GROUP ANNUAL FINANCIAL STATEMENTS

2018

Where **purpose** and responsibility meet.

AFS Accountability

REDEFINE PROPERTIES

We're not landlords. We're people.

About **Redefine**

Redefine Properties (Redefine) is a leading South African-based Real Estate Investment Trust (REIT), with the primary goal of growing and improving cash flow to deliver quality earnings which will underpin growth in distributions and sustained value creation for all stakeholders.

- We are listed on the Johannesburg Stock Exchange (JSE) and are included in the Top 40 **Index**
- We actively manage a diversified property asset platform with a value of **R91.3 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 multiple international real estate markets
- We differentiate ourselves by placing people at the **heart of what we do**

Our reporting suite

We are committed to report openly and honestly to our broad range of stakeholders. To view the full suite, please visit our website www.redefine.co.za

Our **integrated report (IR)** is the primary report to our stakeholders. It is structured to show the relationship between the interdependent elements involved in our value creation story

Group annual financial statements (AFS) is a comprehensive report of the group's financial performance for the year

Environmental, social and governance report (ESG) is a detailed account of the group's holistic performance for the year, covering environmental, social and governance elements. The report also includes the **remuneration report**, as well as the social, ethics and transformation committee report

Notice of annual general meeting (AGM) provides supporting information for shareholders to participate in the AGM

Our reporting suites are in compliance with:	IR	AFS	ESG	AGM
The International Integrated Reporting <IR> Framework				
The Companies Act, No 71 of 2008, as amended (Companies Act)				
The JSE Limited Listings Requirements				
King IV report on Corporate Governance for South Africa 2016 (King IV)				
International Financial Reporting Standards (IFRS)				

How to navigate our report

Throughout our group annual financial statements, the following icons are used to show the connectivity between sections:

CAPITALS

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

MATERIAL MATTERS

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

Contents

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

These financial statements have been audited by KPMG Inc. in compliance with section 30 of the Companies Act 2008, as amended, and the preparation of these annual financial statements was supervised by LC Kok CA(SA), financial director of Redefine Properties Limited. These financial statements are published on 5 November 2018.

Feedback

Your feedback is important to us and we welcome your input to enhance the quality of our reporting.

Please visit www.redefine.co.za or email investorenquiries@redefine.co.za

The essence of who we are

To create sustained value, you must do it from a place of

PURPOSE

Our purpose is to create and manage spaces in a way that changes lives

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

are what connect us

BRAVE

We strive to be excellent
We pursue innovation
We embrace change

ETHICAL

We show integrity
We are fair and consistent
We are honest and caring

SUSTAINABLE

We create lasting value
We consider long-term impacts
We grow together

TRUSTWORTHY

We earn trust
We show respect
We place people at the heart of everything we do

b 1 e 2 s 3 t 4

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.

MATERIAL MATTERS

We formulate our medium and long-term business strategy by using our material matters as our guiding principles.

OUR STRATEGY

is not about what we do – it is a matter of being different at what we do

AFS 2018

Group annual financial **statements**

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 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 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 business will not be a going concern 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 2018 and are signed by:

AJ König
Authorised director

LC Kok
Authorised director

Certificate by **company secretary**

In terms of section 88(2)(e) of the Companies Act 2008, as amended, I declare that to the best of my knowledge, for the year ended 31 August 2018, Redefine Properties Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

B Baker
Company secretary

2 November 2018

Audit and **risk committee report**

The audit and risk committee (the committee) is pleased to present its report for the financial year ended 31 August 2018, in line with the Companies Act, the JSE Listings Requirements and King IV.

The committee acts for the company, as well as its subsidiaries (the group), and is accountable to both the board and shareholders. It operates within documented terms of reference and acts in accordance with its statutory duties, the delegated authority of the board and within the recommendations of King IV. The committee's terms of reference were reviewed, updated and approved in February 2018, taking into account material amendments to the JSE Listings Requirements and ensuring that the principles of King IV remained adequately entrenched therein.

Mindful governance and value creation

Ensuring integrated thinking

Taking an integrated approach to decision-making remains top-of-mind in order to sustain value for all our stakeholders. During the year, matters discussed touched on the following elements of value creation for the business:

RESOURCES	STAKEHOLDERS	MATERIAL MATTERS
Financial capital	Investors and funders	Operate efficiently
Manufactured capital	**BUSINESS ACTIVITIES**	Invest strategically
Intellectual capital	Support services	Optimise capital
Human capital	Capital management	Engage talent
		Grow reputation

GOVERNANCE OUTCOMES	SUSTAINABLE DEVELOPMENT GOALS
Effective control; Good performance	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities

...and value creation through sustained growth in total returns.

Our focus areas for 2018

During the financial year, the committee's **primary purpose** comprised providing oversight for:

- Financial matters
  - Reviewing the expertise, resources and experience of the finance function, including the group's financial director
  - Evaluating financial reporting and accounting practices
  - Overseeing internal financial controls and compliance
- External audit-related matters
- Internal audit matters
- Governance functional areas
  - Evaluating risk governance
  - Providing oversight for information and technology (IT) governance
  - Assessing the integrated report

and it spent its time as follows:

20%	15%	35%	15%	15%
External audit-related matters	Internal audit matters	Financial reporting and accounting practices, including a review of the group's finance function	Governance functional areas	Internal financial controls

Committee composition and meeting procedures

The committee, appointed by the board and approved by shareholders at the company's annual general meeting on 15 February 2018, comprised three independent non-executive directors, all of whom satisfied the requirements of section 94(4) of the Companies Act. As a collective and having regard to the size and circumstances of the group, the committee was adequately skilled and all members possessed the appropriate financial and related qualifications, skills, financial expertise and experience required to discharge their responsibilities.

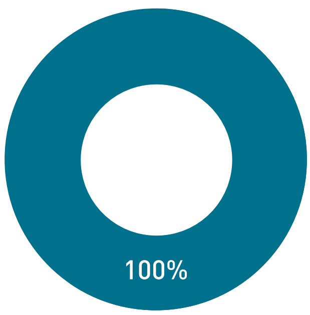
During the 2018 financial year, the committee met on six occasions and meetings were scheduled in line with the group's financial reporting cycle. The committee also met separately with the internal and external auditors.

NAME	AGE	APPOINTED	DESIGNATION	ATTENDANCE	EXPERTISE
Phumzile Langeni BCom, BCom (Hons), MCom	44	February 2017	**Independent non-executive chair**	100% 6/6 meetings	
Bernard Nackan BA Economics, SEP	74	October 2009	**Independent non-executive member**	100% 6/6 meetings	
David Nathan CA(SA)	69	March 2014	**Independent non-executive member**	100% 6/6 meetings	
Other regular meeting attendees (by invitation)	Executive chair, chief executive officer, financial director, chief operating officer, group financial management, head of risk and compliance, internal and external audit				

Leadership | Finance | Industry/operations | Risk and opportunity management | Tax | Compliance and governance | Environmental sustainability | Human resources

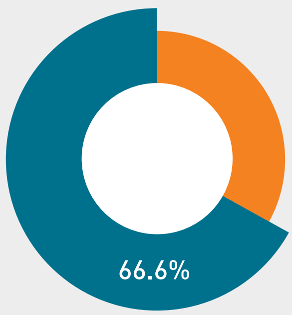
Diversity of membership in 2018

INDEPENDENCE



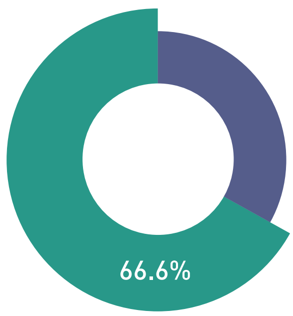
- Independent non-executive directors: 3 (100%)
- Non-executive directors: 0
- Executive directors: 0

GENDER



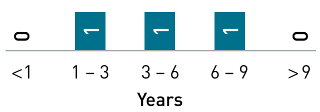
- Female: 1 (33.3%)
- Male: 2 (66.6%)

RACE

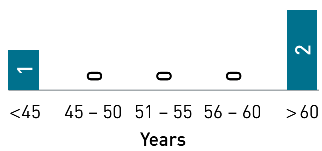


- Black: 1 (33.3%)
- White: 2 (66.6%)

TENURE



AGE



Audit and **risk committee report** (continued)

Discharge of duties for the 2018 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:

Financial matters

Reviewing the expertise, resources and experience of the 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 as to the quality and effectiveness of the finance function and the adequacy of the resources employed therein.

In evaluating the finance function, the committee considered and resolved that:

- Management of the finance function demonstrated a commitment to character, integrity and high ethical values, as well as a commitment to competence
- The organisational structure of the finance function was appropriately designed and the finance function assigned authority and responsibility in a manner that promoted accountability and control
- Appropriate and necessary information was obtained from and provided to management
- The finance function's management philosophy and operating style were consistent, with a sound control environment
- The finance function properly applied accounting principles in the preparation of the financial statements, and financial reporting and related information systems were considered reliable

Evaluating financial reporting and accounting practices

The committee reviewed the integrity of the interim results and annual financial statements for the year ended 31 August 2018, including the public announcements of the group's financial results, and made recommendations to the board for their approval. In the course of its review, the committee:

- Took steps to ensure that the financial statements were prepared in accordance with IFRS and in compliance with the provisions of the Companies Act and the JSE Listings Requirements
- Considered the appropriateness of significant accounting policies and disclosures made
- Completed a detailed review of the going concern assumption, confirming that it was appropriate in the preparation of the financial statements
- Considered and noted the general proactive monitoring report issued by the JSE in February 2018 and ensured that appropriate actions were taken to apply the recommendations made by the JSE therein

The committee considered the significant accounting matters, key estimates and assumptions made in connection with the preparation of the financial statements and confirmed that these were appropriate. Those matters that rely on key estimates and assumptions and are believed to have the most significant effect on the financial statements are set out hereunder:

Exercise of judgement regarding the valuation methodology and key inputs used when valuing investment properties and properties under development

The group's property portfolio is externally valued on an annual basis. For the purposes of evaluations at 31 August 2018, the valuation methodologies and key inputs were thoroughly assessed and benchmarked. Following such assessment, it was concluded that the methodologies were appropriate and the final valuations were approved accordingly.

Estimation of recoverable amounts when conducting goodwill impairment calculations

In 2018, management estimated the recoverable amount of cash-generating units to which goodwill was allocated when determining the annual impairment of goodwill.

Testing impairment of investments in associates

Investments in associates are tested for impairment where impairment indicators are present. Such indicators comprise diminishing dividend growth rates; net assets of the company being higher than its market capitalisation; the carrying amount of the associate being higher than the carrying amount of the investees' assets; and/or the receipt of a dividend exceeding the total comprehensive income of the investee.

During 2018, management performed impairment calculations by comparing the carrying amount of the investment to its recoverable amount, being the higher of the fair value less cost of disposal and the value in use.

Accounting for investments in foreign associates and joint ventures

In accordance with the group's accounting policies, investments in associates and joint ventures were measured at cost, with the group's share of post-acquisition earnings recognised in profit or loss and other comprehensive income. The application of this equity method is complex and comprises inherent risks relating to, *inter alia*, movement in exchange rates and complex foreign currency translation reserve calculations.

Business combinations versus asset acquisitions

The directors assessed the properties acquired during the year and concluded that most of the acquisitions were property acquisitions in terms of IAS 40 *Investment property* and did not constitute businesses in terms of IFRS 3 *Business combinations*, as there were no adequate processes identified within such properties to warrant business classifications.

The committee similarly challenged and satisfied itself as to the methods used to account for the following significant transactions:

- The acquisition of Chariot Top Group B.V.
- The disposal of a portion of the group's investment in the Cromwell Property Group
- The acquisition of Logistics Platform B.V., which was accounted for as a business combination

Such matters were considered by the committee based on discussions with, and submissions by management and were discussed with the external auditors during the planning stage of the audit and again on the completion thereof.

Audit and **risk committee report** (continued)

The committee was not required to deal with any complaints relating to accounting practices or internal audit, nor to the content or audit of the financial statements, nor internal financial controls and related matters. It remains committed to the highest standards of financial disclosure and is satisfied that appropriate financial reporting procedures are in place and that these are operating effectively.

Overseeing internal financial controls and compliance

The committee exercised ongoing oversight of internal financial controls and compliance and ensured continued monitoring of the group's regulatory environment and the appropriate responses to changes and developments therein. In exercising these functions, the committee:

- → Reviewed quarterly funding reports prepared by management and monitored compliance with financial covenants
- → Assessed 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 group, as well as any material reports and/or enquiries from regulatory or governmental bodies
- → Fulfilled an oversight function with regards to tax governance and compliance
- → 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
- → Considered and, where appropriate, made recommendations on internal financial controls

The committee considered the comments in the audit reports issued by the head of internal audit on the audits conducted and, together with other information available from management and the year-end external audit report, determined that there were no material weaknesses in internal control and compliance. On this basis, the committee has made a recommendation to the board on the effectiveness of the system of internal controls for inclusion in the directors' responsibility statement.

External audit-related matters

In November 2017, and in accordance with paragraphs 3.84 (h)(iii) and 22.15(h) of the JSE Listings Requirements, the committee assessed the suitability of KPMG Inc. (KPMG) for re-appointment as the company's independent, external auditors for the 2018 financial year, with Gawie Kolbé as the designated individual auditor. In conducting this assessment, the committee engaged with and challenged KPMG's senior management regarding the allegations against the firm and similarly assessed the impact that these allegations were expected to have on the company. Furthermore, the committee considered documentation provided by KPMG, consulted with key shareholders and considered the continuity, real estate experience and technical expertise of the KPMG team. Accordingly, the committee resolved to recommend KPMG's reappointment at the company's annual general meeting in February 2018, on the proviso that the committee would actively monitor the outcomes of the investigations underway and take appropriate action as and when further information became available.

Subsequent to the 2018 annual general meeting and the successful reappointment of KPMG, the committee thoroughly assessed the continuing and more recent developments communicated by KPMG and reported on in the media and, as a result of concerns over good governance and ethical compliance, resolved that it was no longer able to support the company's long-term association with the firm. Following a formal tender process, the committee agreed to appoint PricewaterhouseCoopers Inc. (PwC), together with John Bennett as the designated audit partner, to replace KPMG as the company's external auditors with effect from the conclusion of the 2018 year-end audit. As the committee remained satisfied with the experience and expertise of the KPMG team, it agreed that they would continue as auditors during the transition period so as to assist in a smooth and efficient transition process.

For more information on the accreditation of PwC, please see the notice of annual general meeting.

External audit independence, objectivity and effectiveness during the 2018 financial year

Evaluation focus

The committee formally assessed the effectiveness of the 2018 external audit process and quality of the audit. The assessment covered all aspects of the audit service provided by KPMG and was treated as an ongoing review throughout the audit cycle. The evaluation focussed on:

- → Robustness of the audit process
- → Audit quality, including quality controls and indicators
- → Appropriateness of the audit partner and the dedicated team, including their skills, knowledge and character
- → Independence and objectivity
- → Formal reporting

Inputs

The committee

- Monitored audit performance, independence and objectivity throughout the year
- Approved, in consultation with management, the below audit fee and engagement terms for the 2018 financial year:

	Audit	Non-audit	Non-audit as a % of total	Total
2018	7 293	383	5	7 676
2017	9 286	570	5.8	9 856

- Reviewed and approved the above non-audit service fees and ensured that same were within limit and in line with the non-audit service policy
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision thereof
- Reviewed and approved the external audit plan
- Reviewed the quality of reporting to the committee, the level of challenge and professional scepticism and understanding demonstrated by KPMG of the business of the group
- Reviewed the quality of the audit team, technical skills and experience and the allocation of resources during the audit
- Held regular meetings with the audit engagement partner
- Considered the effectiveness of the company's policies and procedures for maintaining auditor independence

KPMG

- Provided the committee with confirmation that they operate in accordance with the ethical standards required of audit firms (section 290 of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants and the Independent Regulatory Board for Auditors (IRBA) Code of Professional Conduct for Registered Auditors)
- Evidenced that the firm is accredited by the JSE and that Gawie Kolbé does not appear on the disqualified list of individual partners
- Confirmed the policies and procedures they have in place to maintain their independence
- Confirmed that there were no relationships with the company arising from:
  - Personal financial interests
  - Family and personal relationships
  - Employment relationships
  - Business relationships
- Provided confirmation that the non-audit services performed and billed during the period ended 31 August 2018 did not impair their independence or objectivity

Regulators

- IRBA issued reviews of audits carried out by KPMG. KPMG shared these findings with the committee and confirmed how they were addressing the areas highlighted for improvement

Key outputs

- The quality of the audit partner and the team were confirmed, with no material issues raised in the feedback received
- KPMG demonstrated a good understanding of the group and had identified and focussed on the areas of greatest risk
- KPMG's reporting to the committee was clear, transparent and thorough, and included explanations of the rationale behind particular conclusions as appropriate
- The audit had been well planned and delivered and management were comfortable that key findings had been raised appropriately
- There had been active engagement on misstatements and appropriate judgements on materiality
- It was confirmed that there had been an appropriate level of challenge and that KPMG had functioned in accordance with their mandate for the 2018 financial year

The committee, having considered all relevant matters, has concluded that it is satisfied that **auditor independence, objectivity and effectiveness were maintained** during the financial year.

Internal audit matters

The committee reviewed and approved the internal audit charter and internal audit plan for the financial year ended 31 August2018, ensuring that material risk areas were included and that coverage of significant business processes was acceptable. It 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
- Reported significant audit findings and recommendations to management and the committee

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 FY2018 plan, there had been no impairments to the objectivity, independence and scope of the internal audit function, which remained effective in carrying out its duties.

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

Governance functional areas

Evaluating risk governance

The committee

- Reviewed, approved and monitored compliance with the enterprise risk management policy and framework and the annual risk management plan and confirms that the company has compiled therewith in all material respects
- Evaluated the risk appetite framework, setting out the group's propensity to take appropriate levels of risk and recommended same 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 managements consideration and implementation of appropriate risk responses

Audit and **risk committee report** (continued)

- Monitored fraud risk management, including the whistle-blower facility
- Reviewed the risk disclosures, including key sustainability risks, to be included in the integrated report and advised the board on their appropriateness

In accordance with paragraph 13.46(h) of the JSE Listings Requirements, the committee confirms that the company's risk management policy is in accordance with industry practice and specifically prohibits the company from entering into derivative transactions that are not in the normal course of business.

