to **3.3%** (2016: 3.4%)
- → Retention rate by GLA was **95.2%** (2016: 93.7%)
- → Average **growth** in renewal rentals of **5.6%** (2016: 3.5%)
- → Developable bulk of **1.3 million m^2**

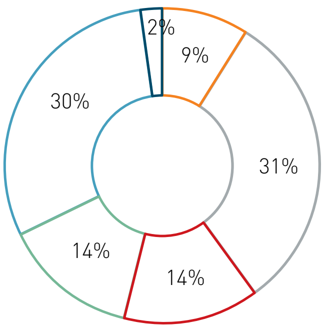
VALUE BY TYPE



GLA BY TYPE



GMR BY TYPE



Warehousing | Heavy grade industrial | Light manufacturing | Industrial units | Modern logistics | Other

Top 5 developed properties by value

MACSTEEL PORTFOLIO

Location	Various
GLA	552 641 m^2
Property valuation	R3.4 billion
Occupancy	100%
Key tenant	Macsteel

PEPKOR ISANDO

Location	Isando, Gauteng
GLA	107 017 m²
Property valuation	R0.8 billion
Occupancy	100%
Key tenant	Pepkor Trading

ROBOR

Location	Elandsfontein, Gauteng
GLA	120 277 m²
Property valuation	R0.6 billion
Occupancy	100%
Key tenant	Robor

CATO RIDGE DC

Location	Cato Ridge, KwaZulu-Natal
GLA	50 628 m²
Property valuation (R'million)	R0.3 billion
Occupancy	100%
Key tenants	Massmart and Pepkor Trading

WINGFIELD PARK

Location	Boksburg, Gauteng
GLA	56 486 m²
Property valuation (R'million)	R0.3 billion
Occupancy	93%
Key tenants	Sandvik and Kintetsu World Express

Manufactured capital (continued)

INDUSTRIAL PORTFOLIO (continued)

CHALLENGES	STRATEGIC RESPONSES
Macroeconomic conditions, including the contraction in manufacturing sectors such as textile, automobile and furniture industries and supplier-based operations to the mining sector, continued to place pressure on tenants	→ We continue to focus on working with our tenants to improve the efficiency of our buildings and negotiate conditions that support their businesses. We have implemented an asset improvement roadmap on existing buildings to enhance tenant retention and buffer against rent reversions
Increased development costs are placing pressure on yields	→ We focus our development expenditure on those areas that will reap the most benefit for Redefine and our tenants in the long term while leveraging our relationships with professionals in the industry to ensure we achieve the best prices for each stage of development
Keeping pace with the demand for buildings that meet new trends in operational and energy efficiency	→ Focusing on tenant-driven development schemes and innovative design methods
Lead time with local authorities continues to weigh on efficiency. Concerns include town planning processes, services installation and additional municipal infrastructure required by new builds	→ Proactive engagement remains vital. We seek to establish positive relationships with local authorities and capable town planners

Overview

The industrial market is highly competitive, but has become a defensive sector for Redefine with its long-lease maturity profile. Portfolio rentals remain under pressure as tenants continue to demand shorter lease terms, and corporate representation of tenants for the purpose of business assessment and the negotiation of lease terms gain a greater presence in the market.

The continuing rise in transport costs and the knock-on impact this has on tenants has continued to play a role in the location tenants choose for their businesses. The location of industrial property in proximity to major highways, close to ports and surrounded by sound road infrastructure, remains key to securing longevity in tenant tenure.

Demand for quality assets in prime nodes remains high, however, and our portfolio's long lease profile has proven to be defensive in challenging market conditions.

A focus on acquiring hi-tech industrial assets within prominent warehousing nodes remains a priority.

Development activity

Property	Description	Total cost R	Yield	Completion date
New projects completed during the year				
34 Wrench Road	New industrial facility	193 721 000	8.1%	March 2017
Midway Park	New industrial facility	124 724 799	8.0%	October 2016
Golf Air 2	New industrial facility	85 665 904	8.5%	December 2016
Total		**404 111 703**	**8.2%**	

Property	Description	Total cost R	Yield	Completion date
Current new projects in progress				
S&J Infrastructure Phase 1	Infrastructure project	131 418 896	N/A	December 2017
Atlantic Hills Phase 1 & 2	Infrastructure project	145 626 810	N/A	March 2018
Brakengate GEA	New industrial	65 865 089	9.0%	March 2018
Brakengate Phase 1	Bulk infrastructure installation	341 892 057	N/A	May 2018
Brakengate Bidvest	Bidvest and spec development	81 388 224	9.09%	March 2018
Hirt & Carter	New industrail facility	600 358 474	8.5%	July 2019
Total		**1 366 549 550**	**7.6%**	
Current redevelopments in progress				**Start date**
Amalgamated Tedelex	Industrial demolition	982 756	N/A	November 2017
Denver Industrial	Industrial demolition	1 749 796	N/A	September 2017
Total		**2 732 552**	**N/A**	

Responding strategically

KEY FOCUS AREAS IN THE INDUSTRIAL PORTFOLIO DURING THE YEAR INCLUDED:

Developing key nodes

The location of industrial property in proximity to major highways, close to ports and surrounded by sound road infrastructure remains key to securing longevity in tenant tenure. We, therefore, focus on nodes that appeal to our tenants' interest in saving on transport costs, where possible.

In March 2017, the R194 million redevelopment at 34 Wrench Road in Isando, Gauteng – one of the country's first warehouses equipped with high-efficiency LED lighting at a stacking height of 15 metres – was completed. We also commenced the R600 million, 45 700m^2 print facility for Hirt & Carter at Cornubia, north of Durban.

In the Western Cape, the first three developments are underway at Brackengate 2 for GEA and Bidvest, where negotiations on the warehousing and logistics segment are progressing well, and sales of non-core land are well advanced. In the east of Gauteng, the installation of main public roads infrastructure at S&J Industrial Estate is expected to be complete by November 2017, which we believe will drive momentum on leasing and interest by owner-occupiers inside the 163-hectare precinct.

Maintaining tenancies

It is costly for tenants to relocate and by improving our facilities, we can assist our tenants in managing the cost of occupation while meeting their operational requirements. Our asset improvement roadmap is, therefore, a pragmatic strategy to enhance tenant retention and buffer against rent reversions.

Aged properties located within strong industrial nodes are evaluated for redevelopment and measured against what is available in the market – finding the most efficient way to deploy capital. The property management teams have begun to engage with tenants earlier in their lease periods to discuss renewal terms and opportunities to enhance their business premises.

Gaining new tenancies

We incorporate key design elements in warehousing developments to functionally differentiate our offering in desirable nodes such as Cape Town and Gauteng, where we have a substantial land bank. Additionally, our Space2Spec letting incentive – the first of its kind in industrial vacancies – has improved letting in the industrial portfolio.

Continued focus on logistics and warehousing

While vacancies remain high among older industrial and warehousing units predominantly serving the manufacturing industries, demand continues to grow for new highly efficient logistics and warehousing units along main arterial routes. Logistics and warehousing are focus areas that continue to advance Redefine's strategy of diversifying, growing and improving the quality of the industrial portfolio.

Manufactured capital (continued)

INDUSTRIAL PORTFOLIO (continued)

Outlook

The industrial sector is set to continue to face significant challenges in line with the broader economy. As long as economic growth remains constrained in SA, industrial developments will continue to struggle against low rental growth.

Despite these headwinds, demand for modern logistics and warehouse space is set to multiply in major nodes, and experts believe the industrial property sector offers great potential for growth, especially in developing quality generic warehousing and distribution centres that are intelligently designed to meet changes in user demand. To capture these opportunities in industrial property, an agile approach is required to understand and meet industry needs in line with the efficiency of movement and the handling of goods.

DEVELOPING FOR THE FUTURE

During the year, we announced the launch of S&J Industrial Estate, one of our largest industrial developments to date. Once part of the larger Simmer & Jack Mine, the S&J Industrial Estate spans over 163 hectares of developable land, located on a prime site along the N3 highway, adjacent to the Geldenhuys interchange.

Majority-owned by Redefine Properties, which has committed R154 million for the bulk infrastructure to date, together with Abland, this acquisition meets Redefine's strategy of identifying quality property opportunities in desirable nodes, enabling the business to secure strong lease covenants. With the main bulk infrastructure project on track, top structure developments are possible from early 2018.

Located among the burgeoning commercial and residential areas of Germiston, Bedfordview, Meadowdale and Alberton, the site, once fully developed, is set to create over 5 000 new jobs.

The development rights secured can accommodate manufacturing, logistics and commercial uses and include the opportunity for a fuel station, as well as a convenience retail centre within the node. With a focus on logistics and light manufacturing, businesses operating from the new estate will be able to circumvent the congestion that frequently occurs at Gillooly's interchange when travelling to and from Durban port and inland destinations.

S&J will feature urban design that seeks to improve the landscape value of the estate while retaining and celebrating its heritage. Elements like the winding house, left behind by the mine and dating back to the 1950s, will be incorporated into the aesthetics of the estate.

Forming part of the greater bulk services project, construction of the two main roads within the estate will be completed by November 2018. Once complete, these roads will unlock upwards of 118 hectares of developable land, of which approximately 60% will be available for disposal to owner-occupiers.

Having already received enquiries for over 380 000m² in industrial land sales and development, we expect market interest to increase further once the major bulk services and roads, due for completion early in 2018, are established.

HIGH-RETURN INVESTMENTS

In this sector, we are looking to diversify our domestic portfolio into higher yielding, non-traditional property asset classes.

Unlocking value in student accommodation

There remains an undersupply of quality well-located student accommodation, resulting in a strong demand for student housing. For Redefine, it provides an opportunity to recycle well-located secondary offices into student accommodation. Our exposure to student accommodation is through our 51% holding in Respublica Student Living (RSL), a company that specialises in the development and management of student residences.

RSL's current bed capacity of 5 873 will grow to 9 210 beds by 2019 once committed expansion activity is completed, with Hatfield Square Blocks C and D, comprising 535 and 1 030 beds respectively, making up the bulk. The extension of Yale Village by a further 195 beds and the spread outside Gauteng into Bloemfontein (469 beds), Cape Town (570 beds) and Pietermaritzburg (576 beds) accounts for the balance of the expansion activity.

Development activity

Property	Description	Total cost R	Yield	Completion date
New residential student accommodation completed during the year				
Yale Village	Residential conversion	76 660 377	9.7%	February 2017
Respublica MGI	Residential revamp	12 891 331	N/A	February 2017
Total		**89 551 708**	**9.7%**	
Current new residential student accommodation in progress				
Hatfield Square	Student accommodation	R852 483 508	10.6%	October 2018
Tolkien House	Student accommodation	R103 362 535	10.5%	February 2018
Total		**955 846 043**	**10.5%**	
Future residential student accommodation development projects				**Start date**
Claremont Respublica	Student accommodation	R231 681 683	10.0%	September 2017
Total		**231 681 683**	**10.0%**	

THE CASE FOR STUDENT ACCOMMODATION

Where others see challenges, we make it our business to seek out and capitalise on opportunities by meeting the needs of our stakeholders. In understanding our interest in student accommodation, it is essential to understand three important drivers:

→ **Growth in student enrolment rates**
As of 2016, there were over 1.8 million students enrolled at universities and technical colleges in South Africa. The Department of Higher Education and Training reports that, between 2009 and 2014, there was an increase of 15.7% (131 375 new students) in public university enrolments and a 67% (289 060 new students) increase in registrations at technical and vocational education and training colleges.

→ **Growth in state financial aid**
In total, funding allocation to higher education increased from approximately R17 billion in 2009/2010 to R37 billion in 2016/2017. The National Student Financial Aid Scheme recorded an increase in funding from Treasury, amounting to R15 billion in 2017, compared to R1.5 billion in 2009/2010. This has resulted in over 400 000 students in South Africa gaining access to funding that was previously unavailable to them. The expansion and reprioritisation of funding is set to continue in the medium term. A direct consequence of the expanded access to funding is that more students were able to seek accommodation.

→ **Increased demand for purpose-built student accommodation (PBSA)**
Residences on university and college campuses have not kept up with the steep growth in enrolments and on average provide for only 20% of the accommodation demand. This vacuum presents a significant opportunity for us.

Manufactured capital (continued)

Specialised

Rosebank Park Central, a uniquely positioned site (best suited for residential use) on the corner of Baker Street and Keyes Avenue in Rosebank, comprising 160 luxury apartments, has begun. To date, we have spent R20 million on the project, with a further R315 million required to complete the project. Thus far, 50% of the units are sold.

FROM OFFICES TO HOMES: THE JOURNEY TO PARK CENTRAL

Our development of Park Central demonstrates our ability to capture opportunities as they arise. Understanding that the Rosebank residential market is experiencing a shortage of quality accommodation and, having a uniquely located site with a second grade office building, the decision was taken to pursue this new development in order to capitalise on the opportunity in the market, making the best use of a site that was no longer attractive for office tenants.

Park Central is a multi-million Rand, high-rise residential apartment block being developed on a site vacated by the removal of the six-storey Sasol building situated next to the Rosebank Library Park, within walking distance of the Gautrain Rosebank station, Rosebank Mall, as well as medical facilities. The homes are being sold off-plan and are priced from R2 million for an entry-level apartment to R16 million for a luxury penthouse. A show unit can be viewed at the Pam Golding Properties sales centre at 7 Sturdee Avenue.

The building will form part of an integrated urban precinct, with a vision to include pedestrian links via the parks to the Gautrain station through to the Rosebank Mall to assist residents to achieve a highly integrated lifestyle. A great deal of attention has been paid to environmental factors in the design of Park Central, as well as in the design of the individual units. Design highlights include magnificent sky gardens, manicured park and roof gardens and easy access to a host of facilities, among which is a pool and entertainment areas, gym and secure pedestrian precincts.

Capturing opportunity through locally listed securities

The holding in Delta Property Fund, acquired through the disposal of a significant portion of secondary government tenanted office properties, was sold to a black women-led BEE consortium for R1.5 billion at the end of June 2017. Interests in Emira and Arrowhead were disposed for cash during the year. Redefine no longer holds any locally listed securities in its portfolio.

Extracting value through additional opportunistic investments

While we pursue opportunities to enhance our income, we continue to comply with REIT status limits on non-property income.

Opportunistic investments include:

- → Loans of R3.1 billion to various third parties, attracting commercial interest rates
- → Solar PV projects totalling R155 million rolled out and new developments incorporating solar PV
- → Non-GLA income R53 million – growth of 19.2% in 2017

Outlook

In a challenging macroeconomic environment, creativity is key. Going forward, capitalising on alternative revenue streams, such as Solar PV and non-GLA income that are in line with our strategic input, will remain a focus.

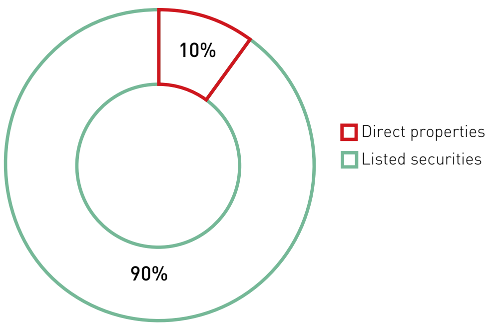
INTERNATIONAL PORTFOLIO

Our international strategy is centred on geographic diversification and exploiting attractive initial income yield spreads.

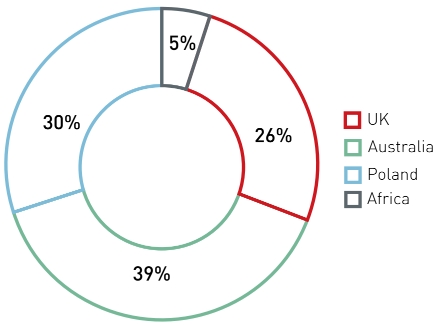
International game plan – Geographic diversification in hard currency markets

Investment criteria	→ Local partner representation and aligned interests
	→ Opportunities for scale
	→ Liquid real estate market
	→ Free flow of currency
	→ Sophisticated tax regimes and rules of law
Our focus	→ Contained exposure to UK, Australia and Poland
	→ To provide strategic and financial support to our local partners
	→ Invest directly where there is potential for capital uplift through value-add opportunities
	→ Support listed investments in corporate activities
	→ Extend and increase the level of hedged income as and when the Rand weakens
	→ Hedge balance sheet naturally through same-currency gearing

INTERNATIONAL COMPOSITION



GEOGRAPHIC SPREAD



Outlook

We will continue to review our investments given the low growth in the United Kingdom and Australia. We do, however, see opportunity amid the challenges faced in the international property markets and will continue to broaden our exposure through expansion in Poland and develop our presence in student accommodation in Australia.

Manufactured capital (continued)

	UNITED KINGDOM Focusing on income in a low-growth environment	AUSTRALIA Exposure to stable market and global real estate investment manager
Redefine's interests	→ RDI REIT PLC (formerly Redefine International) **29.5%** → International Hotel Properties (IHL) Ltd **27.5%**	→ Cromwell Property Group **25.3%** → Northpoint joint venture **50%** → Journal Student Accommodation Fund **90%**
GBP (2016) **Platform profile**	→ RDI REIT PLC directly owns a **GBP1.5 billion** portfolio, **27%** of which is invested in German retail properties → IHL manages a UK-based hotel portfolio, valued at **GBP106 million**	→ Cromwell has a direct property investment portfolio in Australia valued at **AUD2.4 billion** and total assets under management of **AUD9.8 billion** across Australia, New Zealand and Europe → Northpoint owns a landmark building in North Sydney with **44 levels** of mixed office and retail space → Journal owns two PBSA development sites in Melbourne
Share of direct assets	**R8.3 billion**	**R9.6 billion**
Key operational highlights	→ RDI REIT PLC on track to securing **50%** interest in IHL → RDI REIT PLC occupancy high at **97.7%** → RDI REIT PLC disposals of **GBP148 million** at **12.2%** premium → IHL manages nine hotels with **1 143** rooms	→ Cromwell elected not to proceed with its plans to IPO a Singapore REIT to secure recurring income for Cromwell Europe, but is currently reviewing its position → Cromwell sold its stake in IOF, realising a gain of **AUD25 million** and achieving an **18%** IRR → Completion of **AUD130 million** redevelopment of Northpoint on track for March 2018 → **AUD139 million** development underway of Leicester St PBSA facility (**804 beds**), for completion by 2019
Redefine activity in 2017	→ German joint venture sold to RDI REIT PLC for **£49 million** → Concluded agreement to dispose entire IHL stake to RDI REIT PLC	→ Acquired second PBSA development site in Melbourne for **AUD26 million**, with bed capacity of at least **650 beds**
Strategy	Support corporate activities to secure growth through expansion of portfolio and recycling secondary assets	→ Support corporate activities to secure growth through expansion of portfolio and recycling secondary assets → Expand the PBSA operation into a scalable operation → Currently **1 454 beds**
Websites	www.rdireit.com	www.cromwell.com.au

POLAND Emerging market growth in hard currency	**AFRICA** Acquired with the Pivotal portfolio
→ Echo Polska Properties (EPP) **39.6%**	→ GRIT **6.3%** → Oanda Wings **37.2%**
→ **74.1%** exposed to retail → **25.9%** offices	→ GRIT operates in five African countries → Oanda Wings owns two office towers in Lagos with a GLA of **27 000m²**
R10.5 billion	**R1.3 billion**
→ Portfolio has expanded by **EUR510 million** since listing → Expansion almost exclusively in retail → Strategy to become a pure retail play advanced through sale of three office buildings → Concluded a conditional agreement to acquire retail portfolio for **EUR692 million**	As the region does not meet Redefine's investment criteria, both investments present recycle opportunities
→ Participated in EPP's **EUR150 million** equity raise – **ZAR860 million** invested → Refinanced funding of EPP	
Support expansion of EPP's retail portfolio through acquisition, development and extensions to transition property portfolio to a pure retail play	
www.echo-pp.com	

Human capital

What human capital means to Redefine

Our human capital refers to our employees – our key resource and a strategic differentiator. Their knowledge, skills, attitude and innovation enable us to realise our vision of being the best South African REIT.

Creating value

We strive to cultivate and harness the power of our employees' passion and commitment, differentiating ourselves through a dedicated people-centric approach to business as our employees go above and beyond the call of duty.

Highlights

→ Certified as a **Top Employer** for **2018** by the **Top Employers Institute**

→ **Completed the fifth of our learnership programmes** with **23%** of the 2016 class **employed** full-time at **Redefine**

Maintained our overall employee engagement capital score at **77%**

Invested more than **R12 million** in training and development

CHALLENGES	STRATEGIC RESPONSES
Attracting, retaining and engaging key staff in an environment where there is a shortage of experienced people	Strengthening our employer brand to position Redefine as an employer of choice through deepened employee engagement strategies and benchmarking our progress through initiatives such as the Top Employer certification
Meeting the high expectations of our people-centric brand promise	We have an extensive employee engament programme to embed our values into the everyday practices of our people, and drive intiatives to ensure consistent delivery on our brand promise
Employee transfers following an acquisition or disposal impact our transformation efforts as we strive to reach a demographic balance in an industry plagued by skills shortages	Continuing to grow talent that complement our transformation efforts through initiatives such as our learnership programme, leadership development and other internal development programmes

Learnership 2017

Reflecting on 2017

In our 2016 integrated report, we reported on certain priorities for our 2017 financial year.

This is how we did	Our performance
Focusing on further utilising our human capital to advance our business and create value	Still in progress/ongoing
Enrich employee engagement practices	Still in progress/ongoing
Energise a culture of reward and recognition	Achieved target
Accelerate transformation	Still in progress/ongoing
Promote a values-driven culture	Achieved target
Refine key performance areas	Still in progress/ongoing
Ensure employee demographics are relevant	Did not achieve target

▲ Achieved target ↻ Still in progress/ongoing ▼ Did not achieve target

Priorities for 2018

- Prioritise, monitor and implement **key engagement** initiatives to support the business
- Focusing on **succession** and **career development** strategy implementation
- Improve **employee communication**, **information** and **knowledge-sharing** through effective utilisation of technology

Our human capital strategy

Our human resource strategy focuses on strengthening the intangible capital of our organisation, that is the capability, energy and integrity our employees bring to their roles, which in turn, contributes to the success of the business and maximises our stakeholders' value.

During the year, our human capital focus was on encouraging innovation to develop a creative attitude to problem-solving and promote a responsiveness to change. This will be an ongoing focus in the year ahead as we endeavour to equip our people to thrive in a challenging ever-changing operating context.

Unpacking our staff profile

Employees	Average age	Average tenure	Total staff turnover	Female staff
424 (up 13% from 2016)	40	5 years	12.6%	54%

EMPLOYMENT EQUITY NUMBERS

	Total male	Total female
African	93	73
Coloured	20	34
Indian	8	28
White	72	92
Foreign nationals	4	0

Ensuring and measuring meaningful engagement

Our employees are our brand ambassadors. We therefore endeavour to engage meaningfully with them to better understand and respond to their legitimate needs and concerns, but also to motivate them to deliver on our brand strategy and business objectives.

Entrenching our employee value proposition

During 2016, we developed and launched our employee value proposition (EVP), which captures not only our promise to our employees, but also what Redefine expects from our employees in return.

In our recent brand strength survey, the value of Redefine's engaged employee base was highlighted. Employees were seen to be committed to Redefine's brand promise and to delivering on that promise and living the values. Our ongoing engagement strategy, therefore, comprises various communications and engagements to maintain and grow this strong base, using our EVP themes.

i Refer to ESG report for more information on our EVP themes

Measuring our success

Our employee engagement survey is a critical part of understanding our employees' levels of engagement. During 2017, our employees were again provided with the opportunity to share their views by participating in the 2017 employee engagement survey. This is the fourth year we have asked our employees to participate in this confidential web-based survey, on topics such as career and professional development, manager quality and rewards and recognition.

We achieved an overall engagement capital score of 77%, with the benchmark set at 61% (2016: 77% with a benchmark of 60%). The engagement capital score is a metric designed to give the organisation an overall score of the amount of commitment, discretionary effort and "intent-to-stay", exhibited by employees. The score Redefine achieved indicates that we have maintained high levels of employee engagement.

Our employee engagement survey is performed annually to monitor any developments in these scores.

i Refer to ESG report for more information on our engagement capital scores

Assessing our employer brand

We value external feedback on employment practices as an important part of improving our business, which is why we once again participated in the Top Employer certification.

We are pleased to report that we were recognised as a Top Employer in South Africa by The Top Employers Institute for our exceptional employee offerings, for the third consecutive year. Redefine is the only listed South African REIT that has been certified as a Top Employer 2018.

Building our relational brand from the inside out

A key component of our human capital management is embedding our unique culture and values to inform the way we do business. We use a variety of platforms to support this, including our onboarding process, employee roadshows and our internal communication platforms, one of which are our Team Chat forums. Team Chats ensure that vital themes and essential information flows from senior management to teams throughout the business. Through the Team Chat forums, line managers are encouraged to facilitate two-way communication with their teams to share key messages, but also identify areas for consideration to enhance employee engagement.

To reinforce the importance of and drive behaviour to live our brand, our annual employee roadshow focused on the theme of **'heads up, hearts in and hands on'**. The theme encapsulates our unique approach to relationships and unpacked how our stakeholder engagement strategy supports our vision, mission and strategic objectives.

While we have conducted employee roadshows for a number of years, this was the first roadshow to be held with employees from all regions in a single venue. The roadshow was spread over two separate sessions of two days each for business continuity purposes.

Leveraging the strength of diversity

As a South African company, we understand the importance of real transformation in our business. We are committed to encouraging diversity through all levels of our organisation, up to and including leadership. We support the principles reflected in the Employment Equity Act and are committed to creating a diverse and equitable workplace.

During the year, we made progress in attaining our transformation goals at senior and professional levels, supported by a comprehensive employment equity plan with specific implementation goals and targets, but recognise that there is still much work to be done to achieve true diversity across the organisation.

An ongoing challenge to our transformation efforts is the impact of employee transfers and resourcing models. When properties are sold or acquired, the employees associated with these assets transfer out of or into the business as part of sale and acquisition agreements. These business transactions can have an impact on our employment equity statistics, which is exacerbated by the shortage of specific skills in our sector. To address these challenges, we remain focused on increasing the number of employees from designated groups and continue to proactively seek and develop the right candidates, those candidates who best support our overall business objectives.

Measuring and managing performance

We recognise that by clearly communicating strategically aligned goals and basing our remuneration practices on these goals, we ensure that time is not wasted on immaterial tasks and we focus on what matters most. To achieve this, we have cascaded our strategic matters and objectives throughout the organisation.

During this process, strategic matters were broken up into key performance areas (KPAs) and key performance indicators (KPIs), assigned to measure the achievement of these KPAs against predetermined business goals and targets.

Living the brand promise – **We're not landlords. We're people."** – is central to our business and is measured as part of the behavioural competencies during our performance review process. We want our people to know that the value they bring to our organisation is as much what they do as it is how they do it.

While we are pleased with the progress made, we acknowledge that we still have work ahead to ensure we have more robust measurement criteria in place, and that consideration is given to emerging trends in performance-scoring techniques. The process of creating, monitoring and evaluating KPIs that are aligned with strategic objectives is ongoing and needs constant focus to ensure we have clear KPIs and targets to support the business.

Recognising and rewarding achievements

During the year, we enhanced our reward and recognition programme with the introduction of the Brilliance Awards. These awards are based on five performance categories:

Collaboration	Results	Service	Integrity	Innovation

Each one of these categories is delivered on by living our ethos and values. Furthermore, we introduced the Above and Beyond Awards to assist our leaders in building high-performing teams. We also introduced a long-term staff incentive scheme for all our staff, which is aligned to individual and company performance.

i Refer to ESG report for more information on our remuneration process

Human capital (continued)

Learnership programme

Our learnership programme offers an exciting opportunity for candidates, while simultaneously growing the pool of qualified and skilled people entering our sector. The programme offers graduates, school-leavers and previously unemployed people from designated groups the opportunity to gain work experience at Redefine. Starting with only five learners in 2013, our learnership programme entered its fifth year during 2017 and has grown to include 41 learners. Since inception, the programme has graduated 108 learners and was expanded this year to include our Cape Town region.

Our learnership programme is critical to creating a sustainable pipeline of talent in our skill-scarce operating environment.

	2017 %	2016 %	2015 %
Retention conversion (learners retained for an additional year)	**23**	25	29
Permanent conversion (learners absorbed permanently into the business)	**8***	23	50

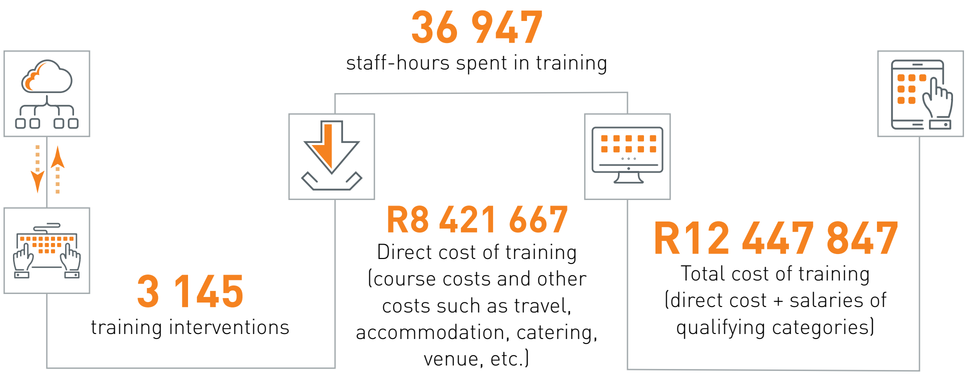
** Ongoing as and when employment opportunities become available*

Our retention conversion rate speaks to learners retained for an additional year, where they are exposed to further training and development at a higher level. When opportunity arises, top performers are given the option to take on full-time positions within the group.

This year, we extended the programme to include full-time employees within Redefine, who may have the necessary experience in a particular field, but lack the qualification to move into an area of greater responsibility and therefore better remuneration prospects. This has been an exciting move for us, further embedding our ethos of growing talent from within in a pragmatic way that meets our employees' needs as well, as the needs of the company.

Cultivating a culture of learning and development

We are committed to making financial resources available for training and staff development. Through Redefine's various business-specific training initiatives, we aim to reach our annual training target of 80% of our workforce attending a minimum of one training event in the year. We are committed to identifying, transferring and developing scarce or critical skills to optimise competence in critical areas of business.



Ensuring an ethical culture

Along with our values of

oneness | **make it happen** | **respect personal relationships** | **mean it** | **challenge the norm**

Redefine recognises the importance of ethics in the workplace and strives to create a culture that does not tolerate unethical conduct.

During the year, we conducted an ethics management system audit to establish the depth and clarity of our leaders' understanding of ethics and, specifically, the extent of our ethical practices, indicating whether or not the fundamentals necessary for effective ethics management are in place. We are pleased to report that the results of the audit were strong, indicating a sound ethical foundation.

* Artwork from our recent social media Learnership campaign

* Redefine roadshow 2017

Social and relationship capital

What social and relationship capital means to Redefine

Property is embedded in the community. As a result, we see social and relationship capital as the link between our business and society. By managing this capital, we are able to create and identify new opportunities to deliver enduring value and mutual benefit to the societies in which we operate.

Creating value

Property is our commodity, but people are our business. We differentiate ourselves through a dedicated people-centric approach to business, focusing on excellence in the context of relationships. We nurture this culture internally and extend it externally in the way we engage with and add value to the lives of our stakeholders.

Highlights

- Made progress in developing a more integrated approach to community engagement and ensuring **larger-scale collaboration with the communities** surrounding our properties
- **Completed phase 1 of our customer relationship management (CRM) system** and work commenced on compiling a comprehensive database to improve engagement with our key stakeholders
- Launched ***The Mentorship Challenge*** – a first of its kind programme that aims to mobilise leaders across business sectors to get involved and mentor the youth of our country

Managed to secure **level 4** rating for BEE under the revised sector codes

Commenced work on a **tenant experience** programme

CHALLENGES	STRATEGIC RESPONSES
The impact of increasing unemployment, particulary amongst youth in the communities surrounding the buildings in our portfolio, is becoming a more significant future risk	→ We are fine-tuning our CSI strategy to directly address some of the risks relating to the communities surrounding our buildings
Translating our brand promise into messaging that appeals to our diverse stakeholder groups	→ We have translated the brand promise into a meaningful message through the formulation of a clear value proposition and development of an investor-specific engagement strategy → We commenced work on alignment of the overall brand campaign to ensure this appeals to all audiences
Reputation management is becoming an increasing focus in business operations as community involvement and social media can cause incidents to quickly escalate and become public knowledge that poses a sizeable reputational risk	→ Through our integrated stakeholder engagement strategy, we seek to create relevant touchpoints with all our stakeholders. → Touchpoints ensure that stakeholders are able to contact us directly to have their concerns heard and addressed in a personal manner, nullifying the need for social media and other platforms to voice concerns and dissatisfaction

Reflecting on 2017

In our 2016 integrated report, we reported on certain priorities for our 2017 financial year.

This is how we did	Our performance
Completing phase 1 and scoping and implementing phase 2 of our CRM project	↻
Enhancing our website and implementing our digital strategy with supporting measurement tools	▲
Finalising a consolidated national CSI strategy, which includes CSI initiatives throughout the portfolio (retail centre initiatives and vacant and non-GLA space donations)	↻

▲ Achieved target ↻ Still in progress/ongoing ▼ Did not achieve target

Priorities for 2018

- → Finalise our **tenant engagement strategy** and **develop** a tenant experience programme
- → Implement our **CRM system** to drive delivery of the tenant experience programme initiatives
- → Finalising and implementing an **integrated community engagement programme** and formulating a consolidated approach that integrates the outcomes of various programmes to drive **key business deliverables**
- → Continually **assess our technology**, approach to social media and other innovative solutions to remain ahead of the curve in terms of **marketing initiatives**, but also our offering to tenants, shoppers and other stakeholders

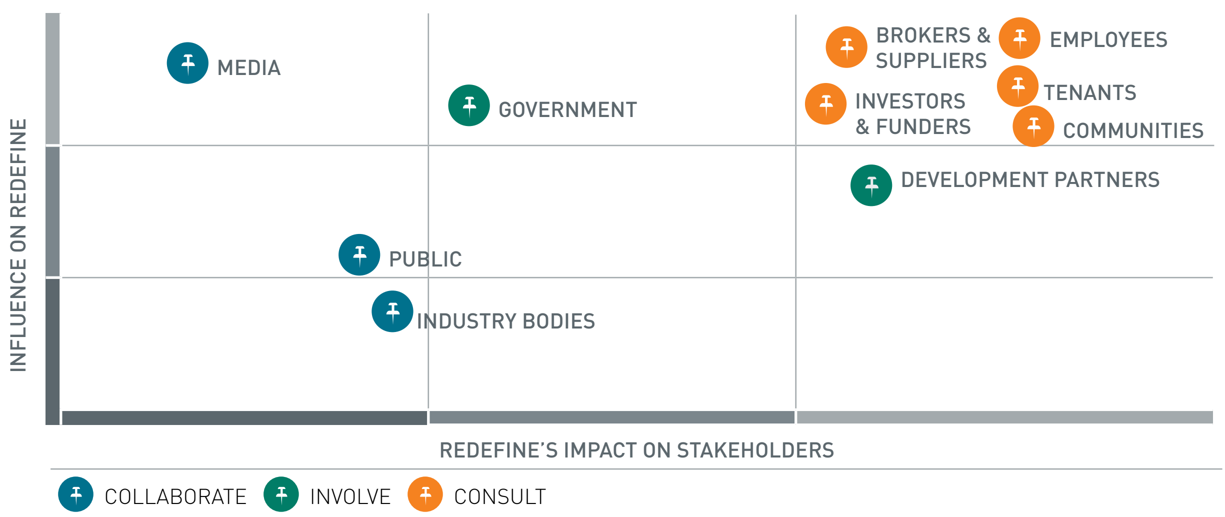
Taking an integrated approach to stakeholder engagement

We believe that it is our unique approach to relationships that sets us apart and allows us to deliver sustained growth to all our stakeholders.

In order to formulate meaningful engagment strategies with all our stakeholders, we have identified our material stakeholder groups according to their levels of influence on us, our impact on them, and the level to which we collaborate, involve or consult with them.

Our key stakeholders are our:

Investors & funders, employees, tenants, brokers & suppliers and the communities in which we operate.



Social and relationship capital (continued)

Through our integrated stakeholder engagement strategy, key risks and opportunities are identified and a needs analysis is done in order to develop tailor-made solutions for each of our key stakeholder groups. This includes translating our brand promise into value propositions that suit stakeholder groups' respective needs and then formulating engagement plans that drive consistent experiences at each stakeholder touchpoint.

Investors and analysts

As the providers of financial capital, our investors and funders are critical to our success. We are aware that we need to understand their concerns and meet their needs. In addition to our ongoing interactions with our investors and funders, we commission an annual independent perception research study to measure, through qualitative and quantitative research, their perceptions of us.

In the perception survey, conducted in the last quarter of 2016, key issues raised included:

1. **Clarity on Redefine's strategy (overall and in terms of international investments)**
2. **Transformation strategy (at board level and in general)**
3. **Independence of the board**
4. **Role of the executive chairman**
5. **Clarity on the investment case and value proposition**

Historically, communication of Redefine's positioning strategy of 'Redefining relationships', articulated in the pay-off line **"We're not landlords. We're people**", was aimed explicitly at tenants and brokers. From the perception survey undertaken, it was evident that this positioning strategy and pay-off line did not resonate with the investor community of Redefine.

To address this concern, we revised our investor value proposition, linking the investor value proposition and Redefine's positioning strategy and, in doing so, clarifying what **"we're people"** means in the world of an investor.

The new investor value proposition and positioning strategy can be summarised in the diagram below:

OUR PROMISE

At Redefine, we know that top investors see great strategy beyond the brick and mortar, they see it in our results

We believe that there are five pillars of our investment proposition that position us uniquely to deliver real value to our investors in the short, medium and long term. These are unique to Redefine and encapsulate what our investors get when they choose Redefine.

- **Diversified property platform**
- **Agile approach**
- **Extraordinary talent**
- **People-centricity**
- **Sustained value**

STRATEGY

SUSTAINED VALUE CREATION

To ensure investors and analysts are exposed to and given an opportunity to engage with the investment proposition, our communications plan for 2017/2018 includes specific themes that underpin the value proposition and delivery on our promise, but also other topical issues that were highlighted in the perception survey, for example quality, diversified portfolio, transformation, sustainability, etc. These themes have been communicated through a range of existing platforms, but are supported by a media plan with additional exposure to reach our investors (as well as potential new investors), through multiple channels.

Following the launch of this campaign, the 2017 investor perception survey was conducted during July 2017 and similar concerns were highlighted. We will therefore re-assess and improve the 2017/2018 investor engagement plan, set out above.

Tenants

We know that our tenants are critical to our business and without them, we would not survive. Our tenants want their expectations not only met, but also consistently exceeded.

While current engagement plans are in place to ensure our tenants' legitimate needs and concerns are dealt with professionally, timeously and proactively, we have launched a project to investigate, scope and specify the business needs for a more extensive tenant engagement strategy. The project aims to analyse our current initiatives, identify the needs of our tenants and determine which interactions or touchpoints they deem most important, but furthermore what their expectations are in terms of their experiences at each of these touchpoints. The outcome of this will be a customer journey map.

From the customer journey map, we will compile a tenant experience programme that will include the formulation of a tenant-specific value proposition, based on feedback from the analysis described above. The CRM system will then be used as a tool to drive implementation and consistent delivery of this strategy.