While the committee's work programme regularly concentrated on those risks traditionally relevant to the property sector, new and emerging risks received particular focus and attention during the year.

Following various global and local corporate governance failures and the rapid pace of digital innovation and disruption, **reputational and IT risk matters** had been significantly elevated by the committee. **Cyber-security and information security resilience** similarly continued to be a material area of consideration for the committee given the large-scale cyber-attacks and increasingly sophisticated fraudulent activity. Finally, given the group's offshore expansion initiatives, coupled with local volatility and uncertainty, **geo-political risk** had been regarded by the committee as a top-of-mind matter during the year.

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

Providing oversight for IT governance

The board mandated the committee to provide oversight over 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 company.

In order to assist the committee in the discharge of its duties in respect of IT governance, the committee mandated the company's IT steering committee with the executive oversight of IT governance. The steering committee ensures that the IT strategy supports the business goals, strategic and sustainability objectives of the group, and is responsible for the implementation of and measurement against the IT governance framework and related initiatives in conjunction with the other existing oversight bodies.

The integrated report

During the course of November and December 2018, the committee will evaluate the integrated report for the 2018 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 in accordance with appropriate reporting standards and conforms 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 these are reliable and do not conflict with financial information.

Based on the processes and assurance obtained, the committee will recommend the 2018 integrated report to the board for approval.

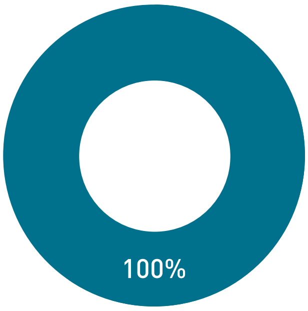
Committee composition in the 2019 financial year

As a result of the resignations of Phumzile Langeni and David Nathan from the board, effective 2 November 2018, and Bernie Nackan's indication that he will not stand for re-election at the annual general meeting in February 2019, the board resolved to reconstitute the committee as follows:

NAME	AGE	APPOINTED	DESIGNATION	EXPERTISE
Bridgitte Mathews BCom Accounting; BCom Accounting (Hons); CA(SA); HDip Tax	48	November 2018	**Independent non-executive chair**	
Lesego Sennelo BCompt; BCom Accounting (Hons); HDip Auditing; CA(SA)	41	November 2018	**Independent non-executive member**	
Sindi Zilwa BCompt; CA(SA); CD(SA)	51	November 2018	**Independent non-executive member**	

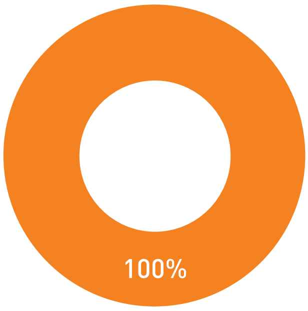
Leadership · Finance · Industry/operations · Risk and opportunity management · Tax · Compliance and governance · Environmental sustainability · Human resources · Sales and marketing

INDEPENDENCE



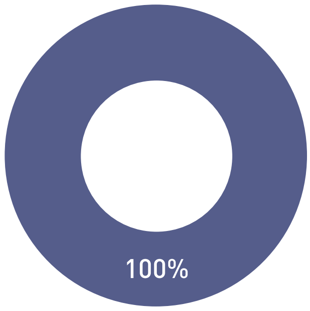
- Independent non-executive directors: 3 (100%)
- Non-executive directors: 0
- Executive directors: 0

GENDER



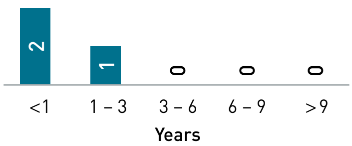
- Female: 3 (100%)
- Male: 0

RACE

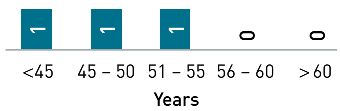


- Black: 3 (100%)
- White: 0

TENURE



AGE



Diversity of membership in 2019

The aforementioned independent non-executive directors satisfy the requirements of section 94(4) of the Companies Act and possess the appropriate financial and related qualifications, skills, financial expertise and experience required to discharge their responsibilities. Their appointments will be put forward for approval by shareholders at the annual general meeting in February 2019.

Furthermore, taking into account the increasing complexities of the committee's core oversight responsibilities, as well as the board's increasing mandate with regards to risk and opportunity management and risk and IT governance, the board resolved to reconstitute the committee into two separate committees, *viz*. an audit committee and a risk, compliance and technology committee.

Value creation in 2019

While the newly constituted audit committee will continue to operate within its terms of reference and ensure that the meetings address all regular matters reserved for its consideration, the following additional key activities are expected to require the committee's attention during 2019:

→ External audit transition from KPMG to PwC
→ Combined assurance
→ Tax governance
→ IFRS implementation (including IFRS 9, IFRS 15 and IFRS 16)

On behalf of the audit and risk committee

Phumzile Langeni
Audit and risk committee chairperson

2 November 2018

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 2018.

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 other property-related investments.

Nature of the business

The group is engaged in property investment and operates in South Africa and internationally.

Financial results

The financial results for the year ended 31 August 2018 are set out in detail on pages 20 to 110 of these financial statements.

International financial reporting standards

The financial statements are prepared in terms of International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Stated capital

The company's authorised stated capital consists of 10 000 000 000 (2017: 10 000 000 000) ordinary shares of no par value.

- 33 046 121 shares were issued at an issue price of R10.34 per share on 4 December 2017, as part of the dividend re-investment plan
- 40 000 000 shares were issued at an issue price of R11.20 per share on 20 March 2018, for the acquisition of a property
- 42 701 378 shares were issued at an issue price of R11.00 per share on 28 May 2018, as part of the dividend re-investment plan

At 31 August 2018, there were 5 765 799 759 shares in issue, all of which rank for the dividend declared on 2 November 2018.

Dividend distributions

On 2 November 2017, the board declared a final dividend of 47.18 cents for the six months ended 31 August 2017, which was paid on 4 December 2017.

On 3 May 2018, the board declared an interim dividend of 47.30 cents for the six months ended 28 February 2018, which was paid on 28 May 2018.

Subsequent to year end, on 2 November 2018, the board declared a final dividend of 49.80 cents for the six months ended 31 August 2018, which will be paid on 3 December 2018.

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.

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

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

ASP Dambuza*

B Nackan*

HK Mehta

LJ Sennelo*

M Barkhuysen*

NB Langa-Royds*

SV Zilwa*

* *Independent*

The following board changes are effective from 2 November 2018:

- A Dambuza was appointed as an independent non-executive director
- L Sennelo was appointed as an independent non-executive director
- S Zilwa was appointed as an independent non-executive director
- DA Nathan resigned as an independent non-executive director
- P Langeni resigned as an independent non-executive director
- B Nackan indicated that he will not stand for re-election at the next annual general meeting

Directors' emoluments and interests

Refer to notes 47 and 48 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 pages 123 to 124 in the annual financial statements for disclosure regarding shareholders' analysis.

Going concern

Refer to note 50 to the financial statements for disclosure regarding going concern.

Subsequent events

Refer to note 49 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 and its subsidiaries (the group) set out on pages 20 to 110, which comprise the consolidated statement of financial position as at 31 August 2018, 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 the accounting policies and notes to the consolidated financial statements.

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 2018, 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 for 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.

Valuation of investment property – Refer to accounting policies 1.4, 1.5 and 1.24 and notes 4 and 6 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 R68 billion and properties under development of R6 billion. The valuation of the investment property portfolio is an area of judgement which could materially affect the consolidated 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 either a discounted cash flow or the top-slice 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. The data used in the calculation of the top-slice method incorporated the core/market-related income, core yield, incremental income and discount rates. **Properties under development** The comparable sales method was used to determine the fair value of properties under development. The comparable sales method includes 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 evaluated the competence, capabilities and independence of the external independent valuers → We agreed all investment property fair values to the underlying valuation reports obtained from the external independent valuers → We included our own valuation specialists as part of our audit team to test the key assumptions applied in the determination of the fair value of the investment property. The procedures carried out included: – 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 – 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 evaluated the adequacy of the disclosures made in the financial statements related to the valuation of investment property in relation to the requirements of the relevant financial reporting framework

Accounting for business combinations – Refer to accounting policies 1.2.1 and 1.24 and note 39 to the consolidated financial statements.

THE KEY AUDIT MATTER

Effective 2 July 2018, the group acquired a 95% equity interest in Logistics Platform B.V. (Logistics Platform) and management prepared a purchase price allocation at the date of acquisition in terms of IFRS 3 *Business combinations* (IFRS 3). 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 Logistics Platform, with the involvement of the external valuer, 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 bargain purchase recognised was appropriate
- In determining the fair value of the acquired investment properties, cash flow projections were prepared by the group which involved making key assumptions about core/market-related income, core yield, incremental income and discount rates

The complexity of the accounting for the acquisition of Logistics Platform, the significance of the judgements applied, 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 valuation specialists, made this a key audit matter.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

The audit procedures we performed included the following:

- Inspected the purchase agreement to identify the acquired assets and liabilities
- An assessment was performed to determine whether the acquisition of Logistics Platform should be accounted for as a business combination in the scope of IFRS 3 or an asset acquisition in terms of IAS 40 *Investment property*
- Evaluated the accounting treatment of the transaction costs by determining whether they had been appropriately expensed in terms of IFRS 3
- Given that the investment properties taken over as part of the business combination were the most significant assets acquired, together with the valuation specialists, the following procedures were performed for each property included in the portfolio acquired:
  - Evaluated the competence, capabilities and independence of the external valuers and the appropriateness of the valuation methodologies used to determine the fair values of the properties
  - Agreed all investment property fair values to the underlying valuation reports obtained from the external independent valuer
- Together with the valuation specialist, reviewed the external valuer's key assumptions which included a benchmark study of net rental values and the core yields applied
- Assessed the appropriateness of the accounting for the business combination which included assessing the reasonableness of the consolidation adjustments made
- We evaluated the adequacy of the disclosures made in the financial statements related to business combinations in relation to the requirements of the relevant financial reporting framework

Independent auditor's report (continued)

Accounting for equity-accounted investments and impairment of investments in associates – Refer to accounting polices 1.2.3 and 1.24 and note 9 to the consolidated financial statements.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Accounting for equity-accounted investments The group holds various investments in joint ventures and associates, which are required to be equity-accounted. These are all foreign entities. In applying the equity method, the investment in the associate or joint venture is measured at cost, 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. Applying the equity method is complex, given the inherent risks included in the accounting treatment for investments in joint ventures and associates, due to factors such as changes in the interest held in the associate or joint venture, movements in exchange rates, profit or loss on dilution of interests held, disposal of the investments and the complexity of the foreign currency translation reserve (FCTR) calculation. The complex accounting could materially affect the financial statements and, accordingly, the accounting for investments in associates and joint ventures was determined to be a key audit matter in our audit of the consolidated financial statements. **Impairment of investment in associates** During the current year, impairment indicators were identified on the investments in certain associates, namely RDI REIT Plc and Oando Wings Development Limited. 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, selling price and the adjusted net asset value, 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 judgmental 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: **Accounting for equity-accounted investments:** → We reviewed the calculations prepared by management for the accounting for equity-accounted investments, by performing the following procedures: – Agreed the interests held by the group in the associate or joint venture to the share certificates – Agreed the total comprehensive income movements in the associate or joint venture financial statements to the published reports or management accounts – Recalculated the dividend received by the group – Recalculated the FCTR movement for the year and the resulting closing balance – Recalculated the profit/loss on dilution as a result of changes in interests held – Recalculated the profit/loss on disposal of any of the equity accounted investments – Recalculated the closing balance of the investment in associate **Impairment of associates** → 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 evaluated 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 challenged 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 evaluated the adequacy of the disclosures made in the financial statements related to the impairment of investments in associates in relation to the requirements of the relevant financial reporting framework

Other information

The directors are responsible for the other information. The other information comprises the certificate by company secretary, the audit and risk committee report and the directors' report, as required by the Companies Act of South Africa, and the directors' responsibilities and approval, property information and shareholders' analysis, which we obtained prior to the date of this report and the integrated report; the environmental, social and governance report; and the 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 three years.

KPMG Inc.
Registered Auditor

Per GS Kolbé
Chartered Accountant (SA)
Registered Auditor
Director
4 November 2018

KPMG Crescent
85 Empire Road
Parktown
2193
South Africa

Statement of **financial position**

as at 31 August 2018

Figures in R'000	Notes	2018	2017
ASSETS			
Non-current assets		**95 843 287**	**87 611 269**
Investment properties		74 395 956	63 192 093
– Fair value of investment properties	4	66 271 904	57 299 006
– Straight-line rental income accrual	5	2 197 947	1 944 218
– Properties under development	6	5 926 105	3 948 869
Listed securities	7	1 935 843	1 453 994
Goodwill and intangible assets	8	5 746 203	5 809 059
Investment in associates and joint ventures	9	11 508 630	15 253 726
Derivative assets	22	34 754	1 868
Loans receivable	10	1 930 342	1 789 395
Other financial assets	11	218 890	29 519
Property, plant and equipment	12	72 669	81 615
Current assets		**2 300 847**	**1 477 586**
Properties held-for-trading		28 943	–
Trade and other receivables	13	1 076 079	912 752
Loans receivable	10	767 806	55 260
Other financial assets	11	–	253 038
Derivative assets	22	6 041	75 875
Cash and cash equivalents	14	421 978	180 661
Non-current assets held-for-sale	15	**549 089**	**2 403 756**
Total assets		**98 693 223**	**91 492 611**
EQUITY AND LIABILITIES			
Equity		**58 149 200**	**53 786 185**
Shareholders' interest		57 677 363	53 435 737
Stated capital	16	44 329 101	43 070 822
Accumulated profit		12 617 787	11 137 593
Other reserves		730 475	(772 678)
Non-controlling interests	18	471 837	350 448
Non-current liabilities		**35 513 831**	**29 052 772**
Interest-bearing borrowings	20	31 151 253	25 664 659
Interest-bearing borrowings at fair value	21	2 502 753	2 253 598
Derivative liabilities	22	907 687	487 564
Other financial liabilities	23	86 167	4 690
Deferred taxation	24	865 971	642 261
Current liabilities		**5 030 192**	**8 653 654**
Trade and other payables	25	2 278 322	1 180 736
Interest-bearing borrowings	20	2 469 899	6 794 929
Interest accrual on interest-bearing borrowings		262 081	406 849
Derivative liabilities	22	13 852	11 799
Other financial liabilities	23	–	253 038
Taxation payable		6 038	6 303
Total equity and liabilities		**98 693 223**	**91 492 611**
Number of shares in issue ^ ('000)		5 404 403	5 288 655
Net asset value per share (excluding deferred tax and NCI) (cents)		1 083.25	1 022.53
Net tangible asset value per share (excluding deferred tax, NCI and goodwill and intangible assets) (cents)		976.93	912.69

^ *Group net of 361 396 896 (2017: 361 396 896) treasury shares*

Statement of **profit or loss and other comprehensive income**

for the year ended 31 August 2018

Figures in R'000	Notes	**2018**	**2017**
Continuing operations			
Revenue			
Property portfolio revenue		8 133 099	7 770 111
– Contractual rental income	2	7 879 370	7 300 821
– Straight-line rental income accrual		253 729	469 290
Investment income		308 223	23 728
Total revenue		**8 441 322**	**7 793 839**
Costs			
Operating costs	26	(2 637 956)	(2 497 688)
Administration costs		(365 144)	(259 641)
Net operating profit	27	**5 438 222**	**5 036 510**
Other gains	28	245 470	93 195
Loss on disposal of interest in associates and joint ventures		(57 787)	–
Changes in fair values	29	1 679 220	(541 947)
Amortisation of intangible asset		(62 856)	(62 856)
Impairments	30	(1 053 753)	(1 215 209)
Equity-accounted profit (net of taxation)	9	2 541 427	1 593 387
Profit before finance costs and taxation		**8 729 943**	**4 903 080**
Net interest costs		(1 511 179)	(1 727 776)
– Interest income	31	919 828	650 282
– Interest expense	32	(2 431 007)	(2 378 058)
Foreign exchange (losses)/gains	33	(69 254)	478 670
Profit before taxation		**7 149 510**	**3 653 974**
Taxation	34	(532 682)	(239 842)
Profit from continuing operations		**6 616 828**	**3 414 132**
Discontinued operations			
Loss from discontinued operations (net of taxation)		–	(13 877)
Profit for the year		**6 616 828**	**3 400 255**
Attributable to:			
– Redefine Properties Limited shareholders		6 575 079	3 328 995
– Non-controlling interests		41 749	71 260
Other comprehensive income		1 469 289	(1 458 975)
Items that may not be reclassified subsequently to profit or loss			
Share of revaluation of property, plant and equipment of an associate		4 126	3 167
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations:			
– Subsidiaries		155 016	(6 938)
– Associates		942 336	(1 455 204)
Reclassification of foreign currency differences on loss of significant influence		367 811	–
Total comprehensive income for the year		**8 086 117**	**1 941 280**
Attributable to:			
– Redefine Properties Limited shareholders		8 035 162	1 876 965
– Non-controlling interests		50 955	64 315
Earnings per share from continuing operations	35		
– Basic		123.07	66.15
– Diluted		123.01	65.98

Statement of **changes in equity**

for the year ended 31 August 2018

Figures in R'000	Notes	Stated capital	Accumulated profit
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		6 544 470	–
Dividends		–	(4 418 066
Recognition of share-based payments		–	(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**
Total comprehensive income for the year		**–**	**6 575 079**
Profit for the year		–	6 575 079
Other comprehensive income for the year		–	–
Transactions with owners (contributions and distributions)		**1 258 279**	**(5 031 330)**
Issue of ordinary shares	16	1 258 279	–
Dividends		–	(5 031 252)
Recognition of share-based payments	19	–	(5 999)
Disposal of investment in an associate		–	5 921
Share of post-acquisition change in net assets of associates		–	–
Transactions with owners (changes in ownership interests)		**–**	**(63 555)**
Change in ownership of subsidiary with NCI		–	(63 555)
Acquisition of subsidiary with NCI		–	–
Balance as at 31 August 2018		**44 329 101**	**12 617 787**