THE PRIMARY OBJECTIVES OF THE TENANT ENGAGEMENT STRATEGY CAN BE SUMMARISED AS:

Ensuring a consistent approach to how we deal with our tenants at all touchpoints throughout their life cycle in dealing with Redefine

The CRM system aims to:

- Create a centralised database (stored on a central source) of potential and current tenants' information (in order to ensure compliance with legislation and corporate governance in terms of the information kept)
- Create a tool for measurable, direct marketing activities
- Increase business efficiency and productivity through streamlined and automated processes
- Generate centralised reports on key business indicators

PROGRESS TO DATE WITH REGARD TO THE TENANT ENGAGEMENT STRATEGY INCLUDES:

- An integrated tenant engagement committee was established
- A consulting firm was appointed to conduct research and create a customer journey map, to inform the tenant experience programme
- The CRM system has been customised and installed, and training and workshops commenced during August 2017. We anticipate that this programme will become a vital tool in the delivery of the overall tenant engagement strategy
- Database capturing commenced and will be finalised during 2018

Social and relationship capital (continued)

Employees

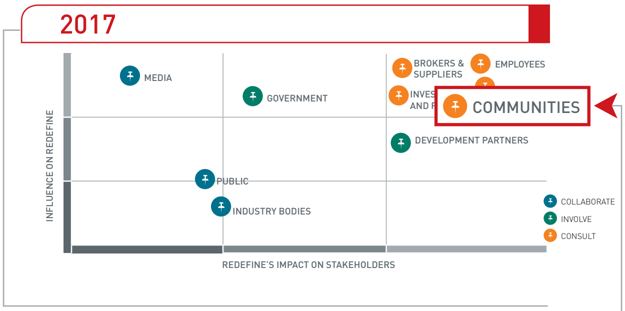
At Redefine, we understand that there is nothing more powerful than our employees' passion and we want our people to know that the value they bring to our organisation is as much who they are as it is what they do. During 2016, we successfully developed and launched our employee value proposition – which captures not only our promise to our employees, but also what Redefine expects from employees in return.

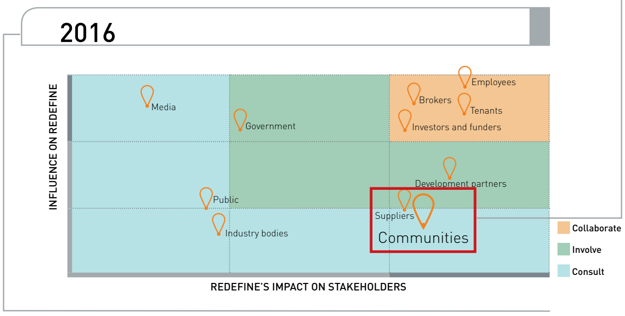
i Refer to page 89 on how we engage with our employees

Communities

During the year, we reassessed and revised our community strategy, understanding that the communities in which we operate have a greater impact on our business than we have previously calculated. We believe it is essential to involve them in our decision-making processes to ensure that the best decisions are being made for the sustainability of our business. We have, therefore, reassessed our strategy and will commence work to achieve the following:

- → Assess each building in our portfolio and consider immediate risks and opportunities for Redefine, based on the needs of the communities surrounding these buildings
- → From there, the buildings with the highest risk and opportunity scores will be identified and an engagement plan will be created, per building, to address the top issues that have been identified in the respective communities





While work is already in progress, during 2018 we will focus on finalising an integrated engagement programme for the communities in which we operate, and formulating a consolidated CSI strategy that amalgamates outcomes of various programmes to drive key business deliverables (such as filling the skills gap and developing and providing opportunities for prospective future tenants).

Maintaining existing partnerships is also important to us. We continue to assess our impact and try to find ways to enable more sustainable support solutions that facilitate the long-term sustainability of the organisations we invest in.

i Refer to ESG report on the projects we continued to support during 2017

During the year, we also launched *The Mentorship Challenge* with Marc Wainer. We believe the show is not only socially relevant, but also a good fit for us at Redefine, clearly demonstrating how our people-centricity translates into social upliftment.

As South Africa suffers from what is commonly called a 'crisis of leadership', we believe that it is up to corporates to step into the breach and provide leadership for future generations. We are, therefore, proud of our sponsorship of this weekly television show, which takes entrepreneurial insight beyond the boardroom to a place where bright young minds meet seasoned leadership legends to exchange ideas and perspectives.

THE MENTORSHIP CHALLENGE
WITH MARC WAINER

We genuinely believe that *The Mentorship Challenge* is an innovative way to make a real difference in people's lives, and demonstrates our commitment to our country and its future leaders.

Focusing on broad-based growth

We want to achieve more than simply financial returns. As a South African business, we realise that the socioeconomic challenges facing the country are immense and we are committed to being a responsible and active corporate citizen.

We seek to create long-lasting, robust and broad-based benefit for the broader South African society. We believe that by empowering South Africans through education, we can go a long way towards overcoming the barriers to transformation and, at the same time, create the skills that the country needs.

In keeping with this focus,
Redefine has established an empowerment trust,
issuing to the trust shares, valued at approximately

R3 billion

The trust, which has been structured as a capital-preserving trust, will continue in perpetuity. Its primary focus is on activities to improve education and training through the provision of scholarships, bursaries and community development programmes. The trust operates independently and is managed by external independent trustees.

Our BEE performance during 2017

We are committed to the objectives of BEE and we endeavour to explicitly integrate the tenets in our business. The revised property sector codes were promulgated during June 2017. Certain new elements were significantly increased. Despite the fact that these codes were released in the latter part of our financial year, we were pleased to achieve a level 4 contributor status. We have made meaningful organisational changes to embrace the spirit of BEE, including forming a BEE committee. It remains a priority to improve our compliance to the codes.

BEE scorecard*

	2017	2016	2015
Ownership	26.30	21.24	23.00
Management control	2.60	2.62	2.46
Employment equity	2.47	3.70	2.61
Skills development	16.48	13.32	13.05
Enterprise & supplier development	27.01	10.00	10.00
Socio-economic development	0.29	0.15	0.35
Economic development	5.00	14.82	12.55
Overall score	**80.16**	**81.26**	**80.42**
BEE contributor level	**4.00**	3.00	3.00

** As rated by Honeycomb BEE Ratings (Pty) Ltd*

Intellectual capital

What intellectual capital means to Redefine

Intellectual capital refers to the expertise and knowledge in our organisation that does not go home at night and which sets us apart. It's a key driver of sustainable growth. It encompasses our culture, our governance and leadership structures, our processes, our remuneration philosophy, our approach to risk management, as well as our technology, property and relationship management systems and the way in which we innovate these resources. It is distinct from human capital in that it can be reproduced and shared.

Creating value

In an ever-changing environment, steered by economic uncertainty and change driven by technology, Redefine is of the view that the source of our economic value no longer depends only on our 'bricks and mortar' income-earning asset base, but on how we manage and use these assets and adapt to change to ensure we extract the highest and best value. We also recognise that people are our business and our unique approach to relationships is what sets us apart.

Execution is more important than the strategy itself. In a fiercely competitive environment, leveraging and consistently challenging our intellectual capital to remain relevant, enables us to implement our strategy in the most effective and efficient way possible, which, in turn translates into sustainable value creation for our stakeholders.

Highlights

→ **Finalised development** of tailored **CRM system** and commenced work on creating one **centralised database** containing information of all stakeholders

→ **Implemented** an **integrated approach** to board reporting – with board reports structured around the **six capitals**

→ **Incorporated** the **intellectual capital** and **experiences** of employees from Pivotal/Abreal

Conducted an ethics **management system** audit

Our leadership **practices** are rooted in **ethical behavioural** principles

Policies, **procedures** and standards **support** the **achievement** of business success

CHALLENGES	STRATEGIC RESPONSES
Cultivating a culture of thought leadership, through continuous exposure to the latest trends, not limited to our industry	Commenced work on formulating an innovation programme and establishing a thought leadership platform among leaders
Driving new projects that are outside of the normal scope of business timeously and effectively with existing resources	Employment of specialist external business consultants and more efficient project management processes explored
Intellectual capital often resides in our human capital, that is knowledge gained not translated to systems and processes that exist in the organisation. Therefore, when employees leave, this knowledge leaves with them	We continue to focus on formalising our understanding of intellectual capital and ensuring it transfers across the organisation in such a way as to gain maximum sustainable benefit for the business and all stakeholders
Impact of disruptive technology on our business model	Our agility and organisational learning capacity support leaders in responding to the changing environment and challenging current assumptions around our business and operating model to relentlessly and continuously drive innovation

Reflecting on 2017

In our 2016 integrated report, we reported on certain priorities for our 2017 financial year.

This is how we did	Our performance
Harness the intellectual capital acquired through the expansion of our senior management structure	↻
Integrate and align our assurance processes to maximise risk and governance oversight in support of our combined assurance approach	↻
Optimise information-sharing platforms	↻
Encouraging a culture of innovation	▼
Evaluating the security, functionality and efficiency of business processes and systems	↻
Translating learnings from stakeholder engagement surveys into sustainable business practices	↻

▲ Achieved target ↻ Still in progress ▼ Did not achieve target

Priorities for 2018

- **Encourage** a culture of **continuously assessing technology**, social media and other solutions and actively drive **innovation programmes** among **employees** and **external stakeholders** to ensure we remain relevant
- **Finalise customer** journey map and **identify key opportunities** to streamline business processes and functions to meet our tenants' needs more **efficiently**
- **Optimise** business **processes** and information-**sharing** platforms
- Formalising and **developing** an ethics **management framework**
- **Maturing IT** governance and **service standards**

Integrated approach to sustainable value creation

The risks and opportunities that arise in the course of our business are not only financial. Understanding this truth, we recognise that if we want to be an agile and responsive business, we need to integrate broader value systems into our strategic thinking.

We believe doing this gives us a competitive advantage, and we strive to assimilate this thinking into every level of the business by making it an integral part of our strategy. Our strategy was designed to factor in all the capitals our business needs – financial, manufactured, human, social and relationship, intellectual and natural. We measure our progress against our strategic objectives, using carefully chosen key performance indicators, which are tied to remuneration across the organisation. Refer to remuneration in ESG report for more information.

Ensuring governance and leadership structures that support value creation

Our corporate governance supports our overall value creation process, taking a holistic view of the business.

Our board structures provide for the delegation of authority while enabling the board to retain effective control. The board delegates authority to relevant board committees and to the CEO with, clearly defined mandates. The CEO and company secretary monitor and maintain the delegations of authority and ensure that they are reviewed on an annual basis.

To entrench integrated thinking into our governance processes, this year we implemented an integrated approach to board reporting – with board reports structured around the six capitals to ensure we are measuring, monitoring and managing all of our capitals throughout the business.

Our board is accountable to our shareholders, and an important part of our value creation story.

During the year, we completed a thorough review of our board and committee structures in order to enhance our corporate governance and to accelerate transformation.

Throughout the review process, the board focused on ensuring that the leadership remained stable, with carefully selected new members timeously succeeding departing members. The board has also focused on implementing the King Code recommendation that the board is comprised of – mostly non-executive directors of whom the majority should be independent.

To accommodate this and enhance our transformation objectives, Günter Steffens, an independent non-executive director, and Mike Watters, a non-executive director, stepped down from the board and did not make themselves available for re-election.

Furthermore, David Rice, our chief operating officer, and Mike Ruttell, our executive director for development, withdrew from the board, while remaining key members of our executive management team and standing invitees to board meetings.

Bridgitte Mathews joined the board as an independent non-executive director, chairperson of the remuneration committee and a member of the nominations committee. Bridgitte was also appointed as board deputy chairperson and assumed the position of lead independent director during the year.

Phumzile Langeni, an existing independent non-executive director, was appointed as chairperson of the audit and risk committee and Ntombi Langa-Royds, also an existing independent non-executive director, was appointed as the chairperson of the social, ethics and transformation committee.

The board is now satisfied that its composition has the appropriate mix of knowledge, skills, experience, diversity and independence. For more information on our summarised corporate governance review, refer to page 34 and for a detailed understanding, refer to our ESG report.

Supporting ethical leadership

Ethical leadership is fundamental to Redefine, and the board subscribes to the highest levels of integrity in conducting the company's business and in dealing with stakeholders. The board has approved a formal code of business conduct that is central to the growth and sustainability of the company and is designed to entrench a culture of intolerance towards unethical conduct, fraud and corruption.

This code of business conduct addresses Redefine's responsibilities to all our stakeholders, is to assist in the elimination of dishonest practices and promote strong business relationships. Redefine has a whistle-blowing facility available to all stakeholders.

i Refer to ESG report for more information on our corporate governance

During the year, we undertook an ethics management system audit. Refer to page 86 for our human capital section.

Our code of business conduct is central to the growth and sustainability of the company and is designed to entrench a culture of intolerance towards unethical conduct, fraud and corruption.

Risk management

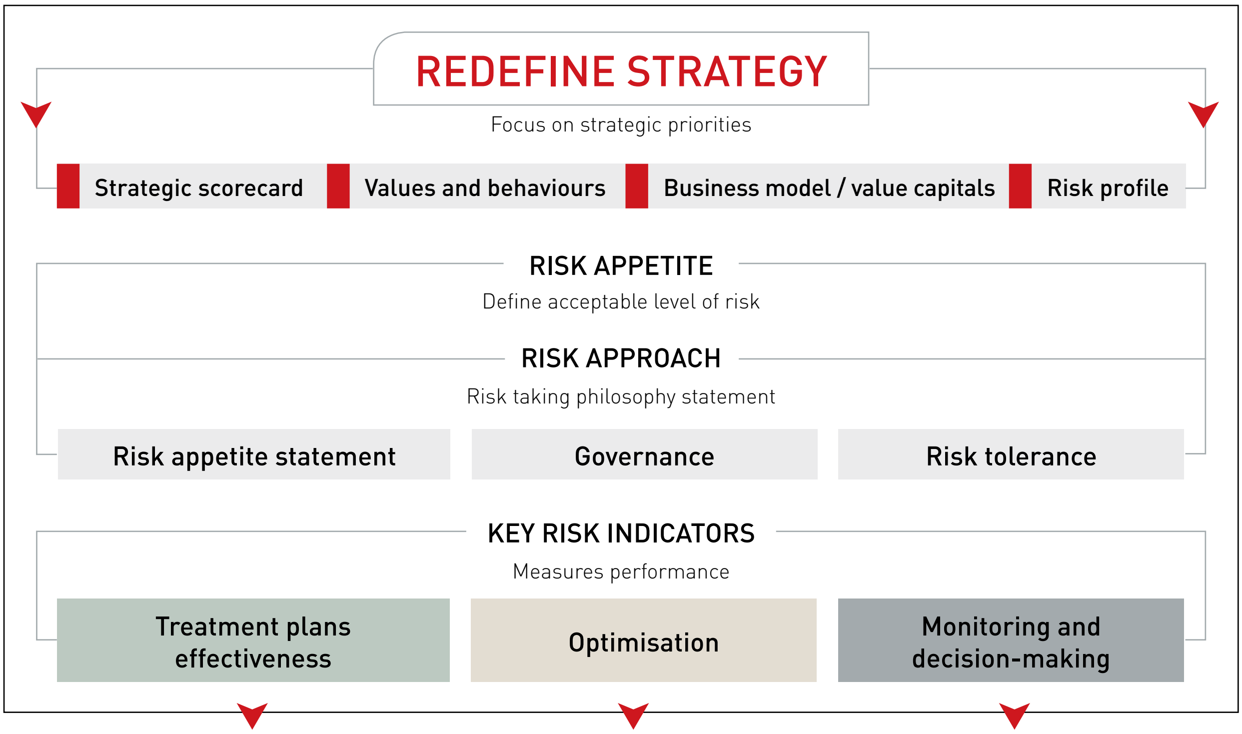
The board has overall responsibility for monitoring risk management and internal controls, and recognises the importance of identifying and actively monitoring the full range of financial and non-financial risks. By regularly reviewing the risk appetite of the business, the board ensures that risk exposure remains appropriate. The board has delegated risk management to the audit and risk committee, supported by our internal audit division, which reviews the risk management plan and monitors developments. Day-to-day management of risk lies with executive management. Their duty includes the ongoing identification, assessment and mitigation of risks, as well as the design, implementation and evaluation of the internal risk management process.

Risk management system

Our risk management process demonstrates integrated strategy, governance, risk, compliance and performance processes and values.

During the year, we integrated the combined assurance framework into our enterprise risk management. Combined assurance is an evolutionary journey, and we do expect our approach to mature as we refine, optimise and adjust, in line with changes in our business and assurance strategy.

We have made progress with regard to refining our risk appetite model. We recognise that all companies have to assume a certain degree of risk, but there are limits to how much risk Redefine is willing to assume in our pursuit of generating stakeholder value. Assuming too much exposure to risk could place the company in jeopardy if several key risks were to materialise in rapid succession, and in extreme situations could cause corporate failure. It is vital, therefore, that we manage risk within defined parameters.



1	STRATEGIC PRIORITIES	→ Strategic scorecard and priorities provide context for a meaningful and targeted risk management discussion
2	BUSINESS MODEL / VALUE CAPITALS	→ Indicators of success align appetite, risk and indicators to factors influencing achievement of strategic priorities
3	APPETITE	→ Truly understanding value drivers and risk causes is the key to designing leading indicators to support proactive management of risks
4	RISK INDICATORS	→ A risk appetite statement allows the board to clearly set expectations and enable management to make decisions accordingly
5	DECISION-MAKING	→ Leverage existing performance metrics to support the development of meaningful leading indicators

Intellectual capital (continued)

Systems that enhance the management of our property portfolio

Building and utility management

During the previous year, we took a decision to tender all our major services, including security, cleaning, hygiene, electrical and garden services to fewer contractors. The intention was to reduce the number of contractors being dealt with and enable us to systematise our dealings with these contractors. During this year, this project bore fruit, with major savings in certain areas.

We also focused our efforts on developing new and refining existing policies and procedures across the property management function to govern the various disciplines that fall under property management. This will enable a consistency of application in the way work is conducted in this area, enabling us to operate more efficiently.

Managing relationships

During the year, we finalised development of our tailored CRM system and commenced work on creating one centralised database for all stakeholders. Refer to page 95 for more information on this system, in our social and relationship capital section.

Building for the future

Technology is changing the way we live our lives on a daily basis. It makes sense that the buildings where we live, work and play change too – becoming more technologically advanced, more sustainable and more efficient.

We believe that smart buildings are the way of the future. We therefore actively pursue a smart-building philosophy, that is seeking ways to increase the relevance of our assets to their users and the community in which our assets operate, thus future-proofing them through innovative components that enhance experience and lifestyle. Some of these elements include:

Wi-Fi

Our Wi-Fi system allows us to collect rich data and unlock unique insights about our shoppers, seeing how they move in and around our shopping centres. It enables us to increase user engagement with our brand, using personalised offers and promotions to drive footfall and build loyalty

Fibre

Fibre infrastructure offers users the benefits of high-speed internet, Voice over IP with crystal-clear voice quality. The value adds of fibre technology are endless and evolve every day, enhancing building relevance while meeting and exceeding our tenant requirements

Rooftop

In partnership with Jasco, we are ensuring that our rooftop spaces are managed proactively to maximise value, with a specific focus on new developments, where connectivity requirements are planned upfront

Parking apps

Redefine has partnered with Admyt to make our shoppers' lives that much easier. Ticketless parking means no more searching for cash to pay for parking, lost tickets or reaching out of windows at the boom gate – just smooth entry and exit every time through licence plate recognition

Energy management

i Refer to page 108 for information about our engery efficiency initiatives

Remote diagnostics

Through the advancement of technology, we are able to monitor a vast number of building systems remotely or set parameters within which these systems need to operate. Any deviations will trigger an alarm, which can then quickly and effectively be dealt with before it escalates. By doing this, many systems can operate more efficiently as well as effectively without constant staff oversight, which in the long run reduces operating costs, as well as inconvenient breakdowns

Wi-Fi

Aggressive roll-out to additional malls in 2018, completed pilot at Boulders with over 15 000 registrations in 12 weeks

Rooftop management

Fully integrated approach to ensure all new developments include custom-built connectivity solutions

Fibre

Fast-tracking connectivity with a target of 100 buildings by March 2018, and 30 buildings currently live

Parking apps

Adoption of best-of-breed retail solutions and customised office solutions to greatly enhance the parking experience in all our buildings

Remote diagnostics

Monitoring of various building systems

Energy management

Ensuring our buildings are energy-efficient is a top priority

Natural capital

What natural capital means to Redefine

We consider natural capital to be all renewable and non-renewable environmental resources and processes that support current and future prosperity for our business and all our stakeholders.

Creating value

We understand that nature underpins global wealth creation and that our properties are embedded in the environment. Our environmental strategy, therefore, focuses on reducing our environmental footprint while enhancing our assets and decreasing vacancy rates.

We also strive to share our learnings with our delivery partners, retailers and visitors to help encourage them to reduce their consumption.

Ultimately, we want to create a more sustainable operating environment for the benefit of all.

Highlights

- Significant progress made in our existing building certifications – **moving from 10 to 29 Existing Building Performance (EBP) Green Star SA certifications**
- **Black River Park won an award** for sustainable facilities management at the South African Facilities Management Association (SAFMA) Awards
- **Runner-up in the 10-year award for property investor/ owner** with the highest number of Green Star SA certifications

Our total installed solar capacity to date is **7 807 kWp** up from 4 MWp in 2016

Total number of Green Building Council South Africa certifications **increased to 43**

Conducted our first **full waste footprint**

CHALLENGES	STRATEGIC RESPONSES
Rising cost of electricity within our South African context	Fast-progressing technologies continue to assist us in bolstering the case for renewable energy and green leases for tenants
Water challenges faced, especially in the Western Cape	The crisis has presented an opportunity to rigorously examine our current practices. To improve water efficacy within our buildings, we engage with our tenants regarding their water usage, which has opened the door for further engagement on other sustainability-related areas such as the use of green cleaning products
Policy uncertainty challenges our renewable energy focus	We continue to engage with relevant industry bodies to ensure the best outcomes for Redefine and all the stakeholders involved
Influencing tenants to sign green leases – committing to mutual disclosure, target-setting and investment	Innovation and technology continue to open up improved ways to operate and manage our properties, especially in terms of water and energy efficiency, and providing quality spaces for our tenants. Simplifying shared cost / benefit structures to reduce the impact of economic variables is increasingly implemented to improve tenant buy-in

Reflecting on 2017

In our 2016 integrated report, we reported on certain priorities for our 2017 financial year.

This is how we did	Our performance
Better understand our water usage and implement enhanced water management systems	↻
Continue to pursue Green Star ratings on our developments and existing buildings	▲
Continue to encourage our tenants to adopt green leasing and green procurement principles	↻
Continue to optimise energy and water use in our existing buildings	↻
Continue to implement renewable sources of energy	▲
Better understand our waste management footprint and investigate opportunities to reduce waste-to-landfill	↻

▲ Achieved target ↻ Still in progress/ongoing ▼ Did not achieve target

Priorities for 2018

- → Continue to implement enhanced **water management systems** and develop a critical response programme for resource access and distribution
- → Persist in pursuing **Green Star ratings** on our **developments** and **existing** buildings
- → Continue to implement **renewable sources** of energy
- → Investigate **opportunities** to **improve** our **environmental management systems** to enhance resource conservation and efficiency
- → Continue to **analyse** our **waste management footprint** and investigate opportunities to **reduce waste-to-landfill**

Understanding our impacts

We dedicate the time and resources to participate in various indices. We believe that by contributing and benchmarking our progress against our peers, we are able to learn from our results and make adjustments to achieve our sustainability goals and overarching business objectives.

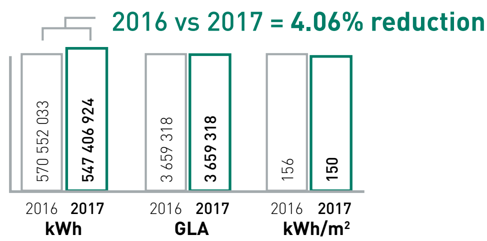
During 2017, we participated in the following initiatives:

Carbon footprint

Redefine's overall carbon footprint has increased by **3% from 751 743 tCO_2e in 2016 to 774 221 tCO_2e in 2017.**

Using a like-for-like comparison on properties in the portfolio in 2016 and 2017, electricity consumption, which contributes to the majority of our **carbon footprint, has decreased by 4.06%**

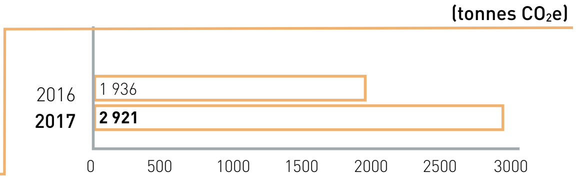
LIKE-FOR-LIKE BENCHMARKING (KWH/M²)



Natural capital (continued)

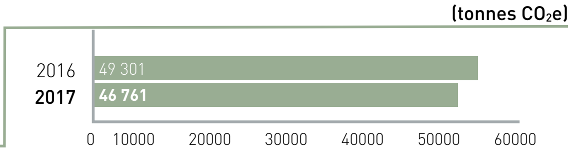
SCOPE 1

DIRECT EMISSIONS
(mobile combustion, stationary combustion and refrigerant gases)



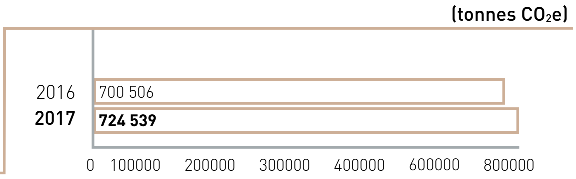
SCOPE 2

INDIRECT EMISSIONS
(electricity consumption)

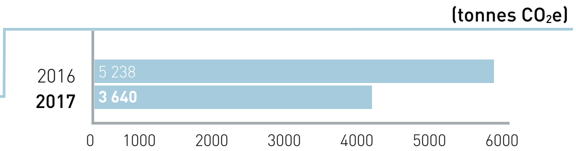


SCOPE 3

INDIRECT EMISSIONS
(tenant electricity use, business travel, travel reimbursements and employee commuting)



NON-KYOTO GASES



BENCHMARKING SCOPE 2 AND SCOPE 3

Electricity (tCO_2e/m^2)

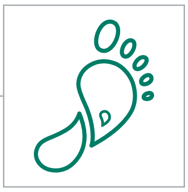
Carbon Disclosure Project (CDP)

For 2017, Redefine received a disclosure **score of B** – (2016: A), which is in line with performance of participating SA REITs.

CDP PEER COMPARISON

B	**Redefine Properties**
B	Attacq
B	Emira Property Fund
B	Growthpoint
A-	Hyprop

Water footprint



To better understand our total water footprint, we submitted our second CDP Water Disclosure during 2017, which has assisted us in providing an integrated understanding of our water use and impacts.

Our total water withdrawal footprint for 2017 was **3 664 166 kl.**

During the year, we also continued the monitoring of water consumption to ensure early leak detection and began the deployment of automatic shutdown and sensor systems to optimise operational efficiency. Furthermore, we are in the process of rolling out online water monitoring and leak detection systems to a number of buildings in the portfolio.

Waste footprint

2017 will mark Redefine's first full waste footprint assessment. **2 289 tonnes diverted from landfill.**

38% of internally managed waste removal is recycled. We continue to seek ways to improve our recycling efforts.

Reducing our impacts and capitalising on opportunity

Optimising efficiency

During the year, we implemented a number of optimisation projects, resulting in annual savings of **2 971 000 kWh**. Our estimated energy savings over the past four years, according to GRESB categories, can be summarised as follows (in MWh):

Building energy management system upgrades/replacements	Installation of high-efficiency equipment and appliances	Installation of on-site renewable energy	Occupier engagement / informational technologies
= 353	= 6 145	= 3 942	=114

Cumulative energy savings*

TOTAL: 10 554 MWh

** As per the Global Real Estate Sustainability Benchmark (GRESB) methodology, the information disclosed in 2017 is based on 2016 data.*

In 2017, we have achieved a **combined energy reduction** through optimisation and renewable energy projects of

10 330 333 kWh

Our green building journey

Pursuing green development, as well as green existing building certification, bolsters our aim of delivering sustained value to stakeholders by supporting the creation of a more sustainable operating environment.

Redefine registered as a member of the GBCSA in 2013 and focuses on building all new developments to a minimum Green Star rating of level 4, as certified through the GBCSA's assessment criteria on design and as-built basis.

We have also continued the journey of pursuing Green Star SA ratings on our existing buildings. During 2017, Redefine registered 20 of our office buildings for Green Star SA ratings under the Existing Building Performance tool from the GBCSA.

Natural capital (continued)

To date, Redefine has received
43 Green Star
certifications

We continue to pursue certifications with the GBCSA because we believe it adds value to our buildings, and therefore our business. Green building presents the following benefits:

DEVELOPER
Why build a green building?

Higher sales price | Quicker sales/letting

- Ability to secure finance
- Rapid return on investment
- Increased market value
- Reduced vacancies

TENANT
Why lease a green building?

Health and wellbeing | Increased productivity

- Reduced downtime
- Lower operating costs
- Lower maintenance costs

- Lower refurbishment costs
- Corporate image and prestige value
- Compliance with legislation and Corporate Social Responsibility (CSR) requirements
- Lower transaction fees

Slower depreciation | Increased occupancy rates | Lower exit yield

OWNER
Why own a green building?

Furthermore, through the development and implementation of a number of policies addressing environmental sustainability aspects such as a green procurement policy and tenant guidelines, we have continued to encourage tenants to adopt green leasing and green procurement principles. In the year to come, we will focus on negotiating green leasing with all new and existing tenants in our Green Star properties.

Capitalising on renewable energy

Solar energy currently represents the cheapest and most sustainable way to generate renewable electricity. The technology has also leapfrogged to such an extent that return on investment is continuously improving as prices fall. As the panels use space on top of the commercial buildings, they shield it from the sun, leaving it cooler, further lowering energy consumption.

Redefine's total installed PV capacity to date is 7 807 kWp, up from 4 MWp in 2016. The total cost savings achieved from existing plants and plants commissioned during the course of the year is approximately R12.2 million.

Another 14.38 MWp of PV installations are currently under construction, which will increase Redefine's total installed capacity to 22.2 MWp during the 2018 financial year, with projects being identified on an ongoing basis. The projected cost saving from the total installed capacity of 22.2 MWp is approximatly R32.3 million per annum, and escalating.

KEY RISK FOR RENEWABLE ENERGY

Policy uncertainty remains a key risk for our renewable energy focus. In December 2016, the Department of Energy (DoE) released a draft amendment to the Electricity Regulation Act for public comment. The amendment specifically addresses licensing exemption conditions for embedded generation systems such as solar PV. Redefine submitted a detailed response to the DoE, addressing areas of concern and seeking clarification due to ambiguity of the stipulated licensing exemption conditions. There has been no further update from the DoE regarding the draft amendment, however, we continue to engage with relevant industry bodies in this regard.

While this was our position at year end, an update to the Electricity Regulation Act was gazetted in November 2017, detailing the conditions for licensing exemption. We are currently scrutinising the potential impact of these regulations on our forecasted renewable energy roll-out ability and associated income.

East Rand Mall, Boksburg

Natural capital (continued)

Managing the impact of our buildings

During 2017, we implemented a number of pre-certified GBCSA – approved policies and plans at 29 of our properties to further address the impact of our buildings on the environment.

Indoor air quality and thermal comfort

AREAS OF FOCUS

Measurement of volatile organic compounds, CO_2, CO and degrees Celsius to ensure air quality. Improved air quality and thermal comfort result in greater occupancy productivity

Low-emitting materials

AREAS OF FOCUS

Using non-toxic materials such as low volatile organic compounds paints improves air quality and environmental impact

Alternative transport opportunities

AREAS OF FOCUS

Reduced carbon emissions through the availability and access to shared and/or alternative transport opportunities

Green cleaning

AREAS OF FOCUS

Using biodegradable products reduces the environmental impact of the building

Operational efficiency

AREAS OF FOCUS

Smart operations decrease the waste of natural resources and increase the life span of equipment

Green tenant guidelines

AREAS OF FOCUS

Guiding tenants to ensure the use of environmentally friendly and energy- and water-efficient products throughout the building

Acoustics

AREAS OF FOCUS

Improved acoustics increase occupancy comfort and can be achieved through quiet heating, ventilation and air conditioning systems and the use of sound-absorbing materials

Shareholders' diary

Notice of meeting posted to shareholders	On or before 29 December 2017
Integrated report and annual financial statements available online	On or before 29 December 2017
Annual general meeting	15 February 2018
2017 Half-year end	28 February 2018
Summarised interim financial results for 2018	14 May 2018
Interim dividend declaration	14 May 2018
2018 Financial year end	31 August 2018
Summarised annual financial results for 2018	12 November 2018
Final dividend declaration	12 November 2018

** Please note that these dates are subject to alteration*

Administration

REDEFINE PROPERTIES LIMITED

Incorporated in the Republic of South Africa
Registration number 1999/018591/06
JSE Share Code RDF ISIN: ZAE000190252
Approved as a REIT by the JSE

Registered office and business address

Rosebank Towers, Office Level 5, 19 Biermann Avenue, Rosebank 2196
PO Box 1731, Parklands 2121
Telephone +27 11 283 0000
Email **investorenquiries@redefine.co.za**
www.redefine.co.za

Independent auditors

KPMG Inc
85 Empire Road, Parktown 2193
Telephone +27 11 647 7111

Company secretary

B Baker
Telephone +27 11 283 0041
Email **bronwynb@redefine.co.za**

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, Office Level 2, 19 Biermann Avenue, Rosebank 2196
Telephone +27 11 370 5000

Corporate advisor and sponsor

Java Capital
2nd Floor, 6A Sandown Valley Crescent, Sandton 2196
Telephone +27 11 722 3050

Investor relations

Should you wish to be placed on the mailing list to receive regular 'breaking news' email updates, please send an email to **investorenquiries@redefine.co.za**

Definitions

AFS	Annual financial statements
AGM	Annual general meeting
AUD	Australian Dollar
BEE	Black economic empowerment
bn	Billion
Bps	Basis points
Brexit	The prospective withdrawal of the United Kingdom (UK) from the European Union (EU)
CEO	Chief executive officer
Companies Act	Companies Act, No 71 of 2008 (as amended)
CRM	Customer relationship management
Cromwell	Cromwell Property Group, a fund listed on the Australian Stock Exchange
CSI	Corporate social investment
Delta	Delta Property Fund Limited
DOE	Department of Energy
Emira	Emira Property Fund Limited
EPP	Echo Polska Properties, listed on both the Luxembourg Stock Exchange and JSE
ESG	Environmental, Social and Governance
EVP	Employee value proposition
GBCSA	Green Building Council of South Africa
GBP	British Pound
GDP	Gross domestic product
GLA	Gross lettable area
GMR	Gross monthly rental
GRESB	Global Real Estate Sustainability Benchmark
GRIT	Grit Real Estate Income Group
HQLA	High Quality Liquid Assets
IFRS	International Financial Reporting Standards
IHL	International Hotel Properties
IT	Information technology
JSE	Johannesburg Stock Exchange
King IV	King IV report on Corporate Governance for South Africa 2016
Kl	Kiloliters
KPAs	Key performance areas
KPIs	Key performance indicators
kWh	Kilowatt hour
LTV	Loan-to-value ratio
MW	Megawatts
MWh	Megawatt hour
MWp	Megawatt peak
NAV	Net asset value
NOI	Net operating income
NTAV	Net tangible asset value
PBSA	Purpose-built student accommodation
Pivotal	Pivotal Property Fund Limited
PV	Photovoltaic
RDI REIT PLC	RDI REIT PLC, a company listed on both the JSE and London Stock Exchange
Redefine/the company/the group	Redefine Properties Limited, a company listed on the JSE
REIT	Real Estate Investment Trust
Respublica	Respublica Student Living Proprietary Limited
SA	South Africa
SARS	South African Revenue Services
STI	Short-term incentive
tCO2e	Tonnes of carbon dioxide equivalent
UK	United Kingdom
VAT	Value added tax
ZAR	South African Rand

AFS Group annual financial statements

SUSTAINED Results

2017

Redefine Properties

We're not landlords. We're people.

About Redefine

Redefine is an internally managed Real Estate Investment Trust **(REIT)** with the primary goal of growing and improving cash flow to deliver quality earnings, to underpin **sustained growth in distribution, which supports growth in total return per share**.

Top 40

We are listed on the Johannesburg Stock Exchange (JSE) and are included in the **JSE Top 40 index**.

We manage a diversified property asset platform with a **value of R84.1 billion, comprising local and international property assets.**

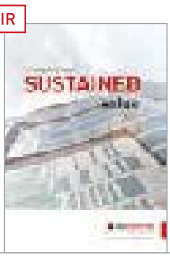
Our shares are among the **most actively traded on the JSE, making them a highly liquid, single-entry point** for gaining exposure to quality domestic properties, and a spread of international commercial real estate markets.

Our reporting suite

We remain committed to reporting transparently to our wide range of stakeholders.

To view the full suite, please visit our website **www.redefine.co.za**

IR

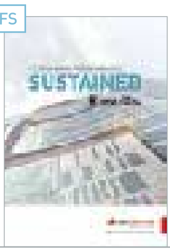


Integrated report (IR)

Our integrated report is the primary report to our stakeholders. It is structured to show the relationship between the interdependent elements involved in our value creation story, in compliance with:

- The International Integrated Reporting <IR> Framework
- The Companies Act, No 71 of 2008, as amended (Companies Act)
- The JSE Listings Requirements
- King IV report on Corporate Governance for South Africa 2016 (King IV)

AFS

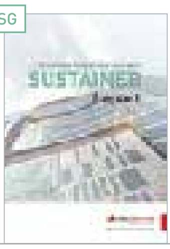


Group annual financial statements (AFS)

A comprehensive report of the group's financial performance for the year, in compliance with:

- The Companies Act
- The JSE Listings Requirements
- King IV
- International Financial Reporting Standards (IFRS)

ESG

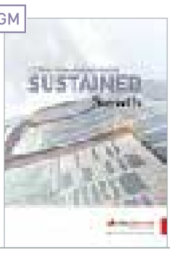


Environmental, social and governance (ESG) report

A detailed account of the group's holistic performance for the year, including environmental, social and governance elements. The report also includes the **remuneration report** and the social, ethics and transformation committee report, in compliance with:

- The Companies Act
- The JSE Listings Requirements
- King IV

AGM



Notice of annual general meeting (AGM)

Supporting information for shareholders to participate in the annual general meeting, in compliance with:

- The Companies Act
- The JSE Listings Requirements
- King IV

Contents

The reports and statements set out below comprise the group annual financial statements presented to the shareholders:

These group financial statements have been audited by KPMG Inc. in compliance with section 30 of the Companies Act, No 71 of 2008, as amended, and the preparation of the group financial statements has been supervised by Leon Kok CA(SA), Redefine's financial director. These group financial statements are published on 6 November 2017. The complete annual financial statements of the group for the financial years ended 31 August 2017 and 2016 may be obtained:

- from the transfer secretaries, Computershare Investor Services Proprietary Limited, or
- from the company's website at: www.redefine.co.za, or
- by request from the company.

FEEDBACK

Your feedback is important to us and we welcome your input to enhance our reporting processes. Please visit **www.redefine.co.za** or email **investorenquiries@redefine.co.za**

Who we are

Our VISION is to be the best South African REIT.

Our MISSION is to create sustained value for all our stakeholders.

Our primary GOAL is to grow and improve cash flow.

Our values

Our values-driven culture guides our daily behaviours and actions to create and uphold our brand promise.

- Challenge the norm
- Make it happen
- Respect personal relationships
- Oneness
- Mean it

What sets us apart

We're not landlords. We're people.

Property is our commodity, but people are our business. We believe it is our unique and focused approach to relationships that enables us to create and sustain meaningful value for our stakeholders.

What matters most

We execute our strategic objectives in an integrated manner, by focusing on what matters most.

- Operate efficiently
- Invest strategically
- Optimise capital
- Engage talent
- Grow reputation

Directors' responsibilities and approval

The directors are responsible for the preparation and fair presentation of the group annual financial statements of Redefine Properties Limited. These financial statements comprise the statement of financial position as at 31 August 2017, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No 71 of 2008, as amended. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the group to continue as a going concern and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group annual financial statements

The group annual financial statements of Redefine Properties Limited, as identified in the first paragraph, were approved by the board of directors on 2 November 2017 and are signed by:

AJ König
Authorised director

2 November 2017

LC Kok
Authorised director

2 November 2017

Certificate by company secretary

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008, as amended (the Act), I declare that to the best of my knowledge, for the year ended 31 August 2017, Redefine Properties Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.

BBaker

B Baker
Company Secretary

2 November 2017

Audit and risk committee report

The committee acts for the company and all of its subsidiaries (the group). The committee, which is independent, is accountable to both the board and shareholders. The committee operates within a documented mandate, acts in accordance with its statutory duties, the delegated authority of the board and within the guidelines as outlined in King IV.

The committee's formal terms of reference are reviewed annually. These were reviewed updated and approved in February 2017, taking into account material changes to the JSE Listings Requirements and ensuring that the principles of King IV were adequately entrenched therein.