Dividend per share (cents)	
Interim	
Final^	

^ *The final dividend is declared post the financial year end and is therefore a non-adjusting subsequent event (refer to note 49, Subsequent Events).*

Foreign currency translation reserve	Share-based payment reserve	Share of associates' reserves	Shareholders' interest	Non-controlling interests	Total equity
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**
1 455 957	**–**	**4 126**	**8 035 162**	**50 955**	**8 086 117**
–	–	–	6 575 079	41 749	6 616 828
1 455 957	–	4 126	1 460 083	9 206	1 469 289
–	**5 488**	**37 582**	**(3 729 981)**	**(75 125)**	**(3 805 106)**
–	–	–	1 258 279	–	1 258 279
–	–	–	(5 031 252)	(75 125)	(5 106 377)
–	5 488	–	(511)	–	(511)
–	–	(5 921)	–	–	–
–	–	43 503	43 503	–	43 503
–	**–**	**–**	**(63 555)**	**145 559**	**82 004**
–	–	–	(63 555)	(3 126)	(66 681)
–	–	–	–	148 685	148 685
641 580	**58 363**	**30 532**	**57 677 363**	**471 837**	**58 149 200**

2018	2017
97.10	92.00
47.30	44.82
49.80	47.18

Statement of **cash flows**

for the year ended 31 August 2018

Figures in R'000	Notes	2018	Restated 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	6 399 525	4 671 340
Interest received		738 279	621 524
Interest paid		(2 602 039)	(2 316 998)
Taxation paid	37	(569 083)	(66 825)
Dividends and interest received from associates and joint ventures	9	1 016 328	1 075 056
Net cash inflow from operating activities		**4 983 010**	**3 984 097**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition and development of investment properties		(5 879 783)	(3 942 407)
Acquisition of property, plant and equipment		(13 720)	(80 368)
Acquisition of other financial assets		(138 315)	(3 100)
Acquisition of subsidiary (net of cash acquired)	40	(1 231 495)	103 740
Investments in associates and joint ventures		(987 570)	(1 031 243)
Proceeds on disposal of investment properties		2 826 030	1 688 413
Proceeds on disposal of non-current assets held-for sale (other than investment properties)		3 888 275	–
Proceeds on disposal of listed securities		33 789	1 047 639
Proceeds on the disposal of property, plant and equipment		249	–
Proceeds on the disposal of subsidiaries with the exclusive view to resell		–	190 697
Proceeds on disposal of shares in associates and joint ventures		2 007 117	698 134
Proceeds on disposal of other financial assets		–	399 999
Other financial liabilities raised on investments made		44 257	–
Loan to joint venture repaid	9	–	8 741
Loans receivable repaid	38	369 496	901 387
Loans receivable advanced	38	(1 016 073)	(309 992)
Net cash outflow from investing activities		**(97 743)**	**(328 360)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued		1 258 279	1 337 272
Dividends paid		(5 031 252)	(4 418 066)
Shares issued to non-controlling interests		148 685	54 100
Disposal of non-controlling interests		(66 681)	(25 269)
Dividends paid to non-controlling interests		(75 125)	(23 998)
Interest-bearing borrowings at fair value raised		–	2 396 220
Interest-bearing borrowings raised	39	8 329 784	8 088 968
Interest-bearing borrowings repaid	39	(9 072 536)	(11 191 223)
Net cash outflow from financing activities		**(4 508 846)**	**(3 781 996)**
Net increase/(decrease) in cash and cash equivalents		376 421	(126 259)
Cash and cash equivalents at the beginning of the year		180 661	208 366
Effect of foreign currency exchange fluctuations		(135 104)	98 554
Cash and cash equivalents at end of year		**421 978**	**180 661**

Accounting **policies**

for the year ended 31 August 2018

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, and the requirements of the South African Companies Act.

The group financial statements include the financial statements of Redefine 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.

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). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration, that meets the definition of a financial instrument, is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, the other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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 Non-controlling interests

The non-controlling interest relates to the portion of equity ownership in a subsidiary not attributable to the parent company. Non-controlling interest are measured at their proportionate share of the acqiuree's identifiable net assets at the date of acquisition.

Accounting **policies** (continued)

for the year ended 31 August 2018

1 Significant accounting policies (continued)

1.2 Basis of consolidation (continued)

1.2.3 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.

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, the 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 amounts is reattributed to non-controlling interests.

1.4 Investment property

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. The initial cost of properties held under an operating lease is the lower of the fair value of the property and the present value of the minimum lease payments.

1 Significant accounting policies (continued)

1.4 Investment property (continued)

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 2018, all properties were 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.

1.5 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 property.

1.6 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; interest expense is recognised using the effective interest method.

1.7 Property, plant and equipment

Other ancillary non-current tangible assets are included in property, plant 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: 10 years
- Computer equipment: five years
- Furniture and fittings: three years
- Office equipment: three years
- Motor vehicles: five years

The depreciation method, useful lives and residual values are reviewed at each reporting date.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

1.8 Properties 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 recorded 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.

1.9 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.

Accounting **policies** (continued)

for the year ended 31 August 2018

1 Significant accounting policies (continued)

1.9 Non-current assets held-for-sale and discontinued operations (continued)

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 of disposal, 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.

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
- 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.

1.10 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.

1 Significant accounting policies (continued)

1.10 Financial instruments (continued)

The financial assets of the group are classified as follows:

- Listed securities are classified at fair value through profit or loss. The underlying investment of the listed securities is investment property and is, therefore, treated in the same way as other property investments, i.e. at fair value through profit or loss
- 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
- 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

Financial assets are assessed for indicators of impairment at each financial year end (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, include 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 financial year 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.

Accounting **policies** (continued)

for the year ended 31 August 2018

1 Significant accounting policies (continued)

1.10 Financial instruments (continued)

The financial liabilities of the group are classified as follows:

- 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
- Derivatives, 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
- Financial guarantee contracts are measured at the higher of the best estimate of the expenditure required to settle the present obligation or the amount initially recognised less cumulative amounts recorded as income to date
- Other financial liabilities are classified either as at fair value through profit or loss or as other financial liabilities in consideration of the nature of the transaction
- 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.

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 44, Financial risk management.

1.11 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.

The group's policy relating to the goodwill on acquisition of associates is described in note 1.2.3, Associates and joint ventures.

1.12 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 the acquisition date.

Intangible assets with an indefinite useful life (other than goodwill) 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 financial year end 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 the financial year end.

1 Significant accounting policies (continued)

1.13 Impairment of non-financial assets

The carrying value of non-financial assets (other than goodwill, intangible assets with an indefinite useful life, 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 costs 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.

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.

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.

An impairment loss in respect of goodwill is not reversed. 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.

1.14 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.

1.15 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 the statement of changes in equity. When these shares are sold or re-issued, any consideration received is included in stated capital.

1.16 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.

1.17 Revenue recognition

1.17.1 Property portfolio revenue

Property portfolio revenue, where the entity acts as an agent, 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.

1.17.2 Investment income

Dividends from listed securities are recognised in profit or loss when declared.

1.18 Other income

1.18.1 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
- It is probable that the economic benefits from the sale will flow

1.18.2 Interest income

Interest earned on amounts invested with financial institutions is recognised on an accrual basis using the effective interest method.

1.18.3 Fee income

Fee income is recognised on an accrual basis in accordance with the substance of the relevant agreements (such as development fees, directors fees and guarantee fees) and measured at the fair value of the consideration receivable.

Accounting **policies** (continued)

for the year ended 31 August 2018

1 Significant accounting policies (continued)

1.19 Employee benefits

1.19.1 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.

1.19.2 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.

1.19.3 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. No actuarial valuations have been performed.

1.19.4 Share-based payments

i) Restricted share scheme

a) Long-term incentive 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.

b) 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.

ii) Matching share scheme

In terms of the matching share scheme, participants are invited annually to utilise a predetermined 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)

1.19 Employee benefits (continued)

1.19.4 Share-based payments (continued)

Nil-cost options

In terms of the 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 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.

1.20 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 substantially 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.

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
- 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 of 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.

Accounting **policies** (continued)

for the year ended 31 August 2018

1 Significant accounting policies (continued)

1.20 Taxation and deferred taxation (continued)

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 revenues and incur expenses, including revenues 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. Refer to note 2, Segmental report, which describes how the operating segments have been determined.

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 property in the statement of financial position.

The group provides certain incentives for the lessee to enter into lease agreements. Initial periods of the lease term may be agreed to be rent-free or at a reduced rent. All incentives are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of the payments.

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.

1.23 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 4/2018, 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:

1 Significant accounting policies (continued)

1.24 Key estimates and assumptions (continued)

Investment properties and properties under development

The portfolio is valued annually. For the purposes of the independent valuations at 31 August 2018, all properties above R20 million were valued. Independent valuations were also obtained for a portion of the properties under R20 million. Properties under R20 million are valued externally on a three-year rotational basis. By obtaining external valuations from accredited valuators for the majority of the portfolio, management is of the opinion that the risk relating to estimation uncertainty has been mitigated. Refer to notes 1.4 and 4, Investment property, and notes 1.5 and 6, 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 8, Goodwill and intangible assets, for further information.

Impairment of investments in associates

Investments in associates are tested for impairment if any impairment indicators are present. Indicators of impairment include:

- Diminishing dividend yields
- Net assets of the company is higher than the market capitalisation
- The carrying amount of the associate is higher than the carrying amount of the investees' assets
- A dividend received exceeds the total comprehensive income of the investee

Management will perform 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 9, Investment in associates and joint ventures, for the indicators considered, as well as the impairment tests performed, where applicable.

Accounting for investments in associates and joint ventures

The group holds various investments in associates and joint ventures (all of which are foreign), which are required to be equity-accounted. In accordance with the group's accounting policies, the investment in the associates and joint ventures is measured at cost with the group's share of post-acquisition earnings recognised in profit or loss and other comprehensive income. The application of the equity method is complex, with inherent risks included in this accounting treatment due to factors such as change in the interest held in the associate or joint venture, movement in the exchange rates, profit or loss on dilution of interest held, disposal of the investments, and the complexity of the foreign currency translation reserve calculation.

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 *Business combinations*, 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.

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."

Accounting **policies** (continued)

for the year ended 31 August 2018

1 Significant accounting policies (continued)

1.24 Key estimates and assumptions (continued)

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 40, Business combinations, for the acquisition of the 95% effective ownership of shares and voting rights in eight special-purpose vehicles (SPVs) through Logistics Platform B.V. in Europe on 2 July 2018. This acquisition was accounted for as a business combination in terms of IFRS 3.

Significant judgement were required in determining the fair value of the investment property in the purchase price allocation calculation. Refer to note 40, Business combinations, for the 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 resulting from 2014-2016 annual improvements to IFRSs**

→ **Amendments to IAS 28 *Investments in associates and joint ventures***

The amendments permit a venture capital organisation, or other qualifying entity, to elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity, associate or joint venture.

The amendments are effective retrospectively for annual periods beginning on or after 1 January 2018, with early adoption permitted.

There will be no impact on the financial statements of the group as the group measures its investments in associates or joint ventures using the equity accounting method.

→ **Amendments to IAS 40 *Investment property*: Transfers of investment property**

The amendments provide 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 amendments will not impact the financial statements of the group as transfers are only made when there is a change in use of the asset and not merely when there is a change in management intention.

→ **Amendments to IFRS 2 *Share-based payments*: Amendments to clarify the classification and measurement of share-based payment transactions**

The amendments introduce 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 group has determined that the amendments will not have an impact on the financial statements as these amendments are not applicable as the group does not follow the same approach for cash-settled share-based payments and equity-settled share-based payments.

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.

1 Significant accounting policies (continued)

1.25 Accounting standards and interpretations not yet effective (continued)

The group has determined that the above two amendments will not have an impact on the financial statements as these amendments are not applicable, i.e. the group does not follow the same approach for cash-settled share-based payments and equity-settled share-based payments and there are no net settlement features nor are there 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.

- **Amendments to IFRS 9 *Financial instruments*: Prepayment features with negative compensation**

  The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  The amendments apply for annual periods beginning on or after 1 January 2019, with retrospective application and early adoption permitted.

  As there are no prepayment features in the group's financial instrument contracts, the group has determined that the above amendment will not have an impact on the financial statements.

IFRS 9 Financial instruments

IFRS 9 *Financial instruments* (IFRS 9) sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial instruments: Recognition and measurement* (IAS 39). IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 is effective for the group's financial reporting period ending 31 August 2019.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets and their cash flow characteristics are managed.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its initial business model and contractual cashflow assessment, the group identified R192 million of gross loans receivable, currently classified as loans and receivables measured at amortised costs, which include features other than 'solely payments of principal and interest' that would be classified as fair value through profit or loss under IFRS 9. At year end, the fair value of these loans reasonable approximates the amortised cost.

The group does not believe that the new classification requirements will have a material impact on the group's listed securities, derivative assets, loans receivable, other financial assets, trade and other receivables and cash and cash equivalents.

ii. Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the group has chosen to apply this policy also for trade receivables and contract assets with a significant financing component.

Accounting **policies** (continued)

for the year ended 31 August 2018

1 Significant accounting policies (continued)

1.25 Accounting standards and interpretations not yet effective (continued)

The group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The group has determined that the ECL model may lead to the earlier recognition of impairment losses on loans receivable and trade receivables.

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities; however, under IAS 39, all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas, under IFRS 9, these fair value changes are generally presented as follows:

- → the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income (OCI)
- → the remaining amount of the change in the fair value is presented in profit or loss

The group has determined that the change in fair value attributed to the changes in credit risk of the liabilities will not have a material impact in the financial statements of the group, nor will there be a material impact regarding the classification of the financial liabilities.

iv. Hedge accounting

IFRS 9 allows more exposures to be hedged and establishes new criteria for hedge accounting that are less complex and more aligned with the way that entities manage their risks than under IAS 39.

The group does not apply hedge accounting and, therefore, there is no expected effect.

v. Disclosures

IFRS 9 will require extensive new disclosures, in particular relating to credit risk and ECLs. The group's assessment included an analysis to identify data gaps against current processes and the group is in the process of implementing the policies, procedures and controls that it believes will be necessary to capture the required data.

vi. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

The group will take advantage of the exemption, allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves for the financial period ending 31 August 2018, where material.

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:

- → The determination of the business model within which a financial asset is held
- → The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL
- → The designation of certain investments in equity instruments not held-for-trading as at FVOCI

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*.

This standard requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 15 is effective for the group's financial reporting period ending 31 August 2019.

The group's primary source of revenue is from lease contracts. Leases are specifically scoped out of IFRS 15. Therefore, the effect of the standard would have an immaterial impact on the group once implemented.

1 Significant accounting policies (continued)

1.25 Accounting standards and interpretations not yet effective (continued)

Transition

The group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 September 2018). As a result, the group will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC-15 *Operating leases* – Incentives and SIC-27 *Evaluating the substance of transactions involving the legal form of a lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 is effective for the group's financial reporting period ending 31 August 2020.

IFRS 16 introduces a single, on-balance-sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases.

The group has completed an initial assessment of the potential impact on its consolidated financial statements, but has not yet completed its detailed assessment.

The group is not required to make any adjustments for leases in which it is a lessor, except where it is an intermediate lessor in a sub-lease.

The group is in the process of evaluating whether the sub-leases should continue to be recognised as an operating lease or should be classified as a finance lease based on the new classification criteria.

Lessee

The group will recognise new assets and liabilities for its operating leases of leased land. As at 31 August 2018, the group's future minimum lease payments under non-cancellable operating leases amounted to R538.2 million, on an undiscounted basis (see note 41, Commitments).

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Transition

The group is assessing the available transition methods and the potential impact of using the practical expedients.

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 (which may be an asset, an expense or income). IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration.

The amendments are effective retrospectively for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The group has determined that IFRIC 22 will not have a material impact on the financial statements as no such transactions have taken place. When the standard is adopted in the 2019 financial year, the relevant criteria will be assessed and applied.

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 group has determined that its accounting for tax treatments is in line with the relevant tax authorities (locally and abroad) and, as such, does expect a material impact to the financial statements when IFRIC 23 is adopted.

Notes to the **financial statements**

for the year ended 31 August 2018

2. Segmental report

Figures in R'000	2018 Office	2018 Retail
STATEMENT OF FINANCIAL POSITION		
Investment properties	23 818 094	27 441 765
Properties under development	1 653 690	243 316
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	378 851	84 610
Properties held-for-trading	–	–
Other assets	–	–
Total assets	**27 764 445**	**30 653 353**
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	2 917 649	3 297 234
Straight-line rental income accrual	122 316	41 504
Investment income	–	–
Total revenue	**3 039 965**	**3 338 738**
Operating costs	(876 054)	(1 277 879)
Administration costs	–	–
Net operating profit	**2 163 911**	**2 060 859**
Other gains	–	–
Loss on disposal of interest in associates and joint ventures	–	–
Changes in fair values	876 727	1 555 349
Amortisation of intangible assets	–	–
Impairments	–	–
Equity-accounted profit (net of taxation)	–	–
Profit before finance costs and taxation	**3 040 638**	**3 616 208**
Interest income	–	–
Interest expense	–	–
Foreign exchange losses	–	–
Profit before taxation	**3 040 638**	**3 616 208**
Taxation	–	–
Profit for the year	**3 040 638**	**3 616 208**
Non-controlling interests	–	–
Profit for the year attributable to Redefine Properties Limited shareholders	**3 040 638**	**3 616 208**

2018					
Industrial	Specialised	Head office	Local	International	Total
11 386 868	2 457 628	–	65 104 355	3 365 496	**68 469 851**
1 675 229	498 586	–	4 070 821	1 855 284	**5 926 105**
–	–	990 083	990 083	945 760	**1 935 843**
510 710	60 888	377 133	5 746 203	–	**5 746 203**
–	–	–	–	11 508 630	**11 508 630**
–	–	1 693 533	1 693 533	1 004 615	**2 698 148**
23 874	–	–	487 335	61 754	**549 089**
28 943	–	–	28 943	–	**28 943**
–	–	1 195 297	1 195 297	635 114	1 830 411
13 625 624	**3 017 102**	**4 256 046**	**79 316 570**	**19 376 653**	**98 693 223**
–	–	27 723 196	27 723 196	5 897 956	33 621 152
–	–	–	–	2 502 753	2 502 753
–	–	3 504 246	3 504 246	915 872	4 420 118
–	**–**	**31 227 442**	**31 227 442**	**9 316 581**	**40 544 023**
1 340 892	262 405	–	7 818 180	61 190	7 879 370
106 396	(16 487)	–	253 729	–	253 729
–	–	157 574	157 574	150 649	308 223
1 447 288	**245 918**	**157 574**	**8 229 483**	**211 839**	**8 441 322**
(368 808)	(96 689)	–	(2 619 430)	(18 526)	(2 637 956)
–	–	(219 753)	(219 753)	(145 391)	(365 144)
1 078 480	**149 229**	**(62 179)**	**5 390 300**	**47 922**	**5 438 222**
–	–	170 113	170 113	75 357	245 470
–	–	–	–	(57 787)	(57 787)
298 296	102 918	(461 651)	2 371 639	(692 419)	1 679 220
–	–	(62 856)	(62 856)	–	(62 856)
–	–	–	–	(1 053 753)	(1 053 753)
–	–	–	–	2 541 427	2 541 427
1 376 776	**252 147**	**(416 573)**	**7 869 196**	**860 747**	**8 729 943**
–	–	788 109	788 109	131 719	919 828
–	–	(2 110 628)	(2 110 628)	(320 379)	(2 431 007)
–	–	–	–	(69 254)	(69 254)
1 376 776	**252 147**	**(1 739 092)**	**6 546 677**	**602 833**	**7 149 510**
–	–	51 640	51 640	(584 322)	(532 682)
1 376 776	**252 147**	**(1 687 452)**	**6 598 317**	**18 511**	**6 616 828**
–	–	(50 390)	(50 390)	8 641	(41 749)
1 376 776	**252 147**	**(1 737 842)**	**6 547 927**	**27 152**	**6 575 079**

Notes to the financial statements (continued)

for the year ended 31 August 2018

2. Segmental report (continued)

Figures in R'000	2017 Office	2017 Retail
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	(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 2018

Figures in R'000	2018	2017
2. Segmental report (continued)		
Reconciliation of profit for the year to distributable earnings		
Profit for the year attributable to Redefine shareholders	6 575 079	3 328 995
Changes in fair values (net of NCI)	(1 657 002)	593 811
Changes in fair values	(1 679 220)	541 947
Non-controlling interests	22 218	51 864
Straight-line rental income accrual	(253 729)	(469 290)
Gain on bargain purchase (net of NCI)	(13 392)	–
Gain on bargain purchase	(14 097)	–
Non-controlling interests	705	–
Amortisation of intangible assets	62 856	62 856
Impairments	1 053 753	1 215 209
Capital gains taxation	511 429	–
Deferred taxation (net of NCI)	(46 538)	176 439
Deferred taxation	(46 270)	176 439
Non-controlling interests	(268)	
Unrealised foreign exchange losses/(gains) and realised foreign currency translation reserve (net of NCI)	138 624	(99 042)
Unrealised foreign exchange losses/(gains) and realised foreign currency translation reserve	139 686	(99 042)
Non-controlling interests	(1 062)	–
Non-distributable items of associates	(1 359 487)	(332 701)
Loss on disposal of interest in associates and joint ventures	57 787	–
Transaction costs relating to business acquisitions	90 107	19 892
Antecedent distribution	39 628	30 677
Accrual for listed security income (REIT distribution declared post year end)	19 926	42 884
Adjustment to distributable profit from discontinued operations	–	24 557
Cornwall interest	25 004	31 216
Other distributable (expense)/income	(16 566)	16 210
Pivotal pre-acquisition distribution	–	189 037
Distributable income for the year	**5 227 479**	**4 830 750**
– Interim	2 536 085	2 335 563
– Final	2 691 394	2 495 187
Actual number of shares in issue ('000)		
– Interim	5 361 701	5 210 982
– Final	5 404 403	5 288 655
Distribution per share (cents)	97.10	92.00
– Interim	47.30	44.82
– Final	49.80	47.18

3. Restatements

Change in accounting policies

Dividends and interest received from associates and joint ventures – Statement of cash flows

During the year, the group changed its accounting policy with respect to the disclosure of the dividends and interest received from associates and joint ventures in the statement of cash flows. The dividends and interest received from associates and joint ventures are now classified under cash flows from operating activities which the group believes is a better reflection of how the group generates the cash to pay its distributions and will aid comparability. Prior to this change in policy, the group classified the dividends and interest received from associates and joint ventures under cash flows from investing activities.

Capitalised interest – Statement of cash flows

During the year, the group changed its accounting policy with respect to the disclosure of the capitalised interest in the statement of cash flows. The capitalised interest is now classified under cash flows from investing activities which the group believes is a better reflection of how the group utilises the cash and will aid comparability. Prior to this change in policy, the group classified the capitalised interest under cash flows from operating activities.

These changes were applied retrospectively and the following line items were effected.

Figures in R'000	Previously reported audited 31 August 2017	Adjustments	Restated audited 31 August 2017
STATEMENT OF CASH FLOWS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and interest received from associates and joint ventures	–	1 075 056	1 075 056
Interest paid	(2 643 655)	326 657	(2 316 998)
Net cash inflow from operating activities	2 582 384	1 401 713	3 984 097
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends and interest received from associates and joint ventures	1 075 056	(1 075 056)	–
Acquisition and development of investment properties	(3 615 750)	(326 657)	(3 942 407)
Net cash inflow/(outflow) from investing activities	1 073 353	(1 401 713)	(328 360)

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

Figures in R'000	Notes	2018	2017
4. Investment property			
Carrying amount			
Cost		50 906 033	44 606 126
Fair value surplus		15 365 871	12 692 880
Balance at end of year		**66 271 904**	**57 299 006**
Movement for the year			
Balance at beginning of year		57 299 006	48 223 712
Additions at cost		2 025 254	1 631 664
– arising from acquisitions		765 184	629 071
– arising from subsequent expenditure		1 162 729	872 196
– capitalised borrowing costs*		97 341	130 397
Arising on acquisitions of subsidiaries	40	3 107 049	8 198 478
Disposals at fair value		(209 147)	(1 140 547)
Change in fair value		2 926 720	1 346 420
Tenant installations and lease commissions		39 032	70 354
– capitalised		115 094	158 450
– amortised		(76 062)	(88 096)
Transfer to properties under development	6	(742 000)	(449 786)
Transfer from properties under development	6	2 227 093	2 133 846
Transfer from non-current assets held-for-sale	15	–	70 000
Transfer to non-current assets held-for-sale	15	(309 335)	(2 315 845)
Transfer to properties held-for-trading		(96 487)	–
Foreign exchange gain		258 447	–
Straight-line rental income adjustment		(253 728)	(469 290)
Balance at end of year		**66 271 904**	**57 299 006**
Reconciliation to valuations			
Investment properties at end of year		66 271 904	57 299 006
Straight-line rental income accrual	5	2 197 947	1 944 218
Valuations at 31 August		**68 469 851**	**59 243 224**

* *Borrowing costs were capitalised using the weighted average cost of debt of 9.22% (2017: 9.09%).*

South African valuations were obtained from valuers who are all registered valuers in terms of Section 19 of the Property Valuers Professional Act (Act No 47 of 2000) and international valuations were obtained from valuers who are members of the Royal Institution of Chartered Surveyors:

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
Sterling Valuation Specialists	A Smith	BSc, MIV (SA), professional valuer
Jones Lang LaSalle	J Karg	BSc, MRICS, MIV (SA), professional valuer
Knight Frank	Martin Fitchet	MRICS, MIV (SA), professional valuer
CBRE – Poland	Maciej Wójcikiewicz	MRICS, property valuer
CBRE – Poland	Piotr Sliz	MRICS, property valuer

First mortgage bonds have been registered over South African investment property (which includes investment property reclassified as held-for-sale) with a fair value of R53.4 billion (2017: R50.9 billion) as security for secured interest-bearing borrowings of R20.8 billion (2017: R22.0 billion), as well as international investment property with a fair value of R4.4 billion (2017: R nil) as security for secured interest-bearing borrowings of R2.1 billion.

Refer to the note 2, Segmental report, for a breakdown by sector of investment property, contractual rental income and property expenses.

4. Investment property (continued)

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)	2018	2017
Expected market rental growth	3.00 – 6.00	4.00 – 6.00
Expected expense growth	6.50 – 8.00	7.00 – 9.00
Occupancy rate	95.68	94.1
Vacancy periods	0 – 12 months	0 – 12 months
Rent-free periods	0 – 6 months	0 – 3 months
Office sector		
Discount rate	10.00 – 17.00	11.50 – 18.50
Exit capitalisation rate	7.50 – 13.25	7.50 – 13.00
Bulk rate	R2 000 – R4 725 p/m^2	R1 750 – R5 400 p/m^2
Retail sector		
Discount rate	11.75 – 17.00	11.00 – 18.00
Exit capitalisation rate	7.25 – 12.00	7.25 – 12.50
Bulk rate	R330 – R4 000 p/m^2	R1 200 – R3 000 p/m^2
Industrial sector		
Discount rate	13.00 – 16.00	13.50 – 17.00
Exit capitalisation rate	8.00 – 11.50	8.00 – 12.50
Bulk rate	R60 – R1 900 p/m^2	R643 – R2 500 p/m^2
Specialised sector		
Discount rate	14.00 – 14.50	14.00 – 16.25
Exit capitalisation rate	9.50 – 10.50	8.00 – 10.25
International sector		
Core yield	6.25 – 7.50	–
Discount rate	6.25 – 7.50	–

Measurement of fair value

Valuation techniques

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 MSCI/South African Property Owners Association (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 MSCI/SAPOA.

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

4. Investment property (continued)

Investment property – Top-slice method

A certain selection of properties are valued using the top-slice method, which is a combination of the income capitalisation method and discounted cash flow method, adopted by CBRE – Poland. This method is based on the premise that it is necessary to distinguish between market-related rentals which are sustainable in the long term and rentals that are above market-related rates and which are not sustainable in the long term.

A sustainable value is calculated by firstly capitalising the core/market-related income by the core yield. Secondly, a top-slice value is added by discounting the incremental income that is above-market back to the present day for the period of the lease at the top-slice discount rate. The valuer assumes that market rentals and outgoings remain constant during the lease period and, as a result, do not incorporate a market growth component that is typically found in a discounted cash flow valuation.

Properties under development – Comparable sales method

Properties under development comprise of 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)
- Bulk rate was higher/(lower)
- Core yield was lower/(higher)

The fair value measurement for investment properties of R68 470 million (2017: R59 243 million) and properties under development of R5 926 million (2017: R3 949 million) has been categorised as level 3 under the fair value hierarchy, based on the inputs to the valuation technique used. Refer to note 44.4, Financial risk management, for the level 3 reconciliation.

Figures in R'000	Notes	2018	2017
5. Straight-line rental income accrual			
Balance at beginning of year		1 944 218	1 474 928
Arising during the year	4	253 729	469 290
Balance at end of year		**2 197 947**	**1 944 218**

Figures in R'000	Notes	2018	2017

6. Properties under development

Balance at beginning of year		3 948 869	2 030 041
Acquired at acquisition of subsidiaries		–	2 165 005
Arising from acquisitions		107 298	–
Development costs		3 111 825	1 989 757
Capitalised borrowing costs*		481 383	196 260
Change in fair value		(151 825)	(725 768)
Disposals		(206 180)	–
Transfer from investment property	4	742 000	449 786
Foreign exchange loss		119 828	(22 366)
Completed developments transferred to investment properties	4	(2 227 093)	(2 133 846)
Balance at end of year		**5 926 105**	**3 948 869**

* *Borrowing costs were capitalised using the weighted average cost of debt of 9.22% (2017: 9.09%).*

Refer to note 4, Investment property, for the valuation techniques applied, unobservable inputs used and fair value category of properties under development.

7. Listed securities

Delta Property Fund Limited		990 083	1 215 323
GRIT Real Estate Income Group Limited		238 100	238 671
Cromwell Property Group		707 660	–
Balance at end of year		**1 935 843**	**1 453 994**
Movement for the year			
Balance at beginning of the year		1 453 994	974 620
Additions arising on business combination		–	907 871
Disposals		(33 789)	(1 047 639)
Transfer to investment in associates and joint ventures		–	(608 088)
Transfer from investment in associates and joint ventures		626 545	1 158 608
Change in fair value	29	(110 907)	81 470
Loss due to foreign exchange		–	(12 848)
Balance at end of year		1 935 843	1 453 994

Details of listed securities	Stock exchange	% held	Number of units held	Number of units held
Delta Property Fund Limited	JSE (REIT)	22.7	162 043 079	162 043 079
GRIT Real Estate Income Group Limited	SEM	3.7	11 400 822	13 187 535
Cromwell Property Group	ASX	3.0	60 000 000	–

Delta Property Fund Limited (Delta)

During the prior year, Redefine sold its 22.8% interest in Delta to a BBBEE consortium. The BBBEE 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 nor continued involvement 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.

Cromwell Property Group (Cromwell)

During the year, Redefine sold a 19.5% interest in its previously equity-accounted investment in Cromwell Property Group, retaining 3.0%. As a result, the remaining investment is classified with other listed securities and measured at fair value through profit or loss.

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

Figures in R'000	2018	2017
8. Goodwill and intangible assets		
Cost	6 311 905	6 311 905
Amortisation	(565 702)	(502 846)
Balance at end of year	**5 746 203**	**5 809 059**
Movement for the year		
Balance at beginning of year	5 809 059	5 304 191
Arising on business combinations	–	567 724
Amortisation of intangibles	(62 856)	(62 856)
Balance at end of year	**5 746 203**	**5 809 059**
Goodwill		
At acquisition cost/indefinite life	**5 093 654**	**5 093 654**
Intangible assets		
At cost less amortisation		
The right to manage property – Redefine*	377 133	439 989
– Cost	942 835	942 835
– Amortisation	(565 702)	(502 846)
Electricity recovery business#	275 416	275 416
Total intangible assets	**652 549**	**715 405**

* *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.

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 and 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.*

The recoverable amounts of the CGUs are based on value in use. The recoverable amount 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 amounts for all CGUs are greater than the carrying amount, thus no impairment of goodwill is required.

8. Goodwill and intangible assets (continued)

The key assumptions made in determining the recoverable amount of the CGUs include:

	Discount period (years)	Growth (%)	Discount rate (%)	Exit rate (%)
Retail	5	5.5	12.9	8.3
Office	5	5.5	13.6	8.9
Industrial	5	5.5	14.1	9.3
Specialised	5	5.5	15.5	10.0

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 was reviewed for impairment to determine whether there were any indications of an impairment loss.

No impairment test was performed for the right to manage property as no indicators of impairment were present.

The remaining amortisation period is 70 months (2017: 82 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 entity 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):

	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% (2017: 6%) per annum
- Operating expenses relating to electricity recovered from tenants will increase by 6% (2017: 6%) per annum
- All profits will be distributed and thus no normal tax is payable
- A discount rate of 13% (2017: 13%) applies
- 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

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

Figures in R'000	Principal place of business	Effective interest/ voting rights		2018	2017
9. Investment in associates and joint ventures					
Associates					
Cromwell Property Group*	Australia	–		–	4 889 868
EPP N.V.	Poland	39.03%		6 996 725	4 784 916
International Hotel Properties Limited#	British Virgin Islands	–		–	245 993
Oando Wings Development Limited	Nigeria	38.94%		553 498	587 199
RDI REIT Plc	United Kingdom	29.44%		3 958 407	3 857 858
Joint ventures					
Cromwell Partners Trust	Australia	–		–	887 892
Carrying amount				**11 508 630**	**15 253 726**
Movement for the year					
Balance at beginning of year				15 253 726	17 954 385
Additional investment in associates				1 125 364	1 014 445
Additions arising on business combination				–	537 804
Transfer from listed securities			7	–	608 088
Transfer to listed securities*			7	(626 545)	(1 158 608)
Capitalised costs directly related to investments				–	890
Disposals				(2 065 023)	(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				2 541 427	1 593 387
Share of distributable profit				995 707	1 294 047
Fair value adjustment of investment property (net of tax)				1 467 593	299 340
Bargain purchase on acquisition of associate				78 127	–
Other comprehensive income of associates				(70 867)	53 136
Items that may not be reclassified to profit or loss				4 126	3 167
Items that are or may be reclassified to profit or loss				(74 993)	49 969
Dividends and interest from associates and joint ventures				(954 878)	(1 046 298)
Interest income				61 450	64 903
Interest income recognised directly to profit or loss				–	(36 145)
Dividend income				(1 016 328)	(1 075 056)
Share of other reserves of associates				43 628	65 390
Capitalised transaction costs on share issue of equity-accounted investee				(125)	(1 516)
Profit on dilution of interest in associate				24 295	141 554
Repayment of shareholder loan to Leopard Holdings				–	(8 741)
Loss on disposal of interest in associates and joint ventures				(57 787)	–
Deemed transfer on associate becoming a listed investment				(328 023)	(415 347)
Impairment of investment in associates			30	(1 053 753)	(1 204 063)
Transfer to held-for-sale				(3 707 949)	–
Currency translation adjustment of foreign investments				1 385 140	(1 750 493)
Recognised directly in profit or loss				367 811	(245 320)
Recognised in other comprehensive income				1 017 329	(1 505 173)
Balance at end of year				11 508 630	15 253 726

* *Refer to note 7, Listed securities, for further detail.*

\# *Disposed of during November 2017.*

9. Investment in associates and joint ventures (continued)

The investments in foreign associates and joint ventures comprise of Redefine's offshore property exposure. Refer to note 2, Segmental report, for details 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.

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).

	2018	2017
Holding on ASX		
Number of shares	–	446 538 850
Closing share price – 31 August (AUD)	–	0.950
Closing foreign exchange rate – 31 August (AUD/ZAR)	–	10.2867
Quoted fair value of the investment (R'000)	**–**	**4 363 741**

CPG has a 30 June financial year end and is a listed company.