Composition and meeting procedures

The committee comprises three independent non-executive directors, all of whom satisfy the requirements of section 94(4) of the Companies Act, No 71 of 2008, as amended. As a collective and having regard to the size and circumstances of the group, the committee is adequately skilled and all members possess the appropriate financial and related qualifications, skills, financial expertise and experience required to discharge their responsibilities.

During the 2017 financial year, the committee met on four occasions; which meetings were scheduled in line with the group's financial reporting cycle. The committee also met separately with the internal and external auditors.

As at 31 August 2017, the committee comprised the following members:

Member	Appointed	Attendance
Phumzile Langeni (Chairperson)* BCom; BCom (Hons)	February 2017	100% 3/3 meetings
Bernard Nackan BA Economics	October 2009	100% 4/4 meetings
David Nathan CA(SA)	March 2014	100% 4/4 meetings

Regular invitees
Executive chairman
Chief executive officer
Financial director
Chief operating officer
Internal auditor
External auditors
Group finance

* *Phumzile Langeni was appointed as chairperson and member of the committee on 9 February 2017, replacing Günter Steffens who retired on 9 February 2017.*

The performance and effectiveness of the committee and its individual members was assessed as part of the FY2017 board evaluation, undertaken by an independent service provider.

Discharge of duties for the 2017 financial year

In the execution of its statutory duties and in accordance with its terms of reference, the committee effectively discharged the following responsibilities during the past financial year:

Finance function

In accordance with the JSE Listings Requirements, the committee considered and satisfied itself that Leon Kok CA(SA), the group's financial director, has the appropriate expertise and experience to meet the responsibilities of his appointed position. The committee similarly satisfied itself, regarding the quality and effectiveness of the finance function and the adequacy of resources employed.

Audit and risk committee report (continued)

External audit

The committee:

- Considered and satisfied itself regarding the effectiveness, independence and objectivity of KPMG Inc. and Mr Gawie Kolbé, in their respective capacities as the company's appointed external audit firm and lead audit partner;
- Recommended KPMG for reappointment by shareholders at the company's annual general meeting on 9 February 2017;
- Confirmed that the appointment of KPMG complied with the Companies Act, No 71 of 2008, the Auditing Profession Act and other relevant legislation;
- In consultation with management, reviewed and confirmed the external auditor's terms of engagement and proposed fees for the 2017 financial year;
- Determined the nature and extent of allowable non-audit services and pre-approved the contract terms for the provision of non-audit services;
- Monitored non-audit service fees to ensure they remained within limit and in line with the non-audit services policy;
- Reviewed and approved the FY2017 external audit plan; and
- Reviewed the external audit reports and management's response to them and considered their effect on the financial statements and the internal financial controls.

The committee confirmed that the external auditors had executed their audit responsibilities in accordance with International Standards on Auditing and had functioned in accordance with their mandate for the 2017 financial year. No matters of concern regarding the performance of the external auditors were noted by the committee.

Financial statements and accounting practices

The committee reviewed the interim results and the annual financial statements for the year ended 31 August 2017, including the public announcements of the group's financial results, and recommended their approval to the board. In the course of its review, the committee:

- Took steps to ensure that the financial statements were prepared in accordance with International Financial Reporting Standards and in compliance with the provisions of the Companies Act, No 71 of 2008, and the JSE Listings Requirements;
- Considered the appropriateness of the accounting policies and the disclosures made therein; and
- Completed a detailed review of the going concern assumption, confirming that it was appropriate in the preparation of the financial statements.

The committee reviewed the significant accounting matters and management's key estimates and assumptions and confirmed that they were adequately addressed. Those which were most significant in the compilation of the financial statements included:

- Investment properties and properties under development;
- Goodwill;
- Impairment of investments in associates; and
- Business combination versus asset acquisition.

During the financial year, the committee reviewed the JSE's report on the proactive monitoring of the company's interim results for the six months ended 29 February 2016 and annual financial statements for the year ended 31 August 2016. The committee ensured that appropriate actions were taken to apply the recommendations made by the JSE on those matters to the extent required. Furthermore, the committee considered and noted the general proactive monitoring report issued by the JSE on 15 February 2017. The committee and company continue to be committed and to practise the highest standards of financial disclosure. The committee has satisfied itself that appropriate financial reporting procedures are in place and operating.

Internal audit

The committee:

- Reviewed and approved the internal audit charter and internal audit plan for the financial year ended 31 August 2017, ensuring that material risk areas were included and that coverage of significant business processes was acceptable; and
- Oversaw and monitored that the internal audit function:
  - objectively assured the effectiveness of risk management and internal control frameworks;
  - analysed and assessed business processes and associated controls; and
  - reported significant audit findings and recommendations to management and the committee.

The internal audit function provided a written assessment regarding the company's system of internal controls and confirmed that, based on the results of the work undertaken, these were adequate and effective.

The committee satisfied itself that the function was independent and had the necessary resources, standing and authority to discharge its duties. Furthermore, the committee confirmed that in executing the FY2017 plan, there had been no impairments to the objectivity, independence and scope of the internal audit function, which remained effective in carrying out its mandate.

Internal financial control

The committee reviewed the reports of both the internal and external auditors in respect of audits conducted on the internal control environment, took note of any matters arising from these audits and considered the appropriateness of the responses received from management. Nothing was brought to the attention of the committee that would suggest a material breakdown of any internal control system; accordingly, the committee is satisfied that the internal financial control environment continued to function effectively.

There were no complaints requiring the attention of the committee pertaining to accounting practices, internal audit, the content or audit of the financial statements, internal financial controls or related matters.

Risk governance

The committee:

- Reviewed, approved and monitored compliance with the enterprise risk management policy and framework and the annual risk management plan;
- Reviewed the risk appetite framework, setting out the group's propensity to take appropriate levels of risk, and recommended the framework to the board for approval;
- Conducted assessments of the strategic risks and opportunities emanating from the triple context in which the group operates and monitored management's consideration and implementation of appropriate risk responses;
- Monitored fraud risk management, including the whistle-blower facility; and
- Reviewed the risk disclosures, including key sustainability risks, to be included in the integrated report and advised the board on their appropriateness.

The committee was reasonably satisfied that adequate controls are in place in order to mitigate identified significant risks.

Technology and information governance

The board mandated the committee to provide oversight over technology and information (IT) governance. As such, the committee oversaw the implementation and review of all relevant IT governance mandates, policies, processes and control frameworks while ensuring compliance with the standards adopted by the group.

In order to assist the committee in the discharge of its duties in respect of IT governance, the committee mandated the group's IT steering committee with the executive oversight of IT governance. The steering committee ensures that the IT strategy supports the business goals and objectives as well as the sustainability objectives of the group. The steering committee is responsible for the implementation of, and measurement against, the IT governance framework and other related initiatives, in conjunction with the other existing oversight bodies. The IT steering committee met twice this year under the chairmanship of the financial director.

Audit and risk committee report (continued)

Compliance

The committee exercised ongoing oversight of compliance and ensured continual monitoring of the group's regulatory environment and the appropriate responses to changes and developments therein. In exercising this function, the committee:

- Reviewed quarterly legal and regulatory reports, setting out the latest legislative and regulatory developments impacting the group;
- Considered all legal matters having a material impact on the company and any material reports and/or enquiries from regulatory or governmental bodies; and
- Reviewed the group's policies and procedures for preventing and detecting fraud, bribery and corruption, as well as its mechanisms for protected disclosure and whistle-blowing.

The committee complied with all its applicable legal and regulatory responsibilities.

Integrated report

The committee will evaluate the integrated report for the 2017 financial year and assess its consistency with operational, financial and other information available to the committee. Similarly, the committee will ensure that the report is prepared using appropriate reporting standards, which conform to the requirements of King IV and the JSE Listings Requirements.

In conjunction with the social, ethics and transformation committee, the committee will review the integrity of the sustainability disclosures included in the environmental, social and governance report and confirm that they are reliable and do not conflict with financial information.

Based on the processes and assurances obtained, the committee will recommend the 2017 integrated report to the board for approval.

Committee focus in 2018

While the committee will continue to operate within its terms of reference and ensure that meetings address all regular matters reserved for its consideration, the following additional key activities are expected to require the committee's attention during 2018:

- IT governance and business continuity;
- Tax governance; and
- IFRS transitions (including IFRS 9, 15 and 16)

On behalf of the audit and risk committee

P Langeni
Audit and risk committee chairperson

2 November 2017

Directors' report

To the shareholders of Redefine Properties Limited

We have pleasure in presenting the annual financial statements of Redefine Properties Limited for the year ended 31 August 2017.

Corporate overview

Redefine is a listed Real Estate Investment Trust (REIT). It derives rental income from investments in office, retail, industrial and specialised properties, and distributions from listed security investments.

Nature of the business

The nature of business and operations are commented on in detail in the company overview section of the integrated report.

Financial results

The financial results for the year ended 31 August 2017 are set out in detail on pages 18 to 104 of these annual financial statements.

International Financial Reporting Standards

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No 71 of 2008 of South Africa.

Stated capital

The company's authorised stated capital was increased to 10 000 000 000 ordinary shares of no par value (2016: authorised stated capital of 6 500 000 000 ordinary shares of no par value).

The following shares were issued during the course of the year:

- 50 070 862 shares were issued (under specific authority) at an issue price of R10.53 per share on 28 November 2016;
- 459 999 805 shares were issued (under general authority) at an issue price of R11.32 per share on 9 January 2017; and
- 77 673 855 shares were issued (under specific authority) at an issue price of R10.45 per share on 2 June 2017.

At 31 August 2017, there were 5 650 052 260 shares in issue, all of which rank for the dividend declared on 2 November 2017.

Dividend distributions

On 3 November 2016, the board declared a final dividend of 44.30 cents for the six months ended 31 August 2016, which was paid on 28 November 2016.

On 8 May 2017, the board declared an interim dividend of 44.82 cents for the six months ended 28 February 2017, which was paid on 5 June 2017.

Subsequent to year end, on 2 November 2017, the board declared a final dividend of 47,18 cents for the six months ended 31 August 2017, which will be paid on 4 December 2017.

This dividend has been declared from distributable earnings and meets the requirement of a REIT "qualifying distribution" for purposes of section 25BB of the Income Tax Act, No 58 of 1962 (as amended).

Directors’ report (continued)

Directorate

The directors of the company at the date of this report were:

Executive directors

M Wainer – Executive chairman

AJ König – Chief executive officer

LC Kok – Financial director

Non-executive directors

B Mathews* – Lead independent and deputy chairperson

B Nackan*

DA Nathan*

HK Mehta

M Barkhuysen*

NB Langa-Royds*

P Langeni*

* *Independent*

AJ König, P Langeni and DA Nathan are obliged to retired by rotation and B Nackan by virtue of his age at the forthcoming annual general meeting. Having so retire, these members are eligible for re-election as directors of the board.

The following changes to the directorate took place during the year:

- DH Rice resigned as an executive director on 9 February 2017;
- MJ Ruttell resigned as an executive director on 9 February 2017;
- GZ Steffens resigned as an independent non-executive director on 9 February 2017;
- MJ Watters resigned as a non-executive director on 9 February 2017;
- B Mathews was appointed as an independent non-executive director on 9 February 2017;
- B Nackan resigned as the lead independent director on 3 August 2017, remaining as an independent non-executive director; and
- B Mathews was appointed as the lead independent director and the deputy chairperson on 3 August 2017.

Directors’ emoluments and interests

Refer to note 42 and 43 to the financial statements for disclosure regarding directors’ emoluments and directors’ interests.

Service contracts

Executive directors retire from their positions and from the board (as executive directors) at the age of 65. Though normal retirement age is 65 years for executive directors, the company’s retirement policy makes provision to extend the working relationship beyond the normal retirement age. The executive directors are subject to three calendar months’ written notice under their existing employment contracts.

Shareholders’ analysis

Refer to page 117 to 118 in the annual financial statements for disclosure regarding shareholders’ analysis.

Going concern

Refer to note 45 to the financial statements for disclosure regarding going concern.

Subsequent events

Refer to note 44 to the financial statements for disclosure regarding subsequent events.

Independent auditor's report

TO THE SHAREHOLDERS OF REDEFINE PROPERTIES LIMITED

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Redefine Properties Limited (the group) set out on pages 18 to 104, which comprise the consolidated statement of financial position as at 31 August 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Redefine Properties Limited as at 31 August 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report (continued)

Valuation of investment properties – Refer to notes 1.4, 1.5, 1.24, 3 and 5 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The group's most significant asset is its investment property portfolio, which comprises investment properties with a fair value of R57.3 billion and properties under development of R3.9 billion. The valuation of the investment property portfolio is an area of judgement which could materially affect the financial statements, as investment properties are measured at fair value at each year end. **Investment properties** It is the group's policy that independent valuations are obtained for all properties over R20 million, while properties under R20 million are valued externally on a three-year rotational basis. The fair values of investment properties at year-end were determined by independent external valuers using a discounted cash flow method of valuation. The data used in the discounted cash flow models incorporated significant unobservable inputs, including expected market rental growth, expected expense growth, vacancy periods, occupancy rates, rent-free periods, discount rates and exit capitalisation rates. **Properties under development** The comparable sales method was used to determine the fair value of properties under development. The comparable sales method include unobservable bulk rates for undeveloped bulk land. Our audit focused on the fair value measurement of the investment property portfolio due to its significance to the group's financial statements, the significance of the judgements involved in the determination of the fair value and the work effort required by the audit team together with our own valuation specialist. Accordingly, the valuation of the investment property portfolio was determined to be a key audit matter.	The audit procedures we performed included the following: → We assessed the competence, capabilities and independence of the independent external valuers. → We agreed all investment property fair values to the underlying independent valuers' reports. → Together with our own valuation specialist, we tested the key assumptions used in the determination of the fair value, including: – Challenging the appropriateness of the market rental and expense growth assumptions used in the forecast cash flows based on the accuracy of previous forecasts and budgets, and our experience of the industry; – Comparing discount rates and exit capitalisation rates used to available industry data for similar investment properties; and – Assessing the reasonableness of the bulk rates utilised when valuing the undeveloped bulk land in relation to recent sales prices of similar properties. → We assessed the reasonableness of the remaining key inputs by comparing the inputs used in the models to historic information. → We assessed the appropriateness of the disclosures made in the financial statements.

Impairment of goodwill – Refer to notes 1.10, 1.24 and 7 to the consolidated financial statements.

The key audit matter

As a result of historical business combinations, the group carries goodwill on the statement of financial position. The group is required to test this goodwill for impairment at each year-end by comparing the recoverable amount of the cash-generating unit (operating segment) to which the goodwill has been allocated, to the carrying amount of the allocated goodwill. The main driver of the recoverable amount of each operating segment is the fair value of the investment properties in that operating segment.

The recoverable amount was determined in accordance with IAS 36 *Impairment of Assets* to be the higher of the fair value less cost of disposal, represented by allocating the share price of the company between the operating segments, and the value in use, determined by discounting future cash flows.

There is uncertainty in estimating the value in use of operating segments, which principally arises from the inputs used in both forecasting and discounting the future cash flows. Furthermore, the value in use is highly sensitive to changes in these inputs.

Due to the inherent uncertainty in the assumptions supporting the valuation of goodwill, the impairment assessment of goodwill was determined to be a key audit matter in our audit of the consolidated financial statements.

How the matter was addressed in our audit

As the recoverable amount of each operating segment is driven by the fair value of the investment properties in that operating segment, we relied on the work that we performed on the fair value of investment properties, as described in the previous key audit matter.

In addition, the auditing procedures that we performed in relation to the impairment of goodwill included the following:

- We assessed whether goodwill was appropriately allocated to the correct operating segment based on the nature of the investment properties acquired in each historical business combination.
- We assessed the appropriateness of the group's valuation methodology and assumptions applied in determining the recoverable amount.
- We challenged the reasonableness of the forecasts and assumptions applied in the valuation of goodwill by applying an alternative valuation model.
- We challenged the fair value less cost of disposal of each operating segment prepared by management by performing our own allocation of the company's share price at year-end to the operating segments based on our knowledge of the business.
- We performed a sensitivity analysis around the key drivers of the cash flow forecasts, in particular discount rates and long-term growth rates and discussed potential changes in key drivers with management.
- We assessed the appropriateness of the disclosures made in the financial statements.

Accounting for business combinations – refer to notes 1.2.1, 1.24 and 35 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During the year, the group acquired a 100% equity interest in The Pivotal Fund Limited (Pivotal) and management prepared a purchase price allocation at the date of acquisition. Accounting for a business combination is complex and an area of judgement which could materially affect the financial statements. When the group obtains control of a business, the business combination is accounted for using the acquisition method at the acquisition date (the date on which control is transferred to the group). The consideration transferred in the acquisition is generally measured at fair value, as are the net identifiable assets acquired. The purchase price allocation that management prepared for the acquisition of Pivotal was complex, particularly as a result of the following: → The group making a number of judgements, including whether any intangible assets are identifiable at acquisition and whether the goodwill recognised was appropriate; and → In determining the fair value of the acquired investment properties, cash flow projections were prepared by the group which involved making key assumptions about expected market rental growth, expected expense growth, bulk rates, occupancy rate, vacancy periods and rent-free periods, as well as the discount and exit capitalisation rates. The complexity of the accounting for the acquisition of Pivotal and the significance of the judgements and assumptions made in determining the fair value of the net identifiable assets and forecasting future cash flows, as well as the work effort from the audit team together with our own valuation specialists, made this a key audit matter.	Our audit procedures included the following: → We inspected the purchase agreement to determine the effective date and identify the acquired assets and liabilities, and independently recalculated the goodwill at acquisition by performing the procedures set out below. → We obtained the purchase price allocation calculation and agreed the fair value of the identifiable assets and liabilities to supporting documentation such as broker statements, bank statements, loan agreements and derivative contracts. → Given the significant judgments required in determining the fair value of investment properties, together with our valuation specialists we performed the following procedures for each property included in the portfolio: – We assessed the competency and experience of the external valuers and the appropriateness of the valuation methodologies used to determine the values of the properties; – Assessed the appropriateness of the key assumptions utilised in the valuations with reference to external industry information and our own industry experience; – Assessed the reasonableness of the bulk rates utilised when valuing the undeveloped bulk land in consultation with our independent property expert and our own experience; – Compared the forecast net operating income (NOI) in the first forecast year to the budgeted NOI received directly from Pivotal management; and – Assessed whether the assumptions used in the valuations at 28 February 2017 when the valuations were performed were consistent with the assumptions that would have applied at 1 January 2017, the acquisition date. → We discussed with management and, based on our understanding of the acquisition, assessed whether the difference between the purchase price paid and the net asset value of Pivotal was attributable to any other intangible assets. → We assessed the appropriateness of the disclosures made in the financial statements.

Impairment of investment in associates – refer to notes 1.12, 1.24 and 8 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During the current year, impairment indicators were identified on the investments in certain associates, namely Redefine international PLC and Cromwell Property Group. As a result, an impairment assessment was required to be performed by comparing the carrying value of these associates to their recoverable amount to determine whether an impairment was required to be recognised. The recoverable amount was determined in accordance with IAS 36 *Impairment of Assets* to be the higher of the fair value less cost of disposal, represented by the share price of these listed associates, and the value in use, determined by discounting future cash flows. There was uncertainty in estimating the recoverable amount of the investments in associates, which principally arose from the inputs used in both forecasting and discounting future cash flows. Furthermore, the value in use is highly sensitive to changes in these inputs. The determination of the recoverable amount of the investments in associates was one of the key judgemental areas in preparing the financial statements due to a combination of the significance of the investments in the associates and the inherent uncertainty in the assumptions supporting the recoverable amount of these investments. Accordingly, the impairment of investments in associates was determined to be a key audit matter in our audit of the consolidated financial statements.	Our audit procedures performed included the following: → We inspected published market information on the share price, financial position and performance of the associates to evaluate the completeness of management's impairment assessment and to identify whether there were any additional indicators of impairment on other associates not assessed for impairment. → Together with our technical and valuation specialists, we assessed the appropriateness of the group's valuation methodology applied in determining the recoverable amount. → Together with our valuation specialists, we assessed the assumptions around the key drivers of the cash flow forecasts with reference to historic dividend income and expected growth rates, as well as exit yields referenced to forward dividend yields. → We discussed potential changes in key drivers with management in order to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable. → We assessed the appropriateness of the disclosures made in the financial statements.

Independent auditor's report (continued)

Other information

The directors are responsible for the other information. The other information comprises the certificate by the company secretary, the audit and risk committee report and the directors' report, as required by the Companies Act of South Africa, as well as the directors' responsibilities and approval, property information and shareholders' analysis, which we obtained prior to the date of this report. Other information also comprises the integrated report; environmental, social and governance report; and notice of annual general meeting, which are expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

→ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

→ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

→ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

→ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Redefine Properties Limited for two years.

KPMG Inc.
Registered auditor

Per GS Kolbé
Chartered Accountant (SA)
Registered Auditor
Director
3 November 2017

KPMG Crescent
85 Empire Road
Parktown
2193
South Africa

Statement of financial position

as at 31 August 2017

Figures in R'000s	Notes	2017	2016
ASSETS			
Non-current assets		**87 611 269**	**77 029 317**
Investment properties		63 192 093	51 728 681
– Fair value of investment properties	3	57 299 006	48 223 712
– Straight-line rental income accrual	4	1 944 218	1 474 928
– Properties under development	5	3 948 869	2 030 041
Listed securities	6	1 453 994	974 620
Goodwill and intangible assets	7	5 809 059	5 304 191
Investment in associates and joint ventures	8	15 253 726	17 954 385
Derivative assets	21	1 868	172 296
Loans receivable	9	1 789 395	838 692
Other financial assets	10	29 519	36 391
Property, plant and equipment	11	81 615	20 061
Current assets		**1 477 586**	**1 612 719**
Trade and other receivables	12	912 752	577 560
Loans receivable	9	55 260	20 799
Other financial assets	10	253 038	675 078
Derivative assets	21	75 875	73 286
Listed security income receivable		–	57 630
Cash and cash equivalents	13	180 661	208 366
Non-current assets held-for-sale	14	**2 403 756**	**1 170 172**
Total assets		**91 492 611**	**79 812 208**
EQUITY AND LIABILITIES			
Equity		**53 786 185**	**49 641 362**
Shareholders' interest		53 435 737	49 360 062
– Stated capital	15	43 070 822	36 526 352
– Reserves		10 364 915	12 833 710
Non-controlling interests	17	350 448	281 300
Non-current liabilities		**29 052 772**	**21 453 096**
Interest-bearing borrowings	19	25 664 659	21 148 712
Interest-bearing borrowings at fair value	20	2 253 598	–
Derivative liabilities	21	487 564	35 066
Other financial liabilities	22	4 690	–
Deferred taxation	23	642 261	269 318
Current liabilities		**8 653 654**	**8 532 556**
Trade and other payables	24	1 180 736	922 864
Interest-bearing borrowings	19	6 794 929	7 041 390
Interest accrual on interest-bearing borrowings		406 849	307 881
Derivative liabilities	21	11 799	2 978
Other financial liabilities	22	253 038	253 016
Taxation payable		6 303	4 427
Non-current liabilities held-for-sale	14	–	185 194
Total equity and liabilities		**91 492 611**	**79 812 208**
Number of shares in issue^ ('000)		5 288 655	4 700 911
Net asset value per share (excluding deferred tax and NCI) (cents)		1 022.53	1 055.74
Net tangible asset value per share (excluding deferred tax, NCI and goodwill and intangible assets) (cents)		912.69	942.91

^ *Group net of 361 396 896 (2016: 361 396 896) treasury shares.*

Statement of profit or loss and other comprehensive income

for the year ended 31 August 2017

Figures in R'000s	Notes	2017	2016
Continuing operations			
Revenue			
Property portfolio revenue		7 770 111	6 548 293
– Contractual rental income	2	7 300 821	6 510 127
– Straight-line rental income accrual		469 290	38 166
Investment income		23 728	98 355
Total revenue		**7 793 839**	**6 646 648**
Costs			
Operating costs		(2 497 688)	(2 241 032)
Administration costs		(259 641)	(210 241)
Net operating profit	25	**5 036 510**	**4 195 375**
Other gains		93 195	80 036
– Trading (loss)/income		(2 595)	294
– Fee income		92 503	62 927
– Sundry income		3 287	16 815
Changes in fair values of properties, listed securities and financial instruments	26	(541 947)	168 471
Amortisation of intangible asset		(62 856)	(62 856)
Impairments	27	(1 215 209)	(13 886)
Equity-accounted profit (net of taxation)	8	1 593 387	1 405 932
Profit before finance costs and taxation		**4 903 080**	**5 773 072**
Net interest costs		(1 727 776)	(1 389 672)
– Interest income	28	650 282	596 418
– Interest expense	29	(2 378 058)	(1 986 090)
Foreign exchange gains	30	478 670	309 941
Profit before taxation		**3 653 974**	**4 693 341**
Taxation	31	(239 842)	(88 298)
Profit from continuing operations		**3 414 132**	**4 605 043**
Discontinued operations			
(Loss)/profit from discontinued operations (net of taxation)		(13 877)	5 923
Profit for the year		**3 400 255**	**4 610 966**
Attributable to:			
– Redefine Properties Limited shareholders		3 328 995	4 565 617
– Non-controlling interests		71 260	45 349
Other comprehensive income		(1 458 975)	74 829
Items that may not be reclassified subsequently to profit or loss			
Share of revaluation of property, plant and equipment of an associate		3 167	1 177
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations:			
– Subsidiaries		(6 938)	(12 687)
– Associates		(1 455 204)	86 339
Total comprehensive income for the year		**1 941 280**	**4 685 795**
Attributable to:			
– Redefine Properties Limited shareholders		1 876 965	4 640 446
– Non-controlling interests		64 315	45 349
Earnings per share from continuing operations	32		
– Basic		66.15	101.32
– Diluted		65.98	101.32

Statement of changes in equity

for the year ended 31 August 2017

Figures in R'000s	Notes	Stated capital	Accumulated profit
Balance as at 31 August 2015		**33 209 605**	**11 338 789**
Total comprehensive income for the year		**–**	**4 565 617**
Profit for the year		–	4 565 617
Other comprehensive income for the year		–	–
Transactions with owners (contributions and distributions)		**3 316 747**	**(3 673 124)**
Issue of ordinary shares		3 318 016	–
Dividends		–	(3 673 124)
Recognition of share-based payments		(1 269)	–
Share of post-acquisition change in net assets of associate		–	–
Changes in ownership interests		**–**	**–**
Transactions with non-controlling interests		–	–
Balance as at 31 August 2016		**36 526 352**	**12 231 282**
Total comprehensive income for the year		**–**	**3 328 995**
Profit for the year		–	3 328 995
Other comprehensive income for the year		–	–
Transactions with owners (contributions and distributions)		**6 544 470**	**(4 422 684)**
Issue of ordinary shares	15	6 544 470	–
Dividends		–	(4 418 066)
Recognition of share-based payments	18	–	(4 618)
Share of post-acquisition change in net assets of associate		–	–
Transactions with owners (changes in ownership interests)		**–**	**–**
Disposal of subsidiary with NCI		–	–
Acquisition of subsidiary with NCI		–	–
Balance as at 31 August 2017		**43 070 822**	**11 137 593**

	2017	2016
Dividend per share (cents)	92.00	86.00
Interim	44.82	41.70
Final^	47.18	44.30

^ *The final dividend is declared post the financial year end and is therefore a non-adjusting subsequent event (refer to note 44 Subsequent events).*

Foreign currency translation reserve	Share-based payment reserve	Share of associates' reserves	Shareholders' interest	Non-controlling interests	Total equity
567 168	**21 710**	**–**	**45 137 272**	**–**	**45 137 272**
73 652	**–**	**1 177**	**4 640 446**	**45 349**	**4 685 795**
–	–	–	4 565 617	45 349	4 610 966
73 652	–	1 177	74 829	–	74 829
–	**18 115**	**(79 394)**	**(417 656)**	**(12 814)**	**(430 470)**
–	–	–	3 318 016	–	3 318 016
–	–	–	(3 673 124)	(12 814)	(3 685 938)
–	18 115	–	16 846	–	16 846
–	–	(79 394)	(79 394)	–	(79 394)
–	**–**	**–**	**–**	**248 765**	**248 765**
–	–	–	–	248 765	248 765
640 820	**39 825**	**(78 217)**	**49 360 062**	**281 300**	**49 641 362**
(1 455 197)	**–**	**3 167**	**1 876 965**	**64 315**	**1 941 280**
–	–	–	3 328 995	71 260	3 400 255
(1 455 197)	–	3 167	(1 452 030)	(6 945)	(1 458 975)
–	**13 050**	**63 874**	**2 198 710**	**(23 998)**	**2 174 712**
–	–	–	6 544 470	–	6 544 470
–	–	–	(4 418 066)	(23 998)	(4 442 064)
–	13 050	–	8 432	–	8 432
–	–	63 874	63 874	–	63 874
–	**–**	**–**	**–**	**28 831**	**28 831**
–	–	–	–	(25 269)	(25 269)
–	–	–	–	54 100	54 100
(814 377)	**52 875**	**(11 176)**	**53 435 737**	**350 448**	**53 786 185**

Statement of cash flows

for the year ended 31 August 2017

Figures in R'000s	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	4 671 340	4 494 762
Interest received		621 524	596 418
Interest paid		(2 643 655)	(2 125 060)
Taxation paid	34	(66 825)	(111 864)
Net cash inflow from operating activities		**2 582 384**	**2 854 256**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition and development of investment properties		(3 615 750)	(3 479 654)
Acquisition of property, plant and equipment		(80 368)	(9 075)
Acquisition of subsidiaries with the exclusive view to resell		–	(210 433)
Acquisition of other financial assets		(3 100)	(508 081)
Cash balances acquired on acquisition of subsidiary	35	103 740	–
Investments in associates and joint ventures		(1 031 243)	(5 429 648)
Proceeds on disposal of investment properties		1 688 413	1 207 521
Proceeds on disposal of listed securities		1 047 639	–
Proceeds on the disposal of property, plant and equipment		–	2 833
Proceeds on the disposal of subsidiaries with the exclusive view to resell		190 697	–
Proceeds on disposal of shares in associate		698 134	–
Proceeds on disposal of other financial assets		399 999	–
Loan to joint venture repaid	8	8 741	38 299
Loans receivable repaid		901 387	348 602
Loans receivable advanced		(309 992)	–
Dividends and interest received from associates and joint ventures	8	1 075 056	680 745
Net cash inflow/(outflow) from investing activities		**1 073 353**	**(7 358 891)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued		1 337 272	3 318 016
Dividends paid		(4 418 066)	(3 673 124)
Shares issued to non-controlling interests		54 100	248 765
Disposal of non-controlling interests		(25 269)	–
Dividends paid to non-controlling interests		(23 998)	(12 814)
Interest-bearing borrowings at fair value raised		2 396 220	–
Interest-bearing borrowings raised		8 088 968	7 020 456
Interest-bearing borrowings repaid		(11 191 223)	(2 163 873)
Net cash (outflow)/inflow from financing activities		**(3 781 996)**	**4 737 426**
Net (decrease)/increase in cash and cash equivalents		(126 259)	232 791
Cash and cash equivalents at beginning of year		208 366	129 924
Effect of foreign currency exchange fluctuations		98 554	(154 349)
Cash and cash equivalents at end of year		**180 661**	**208 366**

Notes to the financial statements

for the year ended 31 August 2017

1. Significant accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, and the requirements of the South African Companies Act, No 71 of 2008.

The group financial statements include the financial statements of Redefine Properties Limited (Redefine or the company) and its subsidiary companies (together referred to as the group), and the share of profit or loss and other comprehensive income of the equity-accounted investees.

The group financial statements set out on pages 18 to 104 were approved by the board of directors on 2 November 2017.

1.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, listed securities and certain financial instruments that are measured at fair value, as explained in the accounting policies that follow. The presentation currency in the financial statements is South African Rand (Rand).

1.2 Basis of consolidation

Consolidated financial statements are prepared by the parent company, Redefine Properties Limited, using uniform accounting policies for like transactions and other events in similar circumstances. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities in the group are eliminated on consolidation.

1.2.1 Subsidiaries

Subsidiaries are entities over which the company exercises control. The consolidated financial statements incorporate the assets, liabilities, income, expenses, and cash flows of the subsidiaries. Consolidation of subsidiaries commences from the date the investor obtains control and ceases on the date on which the investor loses control.

An investor controls an investee when it is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the group obtains control of a business, the business combination is accounted for using the acquisition method at the acquisition date (the date on which control is transferred to the group). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable assets acquired.

Costs related to the acquisition, other than those associated with the issue of debt or equity instruments, that the group incurs in a business combination are expensed as incurred. Costs associated with the issue of debt or equity securities are recorded directly in equity.

Changes in the group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

1.2.2 Associates and joint ventures

Associates and joint ventures are accounted for using the equity method.

An associate is an entity over which the group exercises significant influence, but not control or joint control, over the financial and operating policies of the investee.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for liabilities. Joint control is a contractually agreed sharing of control of an arrangement that requires unanimous consent on decisions about relevant activities.

In applying the equity method, the investment in the associate or joint venture is measured at cost, which includes transaction costs, with the group's share of post-acquisition earnings recognised in profit or loss and other comprehensive income in accordance with the group's accounting policies, and is separately presented in the statement of profit or loss and other comprehensive income.

1. Significant accounting policies (continued)

1.2 Basis of consolidation (continued)

1.2.2 Associates and joint ventures (continued)

At initial recognition, the principles for business combinations are applied and any resulting goodwill arising on the acquisition is included in the carrying amount of the investment. Any gain on bargain purchase is included as income in the group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired. Similarly, associates or joint ventures are equity accounted from acquisition date and cease to be equity accounted when significant influence or joint control ceases.

Dividend income from associates or joint ventures reduces the carrying value of the investment. If the associates or joint ventures are loss-making, the carrying value is reduced until it is carried at Rnil.

When the ownership interest in an associate is reduced without affecting the classification as an associate, the group reclassifies to profit or loss the proportionate gain or loss that had previously been recognised in other comprehensive income relating to the reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

1.3 Foreign currency translation

Transactions in foreign currencies are translated into the respective functional currencies of the group companies at the exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated into the functional currency at the exchange rate prevailing at the date that fair value was determined. Non-monetary items that are measured based on historical cost are translated to the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations (including investments in foreign associates and foreign joint ventures), including goodwill and fair value adjustments arising on acquisition, are translated to the group's presentation currency, South African Rand, using the respective foreign exchange rates prevailing at the reporting date.

Income and expenses of foreign operations are translated at the average exchange rates for the period. Exchange differences arising are recognised directly in other comprehensive income and accumulated in equity in the foreign currency translation reserve. On disposal or a decrease in the group's effective interest in the foreign investment, all or a proportionate share of the exchange differences accumulated in equity are reclassified to profit or loss as part of the gain or loss on disposal. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

1.4 Investment properties

Investment properties, both freehold and leasehold, are held to earn rental income and/or for capital appreciation. At initial recognition, investment properties are measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Leasehold properties consist of buildings developed on leased land for which rental payments are made to the lessor. Leasehold properties that are leased to tenants under operating leases are accounted for as investment properties and measured using the fair value model.

Gains and losses arising from changes in the fair value are included in profit or loss in the period in which they arise. Changes in fair value are excluded from the calculation of distributable earnings.

Investment properties are measured at fair value at each reporting date. For the purposes of the independent valuations as at 31 August 2017, all properties were independently valued.

Tenant installations and lease commissions are carried at cost less accumulated amortisation on a straight-line basis over the term of the lease.

A gain or loss arising on disposal of investment property is recognised in profit or loss, measured as the difference between the disposal proceeds and the carrying amount.

1. Significant accounting policies (continued)

1.5 Properties under development

Properties under development comprise the cost of the land and development, and are measured at fair value. If the fair value cannot be reasonably determined, it is stated at cost and is not depreciated. Investment property that requires development is transferred from investment properties to properties under development when development commences. On completion of the development, these properties become part of investment properties.

1.6 Property and equipment

Other ancillary non-current tangible assets are included in property and equipment. These assets are measured using the cost model, initial recognition is at the purchase consideration including directly attributable costs. Subsequent measurement is at cost less accumulated depreciation and accumulated impairment losses. The assets are depreciated on a straight-line basis to the residual value. These items are listed below together with their useful lives:

- Leasehold property: 10 years
- Computer equipment: 5 years
- Furniture and fittings: 3 years
- Office equipment: 3 years
- Motor vehicles: 5 years

The depreciation method, useful lives, and residual values are reviewed at each reporting date.

1.7 Property held-for-trading

Properties held-for-trading comprise properties acquired as well as properties developed with the intention of disposing for a profit in the ordinary course of business, and are measured at the lower of cost and net realisable value.

Costs include all costs of purchase, transaction costs, costs of conversion and other costs incurred in bringing the properties to their present condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of selling.

1.8 Non-current assets held-for-sale and discontinued operations

A non-current asset or a disposal group comprising assets and liabilities is classified as held-for-sale if it is expected that its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and the sale is highly probable to occur within one year. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset or disposal group.

Where the group is committed to a sale plan involving the loss of control of a subsidiary, it classifies all the assets and liabilities of that subsidiary as held-for-sale when the criteria set out above and detailed in IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell, with any impairment losses recognised in profit or loss. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis. However, certain items, such as financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, deferred tax assets and investment property which is measured in accordance with the fair value model, continue to be measured in accordance with the group's accounting policies.

Assets classified as held-for-sale are not depreciated or amortised, and any equity-accounted investee or a portion thereof is no longer equity-accounted.

Non-current assets held-for-sale are presented separately from other assets and liabilities on the statement of financial position. Prior periods are not reclassified.

1. Significant accounting policies (continued)

1.8 Non-current assets held-for-sale and discontinued operations (continued)

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

1.9 Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised in the statement of financial position when the group becomes party to the contractual provisions of the instrument. Any gains or losses on these instruments do not affect distributable earnings.

Financial assets and liabilities are initially measured at fair value plus any transaction costs (other than financial instruments that are classified at fair value through profit or loss where the transaction costs incurred are immediately expensed in profit or loss).

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or designated as such on initial recognition. Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less accumulated impairments.

The financial assets of the group are classified as follows:

- Listed securities are classified at fair value through profit or loss. The underlying investments of the listed securities are property and therefore it would give greater meaning to the financial statements if this was treated in the same way as investment properties, i.e. at fair value through profit or loss;
- Listed security income receivables comprise dividends receivable on listed securities and are classified as loans and receivables;
- Loans receivable are classified as loans and receivables;
- Other financial assets are classified either at fair value through profit or loss or as loans and receivables in consideration of the nature of the transaction;
- Trade and other receivables are classified as loans and receivables;
- Cash and cash equivalents are classified as loans and receivables; and
- Derivative assets comprising interest rate swaps, cross currency interest rate swaps and forward exchange options are classified as at fair value through profit or loss.

1. Significant accounting policies (continued)

1.9 Financial instruments (continued)

Financial assets (continued)
Financial assets are assessed for indicators of impairment at the end of each reporting period (other than financial assets at fair value through profit or loss). Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the investment have been affected. The objective evidence the group considers when determining if a financial asset is impaired, includes significant adverse effects on the market to which the financial asset is dedicated, as well as an increase during the period of market interest rates.

The group assesses all receivables held at amortised cost for impairment at each reporting period end. An impairment loss is calculated as the difference between the asset's carrying value and the present value of the estimated future cash inflows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. Financial assets, with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised.

The group derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the group commits itself to purchase or sell the asset.

Financial liabilities and equity instruments
Debt and equity instruments issued are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting liabilities.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Financial liabilities at fair value through profit or loss include all instruments classified as held-for-trading and those instruments designated as held at fair value through profit or loss. These instruments are initially recorded at fair value with changes in fair value subsequently recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The financial liabilities of the group are classified as follows:

- Interest-bearing borrowings and interest accrued on interest-bearing borrowings are classified as other financial liabilities;
- Interest-bearing borrowings at fair value through profit or loss, comprising exchangeable bonds, are classified as financial liabilities at fair value through profit or loss;
- Derivative liabilities, comprising interest rate swaps, cross currency interest rate swaps and forward exchange options are held-for-trading financial instruments measured at fair value through profit or loss;
- Other financial liabilities are classified either at fair value through profit or loss or as other financial liabilities in consideration of the nature of the transaction; and
- Trade and other payables are classified as other financial liabilities.