During the 2018 financial year, Redefine entered into a sale agreement for 19.5% of its share in Cromwell Property Group. This portion was reclassified to non-current assets held-for-sale, with the remaining 3.0% transferred to listed securities on the disposal date of 1 June 2018.

Refer to note 7, Listed securities, and note 15, Non-current assets held-for-sale.

EPP N.V.

EPP 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 2018 (being the interim reporting date) have been equity-accounted.

No impairment test was performed for EPP as no impairment indicators were present.

	2018	2017
Holding on JSE		
Number of shares	323 986 081	279 129 659
Closing share price – 31 August (ZAR)	19.55	20.90
Quoted fair value of the investment (R'000)	**6 333 928**	**5 833 810**

International Hotel Properties Limited

During the financial year, Redefine entered into a agreement to exchange all of the shares it held in IHL for 19.8 million shares in RDI REIT Plc and R138.6 million in cash.

	2018	2017
Holding on JSE		
Number of shares	–	15 412 131
Closing share price – 31 August (ZAR)	–	14.81
Quoted fair value of the investment (R'000)	**–**	**228 254**

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

9. Investment in associates and joint ventures (continued)

RDI REIT Plc, formally known as Redefine International Plc

RDI REIT 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.

	2018	2017
Holding on JSE		
Number of shares	153 172 125	133 391 797
Closing share price – 31 August (ZAR)	6.47	6.57
Quoted fair value of the investment (R'000)	**991 024**	**876 384**
Holding on LSE		
Number of shares	406 243 451	406 243 451
Closing share price – 2018: 31 August (2017: 31 August) (GBP)	0.3380	0.3950
Closing foreign exchange rate – 31 August (GBP/ZAR)	19.1406	16.8243
Quoted fair value of the investment (R'000)	**2 628 201**	**2 699 731**
Total quoted fair value of the investment (R'000)	**3 619 225**	**3 576 115**

RDI REIT 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 2018 have been equity-accounted.

As the net asset value of the equity-accounted investment in RDI REIT Plc was higher than the market capitalisation (based on the number of shares held in RDI REIT Plc at the year-end share price), an impairment indicator was present. The subsequent impairment test using the discounted cashflow model, resulted in an impairment loss of R753.8 million (2017: 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 – 2.5% (2017: 2.0%)
- Exit yield – 8.2% (2017: 8.2%)
- Discount rate – 9.0% (2017: 9.0%)

Cromwell Partners Trust

Cromwell Partners Trust (CPT) 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.

- During the 2018 financial year, Redefine entered into an agreement to sell CPT, with the effective date of 1 August 2018
- No impairment test was performed for CPT as no impairment indicators were present

9. Investment in associates and joint ventures (continued)

Oando Wings Development Limited

Oando Wings Development Limited (OWDL) was acquired as part of the Pivotal Group acquisition on 9 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) shareholders loans.

OWDL has a 31 December financial year end, with management accounts available to 30 June. For practical purposes, results to 30 June 2018 have been equity-accounted.

An impairment test was performed for OWDL as an impairment indicator was present, with no capital and interest payments being made in terms of the specified loan agreements (2017: no impairment test was performed as no impairment indicators were present).

The subsequent impairment test resulted in an impairment of R138.2 million. The recoverable amount was determined using the fair value (adjusted net asset value) less cost of disposal model. The following key assumptions and inputs were used:

- → Marketability discount – 13.60%
- → Cost of disposal – 0.25%

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

9. 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.

Figures in R'000	2018 Cromwell Property Group	2018 EPP N.V.
Functional currency	AUD	PLN
Effective interest	–	39.03%
Summarised statements of financial position		
Investment property	–	35 487 408
Property, plant and equipment	–	–
Other non-current assets	–	2 707 233
Non-current assets	–	38 194 641
Current assets	–	2 408 967
Non-current assets held-for-sale	–	–
Total assets	–	40 603 608
Non-controlling interests	–	–
Interest-bearing borrowings	–	18 321 883
Loans from shareholders	–	30 255
Other non-current liabilities	–	2 109 102
Non-current liabilities	–	20 461 240
Current liabilities	–	2 611 093
Total liabilities	–	23 072 333
Net assets	–	17 531 275
Proportionate share of net assets	–	6 843 479
Goodwill (included in carrying amount)	–	153 246
Shareholder loans	–	–
Impairment of investment in associate	–	–
Carrying amount of investments	**–**	**6 996 725**
Summarised statements of profit or loss and other comprehensive income		
Revenue	2 079 930	2 723 443
Operating costs	(342 978)	(834 677)
Fair value adjustments	597 814	1 322 706
Equity-accounted profit	1 240 989	588 020
Interest expense	(788 473)	(461 320)
Profit for the year	2 027 766	2 583 432
Equity-accounted profit	**242 071**	**888 922**
Other comprehensive income	2 109	(77 401)
Equity-accounted other comprehensive income	**(11 988)**	**(26 274)**
Total comprehensive income	2 029 875	2 506 031
Bargain purchase on acquisition of associate	**–**	**78 127**
Total equity-accounted earnings of associates and joint ventures	**230 083**	**940 775**
Dividend income	(200 077)	(462 511)
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)		

2018				
International Hotel Properties Limited#	RDI REIT Plc	Oando Wings Development Limited	Cromwell Partners Trust	Total
GBP	GBP	USD	AUD	
–	29.44%	38.94%	–	
–	30 587 510	2 851 618	–	68 926 536
–	9 643	403	–	10 046
–	560 199	–	–	3 267 432
–	31 157 352	2 852 021	–	72 204 014
–	1 266 523	301 642	–	3 977 132
–	–	–	–	–
–	32 423 875	3 153 663	–	76 181 146
–	1 140 014	–	–	1 140 014
–	15 010 401	1 191 122	–	34 523 406
–	–	1 754 366	–	1 784 621
–	241 466	–	–	2 350 568
–	16 391 881	2 945 488	–	39 798 609
–	658 042	103 196	–	3 372 331
–	17 049 923	3 048 684	–	43 170 940
–	15 373 952	104 979	–	33 010 206
–	4 526 092	40 879	–	11 410 449
–	186 134	–	–	339 380
–	–	650 829	–	650 829
–	(753 818)	(138 210)	–	(892 028)
–	**3 958 407**	**553 498**	**–**	**11 508 630**
–	1 953 956	208 532	265 625	7 231 486
–	(441 116)	(26 184)	(86 669)	(1 731 624)
–	188 363	55 271	–	2 164 154
–	4 773	–	1 748 320	3 582 102
–	(522 945)	(346 906)	(60 120)	(2 179 764)
–	1 679 030	(85 457)	1 824 503	8 029 274
–	**453 303**	**(33 507)**	**912 511**	**2 463 300**
–	(95 526)	–	–	(170 818)
–	**(33 992)**	**1 387**	**–**	**(70 867)**
–	1 583 505	(85 457)	1 824 503	7 858 457
–	**–**	**–**	**–**	**78 127**
–	**419 311**	**(32 120)**	**912 511**	**2 470 560**
–	(262 063)	–	(91 677)	(1 016 328)
			849	
			(2 037)	
			–	
			–	
			–	

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

9. Investment in associates and joint ventures (continued)

Figures in R'000	2017 Cromwell Property Group	Delta Property Fund Limited	EPP N.V.
Functional currency	AUD	ZAR	EUR
Effective interest	25.34%	0.00%	39.59%
Summarised statements of financial position			
Investment property	26 781 060	–	24 167 396
Property, plant and equipment	35 040	–	–
Other non-current assets	1 830 671	–	1 777 961
Non-current assets	28 646 771	–	25 945 357
Current assets	1 277 712	–	1 864 250
Non-current assets held-for-sale	4 242 340	–	–
Total assets	34 166 823	–	27 809 607
Non-controlling interests	–	–	–
Interest-bearing borrowings	12 763 457	–	12 820 763
Loans from shareholders	–	–	24 282
Other non-current liabilities	13 056	–	1 293 407
Non-current liabilities	12 776 513	–	14 138 452
Current liabilities	4 963 807	–	1 921 941
Total liabilities	17 740 320	–	16 060 393
Net assets	16 426 503	–	11 749 214
Proportionate share of net assets	4 162 476	–	4 652 043
Goodwill (included in carrying amount)	1 243 254	–	132 873
Shareholder loan	–	–	–
Impairment of investment in associates	(515 862)	–	–
Carrying amount of investments	**4 889 868**	**–**	**4 784 916**
Summarised statements of profit or loss and other comprehensive income			
Revenue	2 050 748	1 623 183	1 841 184
Operating costs	(370 917)	(457 347)	(558 461)
Fair value adjustments	1 607 392	(40 724)	16 622
Equity-accounted profit	79 419	25 216	230 879
Interest expense	(585 112)	(463 027)	(265 213)
Profit for the year	2 855 685	578 872	794 856
Equity-accounted profit	**725 065**	**130 191**	**345 734**
Other comprehensive income	(4 594)	(176)	(23 547)
Equity-accounted other comprehensive income	**(1 188)**	**(39)**	**(8 907)**
Total comprehensive income	2 851 091	578 696	771 309
Total equity-accounted earnings of associates and joint ventures	**723 877**	**130 152**	**336 827**
Dividend income	(380 069)	(144 289)	(202 504)
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)			

^ *The earnings were not equity-accounted, due to the unrecognised share of cumulative losses.*

2017					
International Hotel Properties Limited	RDI REIT Plc	Oando Wings Development Limited	Cromwell Partners Trust	Leopard Holdings^	Total
GBP	GBP	USD	AUD	EUR	
27.52%	29.52%	37.15%	50.00%	0.00%	
486 441	25 150 613	2 391 831	3 568 554	–	82 545 895
1 299 882	2 016	409	–	–	1 337 347
17 119	568 854	–	6 466	–	4 201 071
1 803 442	25 721 483	2 392 240	3 575 020	–	88 084 313
101 440	1 151 529	371 187	95 730	–	4 861 848
–	459 974	–	–	–	4 702 314
1 904 882	27 332 986	2 763 427	3 670 750	–	97 648 475
–	367 017	–	–	–	367 017
893 653	13 842 452	1 156 593	1 842 853	–	43 319 771
–	–	1 355 827	–	–	1 380 109
30 693	240 488	–	–	–	1 577 644
924 346	14 449 957	2 512 420	1 842 853	–	46 644 541
98 268	426 042	54 523	52 113	–	7 516 694
1 022 614	14 875 999	2 566 943	1 894 966	–	54 161 235
882 268	12 456 987	196 484	1 775 784		43 487 240
242 814	3 677 303	72 994	887 892	–	13 695 522
3 179	868 755	–	–	–	2 248 061
–	–	514 205	–	–	514 205
–	(688 200)	–	–	–	(1 204 062)
245 993	**3 857 858**	**587 199**	**887 892**	**–**	**15 253 726**
331 776	1 709 573	173 355	196 071	51 360	7 977 250
(270 058)	(139 286)	(8 728)	(53 904)	(6 408)	(1 865 109)
5 315	120 102	74 348	–	–	1 783 055
–	47 805	–	–	–	383 319
(40 407)	(486 194)	(151 017)	(55 190)	(21 826)	(2 067 986)
20 719	1 142 360	87 958	52 251	16 248	5 548 949
5 702	**327 930**	**32 639**	**26 126**	**8 124**	**1 601 511**
11 507	197 733	(4 825)	–	–	176 098
3 167	**61 893**	**(1 790)**	**–**	**–**	**53 136**
32 226	1 340 093	83 133	52 251	16 248	5 725 047
8 869	**389 823**	**30 849**	**26 126**	**–**	**1 646 523**
(5 951)	(255 065)	–	(87 178)	–	(1 075 056)
			935		
			–		
			82 460		
			–		
			39 303		

Notes to the financial statements (continued)

for the year ended 31 August 2018

Figures in R'000	2018	2017
10. Loans receivable		
Secured		
Vendor loans	2 470 072	1 599 530
Share purchase scheme	113 820	130 869
Direct loan to non-controlling interest	114 256	114 256
Balance at end of year	**2 698 148**	**1 844 655**
Non-current	1 930 342	1 789 395
Vendor loans	1 702 266	1 544 270
Share purchase scheme	113 820	130 869
Direct loan to non-controlling interest	114 256	114 256
Current	767 806	55 260
Vendor loans	767 806	55 260

	Capital repayment date	Interest rate (%)	2018	2017
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 10 736 088 (2017: 12 336 088) Redefine Properties Limited shares.	Earlier of: – 14 May 2023; or – termination of employment	3-month JIBAR+2%	113 820	130 869
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	473 832	465 473
Khulemani Masingita The loan is secured by a mortgage bond over investment property.	Third anniversary of the commencement date of the development	3-month JIBAR+2%	83 928	73 619
Esulwini Property The loan is secured by a mortgage bond over investment property.	28 February 2018	11.00%	–	6 991
Milestone Property Group The loan is secured by a first mortgage bond over investment property.	31 May 2018	9.50%	–	6 656
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 2019	Prime plus 3.0%	–	100 000
Setso Holdco Proprietary Limited The loan is secured by a pledge of the shareholder equity of the wholly owned subsidiary, Setso Property Fund Proprietary Limited.	1 September 2020	13.00%	494 621	454 024

10. Loans receivable (continued)

Figures in R'000	Capital repayment date	Interest rate (%)	2018	2017
Kyalami Retail Village Proprietary Limited The loan is secured by a suretyship and pledge agreement from the shareholders of Kyalami Retail Village Proprietary Limited.	11 November 2021	Prime less 0.5%	145 238	131 938
Chariot This loan is unsecured, Redefine holds 25% of the equity in the Chariot Top Group B.V.	31 December 2027	7.87%	812 505	–
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.	1 November 2019	Interest free	133 674	44 666
Cradlestone Mall Proprietary Limited The loan is secured by a pledge agreement from the shareholders of Cradlestone Mall Proprietary Limited.	18 November 2020	Prime less 0.5%	72 882	66 207
Setso Holdco Proprietary Limited This loan is unsecured as it is due to be settled in the short term.	31 August 2019	10.92%	37 354	41 613
Glen IRIS Development The loan is secured by the right to proceeds on disposal of the investment property at the lender's request.	31 May 2019	15%	18 050	15 905
Hanushek Proprietary Limited The loan is secured by the right to proceeds on disposal of the investment property at the lender's request.	31 January 2019	15%	40 386	35 584
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%	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	10.355% on most significant loan	149 579	156 854
Noskop 2 Proprietary Limited The loan is secured by a suretyship by QPG Holdings Proprietary Limited and two directors of QPG Holdings Proprietary Limited.	8 February 2020	Prime plus 2%	8 023	–
			2 698 148	**1 844 655**

Notes to the financial statements (continued)

for the year ended 31 August 2018

11. Other financial assets

Figures in R'000	Notes	2018	2017
Investment in unlisted shares		218 890	5 658
Fixed-term deposits	20	–	23 861
Right to Dipula Income Fund Limited B shares	23	–	253 038
		218 890	**282 557**
Non-current		218 890	29 519
Investment in unlisted shares		218 890	5 658
Fixed-term deposits		–	23 861
Current		–	253 038
Right to Dipula Income Fund Limited B shares		–	253 038

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 could not dispose of the 50 million Dipula B shares without Redefine's approval. Redefine had 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 had retained control of the 50 million Dipula B shares. During the year, the guarantee expired and, as a result, the Dipula BEE Trust obtained a new loan which did not require a guarantee support from Redefine. Redefine sold its beneficial ownership in the Dipula BEE Trust. Redefine's share of the beneficial income of the trust amounted to R95 million and has been included in fee income in the statement of profit and loss and other comprehensive income.

Investment in Chariot Top Group B.V.

During the year, Redefine acquired a 25% equity share in Chariot Top Group B.V. (Chariot) for an acquisition price of R138.3 million (EUR 8.5 million). Due to Redefine not obtaining the power to participate in the financial and operating policy decisions of Chariot, the definition of significant influence has not been met. Chariot has therefore been accounted for as an unlisted investment at fair value through profit and loss. In order to calculate the fair value of the Chariot investment, a look-through approach to their statement of financial position was adopted, where 25% of the fair value in the underlying assets and liabilities was used to calculate the fair value of our investment.

Further to the above equity investment, Redefine granted a loan of R771.7 million (EUR 49.4 million) in proportion to its shareholding. Refer to note 10, Loans receivable.

12. Property, plant and equipment

Figures in R'000	Notes	2018	2017
Carrying amount			
Leasehold		35 973	40 344
– Cost		43 709	43 709
– Accumulated depreciation		(7 736)	(3 365)
Computer equipment		25 280	26 993
– Cost		120 258	112 157
– Accumulated depreciation		(94 978)	(85 164)
Furniture and fittings		8 480	13 855
– Cost		21 726	19 646
– Accumulated depreciation		(13 246)	(5 791)
Office equipment		359	326
– Cost		1 582	1 022
– Accumulated depreciation		(1 223)	(696)
Motor vehicles		2 577	97
– Cost		2 945	157
– Accumulated depreciation		(368)	(60)
Balance at end of year		**72 669**	**81 615**
Movement for the year			
Balance at beginning of year		81 615	20 061
Additions at cost		13 812	80 368
– Leasehold		–	43 709
– Computer equipment		8 148	18 161
– Furniture and fittings		2 294	18 168
– Office equipment		582	330
– Motor vehicles		2 788	–
Disposals at carrying amount		(249)	–
– Computer equipment		(11)	–
– Furniture and fittings		(238)	–
– Office equipment		–	–
– Buildings		–	–
Depreciation		(22 509)	(19 742)
– Leasehold		(4 371)	(3 365)
– Computer equipment		(9 848)	(11 159)
– Furniture and fittings		(7 455)	(4 796)
– Office equipment		(527)	(381)
– Motor vehicles		(308)	(41)
Subsidiaries acquired		–	928
– Computer equipment		–	928
Balance at end of year		72 669	81 615

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

Figures in R'000	Notes	2018	2017
13. Trade and other receivables			
Trade receivables		229 146	139 334
Less: Allowance for doubtful debts		(104 766)	(71 419)
		124 380	67 915
Deposits		124 401	111 608
Prepayments		96 243	108 331
Municipal recoveries		306 909	227 164
Rates clearances		22 835	43 133
Loans receivable		–	173 645
Interest receivable		13 145	13 395
Current taxation receivable		167 919	36 656
Value Added Taxation		–	56 267
Other receivables		220 247	74 638
		1 076 079	**912 752**
Refer to note 44, Financial risk management, for credit risk management.			
14. Cash and cash equivalents			
Unrestricted cash balances		**421 978**	**180 661**
Material bank balances are with The Standard Bank of South Africa Limited and ING Bank N.V. who have a Moody's credit rating of Baa3 and Aa3, respectively.			
15. Non-current assets held-for-sale			
South African investment property		487 335	2 315 845
Foreign investment property		61 754	87 911
		549 089	**2 403 756**
Movement for the year			
Balance at beginning of year		2 403 756	984 978
Additions		–	109
Disposals		(6 141 601)	(819 203)
Transfer to investment property	4	–	(70 000)
Transfer from investment property	4	309 335	2 315 845
Transfer from investment in associates and joint ventures		3 707 949	–
Change in fair values		253 468	–
Translation differences		16 182	(7 973)
Balance at end of year		**549 089**	**2 403 756**

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.

During the year, Redefine entered into an agreement for the sale of 19.5% of its interest in Cromwell Property Group, for an aggregate gross sale consideration of R3.7 billion (AUD405.9 million).

Figures in R'000	2018	2017

16. Stated capital

Authorised		
10 000 000 000 (2017: 10 000 000 000) ordinary shares of no par value		
Issued		
5 765 799 759 (2017: 5 650 052 260) ordinary shares of no par value	44 329 107	43 070 828
Less: 361 396 896 (2017: 361 396 896) treasury shares	(6)	(6)
	44 329 101	**43 070 822**
Reconciliation of issued stated capital		
In issue at beginning of year	43 070 822	36 526 352
Issued during the year	1 258 279	6 544 470
Balance at end of year	**44 329 101**	**43 070 822**
Reconciliation of issued number of shares ('000)		
In issue at beginning of year	5 288 655	4 700 911
Issued during the year	115 748	587 744
Balance at end of year per IFRS	**5 404 403**	**5 288 655**
Reconciliation of number of ordinary shares ('000)		
Number of shares at end of year per IFRS	5 404 403	5 288 655
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	**5 765 800**	**5 650 052**

The following shares were issued during the course of the year under general authority:

- 4 December 2017: Dividend re-investment of 33 046 121 shares at an issue price of R10.34 per share
- 22 March 2018: 40 000 000 shares issued for the acquisition of a property at an issue price of R11.20 per share
- 28 May 2018: Dividend re-investment of 42 701 378 shares at an issue price of R11.00 per share

17. Share-based payment reserve

	Notes	2018	2017
– Restricted scheme	19	32 879	31 690
– Matching share scheme	19	25 484	21 185
		58 363	52 875

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

Figures in R'000	Principal place of business	Effective interest/ voting rights	2018	2017
18. Non-controlling interests				
Journal Student Accommodation Fund and Journal Student Living (Pty) Ltd	Australia	90.00%	90 111	51 896
Respublica Student Living Proprietary Limited	South Africa	53.61%	308 204	298 552
European Logistics Investment B.V.	Netherlands	95.00%	73 522	–
			471 837	**350 448**

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.

During the current financial year, RSL issued further shares, with Redefine increasing it shareholding to 53.6%.

The shareholder holding the remaining 46.4% 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 Journal Student Living (Pty) Ltd

With effect from 1 September 2016, Redefine acquired a 90% equity interest in Journal Student Accommodation Fund (JSAF) and Journal Student Living (Pty) Ltd (JSL). Redefine controls JSAF and JSL due to the voting rights held.

The shareholder holding the remaining 10% is Citiplan Student Accommodation Fund (Citiplan).

JSAF and JSL both have a 30 June financial year end and, for practical purposes, reported results to 30 June 2018 have been used for consolidation purposes

European Logistics Investment B.V.

On 2 July 2018, the group acquired 95% effective ownership of the shares and voting rights in eight SPVs through a newly-formed Redefine Europe structure with residence in the Netherlands. The SPV shares were acquired by Logistics Platform B.V. (Logistics), a 100% subsidiary of European Logistics Investment B.V. in which Redefine Group has a 95% shareholding.

The shareholders holding the remaining 5% is held by two of the partners of Griffen Real Estate.

The different SPVs currently have different year-end periods, with management accounts to 31 August available for consolidation purposes.

18. Non-controlling interests (continued)

The non-controlling interest balance is reconciled as follows:

	2018			
	Journal Student Accommodation Fund and Journal Student Living	Respublica Student Living	European Logistics Investment B.V.	Total
Opening balance	51 896	298 552	–	350 448
Interest in at acquisition net asset value	–	–	59 031	59 031
Interest in additional net asset value	37 825	37 513	14 316	89 654
Share of profit/(loss) for the year	(3 481)	50 390	(5 160)	41 749
Share of other comprehensive income for the year	3 871	–	5 335	9 206
Share of dividends for the year	–	(75 125)	–	(75 125)
Change in ownership of subsidiary with NCI	–	(3 126)	–	(3 126)
Balance at end of year	90 111	308 204	73 522	471 837

	2017			
	Journal Student Accommodation Fund and Journal Student Living	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 profit/(loss) 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

Dividends of R131 496 346 million in total were distributed by RSL during the year, of which R75 million was paid to Bridgehead.

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.

Refer to note 46, Related-party transactions.

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

18. Non-controlling interests (continued)

	2018			
	Journal Student Accommodation Fund and Journal Student Living	Respublica Student Living	European Logistics Investment B.V.	Total
Functional currency	AUD	ZAR	EUR	
Effective interest	90.00%	53.61%	95.00%	
Summarised statements of financial position				
Non-current assets	1 369 344	1 178 799	3 852 068	6 400 211
Investment property	1 368 712	1 178 799	3 852 068	6 399 579
Property, plant and equipment	632	–	–	632
Current assets	23 399	44 425	384 225	452 049
Total assets	1 392 743	1 223 224	4 236 293	6 852 260
Non-current liabilities	390 499	487 996	2 267 457	3 145 952
Interest-bearing borrowings	378 345	384 973	1 725 676	2 488 994
Loans from shareholders	–	103 023	237 599	340 622
Other non-current liabilities	12 154	–	304 182	316 336
Current liabilities	101 131	70 853	498 404	670 388
Total liabilities	491 630	558 849	2 765 861	3 816 340
Net assets	901 113	664 375	1 470 432	3 035 920
Net assets attributable to non-controlling interests	90 111	308 204	73 522	471 837
Summarised statements of profit or loss and other comprehensive income				
Revenue	3 351	159 250	57 839	220 440
Operating costs	(14 379)	(69 946)	(15 505)	(99 830)
Administration costs	(12 044)	(510)	(113 423)	(125 977)
Fair value adjustments	(11 340)	51 394	(9 802)	30 252
Interest income	192	10 253	134	10 579
Interest expense	(588)	(41 818)	(10 507)	(52 913)
Other	–	–	(11 926)	(11 926)
Profit for the year	(34 808)	108 623	(103 190)	(29 375)
Other comprehensive income	38 707	–	106 696	145 403
Total comprehensive income	3 899	108 623	3 506	116 028
Net total comprehensive income attributable to non-controlling interests	390	50 390	175	50 955
Dividends	–	131 496	–	131 496

18. Non-controlling interests (continued)

	2017			
Figures in R'000	**Journal Student Accommodation Fund and Journal Student Living**	**Respublica Student Living**	**Castellana Properties**	**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

Notes to the **financial statements** (continued)

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19. Share-based payments

Restricted scheme

Long-term incentive

The restricted share scheme, which awards 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.

Restricted share scheme awards are subject to the vesting condition. In addition, 75% (2017: 75%) 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.

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

	2018	2017
Shares expected to vest*	5 046 229	4 564 042
Vesting period	3 years	3 – 4 years
Average discounted price per share#	7.88	8.15
IFRS 2 *Share-based payments* expense recognised in administration expenses (R'000)	13 473	16 502
Weighted average share price at date of vesting	10.04	10.51

* *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 5.1% to 8.3% and discounted by a distribution yield of 7.6% to 9.1%.

These awards will vest over the next three years.

The number of conditional share awards allotted in terms of the conditional share award scheme are:

	2017	Granted	Forfeited	Vested	2018	IFRS 2 charge R'000
AJ König	890 000	446 530	(5 737)	(219 263)	1 111 530	2 704
LC Kok	638 000	306 780	(3 744)	(156 256)	784 780	1 935
M Wainer	1 175 000	547 450	(5 760)	(294 240)	1 422 450	3 488
DH Rice*	767 000	332 156	(11 745)	(213 255)	874 156	2 171
MJ Ruttell*	468 000	201 917	(5 310)	(144 690)	519 917	1 314
Other employees	626 042	–	–	(292 646)	333 396	1 861
	4 564 042	1 834 833	(32 296)	(1 320 350)	5 046 229	13 473

	2016	Granted	Forfeited	Vested	2017	IFRS 2 charge R'000
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

* *DH Rice and MJ Ruttell form part of the executive committee and meet the definition of a "prescribed officer" in terms of the Companies Act.*

19. Share-based payments (continued)

Short-term incentive

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.

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

	2018	2017
Shares expected to vest	1 471 386	2 400 925
Vesting period	1 – 3 years	1 – 3 years
Average discounted price per share#	8.58	8.56
IFRS 2 *Share-based payments* expense recognised in administration expenses (R'000)	6 566	9 954
Weighted average share price at date of vesting	10.04	10.51

The future anticipated distributions were adjusted for annual growth of 5.1% to 8.3% and discounted by a distribution yield of 7.5% 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:

	2017	Granted	Forfeited	Vested	2018	IFRS 2 charge R'000
AJ König	536 223	–	–	(207 658)	328 565	1 466
LC Kok	411 742	–	–	(159 451)	252 291	1 126
M Wainer	724 209	–	–	(279 373)	444 836	1 988
DH Rice*	462 222	–	–	(179 617)	282 605	1 259
MJ Ruttell*	266 529	–	–	(103 440)	163 089	727
	2 400 925	–	–	(929 539)	1 471 386	6 566

	2016	Granted	Forfeited	Vested	2017	IFRS 2 charge R'000
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

* *DH Rice and MJ Ruttell form part of the executive committee and meet the definition of a "prescribed officer" in terms of the Companies Act.*

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

19. Share-based payments (continued)

Matching scheme

In terms of the matching share scheme, participants are invited annually to utilise a predetermined 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

	2018	2017
Shares expected to vest	5 378 605	4 738 512
Vesting period	3 years	3 years
Average discounted price per share#	8.11	8.23
IFRS 2 *Share-based payments* expense recognised in administration expenses (R'000)	12 627	11 115
Weighted average share price at date of vesting	10.04	10.51

The future anticipated distributions were adjusted for annual growth of 6.0% to 9.3% and discounted by a distribution yield of 7.2% to 9.1%.

These awards will vest over the next three years.

The number of matching share awards in terms of the matching share award scheme are:

	2017	Granted	Forfeited	Vested	2018	IFRS 2 charge R'000
AJ König	1 129 023	436 803	(54 405)	(250 101)	1 261 320	2 956
LC Kok	551 772	316 896	–	–	868 668	2 036
M Wainer	1 347 039	574 347	(61 906)	(294 971)	1 564 509	3 666
DH Rice*	1 004 283	379 893	(53 997)	(219 450)	1 110 729	2 602
MJ Ruttell*	90 477	170 157	(5 303)	(23 167)	232 164	544
Other employees	615 918	–	(7 612)	(267 091)	341 215	823
	4 738 512	1 878 096	(183 223)	(1 054 780)	5 378 605	12 627

	2016	Granted	Forfeited	Vested	2017	IFRS 2 charge R'000
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

* *DH Rice and MJ Ruttell form part of the executive committee and meet the definition of a "prescribed officer" in terms of the Companies Act.*

19. Share-based payments (continued)

Nil-cost options

Under the staff incentive scheme operated by the group, certain employees are awarded nil-cost options. These awards grant employees with a conditional right to receive a number of shares or the cash equivalent at the employee's option against the achievement of specific performance conditions, free of any cost. As it is anticipated that the participants will receive shares or a cash alternative in settlement of their awards, a share-based payment expense has been recognised.

In terms of the staff incentive share scheme, a conditional right to a share or cash settlement 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.

The participant will not be entitled to any voting rights or distributions prior to the vesting of the nil-cost option.

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

	2018	2017
Total conditional shares	2 270 333	1 062 610
Vesting period	3 – 8 years	3 – 8 years
Shares expected to vest*	2 213 396	985 252
Average discounted price per share#	8.14	8.26
IFRS 2 *Share-based payments* expense (R'000) recognised in:	4 710	1 929
Operating costs (R'000)	2 299	795
Administration expenses (R'000)	2 411	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 6.0% and discounted by a distribution yield of 8.1% to 9.1%.*

These awards will vest over the next three to eight years.

The number of conditional share awards allotted in terms of the conditional share award scheme are:

	2018	2017
Opening balance	1 062 610	–
Granted	1 414 775	1 120 679
Forfeited	(207 052)	(58 069)
	2 270 333	1 062 610

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19. Share-based payments (continued)

Conditional awards

Under the staff incentive scheme operated by the group, certain employees are awarded conditional awards. These awards grant employees with a conditional right to receive a cash settlement of the market value of the number of shares awarded against the achievement of specific performance conditions. As it is anticipated that the participants will receive a cash settlement of their awards, a share-based payment expense has been recognised.

In terms of the staff incentive share scheme, a conditional right to the cash settlement 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.

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 conditional share awards allotted in terms of the conditional share award scheme are:

	2018	2017
Total conditional shares	2 030 164	853 445
Vesting period	3 years	3 years
Shares expected to vest*	1 870 796	786 450
Average discounted price per share#	8.59	8.60
IFRS 2 *Share-based payments* expense (R'000) recognised in:	4 548	1 691
Operating costs (R'000)	3 368	1 320
Administration expenses (R'000)	1 180	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 6.0% and discounted by a distribution yield of 8.1% to 9.1%.*

	2018	2017
Opening balance	853 445	–
Granted	1 304 842	853 445
Forfeited	(128 123)	
	2 030 164	853 445

The Redefine Empowerment Trust

In 2015, Redefine granted The Redefine Empowerment Trust (Empowerment Trust) a loan to acquire Redefine shares. The loan is secured by 300 000 000 Redefine shares and will be repaid using the dividends on the shares and the proceeds generated by the future sale of shares. The Redefine shares that are not required to be sold to settle the loan balance will become unencumbered shares. As the loan only has recourse to the shares and no other assets, the issue of the shares on loan account was treated as an option grant which vested on the date when the loan was granted.

The loan bears interest at the lower of 16% per annum or the amount of the distribution received by the Empowerment Trust and is repayable in two instalments of 15% and seven instalments of 10% of the original loan balance. The first loan repayment will occur when the Redefine share price has grown by R1 from the share price on the date the loan was advanced. The share price is further required to appreciate by 6% each repayment date in order for an instalment to be repaid.

	2018	2017
Number of encumbered shares held by the Empowerment Trust	300 000 000	300 000 000

20. Interest-bearing borrowings

Figures in R'000	2018	2017
Bank loans	12 384 505	21 922 566
Secured	9 714 738	16 838 574
Unsecured	2 669 767	5 083 992
Bonds and commercial paper	21 236 647	10 537 022
Secured	13 224 817	5 138 000
Unsecured	8 011 830	5 399 022
	33 621 152	32 459 588
Non-current		
Bank loans	11 214 606	18 403 637
Bonds and commercial paper	19 936 647	7 261 022
	31 151 253	25 664 659
Current		
Bank loans	1 169 899	3 518 929
Bonds and commercial paper	1 300 000	3 276 000
	2 469 899	6 794 929

The average all-in interest rate in respect of the total local group borrowings is 9.26% (2017: 9.21%).

Local interest-bearing borrowings are mainly at floating rates, of which 82% (2017: 93%) have economically been hedged to fixed rates. Refer to note 22, Derivative assets/(liabilities), for further detail of the group's interest rate swap agreements.

Total group borrowings (net of cash on hand) represent 39.1% (2017: 41.1%) of the value of the property portfolio (which includes investment properties, listed securities, loans receivable and investments in associates and joint ventures).

Group interest-bearing borrowings have been secured by mortgage loans over investment property to the value of R57.8 billion (2017: R50.9 billion), pledges over investments in associates to the value of R2.0 billion (2017: R1.7 billion), and pledges over listed securities to the value of R867 million (2017: R160 million).

Total group undrawn facilities at year end amount to R3.8 billion (2017: R3.0 billion).

Refer to note 44, Financial risk management, and note 45, Capital management.