The group derecognises a financial liability when the group's obligations specified in the contract expire or are discharged or cancelled. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

1. Significant accounting policies (continued)

1.9 Financial instruments (continued)

Derivative financial instruments

The group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange risks, including interest rate swaps and forward exchange options. Derivatives are recognised and measured as described above. Further detail on derivative financial instruments is disclosed in note 39 Financial risk management.

1.10 Goodwill

Goodwill arising on the acquisition of a business is carried at cost less accumulated impairment losses if any. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units that is expected to benefit from the synergies of the combination. In the real estate industry, goodwill may arise from business combinations where the purpose of obtaining control is to acquire certain properties. To this end, goodwill is allocated to the operating segments in which the acquired properties are allocated.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of the allocated goodwill and then to the carrying amount of the other assets included in the cash-generating unit. An impairment loss in respect of goodwill is not reversed.

1.11 Intangible assets

Intangible assets are acquired separately or in a business combination and are not internally generated. Intangible assets acquired in a business combination are recognised separately from goodwill, at fair value at acquisition date.

Intangible assets with an indefinite useful life are stated at cost less accumulated impairment losses. These intangible assets are tested for impairment annually by comparing the recoverable amount with its carrying amount. Useful life is reviewed at each reporting date to determine whether events and circumstances continue to support an indefinite useful life assessment.

Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset. The amortisation method and useful life is reviewed at each reporting period and adjusted if necessary.

The types of intangible assets, including the applicable useful lives, are listed below:

- Right to manage property: 15 years
- Electricity recovery business: Indefinite life

The depreciation method, useful lives, and residual values are reviewed at each reporting date.

1.12 Impairment of non-financial assets

The carrying value of non-financial assets (other than goodwill, investment property and deferred tax assets) are reviewed for impairment at each reporting date to determine whether there is any indication of an impairment loss. If such indication exists, then the asset's recoverable amount is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is determined as the higher of fair value less cost of disposal or value in use. An impairment loss is recognised if the carrying amount of the asset or cash-generating unit exceeds its estimated recoverable amount. Intangible assets with an indefinite useful life are tested for impairment annually.

In assessing the value in use, the estimated cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses and the reversal of impairment losses are recognised in profit or loss.

1. Significant accounting policies (continued)

1.12 Impairment of non-financial assets (continued)

In the case of a cash-generating unit, an impairment is first allocated to goodwill and then to the other assets in the cash-generating unit on a pro rata basis.

For other assets, an impairment loss is only reversed if there is an indication that the impairment loss no longer exists and the recoverable amount increases as a result of a change in estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior years.

1.13 Stated capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from equity.

1.14 Treasury shares

Where a subsidiary company holds shares in the holding company, the consideration paid to acquire these shares is deducted from stated capital as treasury shares, but disclosed separately in note 15 Stated capital. When these shares are sold or re-issued, any consideration received is included in stated capital.

1.15 Dividends

Dividends and other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity on the date of declaration.

1.16 Revenue recognition

1.16.1 Property portfolio revenue

Property portfolio revenue comprises gross rental income and fixed operating cost recoveries from the letting of investment properties. Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

Recoveries of costs from lessees, where the entity merely acts as an agent and makes payment of these costs on behalf of lessees, are offset against the relevant costs.

Contingent rents (turnover rentals) are included in revenue when the amounts can be reliably measured. Premiums to terminate leases are recognised in profit or loss as they arise.

1.16.2 Investment income

Dividends from listed securities are recognised in profit or loss when declared.

1.17 Other income

1.17.1 Trading income

Trading income represents income from development units sold and is recognised once:

- The risks and rewards of ownership have transferred;
- The group no longer has managerial involvement;
- The amount of revenue and costs can be measured reliably; and
- It is probable that the economic benefits from the sale will flow.

1.17.2 Interest income

Interest earned on amounts invested with financial institutions is recognised on an accrual basis using the effective interest method.

1.17.3 Fee income

Fee income is recognised on an accrual basis in accordance with the substance of the relevant agreements and measured at the fair value of the consideration receivable.

1. Significant accounting policies (continued)

1.18 Employee benefits

1.18.1 Short-term benefits

Short-term employee benefits are benefits that will be settled within 12 months. The cost of the short-term employee benefits is recognised during the period in which the employees render the related service. Short-term employee benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses and annual leave represents the amount which the group has a present legal or constructive obligation to pay as a result of the employees' services provided up to the reporting date.

1.18.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.18.3 Other long-term employee benefits

In terms of the long term staff incentive scheme, a conditional right to a cash award is awarded to employees subject to performance and vesting conditions. The scheme is accounted for in terms of IAS 19 *Employee Benefits* as the group's net obligation in respect of other long-term employee benefits is the amount of future benefits that employees have earned in return for their services to date. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

1.18.4 Share-based payments

Restricted share scheme

In terms of the restricted share scheme, a conditional right to shares is awarded to employees subject to performance and vesting conditions. The scheme is accounted for as an equity-settled share-based payment. The fair value of services received in return for the restricted shares has been determined as follows: the number of shares expected to vest multiplied by the share price at the date of award less discounted future anticipated distributions.

The grant-date fair value of the scheme is recognised as an expense, with a corresponding increase in equity, over the vesting period. The amount recognised as an expense is adjusted for changes in management's estimate of the number of shares expected to vest, such that the amount ultimately recognised is based on the number of awards that vest.

Short-term incentive scheme

In terms of the restricted share scheme, a conditional right to shares is awarded to employees subject to vesting conditions. The scheme is accounted for as an equity-settled share-based payment. The fair value of services received in return for the restricted shares has been determined as follows: the number of shares expected to vest multiplied by the share price at the date of award less discounted future anticipated distributions.

The grant-date fair value of the scheme is recognised as an expense, with a corresponding increase in equity, over the vesting period. The amount recognised as an expense is adjusted for changes in management's estimate of the number of shares expected to vest, such that the amount ultimately recognised is based on the number of awards that vest.

Matching share scheme

In terms of the matching share scheme, participants are invited annually to utilise a pre-determined percentage of their after tax bonus to acquire Redefine Properties Limited shares. Participants holding shares at the third anniversary of the date of award will be awarded Redefine Properties Limited shares free of consideration based on a multiple of the original shares linked to the group and individual's performance. The scheme is accounted for as an equity-settled share-based payment. The fair value of services received in return for the matching shares has been determined as follows: the number of shares expected to vest multiplied by the share price at the date of award less discounted future anticipated distributions.

The grant-date fair value of the scheme is recognised as an expense, with a corresponding increase in equity, over the vesting period. The amount recognised as an expense is adjusted for changes in management's estimate of the number of shares expected to vest, such that the amount ultimately recognised is based on the number of awards that vest.

1. Significant accounting policies (continued)

1.18 Employee benefits (continued)

1.18.4 Share-based payments (continued)

Nil-cost options

In terms of the long term staff incentive scheme, a conditional right to shares or a cash equivalent, at the employees option, is awarded to employees subject to performance and vesting conditions. The scheme is accounted for as a compound financial instrument.

Liability portion

The fair value of the amount payable in terms of the cash alternative of the nil-cost options, is recognised as an expense with a corresponding increase in liabilities over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the value of the cash alternative of the nil-cost options. Any changes in the liability are recognised in profit or loss.

Equity portion

The equity portion is calculated as the services received in return for the number of nil-cost options expected to vest multiplied by the share price at the date of award less discounted future anticipated distributions less the above liability portion. The grant-date fair value of the equity portion of the nil-cost option is recognised as an expense, with a corresponding increase in equity, over the vesting period. The amount recognised as an expense is adjusted for changes in management's estimate of the number of shares expected to vest, such that the amount ultimately recognised is based on the number of awards that vest.

Conditional awards

In terms of the long term staff incentive scheme, a conditional right to a cash equivalent is awarded to employees subject to performance and vesting conditions. The fair value of the amount payable in respect of conditional awards is recognised as an expense with a corresponding increase in liabilities over the period during which the employees become unconditionally entitled to payment. The liability is based on the fair value of the underlying Redefine shares at each reporting date and is measured until settlement date. Any changes in the liability are recognised in profit or loss.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the development or acquisition of qualifying assets are capitalised to the cost of that asset until such time as it is substantially ready for its intended use. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes less any investment income on the temporary investment of those borrowings; or with regard to that part of the development cost financed out of general funds, to the weighted average borrowing cost.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.20 Taxation and deferred taxation

Income tax expense comprises current and deferred taxation. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on taxable income, after deducting the qualifying distribution for the year of assessment, using tax rates that have been enacted or substantively enacted by the reporting date and includes adjustments for tax payable in respect of previous years. In accordance with the REIT status, dividends declared are treated as a qualifying distribution in terms of section 25BB of the Income Tax Act, No 58 of 1962 (as amended).

Withholding tax relating to foreign distributions received is recognised as part of the current tax expense. The distribution received is presented gross of withholding tax in the financial statements.

1. Significant accounting policies (continued)

1.20 Taxation and deferred taxation (continued)

Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises:

- From the initial recognition of goodwill in a business combination;
- From the initial recognition of other assets and liabilities in a transaction which is not a business combination and affects neither accounting profit nor taxable income; or
- Differences related to investments in subsidiaries, joint ventures and associates, to the extent that it is probable that they will not reverse in the foreseeable future and the group is able to control the reversal.

Deferred tax is not recognised on the fair value of investment properties and listed securities. These items will be realised through sale and, in accordance with the income tax requirements relating to the REIT status, capital gains tax is no longer applicable. Deferred tax is not recognised for temporary differences that will form part of future qualifying distributions.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income tax levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

1.21 Operating segments

An operating segment is a component of the group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the group's other components. An operating segment's operating results are reviewed regularly by the group's executive committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segments are split between local and international. The local segment is split by property sectors.

1.22 Leases

1.22.1 Group as a lessee

Where the group leases property and has substantially all the risks and rewards of ownership, the leases are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease. Properties that are held under operating leases are classified as investment properties.

1.22.2 Group as a lessor

Properties leased to third parties under operating leases are included in investment properties in the statement of financial position.

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Straight-lining adjustments do not affect distributable earnings.

1. Significant accounting policies (continued)

1.23 Earnings and headline earnings

Earnings per share is calculated on the weighted average number of shares in issue, net of treasury shares, in respect of the year and is based on profit attributable to shareholders. Headline earnings per share is calculated in terms of the requirements set out in Circular 2/2015 issued by SAICA. Distributable earnings per share is calculated for each six month period of the distribution, using the number of shares in issue at the interim reporting date and at the financial year-end reporting date.

1.24 Key estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which they were revised and in any future periods affected.

Information on key estimates and assumptions which have the most significant effect on the financial statements are set out in the following notes in the financial statements:

Investment properties and properties under development
The portfolio is valued at each reporting period. For the purposes of the 31 August 2017 valuations, all properties were independently valued. By obtaining external valuations from accredited valuators, management is of the opinion that the risk relating to estimation uncertainty has been mitigated. Refer to notes 1.4 and 3 Investment property and notes 1.5 and 5 Properties under development for further information.

Goodwill
Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. Refer to note 7 Goodwill and intangible assets for further information.

Impairment of investment in associates
Investments in associates are tested for impairment if any impairment indicators are present. Indicators of impairment include:

- Significant decline in fair value;
- Prolonged decrease in the quoted price (past 12 months);
- Negative changes in the dividend policy of the associate, such as a decision to suspend or decrease dividend payments;
- The carrying amount of the net assets of the associate is more than its market capitalisation; and
- The dividend exceeds the total comprehensive income of the associate in the period the dividend is declared.

Management then performs an impairment calculation by comparing the carrying amount of the investment to its recoverable amount. The recoverable amount is the higher of the fair value less cost of disposal, represented by the closing share price if applicable, and the value in use, determined by discounting future cash flows.

Refer to note 8 Investment in associates and joint ventures for the indicators considered, as well as the impairment tests performed where applicable.

Business combination versus asset acquisition
The directors have assessed the properties acquired and have concluded that in their view these acquisitions are property acquisitions in terms of IAS 40 *Investment Property* and are therefore accounted for in terms of that standard. In the opinion of the directors, these properties do not constitute a business as defined in terms of IFRS 3 *Business Combinations*, as there were no adequate processes identified within these properties to warrant classification as businesses.

Per IFRS 3, a business consists of inputs and processes applied to those inputs that have the ability to create outputs. Property acquisitions are assessed to determine whether a process was acquired with the property which would indicate that the acquisition is a business combination.

Notes to the financial statements (continued)

for the year ended 31 August 2017

1. Significant accounting policies (continued)

1.24 Key estimates and assumptions (continued)

Business combination versus asset acquisition (continued)

IFRS 3 defines input as "...an economic resource that creates, or has the ability to create, outputs when one or more processes are applied to it".

The property acquisition may include the building and/or land and tenants. These are considered to be the inputs. Tenants are considered to be an input as processes must be applied to create output, such as billing and rental income collection.

IFRS 3 defines process as "...any system, standard, protocol, convention, or rule that when applied to an input creates or has the ability to create outputs".

Redefine's employees apply processes to the inputs to generate rental income. The processes include (but are not limited to) letting of space, maintaining of buildings, billing of rent, and collection of rent. These property management and asset management processes are typically provided by Redefine's employees. The property acquired would be included in one of Redefine's operating segments and strategic management processes and resource allocation would be managed at a portfolio level.

Processes are rarely acquired together with the inputs in a single property acquisition. As a result, these property acquisitions would not constitute a business as defined.

Acquisition of a portfolio of properties on a large scale may include the associated business processes. In practice, the statutory entity which owns the property portfolio would typically be acquired together with the business. This would then be accounted for in terms of IFRS 3 *Business Combinations* and not a property acquisition in terms of IAS 40 *Investment Property*.

Refer to note 35 Business combinations for The Pivotal Fund Limited acquisition during the year, which was accounted for as a business combination, as this acquisition included a portfolio of properties together with the employees and other systems.

Significant judgements were required in determining the fair value of the investment property in the purchase price allocation calculation. Refer to note 35 Business combinations for unobservable inputs used in the fair value determination.

1.25 Accounting standards and interpretations not yet effective

There are new or revised accounting standards and interpretations in issue that are not yet effective. These include the following standards and interpretations that are material to the business of the group and may have an impact on future financial statements, or those for which the impact has not as yet been assessed.

Amendments as result of the Disclosure Initiative

→ **Amendments to IAS 7 *Statement of Cash Flows***

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash charges.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The impact on the financial statements for the group has not yet been determined.

1. Significant accounting policies (continued)

1.25 Accounting standards and interpretations not yet effective (continued)

Amendments resulting from 2014-2016 Annual Improvements to IFRSs

→ **Amendments to IFRS 12 *Disclosure of Interest in Other Entities***

The amendments require disclosure requirements for interests in other entities to be applied to interests that are classified as held-for-sale distributions.

The amendments are effective retrospectively for annual periods beginning on or after 1 January 2017.

The impact on the financial statements for the group has not yet been determined.

→ **Amendments to IAS 12 *Income Taxes*: Recognition of deferred tax assets for unrealised losses**

The amendments provide, amongst others, additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Additional guidance is provided on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The impact on the financial statements for the group has not yet been determined.

→ **Amendments to IAS 40 *Investment Property*: Transfers of investment property**

The amendment provides a clear definition that transfer is made only when there is an actual change in use, with examples of when an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use.

The amendments are effective retrospectively for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The impact on the financial statements for the group has not yet been determined.

→ **Amendments to IFRS 2 *Share-based Payments*: Amendments to clarify the classification and measurement of share-based payment transactions**

The amendment introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. The guidance is on accounting for cash-settled share-based payment transactions that include a performance condition.

The amendments also clarify the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The impact on the financial statements for the group has not yet been determined.

1. Significant accounting policies (continued)

1.25 Accounting standards and interpretations not yet effective (continued)

- **Amendments to IFRS 11 *Joint Arrangements*: Amendments regarding the accounting for acquisitions of an interest in a joint operation**

  The objective was to add new guidance to IFRS 11 *Joint Arrangements* on the accounting for the acquisition of an interest in a joint operation that constitutes a business. The IASB decided that acquirers of such interests shall apply all of the principles on business combinations accounting in IFRS 3 *Business Combinations* and other IFRS that do not conflict with the guidance in IFRS 11, and disclose the information that is required in those IFRS in relation to business combinations.

  The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

  The impact on the financial statements for the group has not yet been determined.

IFRS 9 *Financial Instruments*

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The following topics in the new standard may be material to the business of the group or have an impact on the financial statements which is yet to be determined:

- Classification – Financial assets and financial liabilities
- Impairment – Financial assets and contract assets
- Hedge accounting
- Disclosures

Under IFRS 9 there are two options in respect of the classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

IFRS 9 has retained in general the requirements of IAS 39 for financial liabilities, except for the following two aspects:

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability, will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed; and
- Derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

An IFRS 9 working group accountable for implementation of IFRS 9 has been established. At present, it will not be practical to disclose reliable financial impact estimates until the implementation programme is established and tested. The group intends to disclose more detail regarding this in the 2018 financial statements.

1. Significant accounting policies (continued)

1.25 Accounting standards and interpretations not yet effective (continued)

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The group's current measurement and recognition principles are currently being assessed against the standard. We, however, do not expect a material impact to measurement principles currently applied.

IFRS 16 *Leases*

The new standard states that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the statement of financial position. Lessor accounting has not substantially changed in the new standard. IFRS 16 supersedes existing lease guidance, including IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease,* and SIC 15 *Operating Leases – Incentives.*

The model reflects that, at the start of the lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more fair representation of a lessee's assets and liabilities and, together with enhanced disclosure, will provide greater transparency of a lessee's financial leverage and capital employed. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The group is currently assessing the impact of this standard but it is not practicable to quantify the effect as at the date of the publication of these financial statements. We, however, do not expect a material impact to the measurement principles currently applied.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation gives clarity regarding the previous unclear date to be used for the translation when a foreign currency consideration is paid or received in advance of the item it relates to.

The amendments are effective retrospectively for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The impact on the financial statements for the group has not yet been determined.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation gives clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities.

The amendments are effective retrospectively for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The impact on the financial statements for the group has not yet been determined.

Notes to the financial statements (continued)

for the year ended 31 August 2017

Figures in R'000s	2017 Office	2017 Retail
2. Segmental report		
STATEMENT OF FINANCIAL POSITION		
Investment properties	22 294 016	24 523 035
Properties under development	619 677	802 840
Listed securities	–	–
Goodwill and intangible assets	1 913 810	2 883 662
Investment in associates and joint ventures	–	–
Loans receivable	–	–
Non-current assets held-for-sale	999 916	1 119 878
Other assets	–	–
Total assets	**25 827 419**	**29 329 415**
Interest-bearing borrowings	–	–
Interest-bearing borrowings at fair value	–	–
Other liabilities	–	–
Total liabilities	**–**	**–**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Contractual rental income	2 678 250	3 180 999
Straight-line rental income accrual	207 323	130 164
Investment income	–	–
Total revenue	**2 885 573**	**3 311 163**
Operating costs	(859 001)	(1 223 835)
Administration costs	–	–
Net operating profit	**2 026 572**	**2 087 328**
Other gains	–	–
Changes in fair values of properties, listed securities and financial instruments	(442 045)	348 034
Amortisation of intangible assets	–	–
Impairments	–	–
Equity-accounted profit (net of taxation)	–	–
Profit before finance costs and taxation	**1 584 527**	**2 435 362**
Interest income	–	–
Interest expense	–	–
Foreign exchange gains	–	–
Profit before taxation	**1 584 527**	**2 435 362**
Taxation	–	–
Profit from continuing operations	**1 584 527**	**2 435 362**
Loss from discontinued operations (net of taxation)	–	–
Profit for the year	**1 584 527**	**2 435 362**
Non-controlling interests	–	–
Profit for the year attributable to Redefine Properties Limited shareholders	**1 584 527**	**2 435 362**

2017					
Industrial	Specialised	Head office	Local	International	Total
11 021 088	1 405 085	–	59 243 224	–	59 243 224
1 311 752	727 214		3 461 483	487 386	3 948 869
–	–	1 215 323	1 215 323	238 671	1 453 994
510 710	60 888	439 989	5 809 059	–	5 809 059
–	–	–	–	15 253 726	15 253 726
–	–	1 748 501	1 748 501	96 154	1 844 655
196 051	–	–	2 315 845	87 911	2 403 756
–	–	1 535 328	1 535 328	–	1 535 328
13 039 601	**2 193 187**	**4 939 141**	**75 328 763**	**16 163 848**	**91 492 611**
–	–	29 622 915	29 622 915	2 836 673	32 459 588
–	–	–	–	2 253 598	2 253 598
–	–	2 993 240	2 993 240	–	2 993 240
–	**–**	**32 616 155**	**32 616 155**	**5 090 271**	**37 706 426**
1 240 932	200 640	–	7 300 821	–	7 300 821
140 991	(9 188)		469 290	–	469 290
–	–	5 076	5 076	18 652	23 728
1 381 923	**191 452**	**5 076**	**7 775 187**	**18 652**	**7 793 839**
(345 826)	(69 026)	–	(2 497 688)	–	(2 497 688)
–	–	(251 444)	(251 444)	(8 197)	(259 641)
1 036 097	**122 426**	**(246 368)**	**5 026 055**	**10 455**	**5 036 510**
–	–	14 874	14 874	78 321	93 195
319 967	(32 996)	(646 955)	(453 995)	(87 952)	(541 947)
–	–	(62 856)	(62 856)	–	(62 856)
–	–	(11 146)	(11 146)	(1 204 063)	(1 215 209)
–	–	130 191	130 191	1 463 196	1 593 387
1 356 064	**89 430**	**(822 260)**	**4 643 123**	**259 957**	**4 903 080**
–	–	581 377	581 377	68 905	650 282
–	–	(2 083 458)	(2 083 458)	(294 600)	(2 378 058)
–	–	–	–	478 670	478 670
1 356 064	**89 430**	**(2 324 341)**	**3 141 042**	**512 932**	**3 653 974**
–	–	(174 076)	(174 076)	(65 766)	(239 842)
1 356 064	**89 430**	**(2 498 417)**	**2 966 966**	**447 166**	**3 414 132**
–	–	–	–	(13 877)	(13 877)
1 356 064	**89 430**	**(2 498 417)**	**2 966 966**	**433 289**	**3 400 255**
–	–	(71 180)	(71 180)	(80)	(71 260)
1 356 064	**89 430**	**(2 569 597)**	**2 895 786**	**433 209**	**3 328 995**

Notes to the financial statements (continued)
for the year ended 31 August 2017

Figures in R'000s	2016 Office	2016 Retail
2. Segmental report (continued)		
STATEMENT OF FINANCIAL POSITION		
Investment properties	17 272 670	21 060 130
Properties under development	1 064 399	178 300
Listed securities	–	–
Goodwill and intangible assets	1 607 239	2 656 572
Investment in associates and joint ventures	–	–
Non-current assets held-for-sale	365 500	284 800
Loans receivable	–	–
Other assets	–	–
Total assets	**20 309 808**	**24 179 802**
Interest-bearing borrowings	–	–
Non-current liabilities held-for-sale	–	–
Other liabilities	–	–
Total liabilities	**–**	**–**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Contractual rental income	2 449 801	2 751 315
Straight-line rental income accrual	62 723	(129 145)
Investment income	–	–
Total revenue	**2 512 524**	**2 622 170**
Operating costs	(783 123)	(1 075 576)
Administration costs	–	–
Net operating profit	**1 729 401**	**1 546 594**
Other gains	–	–
Changes in fair values of properties, listed securities and financial instruments	(756 846)	731 514
Amortisation of intangible assets	–	–
Impairments	–	–
Equity-accounted profit (net of taxation)	–	–
Profit before finance costs and taxation	**972 555**	**2 278 108**
Interest income	–	–
Interest expense	–	–
Foreign exchange gains	–	–
Profit before taxation	**972 555**	**2 278 108**
Taxation	–	–
Profit from continuing operations	**972 555**	**2 278 108**
Profit from discontinued operations (net of taxation)	–	–
Profit for the year	**972 555**	**2 278 108**
Non-controlling interests	–	–
Profit for the year attributable to Redefine Properties Limited shareholders	**972 555**	**2 278 108**

2016					
Industrial	Specialised	Head office	Local	International	Total
10 163 302	1 202 538	–	49 698 640	–	49 698 640
787 342	–	–	2 030 041	–	2 030 041
–	–	974 620	974 620	–	974 620
476 647	60 888	502 845	5 304 191		5 304 191
–	–	1 597 967	1 597 967	16 356 418	17 954 385
–	–	–	650 300	519 872	1 170 172
–	–	859 491	859 491	–	859 491
–	–	1 820 668	1 820 668	–	1 820 668
11 427 291	**1 263 426**	**5 755 591**	**62 935 918**	**16 876 290**	**79 812 208**
–	–	21 506 396	21 506 396	6 683 706	28 190 102
–	–	–	–	185 194	185 194
–	–	1 795 550	1 795 550	–	1 795 550
–	**–**	**23 301 946**	**23 301 946**	**6 868 900**	**30 170 846**
1 170 058	138 953	–	6 510 127	–	6 510 127
97 602	6 986	–	38 166	–	38 166
–	–	98 355	98 355	–	98 355
1 267 660	**145 939**	**98 355**	**6 646 648**	**–**	**6 646 648**
(341 362)	(40 971)	–	(2 241 032)	–	(2 241 032)
–	–	(180 573)	(180 573)	(29 668)	(210 241)
926 298	**104 968**	**(82 218)**	**4 225 043**	**(29 668)**	**4 195 375**
–	–	22 576	22 576	57 460	80 036
290 619	42 064	(150 490)	156 861	11 610	168 471
–	–	(62 856)	(62 856)	–	(62 856)
–	–	(4 639)	(4 639)	(9 247)	(13 886)
–	–	336 858	336 858	1 069 074	1 405 932
1 216 917	**147 032**	**59 231**	**4 673 843**	**1 099 229**	**5 773 072**
–	–	296 310	296 310	300 108	596 418
–	–	(1 723 101)	(1 723 101)	(262 989)	(1 986 090)
–	–	–	–	309 941	309 941
1 216 917	**147 032**	**(1 367 560)**	**3 247 052**	**1 446 289**	**4 693 341**
–	–	7 532	7 532	(95 830)	(88 298)
1 216 917	**147 032**	**(1 360 028)**	**3 254 584**	**1 350 459**	**4 605 043**
–	–	–	–	5 923	5 923
1 216 917	**147 032**	**(1 360 028)**	**3 254 584**	**1 356 382**	**4 610 966**
–	–	(44 573)	(44 573)	(776)	(45 349)
1 216 917	**147 032**	**(1 404 601)**	**3 210 011**	**1 355 606**	**4 565 617**

Notes to the financial statements (continued)

for the year ended 31 August 2017

Figures in R'000s	2017	2016
2. Segmental report (continued)		
Reconciliation of profit for the year to distributable earnings		
Profit for the year attributable to Redefine shareholders	3 328 995	4 565 617
Changes in fair values (net of non-controlling interests)	593 811	(139 623)
Changes in fair values	541 947	(168 471)
Non-controlling interests	51 864	28 848
Straight-line rental income accrual	(469 290)	(38 166)
Amortisation of intangible asset	62 856	62 856
Impairments	1 215 209	13 886
Bargain purchase on acquisition of associate	–	(288 548)
Deferred taxation	176 439	(5 601)
Unrealised foreign exchange gain and realised foreign currency translation reserve	(99 042)	(243 326)
Non-distributable items of associates	(332 701)	(98 874)
Transaction costs relating to business acquisitions	19 892	4 187
Antecedent distribution	30 677	83 088
Accrual for listed security income (REIT distribution declared post year end)	42 884	3 250
Adjustment to distributable profit from discontinued operations	24 557	–
Other distributable income	47 426	35 709
Pivotal pre-acquisition distribution	189 037	–
Distributable income for the year	**4 830 750**	**3 954 455**
Interim	2 335 563	1 871 951
Final	2 495 187	2 082 504
Actual number of shares in issue ('000)	5 288 655	4 700 911
Distribution per share (cents)	92.00	86.00
Interim	44.82	41.70
Final	47.18	44.30

Figures in R'000s	Notes	2017	2016

3. Investment properties

Carrying amount			
Cost		44 606 126	36 407 962
Fair value surplus		12 692 880	11 815 750
Balance at end of year		**57 299 006**	**48 223 712**
Movement for the year			
Balance at beginning of year		48 223 712	46 589 717
Additions at cost		1 631 664	2 397 183
– arising from acquisitions		629 071	1 627 541
– arising from subsequent expenditure		872 196	710 965
– capitalised borrowing costs*		130 397	58 677
Arising on acquisitions of subsidiaries	35	8 198 478	43 489
Disposals at fair value		(1 140 547)	(1 485 902)
Change in fair value		1 346 420	727 133
Tenant installations and lease commissions		70 354	16 144
– capitalised		158 450	80 233
– amortised		(88 096)	(64 089)
Transfer to properties under development	5	(449 786)	(623 374)
Transfer from properties under development	5	2 133 846	1 157 763
Transfer from non-current assets held-for-sale	14	70 000	–
Transfer to non-current assets held-for-sale	14	(2 315 845)	(560 275)
Straight-line rental income adjustment		(469 290)	(38 166)
Balance at end of year		**57 299 006**	**48 223 712**
Reconciliation to valuations			
Investment properties at valuation at end of year		57 299 006	48 223 712
Straight-line rental income accrual	4	1 944 218	1 474 928
Valuations at 31 August		**59 243 224**	**49 698 640**
Independent valuations		59 243 224	49 639 976
Directors' valuations		–	58 664
Valuations at 31 August		**59 243 224**	**49 698 640**

* *Borrowing costs were capitalised using the weighted average cost of debt of 9.09% (2016: 8.87%).*

South African valuations were obtained from valuers who are all registered valuers in terms of section 19 of the Property Valuers Professional Act, No 47 of 2000:

→ Real Insight	T Behrens	NDip (Prop Val), professional valuer
→ Asset Valuation Services	P Rimbault	NDip (Quantity Surveying), MIV (SA), professional valuer
→ CBRE – Broll	R Hunting	NDip (Town Planning), MRICS, MIV (SA), professional valuer
→ Eris Property Group	C Everatt	BSc (Hons) Estate management, MRICS, MIV (SA), professional valuer
→ Jones Lang LaSalle	J Karg	BSc, MRICS, MIV (SA), professional valuer
→ Mills Fitchet KZN	T Bate	MSc, BSc Land Econ (UK), MRICS, MIV (SA), professional valuer
→ Mills Fitchet Magnus Penny and Wolffs	S Wolffs	NDip (Prop Val), MIV (SA), professional valuer
→ Knight Frank	M Fitchet	MRICS, MIV (SA), professional valuer

Notes to the financial statements (continued)

for the year ended 31 August 2017

3. Investment properties (continued)

First mortgage bonds have been registered over South African investment properties (which includes investment properties reclassified as held-for-sale) with a fair value of R50.9 billion (2016: R35.5 billion) as security for secured interest-bearing borrowings of R22.0 billion (2016: R16.4 billion).

Refer to note 2 Segmental report for a breakdown by sector of investment properties, contractual rental income and operating costs.

The independent valuers applied current market-related assumptions to the risks in rental streams of properties. Discount rates in the respective sectors are disclosed below.

At the reporting date, the key assumptions used by the group in determining fair value were in the following ranges for the group's portfolio of properties:

Unobservable inputs (% unless otherwise stated)	2017	2016
Expected market rental growth	4.00 – 6.00	4.00 – 8.00
Expected expense growth	7.00 – 9.00	7.00 – 10.00
Occupancy rate	94.10	93.40
Vacancy periods	0 – 12 months	0 – 12 months
Rent-free periods	0 – 3 months	0 – 3 months
Office sector		
Discount rate	11.50 – 18.50	12.50 – 18.00
Exit capitalisation rate	7.50 – 13.00	7.75 – 13.00
Bulk rate	R1 750 – R5 400 p/m^2	R1 600 – R3 100 p/m^2
Retail sector		
Discount rate	11.00 – 18.00	12.25 – 19.25
Exit capitalisation rate	7.25 – 12.50	7.00 – 12.50
Bulk rate	R1 200 – R3 000 p/m^2	R1 180 – R2 500 p/m^2
Industrial sector		
Discount rate	13.50 – 17.00	13.00 – 18.50
Exit capitalisation rate	8.00 – 12.50	8.00 – 14.00
Bulk rate	R643 – R2 500 p/m^2	R423 – R2 092 p/m^2
Specialised sector		
Discount rate	14.00 – 16.25	15.00
Exit capitalisation rate	8.00 – 10.25	9.00

Measurement of fair value

Valuation techniques

All external valuations were completed using the following methods of valuation:

Investment property – Discounted cash flow method

The valuation model generates a net present value for each property by discounting forecasted future cash flows and a residual value at the end of the cash flow projection period by the discount rate of each property. The residual value is calculated by capitalising the net income forecasted for the 12-month period immediately following the final year of the cash flow at the exit capitalisation rate. The discount rate applied by each valuator is determined by adding a growth rate per property, based on forecasted market related rental increases, to the determined capitalisation rate per property. The discount rate is then tested for reasonableness by benchmarking the rate against recent comparable sales and surveys prepared by the Investment Property Databank/South African Properties Owners Association (IPD/SAPOA). The capitalisation rate is dependent on a number of factors, such as location, the condition of the improvements, current market conditions, the lease covenants and the risk inherent in the property and is also tested for reasonableness by benchmarking against comparable recent comparable sales and surveys prepared by IPD/SAPOA.

3. Investment properties (continued)

Properties under development – Comparable sales method

Properties under development comprise the cost of land and development, and are measured at fair value. Fair value is based on the costs incurred up to the date of the valuation. Undeveloped land is valued in terms of the internationally accepted and preferred method of comparison. This involves the use of recent comparable transactions as a basis for the valuation. Bulk rates are determined for the land that has been zoned.

Inter-relationship between key unobservable inputs and fair value measurements

The estimated fair value would increase/(decrease) if:

- Expected market rental growth was higher/(lower);
- Expected expense growth was lower/(higher);
- Vacant periods were shorter/(longer);
- Occupancy rate was higher/(lower);
- Rent-free periods were shorter/(longer);
- Discount rate was lower/(higher);
- Exit capitalisation rate was lower/(higher);
- Capitalisation rate was lower/(higher); or
- Bulk rate was higher/(lower).

The fair value measurement for investment properties of R59 243 million (2016: R49 699 million) and properties under development of R3 949 million (2016: R2 030 million) has been categorised as level 3 under the fair value hierarchy based on the inputs to the valuation technique used. Refer to note 39.4 Financial risk management for the level 3 reconciliation.

Figures in R'000s	Notes	2017	2016
4. Straight-line rental income accrual			
Balance at beginning of year		1 474 928	1 436 762
Arising during the year	3	469 290	38 166
Balance at end of year		**1 944 218**	**1 474 928**
5. Properties under development			
Balance at beginning of year		2 030 041	1 872 390
Acquired at acquisition of subsidiaries		2 165 005	–
Development costs		1 989 757	893 181
Capitalised borrowing costs*		196 260	188 342
Change in fair value		(725 768)	(374 773)
Disposals		–	(14 710)
Transfer from investment properties	3	449 786	623 374
Foreign exchange loss		(22 366)	–
Completed developments transferred to investment properties	3	(2 133 846)	(1 157 763)
Balance at end of year		**3 948 869**	**2 030 041**

* *Borrowing costs were capitalised using the weighted average cost of debt of 9,09% (2016: 8,87%).*

Refer to note 3 Investment properties for the valuation techniques applied, unobservable inputs used and fair value category of properties under development.

Figures in R'000s	Notes	2017	2016

6. Listed securities

	Notes	2017	2016
Delta Property Fund Limited		1 215 323	–
GRIT Real Estate Income Group Limited*		238 671	–
Arrowhead Properties Limited^		–	190 299
Emira Property Fund Limited^		–	784 321
Balance at end of year		**1 453 994**	**974 620**
Movement for the year			
Balance at beginning of year		974 620	988 793
Additions arising on business combination	35	907 871	230 000
Disposals		(1 047 639)	–
Transfer to investment in associates and joint ventures	8	(608 088)	–
Transfer from investment in associates and joint ventures	8	1 158 608	–
Change in fair value	26	81 470	(244 173)
Loss due to foreign exchange		(12 848)	–
Balance at end of year		**1 453 994**	**974 620**

Details of listed securities	Stock exchange	% held	Number of units held – 2017	Number of units held – 2016
Delta Property Fund Limited	JSE (REIT)	22.80%	162 043 079	–
GRIT Real Estate Income Group Limited*	SEM	6.32%	13 187 535	–
Arrowhead Properties Limited^	JSE (REIT)	–	–	24 300 000
Emira Property Fund^	JSE (REIT)	–	–	58 564 627

^ *Listed securities disposed of during February 2017.*
* *As part of the Pivotal Group acquisition, with an effective date of 1 January 2017, the listed security GRIT Real Estate Income Group Limited was acquired.*

Delta Property Fund Limited (Delta)

During June 2017, Redefine sold its 22.8% interest in Delta to a BEE consortium, for a consideration of R1 458 million (R9 per share). The BEE consortium funded this transaction with a vendor loan from Redefine, at an interest rate of prime plus 2.00%, for an initial period of five years, with an extension option of three years. The shares are ceded to Redefine as security for the loan provided.

Redefine has assessed that it retained substantially all risks and rewards of the ownership of the shares. Redefine does not have significant influence in the Delta shares held as security for its vendor loan. As a result, this investment is classified with other listed securities and measured at fair value through profit or loss.

Figures in R'000s	Notes	2017	2016

7. Goodwill and intangible assets

	Notes	2017	2016
Cost		6 311 905	5 744 181
Amortisation		(502 846)	(439 990)
Balance at end of year		**5 809 059**	**5 304 191**
Movement for the year			
Balance at beginning of year		5 304 191	5 367 047
Arising on business combinations	35	567 724	–
Amortisation of intangible asset		(62 856)	(62 856)
Balance at end of year		**5 809 059**	**5 304 191**
Goodwill			
At acquisition cost/indefinite life		5 093 654	4 525 930
Intangible assets			
At cost less amortisation			
The right to manage property – Redefine*		439 989	502 845
– Cost		942 835	942 835
– Amortisation		(502 846)	(439 990)
Electricity recovery business#		275 416	275 416
Total intangible assets		**715 405**	**778 261**

* *Accounted for before 1 September 2009 in terms of IFRS 3 Business Combinations where the purchased method was applied.*
\# *Indefinite useful life intangible asset.*

Goodwill

The carrying amount of goodwill is the gross amount recognised and there have been no accumulated impairment losses. Additional goodwill was recognised during the year from a business combination, refer to note 35 Business combinations.

Goodwill is tested for impairment annually. To test for impairment, goodwill is allocated to each cash-generating unit (CGU), based on management's reportable operating segments. Refer to note 2 Segmental report. The operating segments (Office, Retail, Industrial and Specialised) each represent the lowest CGU level within the group, at which goodwill is monitored.

The carrying amount of the goodwill allocated to each CGU is presented below:

	Financial year*	Office	Retail	Industrial	Specialised	Total
Arising from business combination of:						
Annuity Properties Limited	2014	59 968	54 918	7 433	–	122 319
ApexHi and Madison group	2009	1 028 213	1 259 562	282 759	–	2 570 534
Fountainhead group	2013 & 2015	295 509	1 235 264	140 189	60 888	1 731 850
Leaf group	2015	101 227	–	–	–	101 227
Pivotal group	2017	306 571	227 090	34 063	–	567 724
Total goodwill		**1 791 488**	**2 776 834**	**464 444**	**60 888**	**5 093 654**

* *The financial year in which the business combination occurred.*

7. Goodwill and intangible assets (continued)

The recoverable amounts of the CGUs are based on the value in use. The value in use for each CGU was calculated by discounting future cash flows. Growth and discount rates are appropriately estimated for each CGU taking into account both historic and future expectations of performance and risk. The inputs are considered to be level 3 inputs. The recoverable amount for all CGUs are greater than the carrying amount, thus no impairment of goodwill is required.