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

20. Interest-bearing borrowings (continued)

Variable and fixed rate loans – South African rand

Bank loans	Facility end date	Interest rate		2018	2017
Absa				659 000	659 000
	1 July 2020	3-month JIBAR plus 1.75%		500 000	500 000
	1 July 2020	3-month JIBAR plus 1.75%		159 000	159 000
Liberty				1 000 000	–
	20 October 2023	3-month JIBAR plus 1.85%		500 000	–
	20 October 2024	3-month JIBAR plus 1.95%		500 000	–
Investec				–	397 574
	1 December 2020	Prime less 0.50%		–	5 286
	7 January 2022	Prime less 1.25%		–	136 559
	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
	1 May 2025	Prime less 0.50%		–	7 517
Nedbank				2 251 373	5 605 004
	1 November 2017	Fixed 9.90%		–	12 176
	3 June 2018	3-month JIBAR plus 1.67%	^	–	2 000 000
	30 June 2018	3-month JIBAR plus 1.56%	^	–	245 000
	30 August 2018	3-month JIBAR plus 1.61%	^	–	500 000
	20 November 2018	3-month JIBAR plus 1.75%		–	25 000
	1 March 2019	Prime less 1%		131 400	131 400
	27 May 2019	3-month JIBAR plus 1.70%		500 000	500 000
	27 May 2019	3-month JIBAR plus 1.70%		150 000	150 000
	1 July 2019	3-month JIBAR plus 1.70%		15 000	15 000
	31 July 2019	Prime less 1%		–	58 744
	22 December 2019	Fixed 10.15%		85 000	85 000
	23 December 2019	1-month JIBAR plus 2.26%		114 978	139 992
	31 December 2019	3-month JIBAR plus 1.71%		800 000	800 000
	31 August 2020	1-month JIBAR plus 2.09%		24 995	24 998
	31 August 2020	Fixed 10.55%		80 000	80 000
	31 December 2020	3-month JIBAR plus 1.75%		350 000	350 000
	31 May 2021	3-month JIBAR plus 2.30%		–	487 694

20. Interest-bearing borrowings (continued)

Variable and fixed rate loans – South African rand

Bank loans	Facility end date	Interest rate		2018	2017
Rand Merchant Bank				580 092	4 299 626
	4 December 2017	Prime less 1.70%	^	–	175 000
	1 August 2018	Fixed 9.74%	^	–	78 075
	1 August 2018	Fixed 13.27%	^	–	21 438
	3 September 2018	Fixed 10.79%	^	–	69 021
	1 December 2018	3-month JIBAR plus 1.00%		–	500 000
	4 February 2019	3-month JIBAR plus 1.61%		–	525 000
	15 August 2019	3-month JIBAR plus 1.57%		–	1 900 000
	1 December 2019	1-month JIBAR plus 2.40%		–	201 807
	5 December 2019	Fixed 10.22%		–	350 000
	30 August 2020	Prime less 1.35%		500 092	–
	31 August 2020	1-month JIBAR plus 2.15%		80 000	80 000
	1 July 2021	3-month JIBAR plus 1.85%		–	399 285
Standard Bank				1 996 084	8 124 689
	30 September 2017	3-month JIBAR plus 1.61%	^	–	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
	31 March 2018	3-month JIBAR plus 1.67%	^	–	393 000
	30 June 2018	3-month JIBAR plus 1.72%	^	–	30 000
	30 September 2018	3-month JIBAR plus 1.67%	^	–	150 000
	30 September 2018	3-month JIBAR plus 2.04%	^	–	848 000
	30 September 2018	3-month JIBAR plus 1.72%	^	–	150 000
	1 June 2019	3-month JIBAR plus 1.69%		150 000	150 000
	30 September 2019	3-month JIBAR plus 1.72%		96 424	–
	30 September 2019	3-month JIBAR plus 1.88%		69 000	–
	30 September 2019	3-month JIBAR plus 1.78%		199 007	–
	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
	31 October 2019	3-month JIBAR plus 1.63%		575 000	575 000
	31 October 2019	3-month JIBAR plus 1.63%		300 000	300 000
	31 October 2019	Prime less 1.72%		–	190 400
	31 October 2019	3-month JIBAR plus 1.67%		400 000	400 000
	31 March 2020	Prime less 1.80%		206 653	804 215
	31 March 2020	3-month JIBAR plus 1.57%		–	2 429 397
	31 March 2020	3-month JIBAR plus 1.70%		–	100 000
	30 September 2020	3-month JIBAR plus 1.88%	^	–	103 499
	30 September 2020	3-month JIBAR plus 2.05%	^	–	205 574
Total local currency loans				**6 486 549**	**19 085 893**

^ *The above loans were early-settled.*

Notes to the **financial statements** (continued)

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20. Interest-bearing borrowings (continued)

Variable rate loans – Foreign currency

Bank loans	Facility end date	Interest rate		2018	2017
AUD loans					
Standard Chartered	15 December 2019	3-month BBSW plus 2.00%		1 067 360	1 028 670
National Bank of Australia	28 February 2022	BBSY bid rate plus 2.90%		378 345	–
EUR loans					
ING Bank	3 July 2025	3-month EURIBOR plus 1.40%		1 725 676	–
GBP loans					
Standard Bank Isle of Man				1 901 301	998 243
	31 July 2022	3-month LIBOR plus 2.81%		1 135 677	998 243
	30 November 2020	6-month LIBOR plus 1.98%		382 812	–
	30 November 2021	6-month LIBOR plus 2.25%		382 812	–
USD loans					
Standard Bank Isle of Man				367 685	325 508
	30 September 2018	3-month US LIBOR plus 2.37%	^	–	325 508
	31 August 2020	3-month US LIBOR plus 2.01%		367 685	–
Total variable rate loans – Foreign currency				**5 440 367**	**2 352 421**
Fixed rate loans – Foreign currency					
Investec*				234 090	285 749
Investec (AUD loan)	31 August 2020	4.51%	^	–	168 842
Investec (EUR loan)	30 April 2020	2.54%		93 489	55 012
Investec (EUR loan)	22 January 2020	2.86%		114 790	61 895
Investec (GBP loan)	6 March 2020	3.07%		25 811	–
Rand Merchant Bank (USD)	18 March 2019	4.15%		223 499	198 503
Total fixed rate loans – Foreign currency				**457 589**	**484 252**
Total bank loans				**12 384 505**	**21 922 566**

^ *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:

2018	Loan	Fixed deposit	Net
Investec (EUR loan)	387 199	(293 710)	93 489
Investec (EUR loan)	532 298	(417 508)	114 790
Investec (GBP loan)	410 463	(384 652)	25 811
			234 090

2017	Loan	Fixed deposit	Net
Investec (AUD loan)	1 764 169	(1 595 327)	168 842
Investec (EUR loan)	348 722	(293 710)	55 012
Investec (EUR loan)	479 403	(417 508)	61 895
			285 749
Investec (GBP loan)*	360 791	(384 652)	(23 861)

* *Refer to note 11, Other financial assets.*

20. Interest-bearing borrowings (continued)

Bonds and commercial paper		Capital repayment date	Interest rate	2018	2017
Bonds				4 661 830	4 549 022
5-year	RDFB05	27 November 2019	3-month JIBAR plus 2.00%	501 000	501 000
5-year	RDFB09	2 December 2021		832 869	833 749
	Nominal value		3-month JIBAR plus 1.85%	830 000	830 000
	Issued at premium			3 966	3 966
	Amortised premium			(1 097)	(217)
4-year	RDFB08	30 September 2021		750 961	751 273
	Nominal value		3-month JIBAR plus 1.85%	750 000	750 000
	Issued at premium			1 404	1 404
	Amortised premium			(443)	(131)
3-year	RDFB04	27 November 2017	3-month JIBAR plus 1.60%	–	199 000
5-year	RDFB02	11 March 2018	3-month JIBAR plus 1.60%	–	614 000
3-year	RDFB06	22 March 2019	3-month JIBAR plus 1.95%	450 000	450 000
3-year	RDFB07	30 September 2019	3-month JIBAR plus 1.60%	700 000	700 000
3-year	RDFB10	27 March 2020	3-month JIBAR plus 1.54%	284 000	284 000
3-year	RDFB13	12 March 2021	3-month JIBAR plus 1.40%	299 000	–
5-year	RDFB11	27 March 2022	3-month JIBAR plus 1.75%	216 000	216 000
5-year	RDFB12	27 November 2022	3-month JIBAR plus 1.65%	200 000	–
5-year	RDFB14	12 March 2023	3-month JIBAR plus 1.60%	428 000	–
Unlisted bonds				15 724 817	5 138 000
4-year	RDF03U	4 April 2018	3-month JIBAR plus 1.70%	–	613 000
4-year	RDF04U	4 October 2018	3-month JIBAR plus 1.70% #	–	1 000 000
5-year	RDF05U	4 December 2019	3-month JIBAR plus 1.75% #	–	500 000
6-year	RDF02U	4 December 2020	3-month JIBAR plus 1.70%	1 500 000	1 500 000
5-year	RDF06U	28 August 2022	3-month JIBAR plus 1.85%	1 525 000	1 525 000
4-year	RDF13U	31 August 2022	3-month JIBAR plus 1.65%	1 286 000	–
5-year	RDF07U	22 December 2022	3-month JIBAR plus 1.80%	848 000	–
5-year	RDF08U	1 August 2023	3-month JIBAR plus 1.60%	500 000	–
5-year	RDF09U	21 August 2023	3-month JIBAR plus 1.65%	2 000 000	–
5-year	RDF14U	30 August 2023	3-month JIBAR plus 1.70%	2 338 000	–
5-year	RDB11U	31 August 2023	3-month JIBAR plus 1.63%	1 846 817	–
6-year	RDF15U	30 August 2024	3-month JIBAR plus 1.80%	1 196 000	–
6-year	RDB12U	31 August 2024	3-month JIBAR plus 1.72%	1 175 000	–
7-year	RDF10U	21 August 2025	3-month JIBAR plus 1.55%	1 010 000	–
8-year	RDF16U	30 August 2026	3-month JIBAR plus 2.05%	500 000	–
Commercial paper				850 000	850 000
6-month	RDFC36	22 September 2017	3-month JIBAR plus 0.75%	–	250 000
12-month	RDFC35	5 October 2017	3-month JIBAR plus 1.05%	–	250 000
12-month	RDFC38	4 June 2018	3-month JIBAR plus 1.00%	–	250 000
12-month	RDFC39	27 July 2018	3-month JIBAR plus 1.00%	–	100 000
6-month	RDFC42	23 September 2018	3-month JIBAR plus 0.70%	250 000	–
12-month	RDFC41	5 October 2018	3-month JIBAR plus 0.97%	250 000	–
6-month	RDFC44	28 January 2019	3-month JIBAR plus 0.70%	100 000	–
12-month	RDFC43	4 June 2019	3-month JIBAR plus 0.95%	250 000	–
Total bonds and commercial paper				**21 236 647**	**10 537 022**

The above bonds were early-settled.

Notes to the financial statements (continued)

for the year ended 31 August 2018

21. Interest-bearing borrowings at fair value

Secured

Euro-exchangeable bonds	Capital repayment date	Interest rate	2018	2017
Opening balance			2 269 933	–
Bond issue			–	2 396 220
Fair value gain (foreign exchange portion)			2 348	(76 530)
At amortised cost	16 September 2021	Fixed 1.50%	**2 272 281**	**2 319 690**
Fair value gain			248 609	(49 757)
Closing balance			**2 520 890**	**2 269 933**
Interest-bearing borrowings at fair value			2 502 753	2 253 598
Interest accrual on interest-bearing borrowings*			18 137	16 335

* *Presented as part of the interest accrual on interest-bearing borrowings on the statement of financial position.*

During the 2017 financial year, Redefine issued exchangeable bonds for a principal amount of EUR100 000 each, and a total principal amount of EUR150 million. 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 of EUR150 million or the value of the final Exchange property at the bondholder's option on settlement date.

The exchangeable bond is secured with the Exchange property and has a Moody's credit rating of Baa3.

Exchange property

The Exchange property comprises a number of RDI REIT Plc shares. The Exchange property is adjusted during the term of the exchangeable bonds for certain RDI REIT Plc dilutive events, *inter alia* share sub-divisions, consolidations and redenominations, rights issues, bonus issues, re-organisations, capital distributions and cash dividends.

Reconciliation of the Exchange property	2018	2017
Number of RDI REIT Plc shares		
Initial Exchange property	242 310 908	242 310 908
Additional Exchange property	38 130 875	18 255 418
	280 441 783	**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 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.

21. Interest-bearing borrowings at fair value (continued)

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 Redefines' general meetings; 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 J.P. Morgan may borrow up to 63 628 273 RDI REIT Plc shares from Redefine on the bond issue date.

The title of the shares is effectively transferred to investors who borrow the shares, whilst 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'000	2018	2017

22. Derivative assets/(liabilities)

Non-current assets	34 754	1 868
Current assets	6 041	75 875
Non-current liabilities	(907 687)	(487 564)
Current liabilities	(13 852)	(11 799)
	(880 744)	**(421 620)**
Foreign exchange options	(11 740)	61 589
Cross-currency interest rate swaps	(819 706)	(131 341)
Interest rate swap agreements	(49 298)	(351 868)
	(880 744)	**(421 620)**

A significant portion of the foreign currency exposure on income has been economically hedged. Refer to note 44, Financial risk management, for further detail.

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

22. Derivative assets/(liabilities) (continued)

Redefine has entered into a number of cross-currency interest rate swaps which is 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.

Figures in R'000	Maturity	Nominal value	Rate (%)	2018	2017
Cross-currency interest rate swaps					
Standard Bank				(109 199)	(20 761)
	25 November 2019	EUR 40 000 000	0.88%		
		ZAR 612 000 000	3-month JIBAR plus 1.60%	(69 311)	(9 227)
	24 November 2021	EUR 20 000 000	1.43%		
		ZAR 306 000 000	3-month JIBAR plus 1.85%	(39 888)	(11 534)
Rand Merchant Bank				(61 721)	–
	28 June 2023	EUR 50 300 000	1.79%		
		ZAR 797 461 230	3-month JIBAR plus 1.70%	(61 721)	–
Standard Chartered				(166 351)	(17 424)
	12 July 2021	EUR 40 000 000	1.44%		
		ZAR 580 800 000	3-month JIBAR plus 1.65%	(112 099)	–
	28 June 2021	EUR 40 000 000	1.37%		
		ZAR 634 000 000	3-month JIBAR plus 1.50%	(54 252)	–
	6 July 2020	EUR 40 000 000	1.56%		
		ZAR 611 000 000	3-month JIBAR * plus 1.65%	–	(17 424)
Absa				(482 435)	(93 156)
	13 December 2022	GBP 60 000 000	2.61%		
		ZAR 952 650 000	3-month JIBAR plus 1.85%	(194 225)	(85 114)
	13 December 2022	GBP 40 000 000	2.62%		
		ZAR 680 400 000	3-month JIBAR plus * 1.85%	–	(8 042)
	13 December 2022	GBP 40 000 000	2.62%		
		ZAR 650 400 000	3-month JIBAR plus 1.85%	(113 425)	–
	20 December 2022	GBP 58 000 000	1.74%		
		ZAR 839 840 000	3-month JIBAR plus 1.85%	(174 785)	–
Total cross-currency interest rate swaps				**(819 706)**	**(131 341)**

* *The above cross-currency interest rate swaps were early-settled.*

22. Derivative assets/(liabilities) (continued)

A significant portion of the floating interest rate borrowings has been economically hedged to fixed interest rates. Refer to note 44, Financial risk management, for further detail.

Figures in R'000	Maturity	Nominal value	Rate (%)	2018	2017
Interest rate swap agreements					
Absa				(1 640)	(186 047)
	17 October 2017	500 000 000	6.60	–	927
	12 February 2018	295 000 000	7.70	–	(1 387)
	20 February 2018	320 000 000	6.59	–	548
	9 April 2018	500 000 000	6.57	–	1 690
	23 July 2018	600 000 000	6.50	–	1 919
	1 August 2018	140 000 000	8.62	–	(2 778)
	8 October 2018	230 000 000	10.48	(1 474)	(10 247)
	12 November 2018	413 795 000	8.86	(1 893)	(10 555)
	8 April 2019	200 000 000	7.68	(741)	(3 042)
	9 April 2019	500 000 000	7.79	(2 258)	(8 522)
	13 May 2019	200 000 000	7.52	(436)	(2 742)
	15 August 2019	200 000 000	7.40	(162)	(2 679)
	15 October 2019	750 000 000	7.40	(422)	(10 264)
	18 November 2019	675 000 000	7.25	1 193	(7 856)
	20 November 2019	250 000 000	7.57	(507)	(4 571)
	25 November 2019	200 000 000	7.56	(369)	(3 629)
	9 December 2019	300 000 000	6.86	2 068	(731)
	12 August 2020	230 000 000	7.72	(1 656)	(7 250)
	1 July 2021	350 000 000	7.94	(2 207)	(12 235)
	7 July 2021	350 000 000	7.96	(2 319)	(12 466)
	10 August 2021	350 000 000	7.75	(6)	(9 955)
	8 September 2021	250 000 000	7.82	(788)	(7 906)
	8 September 2021	250 000 000	7.82	(788)	(7 908)
	8 September 2021	300 000 000	7.80	(772)	(9 266)
	22 September 2021	350 000 000	7.75	(267)	(10 032)
	22 September 2021	350 000 000	7.76	(165)	(10 162)
	27 September 2021	700 000 000	7.74	17	(19 745)
	14 February 2022	250 000 000	7.73	791	(6 848)
	14 July 2022	700 000 000	7.39	11 521	(8 355)

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

22. Derivative assets/(liabilities) (continued)

Figures in R'000	Maturity	Nominal value	Rate (%)	2018	2017
Interest rate swap agreements (continued)					
Nedbank				(5)	1 598
	25 September 2017	50 000 000	5.88	–	181
	16 October 2017	50 000 000	6.71	–	78
	30 October 2017	50 000 000	6.36	–	88
	30 October 2017	50 000 000	6.17	–	112
	8 February 2018	26 500 000	6.32	–	75
	8 February 2018	25 000 000	6.32	–	68
	15 March 2018	50 000 000	6.28	–	271
	15 March 2018	50 000 000	6.28	–	271
	15 May 2018	50 000 000	5.71	–	412
	29 June 2018	50 000 000	6.56	–	160
	15 October 2018	50 000 000	7.00	(5)	(118)
Rand Merchant Bank				6 260	(20 440)
	22 November 2017	400 000 000	7.10	–	(50)
	14 February 2018	355 000 000	7.70	–	(1 690)
	5 April 2018	750 000 000	6.66	–	1 801
	22 May 2018	350 000 000	6.47	–	928
	22 May 2018	500 000 000	5.87	–	3 499
	28 January 2019	400 000 000	8.05 #	–	31
	28 January 2019	400 000 000	8.05 #	–	31
	4 February 2019	500 000 000	8.35 #	–	21
	4 February 2019	500 000 000	8.35 #	–	21
	5 February 2019	300 000 000	8.20 #	–	18
	18 July 2019	100 000 000	7.44	(187)	(1 346)
	27 November 2019	525 000 000	6.98	2 642	(3 296)
	22 May 2020	500 000 000	7.06	3 803	(4 036)
	3 August 2020	89 956 894	8.64	(857)	(2 580)
	3 August 2020	2 253 382	7.14	3	(15)
	12 August 2020	270 000 000	7.72	(1 803)	(8 073)
	19 May 2021	350 000 000	7.39	2 659	(5 704)

Amounts are less than R1 000.