The key assumptions made in determining the recoverable amount of the CGUs include:

	Discount period (years)	Growth (%)	Discount rates (%)
Retail	5	6.0	8.5
Office	5	6.0	10.0
Industrial	5	6.0	8.5
Specialised	5	6.0	12.0

Intangible assets

Right to manage property

The right to manage property – Redefine, arose on the business combination of ApexHi, Ambit and Madison on 1 July 2009. The property and asset management functions remain in operation. The intangible asset is tested for impairment annually.

The intangible asset was tested for impairment using the discounted cashflow method of valuation. The period used in the valuation is the remaining useful life which approximates the weighted average lease period of the investment properties. The property and asset management fees were calculated over this period and discounted using a rate of 9.5%. The value-in-use determined was in excess of the carrying amount of the intangible asset and therefore the asset was not impaired.

The remaining amortisation period is 82 months (2016: 94 months). The full useful life was assessed as 15 years on initial recognition based on the contractual rights.

Electricity recovery business

The electricity recovery business was acquired in terms of the business combination on 14 April 2013. The electricity recovery business has been accounted for as a contractual right to recover electricity charges. There is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the group as there does not appear to be a foreseeable termination of the electricity recovery function.

Carrying amount of the electricity recovery business allocated to cash-generating units (CGUs):

Figures in R'000s	Financial year*	Office	Retail	Industrial	Specialised	Total
Electricity recovery business	2013	122 322	106 828	46 266	–	275 416

* *The financial year in which the business combination occurred.*

Growth and discount rates were appropriately estimated for the electricity recovery business taking into account both historic and future expectations of performance and risk. The following key assumptions were used in calculating the value in use of the electricity recovery business:

- Electricity recovered from tenants will increase by 6% (2016: 6%) per annum;
- Operating expenses will increase by 6% (2016: 6%) per annum;
- All profits will be distributed and thus no normal tax is payable;
- A discount rate of 13% (2016: 13%) applies; and
- The value in use was calculated by discounting forecasted future cash flows for five years and a residual value at the end of the cash flow projection period by the discount rate.

Figures in R'000s	Principal place of business	Effective interest/voting rights	2017	2016
8. Investment in associates and joint ventures				
Associates				
Cromwell Property Group	Australia	25.34%	4 889 868	5 511 449
Delta Property Fund Limited*	South Africa	–	–	1 597 967
Echo Polska Properties N.V.	Poland	39.59%	4 784 916	3 918 640
International Hotel Properties Limited	British Virgin Islands	27.52%	245 993	332 767
Oando Wings Development Limited°	Nigeria	37.15%	587 199	–
Redefine International PLC	United Kingdom	29.52%	3 857 858	4 972 179
Joint ventures				
Cromwell Partners Trust	Australia	50.00%	887 892	822 646
Leopard Holdings^	Germany	–	–	798 737
Carrying amount			**15 253 726**	**17 954 385**
Movement for the year				
Balance at beginning of year			17 954 385	10 434 484
Acquisitions			1 014 445	6 738 314
Additions arising on business combination°		35	537 804	–
Transfer from listed securities		6	608 088	–
Transfer to listed securities*		6	(1 158 608)	–
Pre-acquisition dividend			–	(54 723)
Capitalised costs directly related to investments			890	1 891
Disposals			(1 130 287)	–
Equity-accounted results for the year per the statement of profit or loss and other comprehensive income				
Equity-accounted profit or loss of associates and joint ventures			1 593 387	1 405 932
Share of distributable profit			1 294 047	597 046
Fair value adjustment of investment property (net of tax)			299 340	520 338
Bargain purchase on acquisition of associate			–	288 548
Other comprehensive income of associates			53 136	83 569
Items that may not be reclassified to profit or loss			3 167	1 177
Items that are or may be reclassified to profit or loss			49 969	82 392
Dividends and interest from associates and joint ventures			(1 046 298)	(680 745)
Interest income			64 903	134 493
Interest income recognised directly in profit or loss			(36 145)	(80 392)
Dividend income			(1 075 056)	(734 846)
Share of other reserves of associates			65 390	8 675
Capitalised transaction costs on share issue of equity-accounted investee			(1 516)	(88 069)
Profit on dilution of interest in associate			141 554	11 630
Repayment of shareholder loan to Leopard Holdings			(8 741)	(38 299)
Deemed disposal on associate becoming a listed investment			(415 347)	–
Impairment of investment in associates		27	(1 204 063)	(4 639)
Impairment of loan to Leopard Holdings		27	–	(9 247)
Currency translation adjustment of foreign investments			(1 750 493)	145 612
Recognised directly in profit or loss			(245 320)	141 665
Recognised in other comprehensive income			(1 505 173)	3 947
Balance at end of year			**15 253 726**	**17 954 385**

* *Refer to note 6 Listed securities for further detail.*
° *Acquired on 1 January 2017 as part of the business combination of The Pivotal Property Fund Limited (refer note 35 Business combinations for further details).*
^ *Disposed of during April 2017.*

8. Investment in associates and joint ventures (continued)

The investments in foreign associates and joint ventures comprise Redefine's offshore property exposure. Refer to note 2 Segmental report for detail on the foreign operations relating to the group. There are no restrictions on the ability of the foreign associates and joint ventures to transfer funds to its shareholders in the form of cash and dividends or interest. Associates and joint ventures are only tested for impairment when there are indicators of impairment.

Cromwell Property Group

The investment is held by Redefine Global Proprietary Limited, a wholly owned subsidiary of Redefine Properties Limited. Cromwell Property Group (CPG) is a real estate investment company. The directly owned Australian commercial property portfolio is mainly focused on the office sector. CPG is listed on the Australian Stock Exchange (ASX).

	2017	2016
Holding on ASX		
Number of shares	446 538 850	446 538 850
Closing share price – 31 August (AUD)	0.950	1.020
Closing foreign exchange rate – 31 August (AUD/ZAR)	10.2867	10.8915
Quoted fair value of the investment (R'000)	**4 363 741**	**4 960 747**

CPG has a 30 June financial year end and is a listed company. For practical purposes and in consideration of the sensitivity of financial information, reported results to 30 June 2017 have been equity accounted.

The CPG listed shares are stapled securities consisting of units in a company and in a trust. The trust is a "pass-through" entity for tax purposes and the income it receives is not subject to company tax as long as it is paid out to unitholders. Redefine holds the shares in CPG as a long-term investment and to earn dividend income. As the net asset value of the equity-accounted investment in CPG was higher than the quoted fair value of investment and the rate of dividend growth has decreased, an impairment indicator was present. The subsequent impairment test resulted in an impairment of R515.8 million.

The recoverable amount was based on the value in use of the investment and was calculated using a five-year dividend growth model. The following key assumptions and inputs were used:

- Dividend growth – 3.5%
- Exit yield – 7.0%
- Discount rate – 8.0%

Delta Property Fund Limited

Delta Property Fund Limited (Delta) is a JSE-listed Real Estate Investment Trust which specialises in high yielding government tenanted properties. The shares in Delta were acquired as consideration for the sale of certain government tenanted properties. Delta is a niche property operator for government tenanted properties and is considered to be in a better position to extract value from the portfolio. The effective date of the transaction was 1 April 2016. The Delta shares were reclassified during June 2017, refer to note 6 Listed securities for further detail regarding its current classification.

	2017	2016
Holding on JSE		
Number of shares	–	162 043 079
Closing share price – 31 August	–	6.52
Quoted fair value of the investment (R'000)	**–**	**1 056 521**

8. Investment in associates and joint ventures (continued)

Echo Polska Properties N.V.

Echo Polska Properties N.V. (EPP) listed on the Luxembourg Stock Exchange on 30 August 2016, and thereafter listed on the JSE on 13 September 2016 (the JSE listing being the primary listing). The acquisition date of Redefine's investment is 1 June 2016.

EPP has a 31 December financial year end and is a listed company. For practical purposes and in consideration of the sensitivity of financial information, reported results to 30 June 2017 (being the interim reporting date) have been equity accounted.

No impairment test was performed for EPP as no impairment indicators were present.

	2017	2016
Holding on JSE		
Number of shares	279 129 659	–
Closing share price – 31 August (ZAR)	20.90	–
Quoted fair value of the investment (R'000)	**5 833 810**	*****

* *EPP listed on the JSE on 13 September 2016.*

International Hotel Properties Limited

International Hotel Properties Limited (IHL) holds hotel properties for income returns and long-term capital appreciation with properties situated in the UK and other locations in Europe. The company is listed on the JSE AltX with the primary listing of the company being on the Luxembourg Stock Exchange. Redefine Properties Limited holds shares in IHL on the JSE AltX which were acquired after the listing of IHL in October and November 2015.

IHL has a 31 August financial year end and is a listed company which releases its year-end results after Redefine's results are announced. For practical purposes and in consideration of the sensitivity of financial information, results to 31 May 2017 have been equity accounted.

	2017	2016
Holding on JSE		
Number of shares	15 412 131	15 412 131
Closing share price – 31 August (ZAR)	14.81	24
Quoted fair value of the investment (R'000)	**228 254**	**369 891**

The investment is being equity accounted and is held to receive dividend income.

The carrying amount of the investment after equity accounting was higher than Redefine's share of IHL's quoted fair value of the investment. As a result, impairment testing was performed and resulted in no impairment being recognised as the recoverable amount based on the value in use which was higher than the carrying amount.

8. Investment in associates and joint ventures (continued)

Redefine International PLC

Redefine International PLC (RI PLC) is a UK REIT with a primary listing on the London Stock Exchange (LSE) and is inwardly listed on the JSE. The company operates within the retail, commercial, and hotel sectors. The properties are located mainly in the UK with diversification in Germany. The group has a 29.52% effective interest in RI PLC (2016: 30.7%).

	2017	2016
Holding on JSE		
Number of shares	133 391 797	416 560 880
Closing share price – 31 August (ZAR)	6.57	8.38
Quoted fair value of the investment (R'000)	876 384	3 490 780
Holding on LSE		
Number of shares	406 243 451	123 123 319
Closing share price – 31 August (GBP)	0.3950	0.4410
Closing foreign exchange rate – 31 August (GBP/ZAR)	16.8243	18.9729
Quoted fair value of the investment (R'000)	2 699 731	1 030 179
Total quoted fair value of the investment (R'000)	**3 576 115**	**4 520 959**

RI PLC has a 31 August financial year end and is a listed company which releases its results before Redefine's results are announced. The financial results to 31 August 2017 have been equity accounted.

There was a significant prolonged decline in the quoted fair value of the investment below its cost, an impairment indicator was present. The subsequent impairment test using the discounted cash flow model resulted in an impairment loss of R688.2 million.

The recoverable amount was based on the value in use of the investment and was calculated using a five-year dividend growth model. The following key assumptions and inputs were used:

- Dividend growth – 2.0%
- Exit yield – 8.2%
- Discount rate – 9.0%

Leopard Holdings

Leopard Holdings is a 50% interest in various property owning German entities, a joint venture with Redefine International PLC. These companies hold retail properties in Germany and are collectively referred to as Leopard Holdings.

On 31 January 2015 and 30 April 2015, the group invested in an unlisted joint arrangement with Redefine International PLC and acquired a 50% interest in Leopard Holdings for a nominal amount. The group has a residual interest in the net assets and, accordingly, has classified its interest as a joint venture. The various companies in this structure hold 56 retail properties in Germany.

Redefine invested €53 million in Leopard Holdings by way of a shareholder loan, equating to an investment of R704 million. The shareholder loan does not form part of the net equity investment in the joint venture as there are capital repayments on the loan. Redefine's cumulative share of Leopard Holdings' losses exceeds its equity investment in Leopard Holdings. As Redefine does not have an obligation to pay these losses, the carrying amount of Redefine's net investment in Leopard Holdings is Rnil.

8. Investment in associates and joint ventures (continued)

Leopard Holdings (continued)

The unrecognised share of profit or loss after taxation is disclosed below:

Figures in R'000s	2017	2016
Current financial year share of profit after taxation (unrecognised)	8 124	10 412
Cumulative share of losses after taxation (unrecognised)	(26 588)	(34 712)
Cumulative interest income on shareholder loan (recognised)	116 537	80 392

Leopard Holdings has a 31 August financial year end.

During April 2017, Leopard Holdings was sold to Redefine International PLC. Leopard Holdings results to date of sale have been equity accounted.

Cromwell Partners Trust

Cromwell Partners Trust (CPT or the trust) was formed to acquire and hold units in Northpoint Trust, which itself was constituted to acquire the Northpoint Tower in the North Sydney CBD. The Cromwell Property Group and Redefine Global Proprietary Limited, a wholly owned subsidiary of Redefine Properties Limited, each owns 50% of the issued units of the trust. Redefine invested an initial amount of AUD80.0 million (R734 million) in CPT. An additional investment of AUD16.8 million (R171.2 million) was made in the current year in relation to the redevelopment of the Northpoint Tower.

CPT has a 30 June financial year end with management accounts available to 31 August 2017. Redefine equity accounts a rolling twelve month period to 31 August 2017, by using CPT annual results to 30 June 2017, including the management accounts for the two months of July and August 2017 and excluding the management accounts for the two months of July and August 2016.

No impairment test was performed for CPT as no impairment indicators were present.

Oando Wings Development Limited

Oando Wings Development Limited (OWDL) was acquired as part of the Pivotal Group acquisition on 1 January 2017. SB Wings Development Limited (SBWDL), a wholly owned subsidiary of Redefine Properties Limited, and RMB Westport Wings Limited each owns 37.1%, with Oando PLC owning the remaining 25.8%. OWDL owns an office building in Lagos, Nigeria. SBWDL invested an initial amount of USD19.6 million (R235 million) equity and USD31.4 million (R377.4 million) shareholder loans.

OWDL has a 31 December financial year end with management accounts available to 30 June. For practical purposes, results to 30 June 2017 have been equity accounted.

No impairment test was performed for OWDL as no impairment indicators were present.

Notes to the financial statements (continued)

for the year ended 31 August 2017

8. Investment in associates and joint ventures (continued)

Summarised financial information for each of the associates and joint ventures is presented below. This reflects financial information prepared by the respective entities in accordance with IFRS. The results of associates and joint ventures which are foreign operations are translated from the respective functional currency to South African Rand.

	2017	
Figures in R'000s	**Cromwell Property Group**	**Delta Property Fund Limited**
Functional currency	AUD	ZAR
Effective interest	25.34%	0.00%
Summarised statements of financial position		
Investment property	26 781 060	–
Property, plant, and equipment	35 040	–
Other non-current assets	1 830 671	–
Non-current assets	28 646 771	–
Current assets	1 277 712	–
Non-current assets held-for-sale	4 242 340	–
Total assets	34 166 823	–
Non-controlling interests	–	–
Interest-bearing borrowings	12 763 457	–
Loans from shareholders	–	–
Other non-current liabilities	13 056	–
Non-current liabilities	12 776 513	–
Current liabilities	4 963 807	–
Total liabilities	17 740 320	–
Net assets	16 426 503	–
Proportionate share of net assets	4 162 476	–
Goodwill (included in carrying amount)	1 243 254	–
Shareholder loan	–	–
Impairment of investment in associates	(515 862)	–
Carrying amount of investments	**4 889 868**	**–**
Summarised statements of profit or loss and other comprehensive income		
Revenue	2 050 748	1 623 183
Operating costs	(370 917)	(457 347)
Fair value adjustments	1 607 392	(40 724)
Equity-accounted profit	79 419	25 216
Interest expense	(585 112)	(463 027)
Profit for the year	2 855 685	578 872
Equity-accounted profit	**725 065**	**130 191**
Other comprehensive income	(4 594)	(176)
Equity-accounted other comprehensive income	**(1 188)**	**(39)**
Total comprehensive income	2 851 091	578 696
Total equity-accounted earnings of associates and joint ventures	**723 877**	**130 152**
Dividend income	(380 069)	(144 289)
Additional specific disclosure for joint ventures:		
Interest income		
Taxation (per the statement of profit or loss and other comprehensive income)		
Cash and cash equivalents		
Other non-current financial liabilities		
Current financial liabilities (excluding trade and other payables)		

* *Leopard Holdings: The current year earnings have not been equity accounted due to the unrecognised share of cumulative losses.*

2017						
Echo Polska Properties N.V.	International Hotel Properties Limited	Redefine International PLC	Oando Wings Development Limited	Cromwell Partners Trust	Leopard Holdings*	Total
EUR	GBP	GBP	USD	AUD	EUR	
39.59%	27.52%	29.52%	37.15%	50.00%	0.00%	
24 167 396	486 441	25 150 613	2 391 831	3 568 554	–	82 545 895
–	1 299 882	2 016	409	–	–	1 337 347
1 777 961	17 119	568 854	–	6 466	–	4 201 071
25 945 357	1 803 442	25 721 483	2 392 240	3 575 020	–	88 084 313
1 864 250	101 440	1 151 529	371 187	95 730	–	4 861 848
–	–	459 974	–	–	–	4 702 314
27 809 607	1 904 882	27 332 986	2 763 427	3 670 750	–	97 648 475
–	–	367 017	–	–	–	367 017
12 820 763	893 653	13 842 452	1 156 593	1 842 853	–	43 319 771
24 282	–	–	1 355 827	–	–	1 380 109
1 293 407	30 693	240 488	–	–	–	1 577 644
14 138 452	924 346	14 449 957	2 512 420	1 842 853	–	46 644 541
1 921 941	98 268	426 042	54 523	52 113	–	7 516 694
16 060 393	1 022 614	14 875 999	2 566 943	1 894 966	–	54 161 235
11 749 214	882 268	12 456 987	196 484	1 775 784	–	43 487 240
4 652 043	242 814	3 677 303	72 994	887 892	–	13 695 521
132 873	3 179	868 755	–	–	–	2 248 061
–	–	–	514 205	–	–	514 205
–	–	(688 200)	–	–	–	(1 204 062)
4 784 916	**245 993**	**3 857 858**	**587 199**	**887 892**	**–**	**15 253 726**
1 841 184	331 776	1 709 573	173 355	196 071	51 360	7 977 250
(558 461)	(270 058)	(139 286)	(8 728)	(53 904)	(6 408)	(1 865 109)
16 622	5 315	120 102	74 348	–	–	1 783 055
230 879	–	47 805	–	–	–	383 319
(265 213)	(40 407)	(486 194)	(151 017)	(55 190)	(21 826)	(2 067 986)
794 856	20 719	1 142 360	87 958	52 251	16 248	5 548 949
345 734	**5 702**	**327 930**	**32 639**	**26 126**	**8 124**	**1 601 511**
(23 547)	11 507	197 733	(4 825)	–	–	176 098
(8 907)	**3 167**	**61 893**	**(1 790)**	**–**	**–**	**53 136**
771 309	32 226	1 340 093	83 133	52 251	16 248	5 725 047
336 827	**8 869**	**389 823**	**30 849**	**26 126**	**–**	**1 646 523**
(202 504)	(5 951)	(255 065)	–	(87 178)	–	(1 075 056)
				935	–	
				–	–	
				82 460	–	
				–	–	
				39 303	–	

8. Investment in associates and joint ventures (continued)

Figures in R'000s	2016 Cromwell Property Group	2016 Delta Property Fund Limited
Functional currency	AUD	ZAR
Effective interest	25.46%	22.80%
Summarised statements of financial position		
Investment property	24 767 348	10 155 844
Property, plant, and equipment	34 312	3 790
Other non-current assets	5 086 962	389 316
Non-current assets	29 888 622	10 548 950
Current assets	1 459 787	525 131
Non-current assets held-for-sale	–	1 201 946
Total assets	31 348 409	12 276 027
Interest-bearing borrowings	12 178 917	3 994 346
Loans from shareholders	–	–
Other non-current liabilities	57 905	45 023
Non-current liabilities	12 236 822	4 039 369
Current liabilities	2 772 850	1 228 849
Total liabilities	15 009 672	5 268 218
Net assets	16 338 737	7 007 809
Proportionate share of net assets	4 159 189	1 597 967
Goodwill (included in carrying amount)	1 352 260	–
Carrying amount of investments	**5 511 449**	**1 597 967**
Summarised statements of profit or loss and other comprehensive income		
Revenue	3 369 950	649 597
Operating costs	(419 699)	(184 255)
Fair value adjustments	3 018 825	(14 988)
Equity-accounted profit	(23 140)	(5 299)
Interest expense	(710 930)	(42 229)
Profit for the year	3 593 865	215 982
Equity-accounted profit	**907 964**	**48 310**
Other comprehensive income	82 353	44 326
Equity-accounted other comprehensive income	**21 024**	**9 915**
Total comprehensive income	3 676 218	260 308
Bargain purchase on acquisition of associate	**–**	**288 548**
Total equity-accounted earnings of associates and joint ventures	**928 988**	**346 773**
Dividend income	(333 322)	–
Additional specific disclosure for joint ventures:		
Interest income		
Taxation (per the statement of profit or loss and other comprehensive income)		
Cash and cash equivalents		
Other non-current financial liabilities		
Current financial liabilities (excluding trade and other payables)		

2016					
Echo Polska Properties N.V.	**International Hotel Properties Limited**	**Redefine International PLC**	**Cromwell Partners Trust**	**Leopard Holdings**	**Total**
EUR	GBP	GBP	AUD	EUR	
44.90%	27.52%	30.07%	50.00%	50.00%	
19 869 081	664 160	26 493 673	2 932 254	2 861 143	87 743 503
–	1 294 069	4 868	–	–	1 337 039
188 581	85 423	1 494 348	186 857	4 610	7 436 097
20 057 662	2 043 652	27 992 889	3 119 111	2 865 753	96 516 639
718 380	137 250	1 203 393	91 670	62 501	4 198 112
–	–	–	–	–	1 201 946
20 776 042	2 180 902	29 196 282	3 210 781	2 928 254	101 916 697
11 091 602	803 540	14 678 527	1 517 657	1 400 347	45 664 936
–	–	–	–	1 595 200	1 595 200
200 602	16 597	710 688	(1 138)	51 148	1 080 825
11 292 204	820 137	15 389 215	1 516 519	3 046 695	48 340 961
855 745	112 736	530 984	48 969	55 228	5 605 361
12 147 949	932 873	15 920 199	1 565 488	3 101 923	53 946 322
8 628 093	1 248 029	13 276 083	1 645 293	(173 669)	47 970 375
3 874 014	343 478	3 992 476	822 647	(86 835)	14 702 936
44 626	(10 711)	979 703	–	885 572	3 251 449
3 918 640	**332 767**	**4 972 179**	**822 646**	**798 737**	**17 954 385**
149 501	91 165	1 840 621	241 341	228 935	6 571 110
(37 690)	(57 267)	(182 930)	(48 690)	(25 458)	(955 989)
182 601	(491)	(1 139 682)	(30 060)	(3 745)	2 012 460
–	–	187 271	–	–	158 832
(26 674)	(7 938)	(627 695)	(57 005)	(124 395)	(1 596 866)
335 281	(1 998)	168 387	(73 621)	20 824	4 258 720
150 541	**(455)**	**50 639**	**(36 811)**	**(2 805)**	**1 117 384**
(72 710)	4 276	253 384	–	–	311 629
(32 647)	**1 177**	**84 100**	**–**	**–**	**83 569**
262 571	2 278	421 771	(73 621)	20 824	4 570 349
–	**–**	**–**	**–**	**–**	**288 548**
117 894	**722**	**134 739**	**(36 811)**	**(2 805)**	**1 489 501**
–	(12 247)	(314 253)	(75 024)	–	(734 846)
			1 649	–	
			–	(678)	
			77 182	46 232	
			–	1 636	
			23 789	24 694	

Notes to the financial statements (continued)

for the year ended 31 August 2017

Figures in R'000s			2017	2016
9. Loans receivable				
Secured				
Vendor loans			1 599 530	615 475
Share purchase scheme			130 869	129 760
Direct loan to non-controlling interest			114 256	114 256
Balance at end of year			**1 844 655**	**859 491**
Non-current			1 789 395	838 692
Vendor loans			1 544 270	594 676
Share purchase scheme			130 869	129 760
Direct loan to non-controlling interest			114 256	114 256
Current			55 260	20 799
Vendor loans			55 260	20 799

	Capital repayment date	Interest rate	2017	2016
Variable rate loans				
Redefine share purchase scheme The loan was granted to directors and employees in terms of the share purchase scheme to purchase Redefine Properties Limited shares. The loan is secured by 12 336 088 (2016: 12 340 457) Redefine Properties Limited shares.	Earlier of: – 14 May 2023; or – termination of employment	3-month JIBAR plus 2.00%	130 869	129 760
RJP Maponya Property Investment Trust The loans are secured by a first mortgage bond over investment property.	27 March 2019	9.5% on most significant loan	465 473	471 030
Khulemani Masingita The loan is secured by a first mortgage bond over investment property.	Third anniversary of the commencement date of the development	3-month JIBAR plus 2.00%	73 619	77 059
Esulwini Property The loan is secured by a first mortgage bond over investment property.	28 February 2018	11.00%	6 991	10 949
Milestone Property Group The loan is secured by a first mortgage bond over investment property.	31 May 2018	9.50%	6 656	8 500
Arbitrage Property Fund Proprietary Limited The loan is secured by a suretyship by a director and holding company of Arbitrage Property Fund Proprietary Limited.	Various loans, latest repayable 30 June 2018, with a 12-month extension option	Prime plus 1.00%	100 000	–
Setso Holdco Proprietary Limited The loan is secured by a mortgage bond over investment properties.	1 September 2020	13.00%	454 024	–
Kyalami Retail Village Proprietary Limited The loan is secured by a suretyship agreement from the shareholders of Kyalami Retail Village Proprietary Limited to the value of R10 million.	11 November 2021	Prime less 0.50%	131 938	–

Figures in R'000s	Capital repayment date	Interest rate	2017	2016
9. Loans receivable (continued)				
Oando PLC The loan is secured by means of additional equity holdings in Oando Wings Development Limited to the extent the repayment of the loan is not honoured.	31 May 2019	Interest-free	44 666	–
Retail Africa Proprietary Limited The loan is secured by a pledge of shares in Kyalami Retail Village Proprietary Limited.	18 November 2020	Prime less 0.50%	66 207	–
Setso Holdco Proprietary Limited The loan is secured by a mortgage bond over investment property.	1 September 2020	10.92%	41 613	–
Ingenuity Property Investments Limited The loan is secured by a first mortgage bond over investment property.	15 January 2017	Prime	–	10 000
Glen IRIS Development The loan is secured by the right to proceeds on disposal of the investment property at the lender's request.	7 October 2018	20.00%	15 905	15 012
Hanushek The loan is secured by the right to proceeds on disposal of the investment property at the lender's request.	2 December 2018	22.00%	35 584	6 194
Bridgehead Real Estate Fund Proprietary Limited The loan is secured by 8 824 Respublica Student Living Proprietary Limited shares.	12 May 2019	Prime plus 1.00%	114 256	114 256
Van der Merwe Venter Proprietary Limited The loan is secured by a first mortgage bond over investment property.	27 September 2021	11.35%	156 854	15 381
Cornerstone Investments The loan is secured by a first mortgage bond over investment property.	30 June 2017	Interest-free	–	1 350
			1 844 655	859 491

Figures in R'000s	Notes	2017	2016
10. Other financial assets			
Investment in unlisted shares		5 658	2 558
Fixed-term deposits	19	23 861	–
Other deposits		–	33 833
Right to Dipula Income Fund Limited B shares	22	253 038	253 016
Sale of 5% share of Echo Polska Properties B.V.		–	422 062
		282 557	**711 469**
Non-current		**29 519**	**36 391**
Investment in unlisted shares		5 658	2 558
Fixed-term deposits		23 861	–
Other deposits		–	33 833
Current		**253 038**	**675 078**
Sale of 5% share of Echo Polska Properties B.V.		–	422 062
Right to Dipula Income Fund Limited B shares		253 038	253 016

Right to Dipula Income Fund Limited B shares

In the financial year ended 31 August 2012, Redefine sold 50 million Dipula Income Fund Limited B shares (Dipula B shares) to the Dipula BEE Trust for a consideration of R270 million and a 33.3% beneficiary interest in the Dipula BEE Trust. The Dipula BEE Trust obtained bank funding for the purchase of the shares. Redefine in turn provided a guarantee of R180 million and agreed to a put option of R90 million (minimum) as security for the bank loan. The Dipula BEE Trust cannot dispose of the 50 million Dipula B shares without Redefine's approval. Redefine has assessed that it neither retained nor transferred substantially all the risks and rewards of ownership of the 50 million Dipula B shares and, as a result, Redefine retained control of the 50 million Dipula B shares.

Sale of 5% share of Echo Polska Properties B.V.

Redefine acquired a 49.9% investment in an investee, Echo Polska Properties B.V. (EPP), on 1 June 2016. Part of the purchase agreement was that the executive directors would acquire a 5% stake in EPP shares (a 10% stake of Redefine's investment in the EPP investee). The sale of the 5% stake in EPP to the executive directors was expected to be completed within 12 months after Redefine acquired the EPP shares. The requirements for the EPP stake to be classified as held-for-sale were therefore met on 1 June 2016 reducing the Redefine investment in the EPP investee to 44.9%. Refer to note 8 Investment in associates and joint ventures.

The sale of the 5% EPP stake to the executive directors became unconditional on 30 August 2016, being the date that Redefine's board of directors (excluding the directors involved in the sale) approved the sale and also being the date the sale was announced to the public. The sales price was the pro rata purchase price which Redefine had paid to acquire 49.9% of the EPP issued shares plus a pro rata portion of any costs (including interest) incurred and less a pro rata portion of any distributions received from EPP. The purchase price was settled by way of a cash payment during the 2017 financial year. Refer to note 41 Related-party transactions.

11. Property, plant and equipment

Figures in R'000s	2017	2016
Carrying amount		
Leasehold property	40 344	–
– Cost	43 709	–
– Accumulated depreciation	(3 365)	–
Computer equipment	26 993	19 064
– Cost	112 157	95 044
– Accumulated depreciation	(85 164)	(75 980)
Furniture and fittings	13 855	483
– Cost	19 646	1 869
– Accumulated depreciation	(5 791)	(1 386)
Office equipment	326	386
– Cost	1 022	700
– Accumulated depreciation	(696)	(314)
Motor vehicles	97	128
– Cost	157	284
– Accumulated depreciation	(60)	(156)
Balance at end of year	**81 615**	**20 061**
Movement for the year		
Balance at beginning of year	20 061	35 548
Additions at cost	80 368	9 073
– Leasehold property	43 709	–
– Computer equipment	18 161	8 133
– Furniture and fittings	18 168	698
– Office equipment	330	85
– Motor vehicles	–	157
Disposals at carrying amount	–	(2 833)
– Computer equipment	–	(971)
– Furniture and fittings	–	(308)
– Office equipment	–	–
– Buildings	–	(1 554)
Depreciation	(19 742)	(21 727)
– Leasehold property	(3 365)	–
– Computer equipment	(11 159)	(21 119)
– Furniture and fittings	(4 796)	(425)
– Office equipment	(381)	(154)
– Motor vehicles	(41)	(29)
Subsidiaries acquired	928	–
– Computer equipment	928	–
Balance at end of year	**81 615**	**20 061**

Figures in R'000s	Notes	2017	2016
12. Trade and other receivables			
Trade receivables		139 334	94 053
Less: Allowance for doubtful debts		(71 419)	(54 222)
		67 915	39 831
Deposits		111 608	68 082
Prepayments		108 331	79 929
Municipal recoveries		227 164	201 073
Rates clearances		43 133	59 225
Working capital receivable		173 645	–
Distribution receivable		–	23 843
Interest receivable		13 395	13 736
Current taxation receivable		36 656	15 898
Value added taxation		56 267	3 662
Other receivables		74 638	72 281
		912 752	**577 560**

Refer to note 39 Financial risk management for credit risk management.

Figures in R'000s	Notes	2017	2016
13. Cash and cash equivalents			
Unrestricted cash balances		180 661	208 366

Material bank balances are with The Standard Bank of South Africa Limited which has a Moody's credit rating of Baa3.

Figures in R'000s	Notes	2017	2016
14. Non-current assets and liabilities held-for-sale			
Non-current assets held-for-sale			
South African investment property		2 315 845	650 300
Foreign investment property		87 911	124 245
Investment in Castellana Properties SOCIMI, S.A.*		–	395 627
		2 403 756	**1 170 172**
Non-current liabilities held-for-sale			
Investment in Castellana Properties SOCIMI, S.A.*		–	(185 194)
		–	**(185 194)**
Movement for the year			
Balance at beginning of year		984 978	1 289 612
Additions		109	334 678
Disposals		(819 203)	(1 192 744)
Transfer to investment property	3	(70 000)	–
Transfer from investment property	3	2 315 845	560 275
Fair value adjustments		–	(6 843)
Translation differences		(7 973)	–
Balance at end of year		**2 403 756**	984 978

* *The investment in Castellana Properties was acquired during the prior financial year with the exclusive view to resell and was classified as held-for-sale as at 31 August 2016. The investment was sold during December 2016.*

The investment properties reclassified as held-for-sale are properties that the directors have decided will be recovered through sale rather than through continuing use.

Figures in R'000s	2017	2016

15. Stated capital

	2017	2016
Authorised		
10 000 000 000 (2016: 6 500 000 000) ordinary shares of no par value		
Issued		
5 650 052 260 (2016: 5 062 307 743) ordinary shares of no par value	43 070 828	36 526 358
Less: 361 396 896 (2016: 361 396 896) treasury shares	(6)	(6)
	43 070 822	**36 526 352**
Reconciliation of issued stated capital		
In issue at beginning of year	36 526 352	33 209 605
Issued during the year	6 544 470	3 318 016
Adjustment due to vesting of share-based payments	–	(1 269)
Balance at end of year	**43 070 822**	**36 526 352**
Reconciliation of issued number of shares ('000)		
In issue at beginning of year	4 700 911	4 393 103
Issued during the year	587 744	307 808
Balance at end of year per IFRS	**5 288 655**	**4 700 911**
Reconciliation of number of ordinary shares ('000)		
Number of shares at end of year per IFRS	5 288 655	4 700 911
Total treasury shares	361 397	361 397
Held by:		
The Redefine Empowerment Trust	300 000	300 000
The MA Afrika Tikkun Endowment Trust	55 520	55 520
Madison Property Fund Managers Limited	5 877	5 877
Number of shares at end of year per the share register	**5 650 052**	**5 062 308**

The following shares were issued during the course of the year:

- 28 November 2016: Dividend reinvestment of 50 070 862 shares (under specific authority) at an issue price of R10.53 per share.
- 9 January 2017: 459 999 805 shares issued (under general authority) for the Pivotal business combination at an issue price of R11.32 per share.
- 2 June 2017: Dividend reinvestment of 77 673 855 shares (under specific authority) at an issue price of R10.45 per share.

16. Share-based payment reserve

	Notes	2017	2016
– Restricted scheme	18	31 690	20 936
– Matching share scheme	18	21 185	18 889
		52 875	39 825

Notes to the financial statements (continued)

for the year ended 31 August 2017

Figures in R'000s	Principal place of business	Effective interest/ Voting rights	2017	2016
17. Non-controlling interests				
Respublica Student Living Proprietary Limited	South Africa	51.00%	298 552	251 370
Journal Student Accommodation Fund and Student Accommodation Operations (Pty) Ltd	Australia	90.00%	51 896	–
Castellana Properties SOCIMI, S.A.	Spain	86.89%	–	29 930
			350 448	**281 300**

Respublica Student Living Proprietary Limited

With effect from 1 September 2015, Redefine acquired a 51% equity interest in Respublica Student Living Proprietary Limited (RSL). Redefine controls RSL due to the voting rights held and its significant loans granted.

The shareholder holding the remaining 49% interest is Bridgehead Real Estate Fund Proprietary Limited (Bridgehead).

RSL has a 28 February financial year end with interim management accounts to 31 August available for consolidation purposes.

Journal Student Accommodation Fund and Student Accommodation Operations Proprietary Limited

With effect from 1 September 2016, Redefine acquired a 90% equity interest in Journal Student Accommodation Fund (JSAF) and Student Accommodation Operations Proprietary Limited (SAO). Redefine controls JSAF and SAO due to the voting rights held.

The shareholder holding the remaining 10% is Citiplan Student Accommodation Fund (Citiplan).

JSAF and SAO both have a 30 June financial year end and for practical purposes, reported results to 30 June 2017 have been used for consolidation purposes.

Castellana Properties SOCIMI, S.A.

With effect from 1 April 2016, Redefine acquired an 86.89% equity interest in Castellana Properties SOCIMI, S.A. As at 31 August 2016, this net investment was classified as non-current assets held-for-sale. In December 2016, the investment in this subsidiary was sold.

17. Non-controlling interests (continued)

The non-controlling interest balance is reconciled as follows:

	2017			
Figures in R'000s	**Journal Student Accommodation Fund and Student Accommodation Operations**	**Respublica Student Living**	**Castellana Properties**	**Total**
Opening balance	–	251 370	29 930	281 300
Interest in at acquisition net asset value	54 100	–	–	54 100
Share of (loss)/profit for the year	(738)	71 180	818	71 260
Share of other comprehensive income for the year	(1 466)	–	(5 479)	(6 945)
Share of dividends for the year	–	(23 998)	–	(23 998)
Disposal of subsidiary with NCI	–	–	(25 269)	(25 269)
Balance at end of year	**51 896**	**298 552**	**–**	**350 448**

	2016		
Figures in R'000s	**Respublica Student Living**	**Castellana Properties**	**Total**
Interest in at acquisition net asset value	105 355	29 154	134 509
Interest in additional net asset value	114 256	–	114 256
Share of profit for the year	44 573	776	45 349
Share of dividends for the year	(12 814)	–	(12 814)
Balance at end of year	**251 370**	**29 930**	**281 300**

Dividends of R48 975 150 million in total were distributed by RSL during the year, of which R23 997 824 million was paid to Bridgehead.

There was an additional share issue during the year by RSL in which the shareholders participated and followed their equity rights, therefore there was no change in the ownership interest.

Summarised financial information for each subsidiary that has a non-controlling interest is presented below which reflects the financial information prepared by the respective entities in accordance with IFRS. Castellana Properties SOCIMI, S.A. is a foreign operation and therefore, the results are translated from the respective functional currency to South African Rand.

Refer to note 41 Related-party transactions.

17. Non-controlling interests (continued)

Figures in R'000s	2017 Journal Student Accommodation Fund and Student Accommodation Operations	2017 Respublica Student Living	2017 Castellana Properties	2017 Total
Functional currency	AUD	ZAR	EUR	
Effective interest	90.00%	51.00%	86.89%	
Summarised statements of financial position				
Non-current assets	487 410	1 010 955	–	1 498 365
Investment property	487 386	1 010 955	–	1 498 341
Property, plant and equipment	24	–		24
Current assets	31 546	88 039	–	119 585
Total assets	518 956	1 098 994	–	1 617 950
Non-current liabilities	–	443 027	–	443 027
Interest-bearing borrowings	–	409 989	–	409 989
Loans from shareholders	–	33 038	–	33 038
Current liabilities	–	46 678	–	46 678
Total liabilities	–	489 705	–	489 705
Net assets	518 956	609 289	–	1 128 245
Net assets attributable to non-controlling interests	51 896	298 552	–	350 448
Summarised statements of profit or loss and other comprehensive income				
Revenue	759	132 419	8 154	141 332
Operating costs	(3 904)	(55 190)	(567)	(59 661)
Administration costs	(4 393)	(576)	–	(4 969)
Fair value adjustments	–	105 680	–	105 680
Interest income	160	2 801	–	2 961
Interest expense	–	(39 868)	(1 345)	(41 213)
Profit for the year	(7 378)	145 266	6 242	144 130
Other comprehensive income	(14 658)	–	(41 794)	(56 452)
Total comprehensive income	(22 036)	145 266	(35 552)	87 678
Net total comprehensive income attributable to non-controlling interests	(2 204)	71 180	(4 661)	64 315
Dividends	–	48 975	–	48 975

17. Non-controlling interests (continued)

Figures in R'000s	2016 Respublica Student Living	2016 Castellana Properties	2016 Total
Functional currency	ZAR	EUR	
Effective interest	51.00%	86.89%	
Summarised statements of financial position			
Non-current assets	792 142	373 913	1 166 055
Investment property	792 142	373 913	1 166 055
Current assets	33 805	16 962	50 767
Total assets	825 947	390 875	1 216 822
Non-current liabilities	282 982	184 171	467 153
Interest-bearing borrowings	184 999	184 171	369 170
Loans from shareholders	97 983	–	97 983
Current liabilities	29 967	1 023	30 990
Total liabilities	312 949	185 194	498 143
Net assets	512 998	205 681	718 679
Summarised statements of profit or loss and other comprehensive income			
Revenue	92 676	7 275	99 951
Operating costs	(40 673)	(346)	(41 019)
Fair value adjustments	58 874	–	58 874
Interest income	892	–	892
Interest expense	(20 805)	(1 006)	(21 811)
Profit for the year	90 964	5 923	96 887
Dividends	26 152	–	26 152

18. Share-based payments

Restricted scheme

The restricted share scheme, which award employees with a conditional right to receive shares in the company against the achievement of specific performance conditions, free of any cost, is operated by the group. As it is anticipated that the participants will receive shares in settlement of their awards, a share-based payment expense has been recognised.

In terms of the restricted share scheme, a conditional right to a share is awarded to employees subject to the satisfaction of performance conditions over the performance period, as well as the vesting condition over the vesting period.

Vesting will occur in equal annual tranches from the date of award to 30 November of the following three or four years respectively.

Restricted share scheme awards are subject to the vesting condition. In addition, 75% (2016: 60%) of the awards are subject to performance conditions.

The participant will not be entitled to any voting rights or distributions prior to the vesting of the restricted shares.

18. Share-based payments (continued)

Restricted scheme (continued)

The fair value of services received in return for the conditional share awards has been determined as follows:

→ The number of shares expected to vest multiplied by the share price at the date of the award less discounted anticipated future distribution flows.

	2017	2016
Shares expected to vest*	4 564 042	3 450 730
Average discounted price per share#	8.15	8.57
IFRS 2 Share-based payment expense recognised in administration expenses (R'000s)	16 502	11 145
Weighted average share price at date of vesting	10.51	11.29

* *Taking into account the performance of the group to date and forecasts to the end of the performance period, against the performance targets set at the time of the award.*

\# *The future anticipated distributions were adjusted for annual growth of 6.5% to 7.0% and discounted by a distribution yield of 7.3% to 8.3%.*

These awards will vest over the next three or four years.

The number of conditional share awards allotted in terms of the conditional share award scheme are:

	2016	Granted@	Forfeited	Vested	2017	IFRS 2 charge R'000s
AJ König	705 000	365 000	(7 560)	(172 440)	890 000	2 276
LC Kok	550 000	248 000	(6 720)	(153 280)	638 000	1 804
M Wainer	1 000 000	475 000	(12 600)	(287 400)	1 175 000	3 052
DH Rice*	725 000	267 000	(9 450)	(215 550)	767 000	2 041
MJ Ruttell*	455 000	163 000	(6 300)	(143 700)	468 000	1 383
Other employees	160 000	848 666	(81 007)	(301 617)	626 042	5 946
	3 595 000	2 366 666	(123 637)	(1 273 987)	4 564 042	16 502

@ *The fourth grant of the restricted share scheme took place during the current financial year.*

* *DH Rice and MJ Ruttell resigned as directors on 9 February 2017. However, they still form part of the executive committee and meet the definition of a "prescribed officer" in terms of the Companies Act, No 71 of 2008.*

	2015	Granted	Forfeited	Vested	2016	IFRS 2 charge R'000s
AJ König	585 000	300 000	(37 800)	(142 200)	705 000	1 932
LC Kok	480 000	230 000	(33 600)	(126 400)	550 000	2 080
M Wainer	900 000	400 000	(63 000)	(237 000)	1 000 000	2 800
DH Rice	675 000	275 000	(47 250)	(177 750)	725 000	2 046
MJ Ruttell	450 000	155 000	(31 500)	(118 500)	455 000	1 819
Other employees	60 000	120 000	–	(20 000)	160 000	468
	3 150 000	1 480 000	(213 150)	(821 850)	3 595 000	11 145

18. Share-based payments (continued)

Short-term incentive scheme

The short-term incentive share scheme, which awards employees with a right to receive shares in the company on condition they remain in Redefine Properties' employ, free of any cost, is operated by the group. As it is anticipated that the participants will receive shares in settlement of their awards, a share-based payment expense has been recognised.

In terms of the short-term incentive share scheme, a conditional right to a share is awarded to employees subject to the satisfaction of the vesting condition over the vesting period. The award of short-term incentive shares has been made to the company's three executive directors and two prescribed officers.

Vesting will occur in three equal tranches from the date of award to 30 November of the following three years respectively.

Short-term incentive share scheme awards are subject to the vesting condition.

The participant will not be entitled to any voting rights or distributions prior to the vesting of the short-term incentive shares.

The fair value of services received in return for the conditional share awards has been determined as follows:

→ The number of shares expected to vest multiplied by the share price at the date of the award less discounted anticipated future distribution flows.

	2017	2016
Shares expected to vest	2 400 925	1 163 060
Average discounted price per share#	8.56	8.32
IFRS 2 Share-based payment expense recognised in administration expenses (R'000s)	9 954	4 437
Weighted average share price at date of vesting	10.51	–

The future anticipated distributions were adjusted for annual growth of 6.5% to 7.0% and discounted by a distribution yield of 7.3% to 8.3%.

These awards will vest in three equal tranches over the next three years.

The number of conditional share awards allotted in terms of the conditional share award scheme are:

	2016	Granted@	Forfeited	Vested	2017	IFRS 2 charge R'000s
AJ König	260 248	362 724	–	(86 749)	536 223	2 223
LC Kok	199 833	278 520	–	(66 611)	411 742	1 707
M Wainer	341 730	496 389	–	(113 910)	724 209	2 999
DH Rice*	229 886	308 964	–	(76 628)	462 222	1 919
MJ Ruttell*	131 363	178 953	–	(43 787)	266 529	1 106
	1 163 060	1 625 550	–	(387 685)	2 400 925	9 954

@ *The second grant of the short-term incentive scheme took place during the current financial year.*

* *DH Rice and MJ Ruttell resigned as directors on 9 February 2017. However, they still form part of the executive committee and meet the definition of a "prescribed officer" in terms of the Companies Act, No 71 of 2008.*

18. Share-based payments (continued)

Short-term incentive scheme (continued)

	2015	Granted	Forfeited	Vested	2016	IFRS 2 charge R'000s
AJ König	–	260 248	–	–	260 248	993
LC Kok	–	199 833	–	–	199 833	762
M Wainer	–	341 730	–	–	341 730	1 304
DH Rice	–	229 886	–	–	229 886	877
MJ Ruttell	–	131 363	–	–	131 363	501
	–	1 163 060	–	–	1 163 060	4 437

Matching scheme

In terms of the matching share scheme, participants are invited annually to utilise a pre-determined percentage of their after-tax bonus to acquire Redefine shares.

Participants holding these shares at the third anniversary of the date of award will be awarded additional Redefine shares free of consideration based on a multiple of the original shares linked to the group and individual's performance.

As it is anticipated that the participants will receive shares in settlement of their awards, a share-based payment reserve has been recognised. Vesting of the matching shares will occur in three years from the date of award. The participant will not be entitled to any voting rights or distributions on the matching shares prior to the vesting of the matching shares.

Matching share awards are subject to the vesting condition. In addition, 100% of the awards are subject to performance conditions.

The fair value of services received in return for the matching share awards has been determined as follows:

→ The number of shares expected to vest multiplied by the share price at the date of the award less discounted anticipated future distribution flows.

	2017	2016
Shares expected to vest	4 738 512	4 380 369
Average discounted price per share#	8.23	8.26
IFRS 2 Share-based payment expense recognised in administration expenses (R'000s)	11 115	9 966
Weighted average share price at date of vesting	10.51	–

The future anticipated distributions were adjusted for annual growth of 6.5% to 7.0% and discounted by a distribution yield of 7.3% to 8.5%.

These awards will vest over the next three years.

18. Share-based payments (continued)

Matching scheme (continued)

The number of matching share awards in terms of the matching share award scheme are:

	2016	Granted[@]	Forfeited	Vested	2017	IFRS 2 charge R'000s
AJ König	984 084	453 213	(47 269)	(261 005)	1 129 023	2 643
LC Kok	228 963	322 809	–	–	551 772	1 292
M Wainer	1 182 795	519 513	(53 290)	(301 979)	1 347 039	3 153
DH Rice*	887 703	400 887	(44 541)	(239 766)	1 004 283	2 351
MJ Ruttell*	80 757	35 118	(3 893)	(21 505)	90 477	212
Other employees	1 016 067	–	(103 062)	(297 087)	615 918	1 464
	4 380 369	1 731 540	(252 055)	(1 121 342)	4 738 512	11 115

[@] *The fourth grant of the matching share scheme took place during the current financial year.*

* *DH Rice and MJ Ruttell resigned as directors on 9 February 2017. However, they still form part of the executive committee and meet the definition of a "prescribed officer" in terms of the Companies Act, No 71 of 2008.*

	2015	Granted	Forfeited	Vested	2016	IFRS 2 charge R'000s
AJ König	635 115	348 969	–	–	984 084	2 239
LC Kok	–	228 963	–	–	228 963	521
M Wainer	738 102	444 693	–	–	1 182 795	2 691
DH Rice	578 085	309 618	–	–	887 703	2 020
MJ Ruttell	44 890	35 867	–	–	80 757	184
Other employees	736 603	370 868	(91 404)	–	1 016 067	2 311
	2 732 795	1 738 978	(91 404)	–	4 380 369	9 966

Nil-cost options

Under the long term staff incentive scheme operated by the group, certain employees are awarded nil-cost options. These awards grant employees a conditional right to receive a number of shares or the cash equivalent at the employees' option against the achievement of specific performance and vesting conditions over the vesting period, free of any cost. As the participants will receive shares or a cash alternative in settlement of their awards, a share-based payment expense has been recognised.

Vesting will occur in one tranche three years from the date of award.

The participant will not be entitled to any voting rights or distributions prior to the vesting of the nil-cost options.

The fair value of services received in return for the nil-cost option award has been determined as follows:

→ The number of shares expected to vest multiplied by the share price at the date of the award less discounted anticipated future distribution flows.

	2017	2016
Total nil-cost options	1 062 610	–
Nil-cost options expected to vest*	985 252	–
Average discounted price per option[#]	8,26	–
IFRS 2 Share-based payment expense (R'000s) recognised in:	1 929	–
Operating costs	795	–
Administration expenses	1 134	–

* *Taking into account the performance of the group to date and forecasts to the end of the performance period, against the targets set at the time of the award.*

[#] *The future anticipated distributions were adjusted for annual growth of 6.5% to 7.0% and discounted by a distribution yield of 7.3% to 8.4%.*

18. Share-based payments (continued)

Nil-cost options (continued)

The number of nil-cost options awards allotted in terms of the conditional share award scheme are:

	2017	2016
Opening balance	–	–
Granted	1 120 679	–
Forfeited	(58 069)	–
	1 062 610	–

[@] *The first grant of nil-cost options under the long term staff incentive scheme took place during the current financial year.*

Conditional awards

Under the long term staff incentive scheme operated by the group, certain employees are awarded conditional awards. These awards grant employees a conditional right to receive a cash settlement of the market value of the number of shares awarded against the achievement of specific performance and vesting conditions over the vesting period. As the participants will receive a cash settlement of their awards, a share-based payment expense has been recognised.

Vesting will occur in one tranche three years from the date of award.

The participant will not be entitled to any voting rights or distributions.

The fair value of services received in return for the conditional awards has been determined as follows:

→ The number of shares expected to vest multiplied by share price at reporting date less discounted anticipated future distribution flows.

The number of number of awards allotted in terms of the conditional share award scheme are:

	2017	2016
Total conditional awards	853 445	–
Awards expected to vest*	786 450	–
Average discounted price per conditional award#	8.60	–
IFRS 2 Share-based payment expense (R'000s) recognised in:	1 691	–
Operating costs	1 320	–
Administration expenses	371	–

* *Taking into account the performance of the group to date and forecasts to the end of the performance period, against the targets set at the time of the award.*

The future anticipated distributions were adjusted for annual growth of 6.5% to 7.0% and discounted by a distribution yield of 7.3% to 8.4%.

	2017	2016
Opening balance	–	–
Granted	853 445	–
	853 445	–

Figures in R'000s	2017	2016
19. Interest-bearing borrowings		
Bank loans	27 060 566	25 264 102
Secured	21 976 574	16 351 361
Unsecured	5 083 992	8 912 741
Bonds and commercial paper (unsecured)	5 399 022	2 926 000
	32 459 588	**28 190 102**
Non-current		
Bank loans	21 928 637	19 384 712
Bonds and commercial paper	3 736 022	1 764 000
	25 664 659	**21 148 712**
Current		
Bank loans	5 131 929	5 879 390
Bonds and commercial paper	1 663 000	1 162 000
	6 794 929	**7 041 390**

The average all-in interest rate in respect of the total local group borrowings is 9.21% (2016: 8.83%).

Local interest-bearing borrowings are mainly at floating rates, of which 93.0% (2016: 83.7%) have economically been hedged to fixed rates. Refer to note 21 Derivative assets/(liabilities) for further detail of the group's interest rate swap agreements.

Total group borrowings (net of cash on hand) represent 41.1% (2016: 38.5%) of the value of the property portfolio (which includes investment properties, listed securities, loans receivable and investment in associates and joint ventures).

Group interest-bearing borrowings have been secured by mortgage loans over investment property to the value of R50.9 billion (2016: R35.5 billion) and pledges over investments in associates to the value of R1.7 billion (2016: R3.2 billion).

Total group undrawn facilities at year end amount to R3.0 billion (2016: R3.4 billion).

Refer to note 39 Financial risk management and note 40 Capital management.

Notes to the financial statements (continued)

for the year ended 31 August 2017

19. Interest-bearing borrowings (continued)

Figures in R'000s	Facility end date	Interest rate	2017	2016
Variable and fixed rate loans – South African Rand				
Bank loans:				
Absa			659 000	500 000
	1 July 2020	3-month JIBAR plus 1.75%	500 000	500 000
	1 July 2020	3-month JIBAR plus 1.75%	159 000	–
Investec			397 574	–
	1 May 2025	Prime less 0.50%	7 517	–
	30 September 2023	Prime less 1.25%	175 985	–
	31 October 2023	Prime less 1.25%	12 693	–
	1 November 2023	Prime less 1.25%	59 534	–
	7 January 2022	Prime less 1.25%	136 559	–
	1 December 2020	Prime less 0.50%	5 286	–
Nedbank			5 605 004	4 839 999
	31 May 2021	3-month JIBAR plus 2.30%	487 694	–
	31 August 2020	1-month JIBAR plus 2.09%	24 998	24 999
	31 August 2020	Fixed 10.55%	80 000	80 000
	31 December 2019	3-month JIBAR plus 1.71%	800 000	800 000
	22 December 2019	Fixed 10.15%	85 000	–
	22 December 2019	1-month JIBAR plus 2.26%	139 992	–
	31 July 2019	Prime less 1.00%	58 744	–
	30 June 2019	3-month JIBAR plus 1.70%	15 000	15 000
	28 June 2019	3-month JIBAR plus 1.69%	350 000	–
	26 May 2019	3-month JIBAR plus 1.70%	500 000	500 000
	26 May 2019	3-month JIBAR plus 1.70%	150 000	150 000
	1 March 2019	Prime less 1.00%	131 400	–
	20 October 2018	3-month JIBAR plus 1.75%	25 000	25 000
	30 August 2018	3-month JIBAR plus 1.61%	500 000	500 000
	30 June 2018	3-month JIBAR plus 1.56%	245 000	245 000
	3 June 2018	3-month JIBAR plus 1.67%	2 000 000	2 000 000
	1 November 2017	Fixed 9.90%	12 176	–
	30 August 2017	3-month JIBAR plus 1.58%	–	500 000

19. Interest-bearing borrowings (continued)

Figures in R'000s	Facility end date	Interest rate	2017	2016
Variable and fixed rate loans – South African Rand				
Bank loans:				
Rand Merchant Bank			9 437 626	7 643 000
	28 August 2022	3-month JIBAR plus 1.85%	1 525 000	–
	1 July 2021	3-month JIBAR plus 1.85%	399 285	–
	4 December 2020	3-month JIBAR plus 1.70%	1 500 000	1 500 000
	31 August 2020	1-month JIBAR plus 2.15%	80 000	80 000
	5 December 2019	Fixed 10.22%	350 000	–
	4 December 2019	3-month JIBAR plus 1.75%	500 000	500 000
	1 December 2019	1-month JIBAR plus 2.40%	201 807	–
	15 August 2019	3-month JIBAR plus 1.57%	1 900 000	1 900 000
	4 February 2019	3-month JIBAR plus 1.61%	525 000	525 000
	1 December 2018	3-month JIBAR plus 1.00%	500 000	–
	4 October 2018	3-month JIBAR plus 1.70%	1 000 000	1 000 000
	3 September 2018	Fixed 10.79%	69 021	–
	1 August 2018	Fixed 9.74%	78 075	–
	1 August 2018	Fixed 13.27%	21 438	–
	4 April 2018	3-month JIBAR plus 1.70%	613 000	613 000
	4 December 2017	Prime less 1.70%	175 000	–
	30 October 2018	3-month JIBAR plus 1.70%^	–	200 000
	4 September 2017	3-month JIBAR plus 1.85%^	–	1 125 000
	3 September 2017	3-month JIBAR plus 1.50%^	–	200 000
Standard Bank			8 124 689	5 597 397
	30 September 2020	3-month JIBAR plus 1.88%	103 499	–
	30 September 2020	3-month JIBAR plus 2.05%	205 574	–
	31 March 2020	3-month JIBAR plus 1.57%	2 429 397	2 429 397
	31 March 2020	Prime less 1.80%	804 215	–
	31 March 2020	3-month JIBAR plus 1.70%	100 000	100 000
	31 October 2019	3-month JIBAR plus 1.63%	575 000	575 000
	31 October 2019	3-month JIBAR plus 1.67%	400 000	400 000
	31 October 2019	3-month JIBAR plus 1.63%	300 000	300 000
	31 October 2019	Prime less 1.72%	190 400	–
	30 September 2019	3-month JIBAR plus 1.72%	11 934	–
	30 September 2019	3-month JIBAR plus 1.72%	58 596	–
	30 September 2019	3-month JIBAR plus 1.78%	28 243	–
	30 September 2019	3-month JIBAR plus 1.78%	18 866	–
	30 September 2019	3-month JIBAR plus 1.78%	11 813	–
	30 September 2019	3-month JIBAR plus 1.78%	80 988	–
	30 September 2019	3-month JIBAR plus 1.72%	15 650	–
	30 September 2019	3-month JIBAR plus 1.88%	54 144	–
	1 June 2019	3-month JIBAR plus 1.69%	150 000	500 000
	30 September 2018	3-month JIBAR plus 1.67%	150 000	150 000
	30 September 2018	3-month JIBAR plus 2.04%	848 000	–
	30 September 2018	3-month JIBAR plus 1.72%	150 000	–
	30 June 2018	3-month JIBAR plus 1.72%	30 000	30 000
	31 March 2018	3-month JIBAR plus 1.67%	393 000	393 000
	30 September 2017	3-month JIBAR plus 1.61%	150 000	150 000
	30 September 2017	3-month JIBAR plus 1.68%	723 170	–
	30 September 2017	3-month JIBAR plus 1.68%	125 200	–
	30 September 2017	3-month JIBAR plus 1.62%	17 000	–
	30 September 2018	3-month JIBAR plus 1.67%^	–	150 000
	30 September 2017	3-month JIBAR plus 1.61%^	–	150 000
	30 June 2017	3-month JIBAR plus 1.47%	–	270 000
Total local currency loans			**24 223 893**	**18 580 396**

^ *The above loans were early settled.*

19. Interest-bearing borrowings (continued)

Figures in R'000s	Capital repayment date	Interest rate	2017	2016
Variable rate loans – Foreign currency				
Bank loans:				
AUD loans				
Standard Chartered	15 December 2019	3-month BBSW plus 2.00%	1 028 670	–
Macquarie	17 December 2016	BBA 3-month plus 3.00%	–	1 070 965
GBP loans				
Standard Bank Isle of Man			998 243	1 125 727
	31 July 2022	3-month LIBOR plus 2.81%	998 243	–
	31 May 2021	3-month LIBOR plus 3.45%^	–	259 927
	22 February 2021	3-month LIBOR plus 3.45%^	–	720 970
	31 March 2020	6-month LIBOR plus 3.45%^	–	144 830
USD loans				
Standard Bank Isle of Man	30 September 2018	3-month US LIBOR plus 2.37%	325 508	–
Total variable rate loans – Foreign currency			**2 352 421**	**2 196 692**
Fixed rate loans – Foreign currency				
Investec*			285 749	448 589
Investec (AUD)	31 August 2020	4.51%	168 842	272 566
Investec (EUR)	30 April 2020	2.54%	55 012	70 551
Investec (EUR)	22 January 2020	2.86%	61 895	83 257
Investec (GBP)	6 March 2020	3.07%	–	22 215
JP Morgan (EUR)	1 March 2017	2.75%	–	4 038 425
Rand Merchant Bank (USD)	18 March 2019	4.15%	198 503	–
Total fixed rate loans – Foreign currency			**484 252**	**4 487 014**
Total bank loans			**27 060 566**	**25 264 102**

^ *The above loans were early settled.*

* *Fixed deposits are held with Investec Bank Limited and provide security over foreign exchange loans.*

In terms of the loan agreements, Redefine is entitled to net settle the Investec foreign loans and as such the loans and deposits are offset and disclosed on a net basis as set out below:

Group	Loan	Fixed deposit	Net
Investec (AUD)	1 764 169	(1 595 327)	168 842
Investec (EUR)	348 722	(293 710)	55 012
Investec (EUR)	479 403	(417 508)	61 895
			285 749
Investec (GBP)*	360 791	(384 652)	(23 861)

* *Refer to note 10 Other financial assets.*

19. Interest-bearing borrowings (continued)

Figures in R'000s	Capital repayment date	Interest rate	2017	2016
Bonds and commercial paper:				
Bonds			4 549 022	1 764 000
5-year RDFB11	27 March 2022	3-month JIBAR plus 1.75%	216 000	–
5-year RDFB09	2 December 2021	3-month JIBAR plus 1.85%	833 749	–
Nominal value			830 000	–
Issued at premium			3 966	–
Amortised premium			(217)	–
4-year RDFB08	30 September 2021	3-month JIBAR plus 1.85%	751 273	–
Nominal value			750 000	–
Issued at premium			1 404	–
Amortised premium			(131)	–
3-year RDFB10	27 March 2020	3-month JIBAR plus 1.54%	284 000	–
5-year RDFB05	27 November 2019	3-month JIBAR plus 2.00%	501 000	501 000
3-year RDFB07	30 September 2019	3-month JIBAR plus 1.60%	700 000	–
3-year RDFB06	22 March 2019	3-month JIBAR plus 1.95%	450 000	450 000
5-year RDFB02	11 March 2018	3-month JIBAR plus 1.60%	614 000	614 000
3-year RDFB04	27 November 2017	3-month JIBAR plus 1.60%	199 000	199 000
Commercial paper			850 000	1 162 000
12-month RDFC39	27 July 2018	3-month JIBAR plus 1.00%	100 000	–
12-month RDFC38	4 June 2018	3-month JIBAR plus 1.00%	250 000	–
12-month RDFC35	5 October 2017	3-month JIBAR plus 1.05%	250 000	–
6-month RDFC36	22 September 2017	3-month JIBAR plus 0.75%	250 000	–
12-month RDFC34	27 July 2017	3-month JIBAR plus 1.15%	–	100 000
12-month RDFC33	2 June 2017	3-month JIBAR plus 1.15%	–	269 000
12-month RDFC30	23 March 2017	3-month JIBAR plus 1.20%	–	250 000
6-month RDFC31	2 December 2016	Fixed 8.40%	–	50 000
6-month RDFC28	2 December 2016	3-month JIBAR plus 1.00%	–	143 000
6-month RDFC32	2 December 2016	3-month JIBAR plus 0.79%	–	100 000
12-month RDFC26	5 October 2016	3-month JIBAR plus 1.00%	–	250 000
Total bonds and commercial paper			**5 399 022**	**2 926 000**

20. Interest-bearing borrowings at fair value

Secured

Euro exchangeable bonds	Capital repayment date	Interest rate	2017	2016
Bond issue			2 396 220	–
Fair value gain (foreign exchange portion)			(76 530)	–
At amortised cost	16 September 2021	Fixed 1.50%	**2 319 690**	–
Fair value gain			(49 757)	–
Exchangeable bonds at fair value			**2 269 933**	–
Interest-bearing borrowings at fair value			**2 253 598**	–
Interest accrual on interest-bearing borrowings*			**16 335**	–

* *Presented as part of the interest accrual on interest-bearing borrowings on the statement of financial position.*

20. Interest-bearing borrowings at fair value (continued)

During the current financial year, Redefine issued EUR150 million secured exchangeable bonds, due 21 September 2021. The exchangeable bonds can be settled by cash, the exchange property, or a combination at Redefine's option. The settlement value is calculated as either the principal amount or EUR150 million or the value of the final exchange property at the bondholder's option on settlement date.

The exchangeable bonds has a Moody's credit rating of Baa3 and is listed on the Frankfurt exchange.

Exchange property

The exchange property comprises a number of Redefine International PLC shares. The exchange property is adjusted during the term of the exchangeable bonds for certain Redefine International PLC dilutive events, inter alia, share sub-divisions, consolidations and redenominations, rights issues, bonus issues, reorganisations, capital distributions and cash dividends.

Reconciliation of the exchange property	2017	2016
Number of Redefine International PLC shares		
Initial exchange property	242 310 908	–
Additional exchange property – cash dividends paid by RI PLC	18 255 418	–
	260 566 326	–

Early redemption at Redefine's option

Redefine may redeem the bonds in whole, but not in part at their principal amount plus accrued interest:

(i) On or after 7 October 2019 if the pro rata value of the exchange property per bond of EUR100 000 principal amount exceeds EUR130 000 on at least 20 out of any 30 consecutive trading days; or

(ii) If exchange rights have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected, in respect of 85% or more in the principal amount of the bonds originally issued (the clean-up call); or

(iii) In the event of a general offer for the predominant equity share capital comprised in the exchange property where the offer consideration consists wholly of cash.

Early redemption at the bondholder's option

The bondholder may redeem the bonds on the optional put date or upon the occurrence of a put event, in each case at the principal amount plus accrued interest to the optional put date or the date set for redemption, as the case may be. "Optional put date" means 16 September 2019. A "put event" means the occurrence of either of the following:

(i) A change of control of Redefine Properties where any persons and/or parties acting in concert shall own, acquire or control more than 50% of the issued share capital of Redefine or the right to cast more than 50% of the votes which may ordinarily be cast at Redefine's general meeting; or

(ii) A free float event, which shall occur if for any period of at least 20 consecutive trading days the number of shares comprising the free float is equal to or less than 20 percent of the total number of issued shares.

Stock lending facility

Redefine has set up a stock lending facility with J.P. Morgan Securities PLC (J.P. Morgan) in which JP. Morgan may borrow up to 63 628 273 Redefine International PLC shares from Redefine on the bond issue date.

The title of the shares is effectively transferred to investors who borrow the shares, while the ultimate beneficial interest remains with Redefine who will still be entitled to the income that accrues to these shares.

All borrowed shares will be returned to Redefine at maturity of the exchangeable bonds, to the extent that the borrowed shares have not already been returned.

Figures in R'000s	2017	2016

21. Derivative assets/(liabilities)

	2017	2016
Non-current assets	1 868	172 296
Current assets	75 875	73 286
Non-current liabilities	(487 564)	(35 066)
Current liabilities	(11 799)	(2 978)
	(421 620)	**207 538**
Foreign exchange options	61 589	65 987
Cross currency swaps	(131 341)	–
Interest rate swap agreements	(351 868)	141 551
	(421 620)	**207 538**

Redefine has entered into a number of cross currency interest rate swaps which are used to transform long-term ZAR borrowings into synthetic foreign currency borrowings.

This is achieved by swapping interest during the derivative contract and exchanging the currency principal amounts at maturity.

This is used to fund Redefine's foreign investments with an interest rate relative to the investment's local funding environment.

	Maturity	Nominal value	Rate (%)	2017	2016
Cross currency interest rate swaps					
EUR cross currency interest rate swaps				(38 185)	–
	25 November 2019	EUR40 000 000	0.88%		
		ZAR612 000 000	3-month JIBAR plus 1.60%	(9 227)	–
	24 November 2021	EUR20 000 000	1.43%		
		ZAR306 000 000	3-month JIBAR plus 1.85%	(11 534)	–
	6 July 2020	EUR40 000 000	1.56%		
		ZAR611 000 000	3-month JIBAR plus 1.65%	(17 424)	–
GBP cross currency interest rate swaps				(93 156)	–
	13 December 2022	GBP60 000 000	2.61%		
		ZAR952 650 000	3-month JIBAR plus 1.85%	(85 114)	–
	13 December 2022	GBP40 000 000	2.62%		
		ZAR680 400 000	3-month JIBAR plus 1.85%	(8 042)	–
Total cross currency interest rate swaps				**(131 341)**	**–**

Notes to the financial statements (continued)

for the year ended 31 August 2017

21. Derivative assets/(liabilities) (continued)

A significant portion of the floating interest rate borrowings has been economically hedged to fixed interest rates. Refer to note 39 Financial risk management for further detail.

Figures in R'000s	Maturity	Nominal value	Rate (%)	2017	2016
Interest rate swap agreements					
Absa				(186 047)	53 052
	14 July 2022	700 000 000	7.39*	(8 355)	–
	14 February 2022	250 000 000	7.73	(6 848)	–
	27 September 2021	700 000 000	7.74	(19 745)	–
	22 September 2021	350 000 000	7.75	(10 032)	–
	22 September 2021	350 000 000	7.76	(10 162)	–
	8 September 2021	250 000 000	7.82	(7 906)	–
	8 September 2021	250 000 000	7.82	(7 908)	–
	8 September 2021	300 000 000	7.80	(9 266)	–
	10 August 2021	350 000 000	7.75	(9 955)	3 859
	7 July 2021	350 000 000	7.96	(12 466)	482
	1 July 2021	350 000 000	7.94	(12 235)	702
	12 August 2020	230 000 000	7.72	(7 250)	(689)
	9 December 2019	300 000 000	6.86	(731)	8 560
	25 November 2019	200 000 000	7.56	(3 629)	1 432
	20 November 2019	250 000 000	7.57	(4 571)	1 697
	18 November 2019	675 000 000	7.25	(7 856)	10 744
	15 October 2019	750 000 000	7.40	(10 264)	8 536
	15 August 2019	200 000 000	7.40	(2 679)	2 041
	13 May 2019	200 000 000	7.52	(2 742)	1 180
	9 April 2019	500 000 000	7.79	(8 522)	(584)
	8 April 2019	200 000 000	7.68	(3 042)	305
	12 November 2018	413 795 000	8.86	(10 555)	(9 749)
	8 October 2018	230 000 000	10.48	(10 247)	(13 940)
	1 August 2018	140 000 000	8.62	(2 778)	–
	23 July 2018	600 000 000	6.50	1 919	13 283
	9 April 2018	500 000 000	6.57	1 690	9 027
	20 February 2018	320 000 000	6.59	548	4 832
	12 February 2018	295 000 000	7.70	(1 387)	(1 235)
	27 November 2017	200 000 000	7.00*	–	1 526
	20 November 2017	500 000 000	7.00*	–	3 754
	17 October 2017	500 000 000	6.60	927	6 076
	21 August 2017	300 000 000	8.04	–	(1 269)
	16 February 2017	250 000 000	6.94	–	661
	21 November 2016	300 000 000	6.59	–	461
	17 October 2016	300 000 000	6.27	–	800
	16 September 2016	300 000 000	6.58	–	560

* *Swaps were early terminated and new contracts entered into to the amount of R700 million, with an expiry date of 14 July 2022.*

21. Derivative assets/(liabilities) (continued)

Figures in R'000s	Maturity	Nominal value	Rate (%)	2017	2016
Interest rate swap agreements (continued)					
Nedbank				1 598	11 216
	15 October 2018	50 000 000	7.00	(118)	722
	29 June 2018	50 000 000	6.56	160	1 030
	15 May 2018	50 000 000	5.71	412	1 601
	15 March 2018	50 000 000	6.28	271	1 113
	15 March 2018	50 000 000	6.28	271	1 113
	8 February 2018	26 500 000	6.32	75	–
	8 February 2018	25 000 000	6.32	68	–
	30 October 2017	50 000 000	6.36	88	747
	30 October 2017	50 000 000	6.17	112	861
	16 October 2017	50 000 000	6.71	78	534
	25 September 2017	50 000 000	5.88	181	1 023
	7 August 2017	50 000 000	5.89	–	806
	1 August 2017	50 000 000	5.88	–	811
	15 March 2017	50 000 000	7.24	–	73
	15 March 2017	50 000 000	7.41	–	11
	31 October 2016	50 000 000	5.71	–	164
	31 October 2016	50 000 000	6.56	–	190
	26 September 2016	50 000 000	5.59	–	220
	19 September 2016	50 000 000	5.72	–	197
Rand Merchant Bank				(20 440)	77 861
	19 May 2021	350 000 000	7.39	(5 704)	–
	12 August 2020	270 000 000	7.72	(8 073)	1 370
	3 August 2020	89 956 894	8.64	(2 580)	–
	3 August 2020	2 253 382	7.14	(15)	–
	22 May 2020	500 000 000	7.06	(4 036)	13 590
	27 November 2019	525 000 000	6.98	(3 296)	12 977
	18 July 2019	100 000 000	7.44	(1 346)	931
	5 February 2019	300 000 000	8.20	18	1 761
	4 February 2019	500 000 000	8.35	21	2 547
	4 February 2019	500 000 000	8.35	21	2 653
	28 January 2019	400 000 000	8.05	31	2 729
	28 January 2019	400 000 000	8.05	31	2 729
	22 May 2018	350 000 000	6.47	928	6 904
	22 May 2018	500 000 000	5.87	3 499	14 738
	5 April 2018	750 000 000	6.66	1 801	12 265
	14 February 2018	355 000 000	7.70	(1 690)	(488)
	22 November 2017	400 000 000	7.10	(50)	2 519
	31 August 2017	200 000 000	6.56	–	1 905
	21 August 2017	350 000 000	8.10	–	(1 709)
	31 January 2017	68 400 000	6.84	–	191
	20 September 2016	110 000 000	7.48	–	249

Notes to the financial statements (continued)
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21. Derivative assets/(liabilities) (continued)

Figures in R'000s	Maturity	Nominal value	Rate (%)	2017	2016
Interest rate swap agreements (continued)					
Standard Bank				(146 979)	(578)
	31 August 2022	350 000 000	8.60	(21 983)	–
	28 February 2022	350 000 000	8.38	(18 232)	–
	15 November 2021	400 000 000	8.02	(15 291)	–
	12 November 2021	400 000 000	7.59	(8 973)	–
	13 April 2021	400 000 000	8.46	(20 545)	–
	16 October 2020	400 000 000	7.62	(9 130)	–
	31 August 2020	250 000 000	7.69	(6 120)	–
	31 August 2020	350 000 000	7.93	(10 835)	–
	21 July 2020	250 000 000	7.66	(5 949)	–
	1 June 2020	250 000 000	7.79	(6 742)	–
	2 December 2019	73 107 500	8.68	(3 005)	–
	12 November 2019	600 000 000	7.29	(7 391)	–
	2 September 2019	13 571 147	8.39	(455)	–
	3 December 2018	103 970 000	8.72	(2 865)	–
	11 November 2018	140 000 000	10.64	(6 573)	(8 381)
	31 August 2018	171 234 602	7.13	(1 070)	–
	31 August 2018	13 390 000	7.06	(99)	–
	31 July 2018	17 500 000	6.56	24	–
	2 July 2018	80 000 000	8.19	(1 015)	–
	29 June 2018	130 000 000	8.37	(1 706)	–
	29 June 2018	30 000 000	8.37	(394)	–
	29 June 2018	21 307 000	8.31	(213)	–
	5 April 2018	500 000 000	6.71	1 101	7 803
	1 March 2018	26 010 000	7.88	(146)	–
	2 January 2018	322 052 000	6.76	645	–
	29 December 2017	38 030 000	6.45	58	–
	1 December 2017	28 031	9.06	–	–
	1 November 2017	81 700 000	7.40	(75)	–
Total interest rate swap agreements				**(351 868)**	141 551

Figures in R'000s	Notes	2017	2016

22. Other financial liabilities

	Notes	2017	2016
Staff incentive schemes		4 690	–
Nil-cost options	18	1 929	–
Conditional awards	18	1 691	–
Cash awards		1 070	–
Liability associated with Dipula Income Fund Limited B shares	10	253 038	253 016
		257 728	**253 016**
Non-current			
Staff incentive schemes		4 690	–
Current			
Liability associated with Dipula Income Fund Limited B shares		253 038	253 016

Cash awards

In terms of the long term staff incentive scheme, a conditional right to a cash award is awarded to certain employees subject to performance and vesting conditions. These cash awards give employees a right to receive a cash bonus against the achievement of specific performance conditions. As it is anticipated that the participants will receive a cash settlement of their awards, an IAS 19 *Employee Benefits* expense has been recognised.

	2017	2016
Opening balance	–	–
Current service costs	1 070	–
	1 070	**–**

23. Deferred taxation

	2017	2016
Capital allowances	367 991	126 361
Intangible assets	123 197	140 797
Deferred capital gains tax on Cromwell Property Group shares	151 073	26 704
Assessed losses recognised	–	(24 544)
	642 261	**269 318**
Movement for the year		
Balance at beginning of year	269 318	274 919
Arising on business combination	196 504	–
Capital allowances	38 576	1 581
Amortisation of intangible asset	(17 600)	(17 599)
Deferred capital gains tax on Cromwell Property Group shares	124 369	26 704
Assessed losses utilised/(recognised)	31 094	(22 822)
Revaluation of listed security investments	–	(13 509)
Other timing differences	–	20 044
Balance at end of year	**642 261**	**269 318**

23. Deferred taxation (continued)

Capital gains taxation is not applicable on the sale of investment property and shares in a REIT or property company, in terms of section 25BB of the Income Tax Act applicable to REITs. Consequently, no deferred tax was raised on the fair value adjustments.

Allowances relating to immovable property cannot be claimed and if a REIT sells immovable property, the allowances claimed in previous years will be recouped. A deferred taxation liability was raised in this respect.

Section 25BB of the Income Tax Act allows for the deduction of the qualifying distributions paid to the shareholders but the deduction is limited to the taxable income. To the extent that no taxation will be payable in future as a result of the qualifying distribution, no deferred taxation was raised on items such as the straight-line lease income accrual.

Deferred taxation was recognised on the initial recognition of the intangible asset that was acquired in the 2009 acquisition of ApexHi, Ambit and Madison. Refer to note 7 Goodwill and intangible assets. The deferred taxation is released to profit or loss over the asset's useful life.

Capital gains taxation is expected to be payable on disposal of the shares in Cromwell Property Group (held on the Australian Stock Exchange) to the Australian taxation authority. The capital gain would arise on the trust component of the stapled securities. Deferred taxation has, as a result, been raised for the expected tax payable on disposal of the stapled securities.

A deferred taxation asset has been recognised for assessed losses to the extent that it is probable that taxable profit will be available against which the assessed losses can be utilised.

Figures in R'000s	Notes	**2017**	**2016**
24. Trade and other payables			
Trade payables		16 004	14 097
Accrued expenses		230 140	185 044
Deposits		237 069	170 500
Rental received in advance from tenants		156 253	136 748
Municipal expenses		377 648	313 575
Value added taxation		27 839	35 775
Sundry creditors		135 783	67 125
Balance at end of year		**1 180 736**	**922 864**
25. Net operating profit			
Net operating profit includes the following charges:			
Amortisation and depreciation		82 598	84 653
Auditor's remuneration		9 856	4 016
– External auditor – audit fees		9 286	3 481
– External auditor – non-audit fees		570	535
Staff costs		179 195	168 405
Defined contribution fund contributions		11 650	10 804
Share-based payment expenses	18	41 191	25 548
Share appreciation right expenses	22	–	(339)
Trading property cost of sales		–	1 151

Figures in R'000s	Notes	2017	2016
26. Changes in fair values of properties, listed securities and financial instruments			
Property portfolio		151 361	307 351
– realised		10 703	357 085
– unrealised		140 658	(49 734)
Listed securities		81 470	(275 365)
– realised		(85 238)	–
– unrealised		166 708	(275 365)
Derivatives		(621 540)	124 875
Exchangeable bonds		142 622	–
Deemed disposal on associate becoming a listed investment		(415 347)	–
Profit on dilution of interest on associates		141 554	11 610
Other		(22 067)	–
		(541 947)	**168 471**
27. Impairments			
Investment in Cromwell Property Group	8	688 201	–
Investment in Redefine International PLC	8	515 862	–
Investment in Delta Property Fund Limited	8	–	4 639
Loan to Leopard Holdings	8	–	9 247
Loan to Khulemani Masingita	9	11 146	–
		1 215 209	**13 886**
28. Interest income			
Cash invested		17 041	4 865
Cross currency interest rate swaps		350 832	219 431
Vendor loans	9	154 400	284 512
Loan to joint venture	8	64 903	80 392
Other		63 106	7 218
		650 282	**596 418**
29. Interest expense			
Interest expense		2 378 058	1 986 090
30. Foreign exchange gain			
Realised gain		433 046	66 615
Unrealised gain		45 624	243 326
		478 670	**309 941**

Notes to the financial statements (continued)

for the year ended 31 August 2017

Figures in R'000s	2017	2016
31. Taxation		
Normal	3 220	1 931
– Current	(5 142)	–
– Adjustment to prior year	8 362	1 931
Withholding	(66 623)	(95 830)
Deferred	(176 439)	5 601
– Current	(176 235)	13 819
– Adjustment to prior year	(204)	(8 218)
	(239 842)	**(88 298)**
Reconciliation between applicable taxation rate and effective taxation rate		
SA normal taxation rate applied to profit before taxation (28% corporate tax rate)	(1 023 113)	(1 314 135)
Taxation effect of:		
Effect of income that is exempt from taxation:		
Fair value adjustment of investment properties	194 569	96 739
Fair value adjustment of listed securities	53 275	(118 767)
Profit on dilution of ownership interest	46 105	–
Profit on sale of shares	(43 839)	(137 355)
Dividend income	5 223	140 785
Effect of items not included in profit before taxation but which are subject to taxation:		
Capitalised interest	109 318	69 165
Interest – MA Afrika loan and The Redefine Empowerment Trust loan	(93 702)	(87 189)
Interest – Cornwall Cresent	(8 741)	–
Equity-accounted earnings	437 009	–
Impairments	(340 259)	(3 888)
Temporary differences that will be included in future distributions	(129 495)	29 698
Other	(37 162)	34 380
Qualifying distribution	910 443	1 435 406
Adjustment of prior year deferred taxation	(204)	(8 218)
Prior year assessed loss utilised	14 538	7
Prior year assessed loss recognised	(31 093)	24 503
Current year assessed loss not recognised	(120 084)	(128 826)
Deferred capital gains tax on Cromwell Property Group shares	(124 369)	(26 704)
Prior year under provision of current taxation	8 362	1 931
Foreign withholding taxes	(66 623)	(97 581)
Foreign currency translation adjustments	–	1 751
Taxation per the statement of profit or loss and other comprehensive income	**(239 842)**	**(88 298)**

Certain companies in the group have unutilised tax losses which cumulatively amounts to R155.4 million (2016: R7.7 million) for which deferred tax assets have not been recognised as recovery of these losses is remote.

Figures in R'000s	2017 Gross	2017 Non-controlling interest effect of the adjustment	2017 Net	2016 Gross	2016 Non-controlling interest effect of the adjustment	2016 Net

32. Earnings and headline earnings

Reconciliation of basic earnings to headline earnings

	2017 Gross	2017 Non-controlling interest effect of the adjustment	2017 Net	2016 Gross	2016 Non-controlling interest effect of the adjustment	2016 Net
Profit for the year attributable to Redefine shareholders	3 328 995	–	3 328 995	4 565 617	–	4 565 617
Change in fair value of properties	(151 361)	51 864	(99 497)	(307 351)	28 848	(278 503)
Bargain purchase on acquisition of associate	–	–	–	(288 548)	–	(288 548)
Profit on dilution of ownership interest in an associate	273 793	–	273 793	(11 610)	–	(11 610)
Adjustment of measurements, included in equity-accounted earnings of associates (net of tax)	(507 669)	–	(507 669)	(520 338)	–	(520 338)
Adjustment of measurements, included in equity-accounted earnings of associates	(653 371)	–	(653 371)	(656 164)	–	(656 164)
Tax adjustment	145 702	–	145 702	135 826	–	135 826
Impairments	1 215 209	–	1 215 209	4 639	–	4 639
Headline earnings attributable to Redefine shareholders	**4 158 967**	**51 864**	**4 210 831**	**3 442 409**	**28 848**	**3 471 257**

	2017	2016
Actual number of shares in issue ('000)*	5 288 655	4 700 911
Weighted average number of shares in issue ('000)*	5 053 451	4 500 281
Diluted weighted average number of shares in issue ('000)*	5 066 217	4 500 281
Basic earnings per share (cents)	**65.88**	**101.45**
– Continuing operations	66.15	101.32
– Discontinued operations	(0.27)	0.13
Diluted earnings per share (cents)	**65.71**	**101.45**
– Continuing operations	65.98	101.32
– Discontinued operations	(0.27)	0.13
Headline earnings per share (cents)	**83.33**	**77.13**
– Continuing operations	83.60	77.00
– Discontinued operations	(0.27)	0.13
Diluted headline earnings per share (cents)	**83.12**	**77.13**
– Continuing operations	83.39	77.00
– Discontinued operations	(0.27)	0.13

* *Excludes 361 396 896 (2016: 361 396 896) treasury shares.*

Figures in R'000s	2017	2016
33. Cash generated from operations		
Profit before taxation	3 653 974	4 693 341
Adjusted for:		
Non-cash flow items	(614 252)	(1 676 491)
Interest income	(650 282)	(596 418)
Interest expense	2 378 058	1 986 090
Operating income before working capital changes	4 767 498	4 406 522
Working capital changes	(96 158)	82 317
Trade, listed security income and other receivables	(145 060)	66 169
Properties held-for-trading	–	1 080
Trade and other payables	48 902	15 068
Cash generated from continuing operations	**4 671 340**	**4 488 839**
Cash generated from discontinued operations	–	5 923
	4 671 340	**4 494 762**
Non-cash flow items:		
Depreciation and amortisation	82 598	84 583
Impairments	1 215 209	13 886
Fair value adjustments	541 947	(168 471)
Straight-line lease accrual	(469 290)	(38 166)
Foreign exchange gain	(478 670)	(243 326)
Equity-accounted results of associates	(1 593 387)	(1 405 932)
Equity-settled share-based payments	13 122	16 846
Loss from discontinued operations (net of taxation)	(13 877)	–
Lease commissions and amortised tenant installations	88 096	64 089
	(614 252)	**(1 676 491)**

34. Taxation paid

	2017	2016
Taxation payable at beginning of year	(4 427)	(22 392)
Arising on acquisitions of subsidiaries	(5 298)	–
Charged to profit or loss	(63 403)	(93 899)
Taxation payable at end of year	6 303	4 427
	(66 825)	**(111 864)**

35. Business combinations

On 9 January 2017, the group acquired 100% of the shares and voting rights in The Pivotal Fund Limited (Pivotal) and obtained control of Pivotal. The shares were acquired for a consideration of R5.2 billion, settled in Redefine shares. Pivotal was a JSE-listed property developer and capital growth fund.

The business combination is in line with Redefine's strategy to diversify, grow and improve the quality of its portfolio and recycle its capital through disposing of non-core assets and replacing them with prime assets. The acquisition of Pivotal positions Redefine even more competitively in the commercial property sector in line with its strategic intent to become the landlord of choice in A-grade office space in sought-after areas in South Africa. This has given rise to the goodwill recognised below.

For the eight months since acquisition, Pivotal contributed total revenue of R870.1 million and net profit after taxation of R151.6 million to the group's results.

35. Business combinations (continued)

If the business had been acquired on 1 September 2016, management estimates that consolidated revenue and net profit after taxation for the group would have been R8.2 billion and R2.1 billion respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 September 2016.

The group incurred acquisition-related costs of R19.9 million to August 2017. This is disclosed as part of administration costs in the statement of profit or loss and other comprehensive income.

The table on page 90 summarises the assets acquired and liabilities assumed at the date of acquisition. The group results for the six months ended 28 February 2017 reflected provisional goodwill of R379.6 million. A measurement period adjustment relating to the listed securities, investment in associate, trade and other payables and other financial liabilities resulted in a final goodwill amount of R567.7 million as at 31 August 2017.

Key estimates and assumptions

Information on key estimates and assumptions which had the most significant effect on the purchase price allocation, were around fair valuation of investment properties acquired.

The same valuation techniques were used as disclosed in note 3 Investment properties. Investment property was valued at 28 February 2017 adjusted to 1 January 2017 values.

The following unobservable inputs were used during the fair value determination:

Unobservable inputs (% unless otherwise stated)	31 December 2016
Expected market rental growth	6.00 – 8.00
Expected expense growth	7.00 – 10.00
Occupancy rate	96,00
Vacancy periods	0 – 12 months
Rent-free periods	0 – 3 months
Office sector	
Discount rate	12.75 – 14.25
Exit capitalisation rate	7.00 – 8.50
Bulk rate	R1 750 – R3 750 p/m^2
Retail sector	
Discount rate	12.50 – 13.50
Exit capitalisation rate	7.50 – 9.25
Bulk rate	R2 000 – R3 000 p/m^2
Industrial sector	
Discount rate	13.50
Exit capitalisation rate	8.75

35. Business combinations (continued)

Assets and liabilities arising from the acquisition

Figures in R'000s	Notes	31 December 2016*
Assets		
Investment properties	3 & 5	10 363 483
Listed securities	6	907 871
Interest in associate	8	537 804
Loans receivable		1 488 559
Derivative assets		12 703
Property, plant and equipment	11	928
Trade and other receivables		142 025
Other financial assets		1 546
Cash and cash equivalents		103 740
Liabilities		
Interest-bearing borrowings		(7 837 319)
Derivative liabilities		(51 374)
Other financial liabilities		(608 088)
Deferred taxation		(196 504)
Trade and other payables		(208 970)
Interest accrual on interest-bearing borrowings		(11 632)
Taxation payable		(5 298)
Fair value of net assets		**4 639 474**
Goodwill arising from the acquisition		567 724
Purchase consideration		**5 207 198**
Settled in 459 999 805 Redefine shares#		5 207 198
Cash and cash equivalents acquired		103 740
Net cash inflow on acquisition of Pivotal		**103 740**

* *The effective date used for accounting for the business combination in terms of IFRS 3 was 1 January 2017.*

The fair value of the Redefine shares issued was based on the listed closing price on 9 January 2017, being the date that the Redefine shares were transferred to the previous shareholders of Pivotal.

Measurement of fair value

Loans receivable are carried at amortised cost, interest is market related, therefore the amortised cost approximates the fair value. The gross contractual amount receivable for loans receivable is as disclosed above.

Trade and other receivables are carried at amortised cost. Due to their short-term nature, amortised cost approximates the fair value. Trade and other receivables comprises gross contractual amounts due of R146.3 million, net of a provision for doubtful debts of R4.3 million, which is the best estimate at the acquisition date of the contractual cash flows not expected to be collected.

Loans receivable, trade and other receivables and cash and cash equivalents are classified as loans receivables which are carried at amortised cost and which approximates fair value.

Interest-bearing borrowings, other financial liabilities and trade and other payables are classified as other financial liabilities which are carried at amortised cost and which approximates fair value.

Figures in R'000s	2017	2016
36. Commitments		
Capital commitments		
Property acquisitions	–	250 465
Properties under development	2 361 600	1 495 105
Capital improvements on investment properties	632 152	891 772
– approved and committed	632 152	891 772
	2 993 752	2 637 342
Operating lease commitments		
Commitments due in respect of leases entered into by the group on leasehold property.		
– Due within one year	22 525	19 313
– Due within two to five years	54 706	26 430
– Due beyond five years	348 489	215 608
	425 720	261 351
Operating expense commitments		
Contractual commitments are in respect of general maintenance of lifts, escalators and air conditioning installations.		
– Due within one year	196 941	186 754
– Due within two to five years	227 590	135 530
	424 531	322 284
37. Minimum lease payments receivable		
The group leases retail, office, industrial and specialised properties under operating leases. On average the leases typically run for a period of three to five years. Contractual amounts (comprising contractual rental income, excluding the straight-line lease adjustments, and operating expense recoveries) due in terms of signed operating lease agreements:		
– Receivable within one year	6 642 957	4 502 492
– Receivable within two to five years	16 988 310	11 458 094
– Receivable beyond five years	8 432 209	6 261 372
	32 063 476	22 221 958

38. Contingent liabilities

At the date of this report, Redefine has provided guarantees to HSBC Bank PLC in respect of a loan facility to Echo Polska Properties N.V. to a maximum of EUR100 000 000. In the event of the default, Redefine Properties Limited has the option of receiving shares in Echo Polska Properties N.V to the value of the drawn amount. As at 31 August 2017, the drawn amount is EUR71 630 556.

39. Financial risk management

The group's financial risk management objective is to manage the capital and financial risk exposure so that the group continues as a going concern and minimises adverse effects of financial risks on returns.

The group has exposure to the following risks from its use of financial instruments:

- → Liquidity risk;
- → Market risk; and
- → Credit risk.

While risk management is the ultimate responsibility of the board of directors, the board has delegated this responsibility to the audit and risk committee which is responsible for developing and monitoring the group's risk management policies.

The group's risk management policies are established to ensure:

- → Improved risk management and control;
- → The efficient allocation of funds to maximise returns;
- → The maintenance of acceptable levels of risk within the group as a whole; and
- → Efficient liquidity management and control of funding.

The audit and risk committee reviews management's compliance with the group's risk policies and procedures and assesses the adequacy of the risk management framework. The committee reports regularly to the board of directors.

39.1 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group ensures that it has adequate funds available and seeks to borrow for longer terms at lower cost. Liquidity requirements are managed by monitoring forecasted cash flows and the maturity profile of financial liabilities.

A maturity analysis of financial liabilities is set out in the table below.

Financial liabilities

Figures in R'000s	Less than one year	One to five years	More than five years	Total
Year ended 31 August 2017				
Interest-bearing borrowings	9 177 309	29 014 523	36 480	38 228 312
Interest-bearing borrowings at fair value	35 279	2 361 077	–	2 396 356
Interest accrual on interest-bearing borrowings	406 849	–	–	406 849
Derivative liabilities	11 799	372 425	115 139	499 363
Other financial liabilities*	253 038	4 690	–	257 728
Trade and other payables	996 644	–	–	996 644
	10 880 918	**31 752 715**	**151 619**	**42 785 252**
Year ended 31 August 2016				
Interest-bearing borrowings	8 712 932	21 217 370	2 538 490	32 468 792
Interest accrual on interest-bearing borrowings	307 881	–	–	307 881
Derivative liabilities	2 978	35 066	–	38 044
Other financial liabilities*	253 016	–	–	253 016
Trade and other payables	750 341	–	–	750 341
	10 027 148	**21 252 436**	**2 538 490**	**33 818 074**

* *These amounts may be required to be repaid in terms of a guarantee and a written put option. Refer to notes 10 and 22 Other financial assets and liabilities.*

Total group undrawn facilities at year end amount to R3.0 billion (2016: R3.4 billion).

39. Financial risk management (continued)

39.2 Categories of financial instruments

Figures in R'000s	Loans and receivables	At fair value through profit or loss	Total
Year ended 31 August 2017			
Financial assets			
Listed securities	–	1 453 994	1 453 994
Derivative assets#	–	77 743	77 743
Loans receivable	1 844 655	–	1 844 655
Other financial assets	29 519	253 038	282 557
Trade and other receivables	711 498	–	711 498
Cash and cash equivalents	180 661	–	180 661
	2 766 333	1 784 775	4 551 108

	Other financial liabilities	At fair value through profit or loss	Total
Financial liabilities			
Interest-bearing borrowings	32 459 588	–	32 459 588
Interest-bearing borrowings at fair value	–	2 253 598	2 253 598
Interest accrual on interest-bearing borrowings	406 849	–	406 849
Derivative liabilities#	–	499 363	499 363
Other financial liabilities*	257 728	–	257 728
Trade and other payables	996 644	–	996 644
	34 120 809	2 752 961	36 873 770

	Loans and receivables	At fair value through profit or loss	Total
Year ended 31 August 2016			
Financial assets			
Listed securities	–	974 620	974 620
Derivative assets#	–	245 582	245 582
Loans receivable	859 491	–	859 491
Other financial assets	455 895	255 574	711 469
Trade and other receivables	478 071	–	478 071
Listed security income receivable	57 630	–	57 630
Cash and cash equivalents	208 366	–	208 366
	2 059 453	1 475 776	3 535 229

	Other financial liabilities	At fair value through profit or loss	Total
Financial liabilities			
Interest-bearing borrowings	28 190 102	–	28 190 102
Interest accrual on interest-bearing borrowings	307 881	–	307 881
Derivative liabilities#	–	38 044	38 044
Other financial liabilities*	253 016	–	253 016
Trade and other payables	750 341	–	750 341
	29 501 340	38 044	29 539 384

For all financial instruments carried at amortised cost, interest is market related and therefore, the amortised cost approximates the fair value.

The derivatives are classified as held-for-trading in terms of IAS 39.

* *These amounts may be required to be repaid in terms of a guarantee and a written put option. Refer to notes 10 and 22 Other financial assets and liabilities. There is no material difference between the fair values of financial instruments and the amounts recognised in the statement of financial position. The carrying amounts of the right to the Dipula B asset and associated liability reasonably approximate the fair value of the group's continuing involvement in the guarantee and put option.*

Notes to the financial statements (continued)

for the year ended 31 August 2017

39. Financial risk management (continued)

39.3 Market risk

Figures in R'000s	2017	2016
Interest rate risk		
The group is exposed to interest rate risk through its variable rate cash balances, receivables, payables and interest-bearing borrowings. The group reduces its exposure to changes in interest rates by fixing interest rates in respect of its local borrowings. This is achieved by entering into swap agreements to receive variable and pay fixed interest rates. The following percentage of local borrowings have been fixed:	80.9%	82.1%
Refer to note 21 Derivative assets/(liabilities) for disclosure regarding the interest rate swaps.		
An increase of 1% in interest rates for the year would have increased the interest expense and therefore the profit and equity would decrease by:	(50 055)	(40 080)
These amounts are determined by calculating 1% on the amount of the effective floating interest rate liabilities (i.e. total nominal liabilities and fixed interest rate loans).		
Equity price risk		
The group is exposed to equity securities price risk in respect of listed securities held. Any fluctuations in equity prices do not affect distributions paid to shareholders. If equity security prices increased by 5%, the increase in profit and equity would have been:	72 700	48 731
Currency risk		
The group is exposed to currency risk through its foreign interest-bearing borrowings, cross currency interest rate swaps and foreign property assets. These interest-bearing borrowings are used to invest in foreign property assets, while the cross currency swaps are used to hedge out the associated foreign currency risk and interest rate risk. The group manages its currency risk through natural hedges by investing offshore through foreign denominated loans and entering into derivatives which include cross currency interest rate swaps, as well as foreign exchange options.		
It is estimated that a R1.00 increase in the relevant spot exchange rate would decrease the group's expected profit before taxation by:		
Interest expense		
AUD	(10 445)	(12 934)
GBP	(3 966)	(2 442)
EUR	(4 250)	(3 152)
USD	(1 633)	–
Interest-bearing borrowings and interest-bearing borrowings at fair value		
It is estimated that a R1.00 increase in the relevant spot exchange rate would increase the interest-bearing borrowings and interest-bearing borrowings at fair value balances by:		
AUD	(271 500)	(269 659)
GBP	(80 778)	(80 778)
EUR	(203 550)	(303 550)
USD	(40 246)	–

39. Financial risk management (continued)

39.4 Fair value hierarchy for financial instruments and investment property

IFRS 13 requires that an entity disclose for each class of financial instrument and investment property measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety.

The fair value hierarchy reflects the significance of the inputs used in making fair value measurements.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The table below analyses financial instruments and investment property carried at fair value.

The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Figures in R'000s	Fair value	Level 1	Level 2	Level 3
Year ended 31 August 2017				
Assets				
Investment properties*	65 595 849	–	–	65 595 849
Listed securities	1 453 994	1 453 994	–	–
Derivative assets	77 743	–	77 743	–
	67 127 586	1 453 994	77 743	65 595 849
Liabilities				
Interest-bearing borrowings at fair value	2 253 598	2 253 598	–	–
Derivative liabilities	499 363	–	499 363	–
	2 752 961	2 253 598	499 363	–

Level 3 reconciliation:

Year ended 31 August 2017	Balance at beginning of year	Gain/(loss) in profit or loss for the year	Acquisition/ (disposal)	Balance at end of year
Investment properties	49 698 640	1 258 324	8 286 260	59 243 224
Properties under development	2 030 041	(748 134)	2 666 962	3 948 869
Investment property held-for-sale	1 170 172	(7 973)	1 241 557	2 403 756
	52 898 853	502 217	12 194 779	65 595 849

* *Including properties under development and non-current assets (properties) held-for-sale.*

39. Financial risk management (continued)

39.4 Fair value hierarchy for financial instruments and investment property (continued)

Figures in R'000s	Fair value	Level 1	Level 2	Level 3
Year ended 31 August 2016				
Assets				
Investment properties*	52 898 853	–	–	52 898 853
Listed securities	974 620	974 620	–	–
Derivative assets	245 582	–	245 582	–
	54 119 055	974 620	245 582	52 898 853
Liabilities				
Derivative liabilities	38 044	–	38 044	–
	38 044	–	38 044	–

Level 3 reconciliation:

Year ended 31 August 2016	Balance at beginning of year	Gain/(loss) in profit or loss for the year	Acquisition/ (disposal)	Balance at end of year
Investment properties	48 026 479	663 044	1 009 117	49 698 640
Properties under development	1 872 390	(374 773)	532 424	2 030 041
Investment property held-for-sale	1 289 612	(6 843)	(112 597)	1 170 172
	51 188 481	281 428	1 428 944	52 898 853

* *Including properties under development and non-current assets (properties) held-for-sale.*

The fair value gains and losses are included in the fair value adjustment line in profit or loss.

Details of valuation techniques

There have been no significant changes in valuation techniques during the year.

Investment property

Refer to note 3 Investment properties for valuation techniques.

Listed securities

Closing market price on the relevant exchange.

Interest-bearing borrowings at fair value

The exchangeable bonds' fair value is determined with reference to the quoted Bloomberg Valuation Service (BVAL) price.

Derivative assets and liabilities

Foreign exchange options

The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

Interest rate swaps

The fair value is calculated as the present value of the estimated future cash flows. Estimates of the future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources, which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the group and of the counterparty. This is calculated based on credit spreads derived from current credit default swap or bond prices.

Transfers between level 1, level 2 and level 3

There have been no transfers between level 1, level 2 and level 3 during the year under review.

39. Financial risk management (continued)

39.5 Credit risk management

Potential areas of credit risk consist of trade receivables, loans receivable and short-term cash investments. Loans receivable balances are mitigated through security on loans advanced. Refer to security detailed in note 9 Loans receivable. Trade receivables are widely spread over a large customer base. The financial positions of these customers are monitored on an ongoing basis. All specific doubtful debts have been impaired at year end and management did not consider there to be any material credit risk exposure that was not already covered by an impairment adjustment.

The group's exposure to credit risk is mainly in respect of tenants and is influenced by the individual characteristics of each tenant. The group's widespread tenant base reduces credit risk.

Management has established a credit policy under which each new tenant is analysed individually for creditworthiness before the group's standard payment terms and conditions are offered which include, in the majority of cases, the provision of a deposit of at least one month's rental. When available, the group's credit review includes external ratings.

The specifically impaired receivables relate to tenants who have either been summonsed for non-payment, vacated the premises or who have a history of payment default.

Figures in R'000s	2017	2016
Ageing of impaired trade receivables		
Not more than 30 days	9 256	6 279
More than 30 days but not more than 60 days	3 786	3 418
More than 60 days but not more than 90 days	4 284	3 654
More than 90 days	54 093	40 871
	71 419	**54 222**
Movements on the allowance for the impairment of trade receivables are as follows:		
Opening balance	54 222	54 525
Impairment losses recognised on receivables	86 852	56 935
Impairment losses reversed/utilised on receivables	(69 655)	(57 238)
Balance at end of year	**71 419**	**54 222**

The trade receivables allowance and write-offs are included in operating costs.

Amounts charged to the allowance will be written off when all avenues for recovery have been exhausted and there is no expectation that any further cash will be received.

At the reporting date, no geographic area, rental sector or size of tenant had been identified as a specific credit risk.

Receivables past due but not impaired

Receivables are considered to be "past due" when they are uncollected one day or more beyond their contractual due date.

39. Financial risk management (continued)

39.5 Credit risk management (continued)

As at 31 August 2017, group trade receivables of R54.0 million (2016: R39.8 million), were considered past due but not impaired. These include varied customers with no recent history of payment default.

Figures in R'000s	2017	2016
Ageing of trade receivables past due but not impaired		
Not more than 30 days	13 787	17 205
More than 30 days but not more than 60 days	5 624	4 924
More than 60 days but not more than 90 days	4 849	2 935
More than 90 days	29 728	14 767
	53 988	39 831

40. Capital management

In terms of the Memorandum of Incorporation, Redefine has limited borrowings to 100% of property assets. However, to protect Redefine's exposure, the board aims to limit borrowings to 50% of property assets over the long term.

Refer to note 15 Stated capital for disclosure relating to shares issued during the year.

The group's property assets are made up of property, listed securities, loans receivable and investments in associates and joint ventures.

Figures in R'000s	2017	2016
Property assets	84 148 224	72 687 349
Interest-bearing borrowings (net of cash on hand)	34 532 525	27 981 736
Loan to value (%)	41.1%	38.5%

The board's policy is to maintain a strong capital base, comprising its shareholders' interest, so as to maintain investor, creditor and market confidence and to sustain future development of the business. It is the group's stated purpose to deliver long-term sustainable growth in dividends per share. The board of directors monitors the level of dividends to shareholders and ensures compliance with the Income Tax Act and the JSE Listings Requirements. There were no changes in the group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

41. Related-party transactions

Related parties are defined as those entities with which the company transacted during the year and in which the following relationship(s) exist:

Subsidiaries
Alice Lane Trust
Annuity Asset Managers Proprietary Limited
Annuity Properties Limited
Annuity Property Managers Proprietary Limited
Any Name 621 Proprietary Limited
Avanti Trust
Ballywoods Trust
Black River Park Investments Proprietary Limited
Bridgeport 26 Proprietary Limited
Bryanston Place Trust
Carnation Place Trust
Centurion Lifestyle Trust
Erf 2/49 Bryanston Proprietary Limited
Farramere Retail Trust
Fountainhead Property Administration Proprietary Limited
Fountainhead Property Trust
Fountainhead Property Trust Management Limited
Gateway Retail Trust
Greenstone Motor City Trust
Hazeldean Retail Trust
Hillcrest Precinct Trust
Journal Student Accommodation Fund Proprietary Limited
Student Accommodation Operations Proprietary Limited
Madison Property Fund Managers Holdings Limited
Madison Property Fund Managers Limited
Micawber 185 Proprietary Limited
Observatory Business Park Proprietary Limited
Pivotal CCF Proprietary Limited
Pivotal Global Proprietary Limited
Pivotal Goldfields Mall Proprietary Limited
Pivotman Proprietary Limited
Ptn 113 Weltevreden Proprietary Limited
Ptn 3 of Erf 163 Hillcrest Proprietary Limited
Redefine Australia Proprietary Limited
Redefine Commercial Proprietary Limited
Redefine Global Proprietary Limited
Redefine Pacific Proprietary Limited
Redefine Property Management Proprietary Limited
Redefine Retail Proprietary Limited
Respublica Student Living Proprietary Limited
Riverside Office Park Trust
S&J Land Investments Proprietary Limited
SB Wings Development Proprietary Limited
Simmer & Jack Land Development Company Proprietary Limited
Simmer Extensions Proprietary Limited
Sunninghill Retail Trust
The Pivotal Fund Proprietary Limited
The Property Management Team Proprietary Limited
The Redefine Empowerment Trust
Valley View Office Trust
Wonderboom Junction Retail Trust

Associates
Cromwell Property Group
Echo Polska Properties B.V.
International Hotel Properties Limited
Oando Wings Development Limited
Redefine International PLC

Joint ventures
Cromwell Partners Trust

Directors
AJ König
B Mathews (appointed: 9 February 2017)
B Nackan
DA Nathan
DH Rice (resigned: 9 February 2017)
GZ Steffens (resigned: 9 February 2017)
HK Mehta
LC Kok
M Barkhuysen
M Wainer
MJ Ruttell (resigned: 9 February 2017)
MJ Watters (resigned: 9 February 2017)
NB Langa-Royds
P Langeni

Prescribed officers
DH Rice
MJ Ruttell

41. Related-party transactions (continued)

	2017			
Figures in R'000s	Equity-accounted investments	Impairment on investments	Gross loans receivable/(payable)	Sales and services to/(purchases and services from)
Cromwell Property Group	4 889 868	(515 862)	–	1 010
Delta Property Fund Limited	–	–	–	–
Echo Polska Properties B.V.	4 784 916	–	–	57 991
International Hotel Properties Limited	245 993	–	–	–
Redefine International PLC	3 881 671	(688 201)	–	663
Cromwell Partners Trust	887 892	–	–	–
Oanda Wings Development Limited	587 199	–	–	–
Leopard Holdings	–	–	–	–
	–			
AJ König	–	–	35 785	(13 601)
B Nackan	–	–	–	(860)
DA Nathan	–	–	–	(615)
DH Rice	–	–	25 551	(12 644)
GZ Steffens	–	–	–	(300)
HK Mehta	–	–	–	(450)
LC Kok	–	–	10 017	(8 594)
M Barkhuysen	–	–	–	(417)
M Wainer	–	–	39 322	(18 678)
MJ Ruttell	–	–	2 504	(6 250)
MJ Watters	–	–	–	(190)
NB Langa-Royds	–	–	–	(450)
P Langeni	–	–	–	(470)
B Mathews	–	–	–	(263)
	15 277 539	**(1 204 063)**	**113 179**	**(4 118)**
Refer to note	8	27	9	42

2017		2016					
Interest income/ (expense)	Dividend income	Equity-accounted investments	Other receivables	Gross loans receivable/ (payable)	Sales and services to/ (purchases and services from)	Interest income/ (expense)	Dividend income
–	380 069	5 511 449	–	–	584	–	333 322
–	144 289	1 597 967	–	–	118	–	–
–	202 504	3 918 640	–	–	–	–	–
–	5 951	332 767	–	–	–	–	12 247
–	255 065	4 972 179	–	–	1 020	–	314 253
–	87 178	822 646	–	–	–	–	75 024
28 759	–	–	–	–	–	–	–
–	–	798 737	–	–	–	–	–
3 309	–	–	80 192	35 452	(16 503)	2 829	–
–	–	–	–	–	(810)	–	–
–	–	–	–	–	(595)	–	–
2 364	–	–	63 309	25 327	(15 844)	2 586	–
–	–	–	–	–	(565)	–	–
–	–	–	–	–	(425)	–	–
937	–	–	54 868	10 149	(10 052)	639	–
–	–	–	–	–	(300)	–	–
3 635	–	–	168 825	38 924	(22 700)	3 129	–
234	–	–	54 868	2 537	(8 247)	160	–
–	–	–	–	–	(360)	–	–
–	–	–	–	–	(322)	–	–
–	–	–	–	–	(360)	–	–
–	–	–	–	–	–	–	–
39 238	**1 075 056**	**17 954 385**	**422 062**	**112 389**	**(75 361)**	**9 343**	**734 846**
		8	10	9	42		

42. Directors' and prescribed officers' emoluments

Executive directors and prescribed officers

	Short-term			Long-term	Post-employment	
Figures in R'000s	Salary and allowances	Bonuses and performance related payments	Other benefits and payments	Share schemes	Defined contribution	Total
2017						
AJ König	3 898	3 740	155	5 363	445	13 601
LC Kok	2 910	2 872	203	2 267	342	8 594
M Wainer	5 127	5 118	1 182	7 251	–	18 678
DH Rice*	3 416	3 185	243	5 485	315	12 644
MJ Ruttell*	2 250	1 845	–	2 155	–	6 250
	17 601	**16 760**	**1 783**	**22 521**	**1 102**	**59 767**
2016						
AJ König	3 680	2 730	144	4 365	420	11 339
LC Kok	2 750	2 096	186	1 334	323	6 689
M Wainer	4 842	3 585	1 168	6 310	–	15 905
DH Rice	3 243	2 412	209	4 740	297	10 901
MJ Ruttell	2 120	1 378	–	2 246	–	5 744
	16 635	**12 201**	**1 707**	**18 995**	**1 040**	**50 578**

^ *Fees for executive directors sitting on company boards that are part of the group are earned by Redefine Properties Limited, except for a fee of R997 000 (2016: R999 000) paid to M Wainer in his capacity as non-executive director for the Cromwell Property Group. This has been included in the other benefits and payments column.*

* *DH Rice and MJ Ruttell resigned as directors on 9 February 2017. However, they still form part of the executive committee and meet the definition of a "prescribed officer" in terms of the Companies Act, No 71 of 2008.*

Service contracts

Executive directors retire from their positions and from the board (as executive directors) at the age of 65. Though normal retirement age is 65 years for executive directors, the company's retirement policy makes provision to extend the working relationship beyond the normal retirement age. The executive directors are subject to three calendar months' written notice under their existing employment contracts.

Non-executive directors' fees

The fees paid to non-executive directors for the year ended 31 August 2017 were calculated on the following basis as approved by the remuneration committee and by the board, on authority granted by shareholders at the annual general meeting held on 9 February 2017:

42. Directors' and prescribed officers' emoluments (continued)

Figures in R'000s	2017	2016
Basic annual fee for non-executive directors		
Lead independent director	530	500
Non-executive director	380	360
Audit and risk committee chairman	180	170
Audit and risk committee member	150	140
Remuneration and nomination committee chairman/member	70	65
Social, ethics and transformation committee chairman/member	70	65
Investment committee chairman	110	105
Non-executive directors' fees		
B Mathews	263	–
B Nackan	860	810
DA Nathan	615	595
GZ Steffens*	300	565
HK Mehta	450	425
M Barkhuysen	417	300
MJ Watters*	190	360
NB Langa-Royds	450	322
P Langeni	470	360
	4 015	**3 737**

* *GZ Steffens and MJ Watters resigned as non-executive directors on 9 February 2017.*

Following a review of the definition of a "prescribed officer" in terms of the Companies Act, No 71 of 2008, in the context of decision-making processes within the group, executive management and the board have concluded that DH Rice and MJ Ruttell, both who are members of the executive committee, are regarded as "prescribed officers".

43. Directors' and prescribed officers' interest

The interests of the directors and prescribed officers in the shares of Redefine Properties Limited were as follows:

	Beneficial Direct/Indirect	Non-beneficial Associate	Total
2017			
AJ König	4 612 740	–	4 612 740
B Mathews	–	–	–
B Nackan	13 758	–	13 758
DA Nathan	–	–	–
GZ Steffens[x]	–	–	–
HK Mehta	32 903 444	69 190 127	102 093 571
LC Kok	1 873 267	–	1 873 267
M Barkhuysen	100 000	–	100 000
M Wainer	26 894 776	4 553 687^	31 448 463
MJ Watters[x]	–	–	–
NB Langa-Royds	–	–	–
P Langeni	–	–	–
DH Rice*	3 886 082	–	3 886 082
MJ Ruttell*	910 833	–	910 833
	71 194 900	73 743 814	144 938 714

[x] *GZ Steffens and MJ Watters resigned as non-executive directors on 9 February 2017.*

* *DH Rice and MJ Ruttell resigned as directors on 9 February 2017. However, they still form part of the executive committee and meet the definition of a "prescribed officer" in terms of the Companies Act, No 71 of 2008.*

^ *This number of shares includes shares held by Ellwain Proprietary Limited which was received in terms of the Apexhi and Madison merger, an associate of M Wainer, which were also held at the previous year end and at prior year ends, but which were not reflected as an associate non-beneficial holding.*

There have been no changes in the directors' and prescribed officers' interest occurring between the financial year end and the date of approval of these financial statements

43. Directors' and prescribed officers' interest (continued)

	Beneficial Direct/Indirect	Non-beneficial Associate	Total
2016			
AJ König	4 162 557	–	4 162 557
B Mathews	–	–	–
B Nackan	12 718	–	12 718
DA Nathan	–	–	–
GZ Steffens	–	–	–
HK Mehta	32 898 921	69 190 127	102 089 048
LC Kok	1 515 583	–	1 515 583
M Barkhuysen	100 000	–	100 000
M Wainer	21 945 388	348 793	22 294 181
MJ Watters	–	–	–
NB Langa-Royds	–	–	–
P Langeni	–	–	–
DH Rice	3 443 292	–	3 443 292
MJ Ruttell	652 557	–	652 557
	64 731 016	69 538 920	134 269 936

44. Subsequent events

Dividend declaration after the reporting date

In line with IAS 10 *Events After the Reporting Period*, the declaration of the dividend of 47.18 cents per share occurred after the end of the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements.

International Hotel Properties Limited

The group has entered into an agreement per the scheme of arrangement released on SENS and on the Luxembourg Stock Exchange website on 24 August 2017 and 19 October 2017 respectively. The group agreed to exchange all the shares it holds in International Hotel Properties Limited (IHL), for a ratio of 2.5 Redefine International PLC shares for every 1 IHL share. The final conditions precedent for the scheme of arrangement have been met. Refer to IHL website for further information as well as all salient dates regarding the scheme of arrangement.

45. Going concern

The group earned a net profit for the year ended 31 August 2017 of R3.4 billion (2016: R4.61 billion). As of that date, the group had a positive net asset value and its current liabilities exceeded its current assets together with non-current assets held-for-sale by R4.77 billion (2016: R5.93 billion).

Redefine has access to long-term undrawn interest-bearing borrowings (refer to note 19 Interest-bearing borrowings) for additional funding requirements. Based on the above, the directors consider that the group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the group financial statements. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient funding facilities to meet its foreseeable cash requirements.

Property information

Sectoral summary as at 31 August 2017

Figures in R'000s	Office	Retail	Industrial	Specialised	Total
South African investment property					
Investment properties	22 294 016	24 523 035	11 021 088	394 130	58 232 269
Properties under development	619 677	802 840	1 311 752	727 213	3 461 482
Non-current assets held-for-sale	999 916	1 119 878	196 051	–	2 315 845
	23 913 609	**26 445 753**	**12 528 891**	**1 121 343**	**64 009 596**
Respublica Student Living Proprietary Limited^	–	–	–	1 010 955	1 010 955
Foreign investment property					
Properties under development	–	–	–	487 387	487 387
Journal Student Accommodation Fund Proprietary Limited	–	–	–	487 387	487 387
Non-current assets held-for-sale	–	–	–	87 911	87 911
Foreign investment property	–	–	–	87 911	87 911
Total	**23 913 609**	**26 445 753**	**12 528 891**	**2 707 596**	**65 595 849**
Investment properties	22 294 016	24 523 035	11 021 088	1 405 085	59 243 224
Properties under development	619 677	802 840	1 311 752	1 214 600	3 948 869
Non-current assets held-for-sale	999 916	1 119 878	196 051	87 911	2 403 756

^ *The main business of this subsidiary (51% equity interest) is the rental of student accommodation. The total number of beds available is 4 924 beds. The investment properties are located in Gauteng.*

Property information (continued)

South African investment property:

Investment property – Office

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Alice Lane	Gauteng	2 588 900	70 758	13 854 197	224.02	8 914
Multi	90 Rivonia Road	Gauteng	1 150 000	39 864	5 338 617	137.56	1 056
Multi	Black River Office Park	Western Cape	1 113 694	52 735	6 639 189	128.51	1 073
Multi	The Towers	Western Cape	1 086 000	59 358	7 962 026	136.88	1 188
Single	115 West Street	Gauteng	830 000	20 546	–	–	–
Multi	Riverside Office Park	Gauteng	550 000	25 130	5 078 136	235.75	3 590
Multi	Ballyoaks Office Park	Gauteng	527 500	23 410	3 470 945	179.06	4 026
Multi	90 Grayston Drive	Gauteng	510 000	19 886	3 514 926	183.61	743
Single	155 West Street	Gauteng	470 000	24 501	–	–	–
Multi	Convention Tower	Western Cape	435 000	17 896	3 533 666	206.09	750
Multi	Wembley 2	Western Cape	421 500	17 766	2 760 013	156.52	132
Multi	Boulevard Office Park F&G	Western Cape	420 000	16 229	2 530 795	155.94	–
Multi	Hillcrest Office Park	Gauteng	400 800	19 696	3 161 202	163.86	404
Multi	Commerce Square	Gauteng	393 700	17 047	2 841 161	175.78	884
Single	Nedbank Lakeview	Gauteng	393 427	14 183	–	–	–
Multi	Observatory Business Park	Western Cape	367 500	18 739	2 593 826	139.88	196
Multi	Rosebank Towers	Gauteng	355 215	10 956	1 985 215	203.53	1 202
Multi	Constantia Kloof 3	Gauteng	333 400	16 026	2 504 291	156.26	–
Multi	Silver Stream Business Park	Gauteng	298 000	16 364	2 415 489	153.11	588
Multi	Thornhill Office Park	Gauteng	283 600	21 657	2 600 786	139.06	2 954
Multi	22 Fredman Drive	Gauteng	272 000	10 974	2 249 066	204.94	–
Multi	Hampton Office Park	Gauteng	262 200	21 256	2 474 722	129.63	2 166
Multi	Clearwater Office Park	Gauteng	259 800	19 569	1 994 410	108.36	1 164
Multi	Bree Street	Western Cape	249 695	9 072	2 057 551	229.15	93
Multi	Sandhurst Office Park	Gauteng	241 000	8 505	1 071 479	140.47	877
Multi	Wembley 1	Western Cape	230 000	11 067	1 641 812	154.74	457
Multi	Centurion Gate	Gauteng	228 900	11 541	1 935 988	167.75	–
Single	16 Fredman Drive	Gauteng	228 000	11 000	–	–	–
Multi	300 Middel Street	Gauteng	225 000	11 404	2 463 257	216.00	–
Single	Sasfin Head Office Building	Gauteng	209 500	8 028	–	–	–
Single	Ericsson Woodmead	Gauteng	204 700	11 245	–	–	–
Single	CIB Insurance	Gauteng	196 900	7 513	–	–	–
Multi	Douglas Roberts Centre	Gauteng	187 200	19 166	3 085 172	160.97	–
Multi	The Old Match Factory	Western Cape	186 200	12 160	1 382 488	118.36	480
Multi	82 Maude	Gauteng	185 000	10 031	1 111 782	159.37	3 055
Multi	Boulevard Office Park A	Western Cape	184 000	6 725	1 100 873	163.70	–
Single	240/260 Justice Mohamed Street	Gauteng	182 670	13 088	–	–	–
Single	61 Jorrisen Street	Gauteng	171 000	18 181	–	–	–
Multi	Bryanston Place	Gauteng	168 600	8 916	1 546 040	173.40	–
Multi	Boulevard Office Park B&C	Western Cape	164 100	8 062	1 003 938	136.53	709
Multi	Hill on Empire	Gauteng	162 850	7 482	989 683	174.76	1 819
Single	De Beers House	Gauteng	162 300	11 919	–	–	–
Multi	Knowledge Park II	Western Cape	160 000	7 181	1 158 013	161.26	–
Multi	AMR Office Park	Gauteng	159 300	10 563	1 325 065	126.49	87

Investment property – Office (continued)

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Thabakgolo	Limpopo	155 200	13 315	1 451 033	131.71	2 298
Multi	The Atrium Building	Gauteng	154 000	13 555	1 378 790	101.72	–
Multi	Fedsure Forum	Gauteng	140 000	28 722	898 803	58.18	13 273
Multi	Stoneridge Block C D & E	Gauteng	139 600	9 997	1 445 610	149.34	317
Multi	Rosebank Corner	Gauteng	136 239	9 868	1 079 808	119.71	848
Multi	Grayston Ridge Office Park	Gauteng	130 438	11 622	1 252 913	114.68	697
Multi	Essex Gardens	KwaZulu-Natal	123 700	8 498	1 133 686	141.80	503
Single	Accenture	Gauteng	121 200	6 520	–	–	–
Multi	Nedbank Centre Nelspruit	Mpumalanga	120 100	15 367	1 130 900	103.80	4 472
Multi	Opera Plaza Pretoria	Gauteng	105 900	14 946	1 487 536	102.46	428
Multi	Kimberley-Clark House	Gauteng	100 307	7 319	983 071	134.32	–
Multi	Wheat Board	Gauteng	97 700	13 109	972 347	74.17	–
Single	Heron Place	Western Cape	95 600	4 734	–	–	–
Multi	150 Rivonia Road	Gauteng	95 400	6 021	280 688	104.66	3 339
Multi	Knowledge Park	Western Cape	92 700	6 210	822 295	132.41	–
Multi	2 Fricker Road	Gauteng	90 000	5 259	606 818	132.38	675
Multi	Wembley 3	Western Cape	86 000	4 765	684 908	143.74	–
Multi	Stoneridge Block A	Gauteng	83 440	4 590	588 221	141.95	446
Multi	Stonewedge	Gauteng	81 300	7 115	693 308	105.67	554
Multi	Mineralia Building	Gauteng	77 600	13 605	1 728 663	127.06	–
Multi	18 The Boulevard	KwaZulu-Natal	77 200	5 258	890 403	169.34	–
Multi	Silver Point Office Park	Gauteng	75 900	4 781	625 954	141.43	355
Multi	3 Sturdee Avenue	Gauteng	75 150	3 252	451 592	163.74	494
Multi	Surrey Place	Gauteng	74 300	12 004	545 901	87.71	5 780
Multi	Cedarwood House	Gauteng	73 500	4 978	592 992	119.99	36
Multi	Eagle Park	Western Cape	67 700	7 102	438 464	84.81	1 932
Multi	Hyde Park Manor	Gauteng	67 000	4 688	548 267	116.95	–
Multi	Batho Pele House	Gauteng	65 900	14 258	–	–	14 258
Multi	1006 On the Lake	Gauteng	62 600	7 470	447 037	103.36	3 145
Multi	West End Shopping Centre	North West	62 300	21 002	1 013 849	71.01	6 725
Multi	Emanzeni	Gauteng	61 600	9 340	1 052 872	112.73	–
Multi	7 Sturdee Avenue	Gauteng	61 000	4 011	402 804	145.89	1 250
Multi	Stoneridge Block B	Gauteng	54 400	2 759	409 160	156.59	146
Multi	Boskruin Village Office Park	Gauteng	54 200	6 999	518 725	76.29	200
Single	Standard Bank Centurion	Gauteng	53 400	2 732	–	–	386
Multi	Wedgefield	Gauteng	53 100	4 106	481 515	133.75	506
Multi	Curator	Gauteng	52 900	9 009	731 038	118.89	2 860
Multi	Hillcrest Corner	Gauteng	52 500	1 979	406 926	230.03	210
Single	5 Sturdee Avenue	Gauteng	52 500	3 498	–	–	3 498
Single	Kernick House	Gauteng	51 700	3 564	–	–	–
Multi	66 Peter Place	Gauteng	50 400	4 273	475 243	132.79	694
Multi	Delmat House	KwaZulu-Natal	50 400	4 185	422 820	121.99	719
Multi	Ethos Building	Gauteng	50 000	2 521	386 601	154.27	15
Multi	Hillside House	Gauteng	49 700	4 587	134 400	97.53	3 209
Multi	The Ambridge Office Park	Gauteng	48 500	4 873	312 180	74.13	662
Multi	Knowledge Park III	Western Cape	47 700	3 779	435 961	119.64	135
Multi	The Avenues	Gauteng	46 579	6 355	351 271	61.54	647
Multi	Delpen Building	Gauteng	46 500	5 550	566 982	102.16	–

Property information (continued)

Investment property – Office (continued)

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Abcon House	Gauteng	46 100	2 157	308 149	142.86	–
Multi	Allhart Park	Gauteng	44 500	4 665	334 178	94.45	1 127
Single	Nashua House	Gauteng	44 400	7 551	–	–	7 551
Multi	Warich Close Office Park	Gauteng	43 000	4 025	459 671	117.77	122
Multi	Accord House	KwaZulu-Natal	42 600	3 960	428 713	120.32	397
Multi	Jabil House	Gauteng	41 400	3 039	335 382	110.36	–
Multi	Silver Stream Building 3	Gauteng	41 250	4 665	648 937	140.04	31
Multi	Yellowwood House	Gauteng	37 300	2 772	315 343	117.84	96
Multi	Duncan Street	Gauteng	34 650	1 310	259 890	198.39	–
Multi	Gleneagles	Gauteng	34 300	1 813	122 394	125.53	838
Multi	Questek	Gauteng	34 300	1 803	238 966	132.54	–
Multi	Crawford House	Gauteng	29 300	1 898	285 380	150.36	–
Multi	Kent House	KwaZulu-Natal	28 000	2 775	324 718	117.91	21
Land	Centurion Junction	Gauteng	21 800	–	–	–	–
Multi	BDO House	KwaZulu-Natal	20 000	2 208	231 028	104.92	6
Multi	Odyssey Place	KwaZulu-Natal	18 700	2 146	239 619	123.51	206
Single	Embassy House	Gauteng	15 000	3 419	–	–	3 419
Land	Boulevard Annex	Western Cape	14 150	–	–	–	–
Multi	The Ridge	KwaZulu-Natal	11 444	1 014	97 830	127.55	247
Multi	RPA Centre	Gauteng	7 500	1 839	64 685	68.38	893
Multi	Sevenfold	KwaZulu-Natal	5 918	670	58 865	120.13	180
Single	Boulevard Office Park D	Western Cape	4 200	192	–	–	–
			22 294 016	**1 225 366**			**129 453**

Single tenanted office properties weighted average rental rate of R174.59/m².

Properties under development – Office

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Galleria	Gauteng	282 800	–	–	–	–
Loftus	Gauteng	168 950	–	–	–	–
2 Pybus Road	Gauteng	86 000	–	–	–	–
Rosebank Mews	Gauteng	81 927	–	–	–	–
		619 677	**–**	**–**		**–**

Non-current assets held-for-sale – Office

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Thibault Square	Western Cape	518 499	30 567	4 089 253	146.51	2 655
Multi	Jewel City	Gauteng	178 000	42 576	2 025 897	93.68	20 951
Multi	111 Commissioner Street	Gauteng	100 000	29 799	3 076 567	127.13	5 599
Multi	Dunkeld Office Park	Gauteng	98 500	5 631	748 120	152.30	719
Multi	288 On Kent	Gauteng	55 658	14 517	704 064	79.83	5 698
Multi	West End Office Park	Gauteng	49 259	2 202	819 806	531.31	659
			999 916	**125 292**			**36 281**

Investment property – Retail

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Centurion Mall	Gauteng	4 136 000	118 533	28 064 180	243.93	3 484
Multi	Blue Route Mall	Western Cape	1 410 890	55 496	10 864 463	196.01	67
Multi	East Rand Mall	Gauteng	1 329 700	34 389	8 497 672	253.23	832
Multi	Kenilworth Centre	Western Cape	1 288 100	53 387	9 259 406	176.09	805
Multi	Golden Walk	Gauteng	1 066 500	45 251	8 700 167	194.33	481
Multi	Matlosana Mall	North West	1 055 300	64 968	8 082 512	124.41	–
Multi	Centurion Lifestyle	Gauteng	950 600	56 350	7 313 003	136.81	2 897
Multi	The Boulders Shopping Centre	Gauteng	843 900	48 890	7 860 177	168.05	2 117
Multi	Maponya Mall	Gauteng	795 024	36 491	12 281 887	344.85	876
Multi	Goldfields Mall	Free State	778 300	37 956	6 075 197	164.77	1 086
Multi	Stoneridge Centre	Gauteng	761 500	51 430	5 556 548	111.48	1 586
Multi	Sammy Marks Square	Gauteng	753 000	35 557	5 931 173	180.59	2 713
Multi	Wonderboom Junction	Gauteng	699 000	39 236	6 299 754	166.04	1 295
Multi	Benmore Gardens Shopping Centre	Gauteng	603 500	23 387	4 053 063	175.32	269
Multi	Cradlestone Mall	Gauteng	588 000	32 968	4 691 115	149.09	1 503
Multi	Langeberg Mall	Western Cape	495 900	29 851	3 925 946	134.62	688
Multi	Park Meadows	Gauteng	476 000	27 603	4 120 241	152.13	520
Multi	Chris Hani Crossing	Gauteng	411 600	20 274	2 992 568	147.61	–
Multi	Southcoast Mall	KwaZulu-Natal	397 700	34 098	3 850 461	118.36	1 565
Multi	Hazeldean Retail Square	Gauteng	330 700	19 371	2 849 799	152.52	686
Multi	Bryanston Shopping Centre	Gauteng	310 400	13 720	2 591 098	193.02	296
Multi	Ottery Centre	Western Cape	291 300	30 848	2 620 199	85.87	333
Multi	Horizon Shopping Centre	Gauteng	282 000	20 229	2 505 760	128.01	654
Multi	Shoprite Park	Western Cape	256 000	27 819	2 291 230	82.36	–
Multi	Standard Bank Centre Pretoria	Gauteng	253 400	23 698	3 753 495	167.92	1 345
Multi	Ermelo Mall	Mpumalanga	214 400	19 383	1 853 467	95.80	35
Multi	Hillcrest Boulevard	Gauteng	201 200	8 454	1 808 758	215.10	45
Multi	Oakfields Shopping Centre	Gauteng	193 000	11 490	1 546 834	139.14	373
Multi	Alberton Mall	Gauteng	180 800	16 884	1 861 578	110.26	–
Multi	The Mall @ Scottsville	KwaZulu-Natal	160 900	14 301	1 811 615	130.22	389
Multi	Monument Commercial Centre	Gauteng	152 100	19 562	1 473 283	75.31	–
Multi	Gateway Corner	Gauteng	148 000	11 190	1 245 024	111.26	–
Single	Jetmart Pretoria	Gauteng	142 700	11 008	–	–	–
Multi	Festival Square	Gauteng	135 500	11 041	961 479	87.08	–
Multi	Besterbrown	Mpumalanga	131 100	14 333	1 244 233	97.06	1 514
Multi	Finpark	Gauteng	131 000	2 957	133 259	75.84	1 200
Multi	Cross Place	Gauteng	126 500	5 328	1 118 189	212.38	63
Multi	Riverhorse Valley	KwaZulu-Natal	119 200	12 490	1 367 690	109.50	–
Multi	Redefine Towers (320 West Street Durban)	KwaZulu-Natal	102 344	10 646	1 593 641	171.38	1 347
Multi	Riverside Mall	Western Cape	102 000	9 588	1 155 181	120.61	10
Multi	Matsamo Plaza	Mpumalanga	98 100	7 579	895 580	121.83	228
Multi	Moreleta Plaza	Gauteng	96 600	8 857	1 131 773	130.27	169

Property information (continued)

Investment property – Retail (continued)

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Blue Downs	Western Cape	90 600	8 647	983 061	113.69	–
Multi	Botshabelo Shopping Centre	Free State	89 000	15 271	1 153 563	92.11	2 747
Multi	Riverside Junction	Mpumalanga	84 000	10 038	741 730	86.71	1 484
Multi	China Town	Western Cape	80 500	8 227	984 887	119.71	–
Multi	Greenstone Motor City	Gauteng	75 800	5 998	699 740	116.66	–
Multi	66 Smal Street	Gauteng	74 500	2 152	719 135	334.17	–
Single	Unitrans Nissan Clearwater	Gauteng	72 500	4 000	–	–	–
Multi	Posthouse Link	Gauteng	71 600	4 717	657 467	155.43	487
Multi	Bryanston Carvenience	Gauteng	69 800	3 886	627 622	161.51	–
Single	Pro Shop Woodmead	Gauteng	69 100	5 190	–	–	–
Multi	McCarthy Audi Centre West Rand	Gauteng	68 400	4 309	756 563	175.58	–
Multi	Isipingo Junction	KwaZulu-Natal	64 977	5 399	845 735	167.27	343
Multi	Vaal Walk	Gauteng	50 100	17 675	820 530	80.96	7 540
Multi	Acornhoek Shopping Centre	Mpumalanga	49 500	5 403	633 121	117.18	–
Multi	Standerton Centre	Mpumalanga	49 000	6 573	463 163	81.86	915
Multi	CCMA House Rustenburg	North West	48 900	6 376	590 338	100.72	515
Multi	Nedbank Mall	Gauteng	46 800	1 211	721 893	596.11	–
Multi	Post House	Gauteng	43 200	3 217	286 850	107.72	554
Land	Old GM Hatfield	Gauteng	42 000	–	–	–	–
Multi	Nunnerleys	Gauteng	39 000	796	361 415	454.04	–
Single	Williams Hunt Randburg	Gauteng	38 000	3 351	–	–	–
Single	Jet Polokwane	Limpopo	34 700	3 289	–	–	–
Multi	Kemsquare	Gauteng	32 000	7 239	429 814	59.37	–
Single	Shoprite Polokwane	Limpopo	27 000	10 150	–	–	–
Multi	Kine Centre	Gauteng	25 400	1 156	458 129	396.31	–
Multi	Schreiner Chambers	Gauteng	18 100	662	345 790	522.34	–
Multi	Leonita – Mallinick	Gauteng	15 000	1 504	307 128	252.57	288
Single	ABSA Centurion	Gauteng	14 050	1 306	–	–	–
Single	Southern Motors	Gauteng	10 250	3 863	–	–	–
Land	JD Dwarsloop	Mpumalanga	10 200	–	–	–	–
Multi	Tamlea – Arundel	Gauteng	9 300	685	350 315	511.41	–
Multi	East End Shopping Centre	North West	5 300	10 455	176 758	35.11	5 420
Multi	Small Street Mall	Gauteng	4 700	119	99 591	836.90	–
Multi	Lakeside Building A	Gauteng	–	13 061	642 487	175.16	9 393
			24 523 035	**1 352 816**			**61 157**

Single tenanted retail properties weighted average rental rate of R113.88/m².

Properties under development – Retail

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Kyalami Corner	Gauteng	521 440	25 795	2 282 635	695.71	22 514
Wilgespruit	Gauteng	132 500	–	–	–	–
Masingita Mall	Gauteng	59 500	–	–	–	–
Wonderboom Junction Phase 2	Gauteng	49 400	–	–	–	–
Shoprite Claremont	Western Cape	40 000	4 687	64 709	189.76	4 346
		802 840	**30 482**			**26 860**

Non-current assets held-for-sale – Retail

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	N1 City Mall	Western Cape	881 600	37 523	6 598 673	179.65	792
Multi	Witbank Medical Centre	Mpumalanga	139 000	13 896	1 262 038	106.17	2 009
Multi	Turfloop Plaza	Limpopo	99 278	6 734	942 252	139.92	–
			1 119 878	**58 153**			**2 801**

Investment property – Industrial

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Pepkor Isando	Gauteng	833 500	107 017	6 467 142	60.43	–
Single	Robor	Gauteng	646 000	120 277	–	–	–
Single	Macsteel Lilianton Boksburg	Gauteng	595 900	73 071	–	–	–
Single	Macsteel VRN Roodekop	Gauteng	348 080	57 645	–	–	–
Single	Macsteel Coil Processing Wadeville	Gauteng	347 170	52 886	–	–	–
Single	Macsteel Tube & Pipe Usufruct	Gauteng	325 060	68 822	–	–	–
Multi	Cato Ridge DC	KwaZulu-Natal	306 370	50 628	2 826 993	55.84	–
Multi	Wingfield Park	Gauteng	300 000	56 486	2 442 549	46.58	4 053
Single	Dawn	Gauteng	299 000	22 069	–	–	–
Single	Macsteel Trading Germiston South	Gauteng	294 900	56 495	–	–	–
Single	Macsteel Cape Town	Western Cape	230 900	38 340	–	–	–
Multi	GM – COEGA	Eastern Cape	220 391	38 515	1 832 273	47.57	–
Multi	34 Wrench Road	Gauteng	189 700	24 452	–	–	24 452
Multi	Mifa Industrial Park	Gauteng	188 100	35 309	1 825 663	61.27	5 511
Single	Macsteel Trading Durban	KwaZulu-Natal	183 890	21 540	–	–	–
Multi	Ushukela Industrial Park	KwaZulu-Natal	177 005	27 226	1 436 241	61.63	3 922
Single	Edcon	Gauteng	157 400	23 308	–	–	–
Multi	Waltloo DC	Gauteng	154 000	25 735	1 245 791	48.41	–
Single	Heron Industrial	Western Cape	152 100	23 803	–	–	–
Single	8 Jansen Road	Gauteng	148 300	24 147	–	–	–
Multi	CTX Business Park	Western Cape	145 000	18 484	1 193 439	64.57	–
Single	Macsteel Trading Wadeville	Gauteng	141 300	24 128	–	–	–
Single	Macsteel Roofing Wadeville	Gauteng	137 990	23 729	–	–	–
Multi	Strydom Industrial Park	Gauteng	132 100	24 994	1 448 705	66.31	3 148

Property information (continued)

Investment property – Industrial (continued)

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	190 Barbara Road	Gauteng	131 300	24 479	990 782	40.47	–
Single	29 Springbok Road	Gauteng	126 118	20 067	–	–	–
Multi	12 Piet Rautenbach Street	Gauteng	124 900	27 795	1 690 838	60.83	–
Multi	Nasrec Road – Aeroton	Gauteng	119 300	15 575	888 627	57.05	–
Multi	Midway Park	Gauteng	116 000	14 286	999 405	69.96	–
Multi	1 Springbok Road	Gauteng	115 737	15 729	1 431 715	91.02	–
Single	Macsteel Special Steels Dunswart	Gauteng	113 390	19 334	–	–	–
Single	City Deep 45 & 46	Gauteng	108 600	13 407	–	–	–
Single	Tetford Circle	KwaZulu-Natal	107 608	9 515	–	–	–
Single	Moresport DC	Western Cape	106 000	12 991	–	–	–
Single	Coricraft – Stormill	Gauteng	103 000	19 369	–	–	–
Multi	2 Lake Road	Gauteng	98 485	13 547	1 064 082	78.55	–
Multi	Supreme Industrial Park	Gauteng	93 900	31 058	1 134 138	48.65	7 747
Multi	Murrayfield	KwaZulu-Natal	92 600	16 822	1 215 422	75.39	700
Single	Macsteel Trading Klerksdorp	North West	87 250	15 263	–	–	–
Single	Macsteel Trading Witbank	Mpumalanga	86 010	5 018	–	–	–
Single	Litha Medical	Gauteng	85 300	10 129	–	–	–
Multi	Schneider Midrand	Gauteng	82 300	11 924	673 764	56.50	–
Multi	Spearhead Business Park	Western Cape	81 200	13 549	893 883	66.92	191
Multi	Golf Air Park II	Western Cape	81 000	12 807	424 153	49.67	4 268
Single	Macsteel Roofing Harvey	Gauteng	79 950	14 133	–	–	–
Single	Rage Distribution	Gauteng	73 000	9 000	–	–	–
Single	Trentyre Spartan	Gauteng	69 800	12 344	–	–	–
Single	Le Sel 1	Gauteng	67 176	11 606	–	–	–
Multi	Le Sel 2	Gauteng	66 940	10 680	644 767	60.37	–
Multi	BAT	Gauteng	65 800	6 748	506 972	75.13	–
Single	14 Piet Rautenbach Street	Gauteng	65 000	7 834	–	–	–
Multi	18 Halifax Road	KwaZulu-Natal	63 539	14 693	745 780	50.76	–
Multi	Ferreiras North Riding	Gauteng	63 300	27 144	739 397	27.24	–
Multi	Platinum Park	Western Cape	62 000	9 362	566 914	65.84	751
Multi	Hirt & Carter	Gauteng	60 480	6 083	382 579	62.89	–
Single	Buco	Gauteng	58 400	27 000	–	–	–
Single	Macsteel VRN Pinetown	KwaZulu-Natal	57 640	7 517	–	–	–
Single	Macsteel Trading Rustenburg	North West	56 930	7 860	–	–	–
Single	SSAB	Gauteng	56 152	9 473	–	–	–
Multi	Golf Air Park	Western Cape	52 400	14 800	615 920	41.62	–
Single	Aveng Stormill	Gauteng	52 200	5 965	–	–	–
Single	26-28 Christiaan Avenue	Western Cape	52 100	13 727	–	–	–
Single	Macsteel Trading Nelspruit	Mpumalanga	48 740	5 262	–	–	–
Multi	Jupiter Ext. 1	Gauteng	48 300	11 507	–	–	11 507
Multi	Ohm Street Industrial Park	Gauteng	47 700	12 773	624 940	48.93	–
Single	11 Galaxy Avenue	Gauteng	47 541	6 217	–	–	–
Single	S Burde	Gauteng	46 700	19 047	–	–	10 610
Single	Macsteel Trading Bloemfontein	Free State	45 900	4 947	–	–	–

Investment property – Industrial (continued)

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Creation	North West	45 600	28 723	565 290	20.11	607
Single	Erf 681 – Alrode	Gauteng	44 700	20 935	–	–	–
Single	Trencor	Western Cape	43 800	6 861	–	–	–
Multi	East Balt	Gauteng	43 700	9 924	437 585	44.09	–
Single	Macsteel Special Steels Meyerton	Gauteng	43 570	11 693	–	–	–
Single	Macsteel VRN Richards Bay	KwaZulu-Natal	41 750	4 117	–	–	–
Single	GNLD International	Gauteng	41 026	5 477	–	–	–
Multi	Elvey Security	Gauteng	38 100	3 989	273 003	68.44	–
Single	6 Kruger Street	Gauteng	37 400	7 590	–	–	–
Multi	Deutz Diesel	Gauteng	36 000	7 678	296 722	38.65	–
Single	52 Mimetes Road	Gauteng	35 200	7 567	–	–	–
Multi	77 & 78 Plane Road	Gauteng	34 700	9 138	417 227	48.03	452
Single	Hoist Avenue	Western Cape	33 500	5 051	–	–	–
Single	Macsteel Trading Pretoria	Gauteng	32 930	7 698	–	–	–
Single	2 Sterling Road	Gauteng	32 800	7 144	–	–	–
Single	Macsteel Kimberley	Northern Cape	32 150	6 822	–	–	–
Single	64 Mimetes Road	Gauteng	29 300	5 136	–	–	–
Multi	Denver Industrial Park	Gauteng	27 600	12 830	375 414	40.87	3 644
Single	66 Mimetes Road	Gauteng	27 030	5 903	–	–	–
Single	Macsteel VRN Rustenburg	North West	25 450	4 724	–	–	–
Single	Macsteel VRN Vaal	Gauteng	25 050	6 943	–	–	–
Single	Macsteel Trading Welkom	Free State	22 900	5 550	–	–	–
Single	Aviz Labs	Gauteng	20 300	2 871	–	–	–
Single	Aristocrat Tech	Gauteng	19 394	2 158	–	–	–
Land	Golf Air Park III	Western Cape	17 866	–	–	–	–
Land	Macsteel Hudson Road	KwaZulu-Natal	16 240	–	–	–	–
Single	Macsteel Roofing Queenstown	Eastern Cape	16 020	4 674	–	–	–
Single	Trentyre Spartan 2	Gauteng	13 600	3 138	–	–	–
Single	Macsteel VRN Klerksdorp	North West	11 630	2 370	–	–	–
Single	Macsteel Trading Newcastle	KwaZulu-Natal	5 400	2 060	–	–	–
Single	Precision House	Gauteng	2 640	604	–	–	–
Land	Erf 4462 Clayville	Gauteng	1 900	–	–	–	–
			11 021 088	**1 846 860**			**81 563**

Single tenanted industrial properties weighted average rental rate of R 51.06/m².

Property information (continued)

Properties under development – Industrial

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
S & J Industrial	Gauteng	637 670	–	–	–	–
Atlantic Hills	Western Cape	161 150	–	–	–	–
Cornubia Ptn 20 & 21	KwaZulu-Natal	148 774	–	–	–	–
Mainland – Phase Two	Western Cape	121 665	–	–	–	–
Cornubia Ptn 17 & 18	KwaZulu-Natal	83 040	–	–	–	–
Stikland	Western Cape	81 546	–	–	–	–
Cornubia Ptn 22	KwaZulu-Natal	56 117	–	–	–	–
Triangle	Western Cape	14 941	–	–	–	–
BGM 1 – GEA	Western Cape	4 490	–	–	–	–
BGM 3	Western Cape	2 359	–	–	–	–
		1 311 752	**–**	**–**		**–**

Non-current assets held-for-sale – Industrial

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Freeway Centre	Gauteng	103 000	41 830	1 168 921	32.93	6 338
Multi	101 Lawley	KwaZulu-Natal	45 080	33 249	813 197	24.46	–
Single	56 Rigger Road	Gauteng	38 271	16 216	–	–	16 216
Single	Amalgamated Inv – Tedelex	Gauteng	9 700	18 633	–	–	18 633
			196 051	**109 928**			**41 187**

Investment property – Specialised

Multi/single tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Single	Bedford Gardens Hospital	Gauteng	331 676	12 817	–	–	–
Single	Southern Sun OR Tambo International Airport	Gauteng	62 454	14 153	–	–	–
			394 130	**26 970**			–

Single tenanted specialised properties weighted average rental rate of R176.93/m².

Properties under development – Specialised

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Hatfield Square	Gauteng	517 500	2 888	120 085	77.18	1 332
15 Baker Street	Gauteng	116 500	–	–	–	–
Yale Village	Gauteng	93 213	–	–	–	–
		727 213	**2 888**			**1 332**

%	Office	Retail	Industrial	Specialised	Total
Weighted average portfolio escalation	7.7	7.4	7.7	8.4	7.6
Average annualised property yield	8.6	7.8	8.1	12.7	8.2

Property portfolio

South African investment property

Geographical profile

Province	Number of properties	GLA (m²)	GLA (%)	GMR R'000	GMR (%)
Gauteng	220	3 341 737	70	337 694	70
Western Cape	48	730 187	15	91 275	19
KwaZulu-Natal	28	295 015	6	22 856	5
Other	31	411 816	9	31 344	6
	327	**4 778 755**	**100**	**483 169**	**100**

Tenant profile

Sector	Grade	GLA (m²)*	GLA (%)
Office		**1 184 924**	
	A Grade	788 031	67
	B Grade	188 588	16
	C Grade	208 305	18
Retail		**1 350 633**	
	A Grade	933 973	69
	B Grade	201 391	15
	C Grade	215 269	16
Industrial		**1 834 038**	
	A Grade	1 387 319	76
	B Grade	332 835	18
	C Grade	113 884	6
Specialised		**28 526**	
	A Grade	26 970	95
	C Grade	1 556	5
		4 398 121	

* *Occupied GLA only (total GLA less vacancy).*

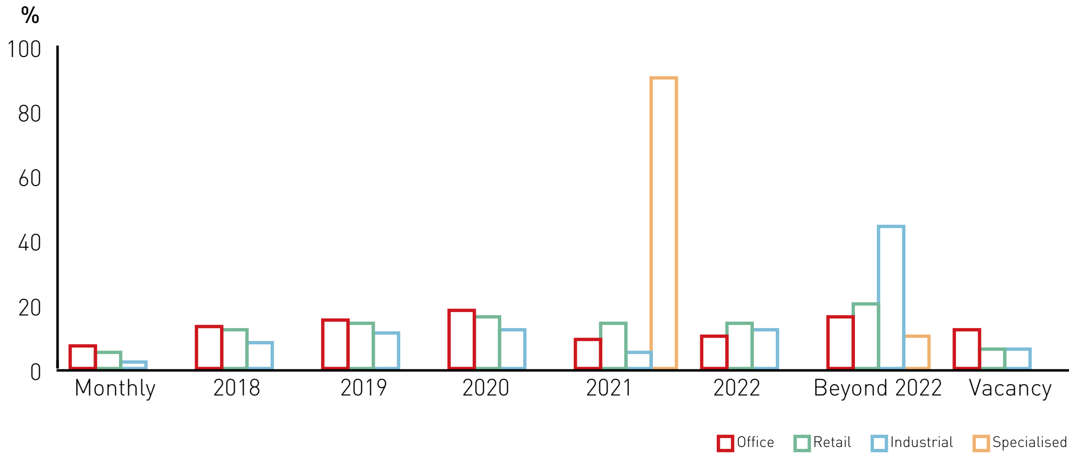
Grade A: Major corporates, JSE listed companies. national retailers. local and international government (including all departments. embassies. consulates and parastatals) and local subsidiaries of international businesses.

Grade B: Medium to large sized corporates and franchisees (with no lease surety or where no substitution is in place).

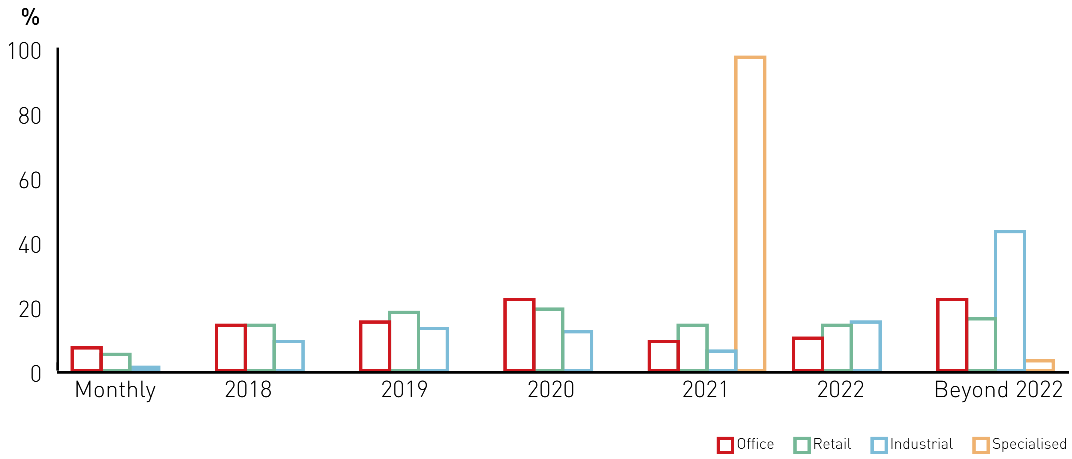
Grade C: Comprises individuals and sole proprietorships as well as other legal entities that occupy less than 300m². 2 697 of the group tenants have been classified as C grade.

Property information (continued)

LEASE EXPIRY PROFILE BY GLA



LEASE EXPIRY PROFILE BY GMR



Shareholders' analysis

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	7 200	25.50	1 987 608	0.04
1 001 – 10 000	11 100	39.31	49 468 739	0.88
10 001 – 100 000	7 854	27.82	235 257 788	4.16
100 001 – 1 000 000	1 541	5.46	486 134 222	8.60
Over 1 000 000	538	1.91	4 877 203 908	86.32
Total	**28 233**	**100.00**	**5 650 052 265**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance companies	76	0.27	162 851 297	2.88
BEE entities	1	0.01	33 945	0.00
Close corporations	271	0.96	15 432 895	0.27
Collective investment schemes	741	2.62	2 317 414 206	41.04
Control accounts	7	0.02	752 741	0.01
Custodians	92	0.33	177 516 932	3.14
Foundations and charitable funds	261	0.92	40 739 617	0.72
Hedge funds	14	0.05	2 989 560	0.05
Insurance companies	30	0.11	25 785 620	0.46
Investment partnerships	104	0.37	14 351 184	0.25
Managed funds	133	0.47	103 327 424	1.83
Medical aid funds	39	0.14	14 212 752	0.25
Organs of state	7	0.02	757 224 955	13.40
Private companies	577	2.04	312 749 138	5.54
Public companies	18	0.06	25 475 944	0.45
Public entities	6	0.02	3 865 282	0.07
Retail shareholders	22 082	78.21	273 292 237	4.84
Retirement benefit funds	465	1.65	741 234 602	13.12
Scrip lending	37	0.13	61 789 639	1.09
Sovereign funds	16	0.06	11 279 403	0.20
Stockbrokers and nominees	67	0.24	79 936 212	1.41
Treasury and share schemes	3	0.01	19 854 614	0.35
Trusts	3 170	11.23	487 868 890	8.63
Unclaimed scrip	16	0.06	73 176	0.00
Total	**28 233**	**100.00**	**5 650 052 265**	**100.00**

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	16	0.07	752 811 793	13.33
Government Employees Pension Fund	1	0.01	588 018 465	10.41
Directors and associates (including share schemes)	12	0.04	144 938 714	2.57
Own holdings	1	0.01	5 876 766	0.10
Other employees	2	0.01	13 977 848	0.25
Public shareholders	28 217	99.93	4 897 240 472	86.67
Total	**28 233**	**100.00**	**5 650 052 265**	**100.00**

Shareholders' analysis (continued)

Beneficial shareholders with a holding greater than 2% of the issued shares	Number of shares	% of issued capital
Government Employees Pension Fund	662 595 691	11.73
Coronation Fund Managers	307 300 341	5.44
The Redefine Empowerment Trust	300 000 000	5.31
Old Mutual Group	231 657 204	4.10
Stanlib	201 555 793	3.57
Vanguard	197 334 161	3.49
Prudential	173 156 235	3.06
Alexander Forbes Investments	138 403 316	2.45
Sanlam Group	136 317 760	2.41
MMI	133 453 030	2.36
Eskom Pension and Provident Fund	127 203 782	2.25
Investec	117 865 186	2.09
Ishares	114 902 277	2.03
Total	**2 841 744 776**	**50.29**

Fund managers with a holding greater than 2% of the issued shares	Number of shares	% of issued capital
Public Investment Corporation	694 723 195	12.30
Coronation Fund Managers	422 426 497	7.48
Stanlib Asset Management	265 416 714	4.70
Prudential Investment Managers	244 071 081	4.32
Investec Asset Management	218 153 134	3.86
Vanguard Investment Management	209 199 564	3.70
Old Mutual Investment Group	202 392 113	3.58
BlackRock	183 559 563	3.25
Sesfikile Capital	162 778 434	2.88
State Street Global Advisors	151 132 556	2.67
Sanlam Investment Management	129 512 672	2.29
Meago Asset Management	124 792 838	2.21
Total	**3 008 158 361**	**53.24**

	2017	2016
Shares in issue		
Total number of shares in issue	5 650 052 265	5 062 307 743
Shares in issue (net of treasury shares)	5 288 655 364	4 700 910 847
Weighted average number of shares in issue (net of treasury shares)	5 053 450 950	4 500 281 473
Trading volumes		
Volume traded during period	3 026 584 932	3 292 686 219
Ratio of volume traded to shares issued	53.57%	65.04%
Ratio of volume traded to weighted number of shares issued	59.89%	73.17%
Rand value traded during the year	R33 087 215 387	R36 035 700 877
Market capitalisation at 31 August	R60 229 557 145	R55 786 631 328
Number of shareholders	28 233	27 869
Opening price 1 September	R11.06	R11.40
Closing price 31 August	R10.66	R11.02
Closing high for year	R11.60	R12.37
Closing low for year	R10.17	R8.20

Definitions

ASX	Australian Securities Exchange
AUD	Australian dollar
BBBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
CBD	Central business district
CPT	Cromwell Partners Trust
CGU	Cash-generating unit
Delta	Delta Property Fund
EMIRA	Emira Property Fund
EPP	Echo Polska Properties N.V.
EUR	Euro
GBP	British pound
GLA	Gross lettable area
GMR	Gross monthly rental
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Committee
IHL	International Hotel Properties Limited
IPD	Investment Property Databank
IRBA	Independent Regulatory Board for Auditors
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
JV	Joint venture
KZN	KwaZulu-Natal
LSE	London Stock Exchange
NAV	Net asset value
NCI	Non-controlling interest
Pivotal	Pivotal Property Fund
PLC	Public limited company
REIT	Real Estate Investment Trust
RI PLC	Redefine International PLC
SA	South Africa/South African
SAICA	South African Institute of Chartered Accountants
SAPOA	South African Property Owners Association

Administration

REDEFINE PROPERTIES LIMITED

Incorporated in the Republic of South Africa
Registration number 1999/018591/06
JSE Share code RDF ISIN: ZAE000190252
Approved as a REIT by the JSE

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