22. Derivative assets/(liabilities) (continued)

Figures in R'000	Maturity	Nominal value	Rate (%)	2018	2017
Interest rate swap agreements (continued)					
Standard Bank				(31 282)	(146 979)
	1 November 2017	81 700 000	7.40	–	(75)
	29 December 2017	38 030 000	6.45	–	58
	2 January 2018	322 052 000	6.76	–	645
	1 March 2018	26 010 000	7.88	–	(146)
	5 April 2018	500 000 000	6.71	–	1 101
	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)
	2 July 2018	80 000 000	8.19	–	(1 015)
	31 July 2018	17 500 000	6.56	–	24
	31 August 2018	171 234 602	7.13	–	(1 070)
	31 August 2018	13 390 000	7.06	–	(99)
	11 November 2018	140 000 000	10.64	(1 253)	(6 573)
	3 December 2018	103 110 000	8.72	(911)	(2 865)
	2 September 2019	13 571 147	8.39	(146)	(455)
	12 November 2019	600 000 000	7.29	681	(7 391)
	2 December 2019	70 585 000	8.68	(1 091)	(3 005)
	1 June 2020	250 000 000	7.79	(1 558)	(6 742)
	21 July 2020	250 000 000	7.66	(595)	(5 949)
	31 August 2020	250 000 000	7.69	(452)	(6 120)
	31 August 2020	350 000 000	7.93	(2 183)	(10 835)
	16 October 2020	400 000 000	7.62	(397)	(9 130)
	13 April 2021	400 000 000	8.46	(7 982)	(20 545)
	12 November 2021	400 000 000	7.59	2 110	(8 973)
	14 November 2021	400 000 000	8.02	(2 786)	(15 291)
	28 February 2022	350 000 000	8.38	(5 990)	(18 232)
	31 August 2022	350 000 000	8.60	(8 729)	(21 983)
National Australian Bank				(12 154)	–
	1 February 2022	AUD 17 100 000	2.88	(3 116)	–
	1 February 2023	AUD 17 100 000	2.89	(4 087)	–
	1 February 2024	AUD 17 100 000	3.07	(4 951)	–
ING Bank				(10 477)	–
	27 March 2025	EUR 11 529 509		(1 202)	–
	27 March 2025	EUR 5 002 612		(522)	–
	27 March 2025	EUR 11 478 270		(1 197)	–
	27 March 2025	EUR 21 089 175		(2 198)	–
	27 March 2025	EUR 6 861 256		(715)	–
	27 March 2025	EUR 11 054 757		(1 153)	–
	27 March 2025	EUR 14 429 839		(1 504)	–
	27 March 2025	EUR 19 054 582		(1 986)	–
Total interest rate swaps				**(49 298)**	**(351 868)**

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

Figures in R'000	Notes	2018	2017
23. Other financial liabilities			
Staff incentive schemes		16 524	4 690
Nil-cost options	19	6 640	1 929
Conditional awards	19	6 239	1 691
Cash awards		3 645	1 070
Profit participation liability		51 287	–
Loan from non-controlling shareholders		18 356	–
Liability associated with Dipula Income Fund Limited B shares	11	–	253 038
		86 167	**257 728**
Non-current			
Staff incentive schemes		16 524	4 690
Profit participation liability		51 287	–
Loan from non-controlling shareholders		18 356	–
		86 167	4 690
Current			
Liability associated with Dipula Income Fund Limited B shares		–	253 038

Cash awards

In terms of the 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.

	2018	2017
Opening balance	1 070	–
Current service costs	2 575	1 070
	3 645	1 070

Profit participation liability

As part of the Chariot Top Group B.V. (Chariot) transaction, Redefine entered into a profit participation loan agreement with East Management Slovakia s.r.o. (East Management). In terms of the agreement, East Management will be entitled to 5% of any and all investment proceeds generated by the Chariot Group. This liability has been measured at fair value and restated to the spot rate at year end.

Figures in R'000	2018	2017
24. Deferred taxation		
Capital allowances	449 192	367 991
Intangible assets	105 597	123 197
Deferred capital gains tax on investment property – Logistics Platform B.V.	275 350	–
Deferred capital gains tax on Cromwell Property Group shares	35 832	151 073
	865 971	**642 261**
Movement for the year		
Balance at beginning of year	642 261	269 318
Arising on business combination	245 074	196 504
Deferred capital gains tax on investment property – Logistics Platform B.V.	5 370	–
Capital allowances	49 124	38 576
Capital allowances adjustment prior year	32 077	–
Amortisation of intangible asset	(17 600)	(17 600)
Deferred capital gains tax on Cromwell Property Group shares	(115 241)	124 369
Assessed losses utilised/(recognised)	–	31 094
Foreign exchange gain	24 906	–
Balance at end of year	**865 971**	**642 261**

24. 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 can no longer 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 8, Goodwill and intangible assets. The deferred taxation is released to profit and 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'000	Notes	2018	2017

25. Trade and other payables

Trade payables		578 866	16 004
Accrued expenses		469 400	230 140
Deposits		246 750	237 069
Rental received in advance from tenants		226 496	156 253
Municipal expenses		426 910	377 648
Value Added Taxation		58 683	27 839
Sundry creditors		271 217	135 783
Balance at end of year		**2 278 322**	**1 180 736**

26. Operating costs

Utility charges		1 024 530	1 031 631
Assessment rates		625 856	528 802
Bad debts		47 926	21 863
Cleaning		63 288	64 914
Insurance		43 863	41 836
Security		135 496	125 506
Other property expenses		173 281	207 677
Repairs and maintenance		124 370	118 325
Letting commissions		26 768	24 496
Management fees		51 998	53 317
Property management expenses		320 580	279 321
		2 637 956	**2 497 688**

Notes to the financial statements (continued)

for the year ended 31 August 2018

Figures in R'000	Notes	2018	2017
27. Net operating profit			
Net operating income includes the following charges:			
Amortisation and depreciation		161 427	82 598
Auditor's remuneration		7 676	9 856
– External auditor – audit fees		7 293	9 286
– External auditor – non-audit fees		383	570
Internal audit fees		1 175	843
Staff costs		174 652	179 195
Directors' emoluments	47	53 479	63 782
Defined contribution fund contributions		15 222	11 650
Share-based payment expenses	19	41 924	41 191
Property management fees		65 125	66 070
Valuation fees paid to third parties		4 585	6 372
28. Other gains			
Trading income/(loss)		40 649	(2 595)
Fee income		94 352	92 503
Gain on bargain purchase		14 097	–
Sundry income		1 372	3 287
Guarantee fee income		95 000	–
		245 470	**93 195**
29. Changes in fair values			
Property portfolio		2 594 040	151 361
– realised		127 724	10 703
– unrealised		2 466 316	140 658
Listed securities		**(110 907)**	**81 470**
– realised		(5 759)	(85 238)
– unrealised		(105 148)	166 708
Derivatives		(480 742)	(621 540)
Exchangeable bonds		(249 155)	142 622
Deemed disposal on associate becoming a listed investment		(328 023)	(415 347)
Profit on dilution of interest on associates		24 295	141 554
Profit on disposal of asset		180 326	–
Unlisted securities		74 917	–
Other		(25 531)	(22 067)
		1 679 220	**(541 947)**

Figures in R'000	Notes	2018	2017

30. Impairments

Investment in Cromwell Property Group	9	161 725	515 862
Investment in RDI REIT Plc	9	753 818	688 201
Investment in Oando Wings Development	9	138 210	–
Loan to Khulemani Masingita	10	–	11 146
		1 053 753	**1 215 209**

31. Interest income

Cash invested		29 269	17 041
Cross-currency interest rate swaps		517 992	350 832
Vendor loans	10	249 232	154 400
Loan to joint venture	9	61 450	64 903
Other		61 885	63 106
		919 828	**650 282**

32. Interest expense

Interest expense		2 431 007	2 378 058

33. Foreign exchange (losses)/gains

Realised gains		64 700	433 046
Unrealised (losses)/gains		(133 954)	45 624
		(69 254)	**478 670**

Notes to the financial statements (continued)

for the year ended 31 August 2018

34. Taxation

Figures in R'000	2018	2017
Normal	(510 278)	3 220
– Current		
Income tax	1 151	(5 142)
Capital gains tax	(511 429)	–
– Adjustment to prior year	–	8 362
Withholding	(68 674)	(66 623)
Deferred	46 270	(176 439)
– Current	78 347	(176 235)
– Adjustment to prior year	(32 077)	(204)
	(532 682)	**(239 842)**
Reconciliation between applicable taxation rate and effective taxation rate		
SA normal taxation rate applied to profit before taxation (28% corporate tax rate)	(2 001 863)	(1 023 113)
Taxation effect of:		
Effect of income that is exempt from taxation:		
Fair value adjustment on investment properties	859 248	194 569
Fair value adjustment on listed securities	(29 441)	53 275
Fair value adjustment on unlisted securities	20 976	–
Profit on dilution of ownership interest	(85 044)	46 105
Profit on sale of shares	(1 613)	(43 839)
Profit on sale of associate	(16 180)	–
Dividend income	(51 835)	5 223
Effect of items not included in profit before taxation but which are subject to taxation:		
Capitalised interest	164 480	109 318
Interest – Ma Afrika Tikkun Endowment Trust loan and The Redefine Empowerment Trust loan	(98 310)	(93 702)
Interest – Cornwall Crescent	(7 001)	(8 741)
Equity-accounted earnings	711 599	437 009
Impairments	(295 051)	(340 259)
Temporary differences that will be included in future distributions	6 451	(129 495)
Other	(73 706)	(37 162)
Qualifying distribution	926 331	910 443
Adjustment of prior year deferred taxation	–	(204)
Prior year assessed loss utilised	36 839	14 538
Prior year assessed loss recognised	–	(31 093)
Current year assessed loss not recognised	(133 700)	(120 084)
Deferred capital gains tax on Cromwell Property Group shares	115 241	(124 369)
Prior year under provision of current taxation	–	8 362
Foreign withholding taxes	(68 674)	(66 623)
Foreign tax – capital	(511 429)	-
Taxation per the statement of profit or loss and other comprehensive income	**(532 682)**	**(239 842)**

The group's reconciliation of the effective tax rate is based on the South African tax rate, with a reconciling item in respect of tax rates applied by group companies in other jurisdictions. The foreign withholding taxes paid on capital gains of R511 429 270 relates to taxes paid in Australia on the sale of Cromwell.

Certain companies in the group have unutilised tax losses which cumulatively amounts to R256.6 million (2017: R155.4 million), for which deferred tax assets have not been recognised as recovery of these losses is remote.

35. Earnings and headline earnings

Figures in R'000	2018 Gross	2018 Non-controlling interest effect of the adjustment	2018 Net	2017 Gross	2017 Non-controlling interest effect of the adjustment	2017 Net
Reconciliation of basic earnings to headline earnings						
Profit for the year attributable to Redefine shareholders	6 575 079	–	6 575 079	3 328 995	–	3 328 995
Change in fair value of properties	(2 594 040)	22 218	(2 571 822)	(151 361)	51 864	(99 497)
Bargain purchase on additional acquisition of associate	(78 127)	–	(78 127)	–	–	–
Bargain purchase on acquisition of subsidiaries	(14 097)	705	(13 392)	–	–	–
Loss on disposal of interest in associate	57 787	–	57 787			
Profit on dilution of ownership interest in an associate	123 403	–	123 403	273 793	–	273 793
Adjustment of measurements, included in equity-accounted earnings of associates (net of tax)	(1 467 593)	–	(1 467 593)	(507 669)	–	(507 669)
Adjustment of measurements, included in equity-accounted earnings of associates	(1 651 975)	–	(1 651 975)	(653 371)	–	(653 371)
Tax adjustment	184 382	–	184 382	145 702	–	145 702
Impairments	1 053 753	–	1 053 753	1 215 209	–	1 215 209
Headline earnings attributable to Redefine shareholders	**3 656 165**	**22 923**	**3 679 088**	**4 158 967**	**51 864**	**4 210 831**

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

Figures in R'000	2018	2017
35. Earnings and headline earnings (continued)		
Actual number of shares in issue ('000)*	5 404 403	5 288 655
Weighted average number of shares in issue ('000)*	5 342 395	5 053 451
Diluted weighted average number of shares in issue ('000)*	5 356 688	5 066 217
Basic earnings per share (cents)	123.07	65.88
– Continuing operations	123.07	66.15
– Discontinued operations	–	(0.27)
Diluted earnings per share (cents)	123.01	65.71
– Continuing operations	123.01	65.98
– Discontinued operations	–	(0.27)
Headline earnings per share (cents)	68.87	83.33
– Continuing operations	68.87	83.60
– Discontinued operations	–	(0.27)
Diluted headline earnings per share (cents)	68.70	83.12
– Continuing operations	68.70	83.39
– Discontinued operations	–	(0.27)

* *Excludes 361 396 896 (2017: 361 396 896) treasury shares.*

36. Cash generated from operations

	2018	2017
Profit before taxation	7 149 510	3 653 974
Adjusted for:		
Non-cash flow items	(3 175 578)	(614 252)
Interest income	(919 828)	(650 282)
Interest expense	2 431 007	2 378 058
Operating income before working capital changes	5 485 111	4 767 498
Working capital changes	914 414	(96 158)
Trade and other receivables	(95 050)	(145 060)
Trade and other payables	1 009 464	48 902
Cash generated from continuing operations	**6 399 525**	**4 671 340**
	6 399 525	**4 671 340**
Non-cash flow items:		
Depreciation and amortisation	**85 365**	82 598
Impairments	**1 053 753**	1 215 209
Fair value adjustments	**(1 679 220)**	541 947
Straight-line lease accrual	**(253 729)**	(469 290)
Loss on disposal of interest in associates and joint ventures	**57 787**	–
Profit on disposal of held-for-trading	**(40 649)**	–
Foreign exchange losses/(gains)	**69 254**	(478 670)
Equity-accounted results of associates	**(2 541 427)**	(1 593 387)
Equity-settled share-based payments	**11 323**	13 122
Gain on bargain purchase	**(14 097)**	–
Loss from discontinued operations (net of taxation)	**–**	(13 877)
Lease commissions and amortised tenant installations	**76 062**	88 096
	(3 175 578)	**(614 252)**

Figures in R'000	2018	2017

37. Taxation paid

	2018	2017
Taxation payable at beginning of year	(6 303)	(4 427)
Arising on acquisitions of subsidiaries	–	(5 298)
Charged to profit or loss	(578 952)	(63 403)
Foreign exchange differences	10 134	–
Taxation payable at end of year	6 038	6 303
	(569 083)	**(66 825)**

38. Reconciliation of loans receivable

	2018	2017
Opening balance	1 844 655	859 491
Arising on acquisitions of subsidiaries	–	1 488 559
Loans receivable repaid	(369 496)	(901 387)
Loans receivable advanced	1 016 073	309 992
Accrued interest	120 099	–
Investment property sold on loans receivable	–	100 000
Impairment	–	(11 146)
Foreign currency translation differences	86 817	(854)
	2 698 148	**1 844 655**

39. Reconciliation of interest-bearing borrowings

	2018	2017
Opening balance	32 459 588	28 190 102
Arising on acquisitions of subsidiaries	1 593 155	7 837 319
Proceeds from interest-bearing borrowings raised	8 329 784	8 088 968
Repayment of interest-bearing borrowings	(9 072 536)	(11 191 223)
Reclassification to other financial assets	(23 861)	23 861
Foreign currency translation differences	335 022	(489 439)
	33 621 152	**32 459 588**

40. Business combinations

On 2 July 2018, the group acquired 95% effective ownership of the shares and voting rights in eight special-purpose vehicles (SPVs) through a newly-formed Redefine Europe structure with residence in the Netherlands. The SPV shares were acquired by Logistics Platform B.V. (Logistics) from Sculptor PT Industrial (Netherlands) B.V. (Sculptor) for a consideration of R1.3 billion, settled in cash.

This acquisition is in line with Redefine's strategy to advance its geographical diversification and exploit attractive yield spreads in hard-currency markets.

This acquisition included a portfolio of nine industrial logistics properties located throughout Poland, with a gross lettable area of 313 513m^2, a 98% occupancy and an average lease expiry profile of 3.5 years. All leases are triple-net leases, with Logistics only responsible for repairs and maintenance of a capital nature. The leases are linked to Euro indexation, with annual growth of 2% per annum forecast in the medium term. The asset and property management agreements with Panatonni Development Europe Sp (Panatonni) were terminated on the closing of the sale and purchase agreement. Logistics appointed Griffin Real Estate (Griffin) as their asset and property manager; however, Griffin subcontracted these services back to Panatonni with the acceptance and approval of Redefine, thus, in substance, the asset and property management team for the properties has remained unchanged. As a result, the acquisition of the Sculptor property portfolio has been accounted for as a business combination.

For the two months since acquisition, The SPVs contributed total revenue of R57.8 million and a net loss after taxation of R15.2 million to the group's results.

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

40. Business combinations (continued)

If the business had been acquired on 1 September 2017, management estimates that consolidated revenue and net profit after taxation for the group would have been R347.0 million and R85.0 million 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 2017.

The group incurred acquisition-related costs of R94.8 million to August 2018. This is disclosed as part of administration costs in profit or loss.

Figures in R'000	Notes	30 June 2018*
Assets		
Investment properties	4	3 107 049
Trade and other receivables		51 664
Derivative assets		59
Cash and cash equivalents		59 954
Liabilities		
Interest-bearing borrowings		(1 593 155)
Deferred taxation		(245 074)
Trade and other payables		(74 951)
Fair value of net assets		**1 305 546**
Gain on bargain purchase arising from the acquisition		(14 097)
Purchase consideration#		**1 291 449**
Cash and cash equivalents acquired		(59 954)
Net cash outflow on acquisition		**1 351 403**

* *The effective date used for accounting for the business combination in terms of IFRS 3 was 2 July 2018.*

\# *The purchase consideration was settled in cash and used for the acquisition of equity and loans.*

Information on key estimates and assumptions which had the most significant effect on the purchase price allocation, were around the fair valuation of investment properties acquired.

Investment property was valued at 30 June 2018.

The following unobservable inputs were used during the fair value determination:

Unobservable inputs (% unless otherwise stated)	30 June 2018
Expected market rental growth	Euro indexation
Expected expense growth	N/A^
Occupancy rate	98.00
Vacancy periods	0 months
Rent-free periods	6 months
Core yield	6.25 – 7.50
Discount rate	6.25 – 7.50

^ *N/A due to all leases being triple net leases.*

Measurement of fair value

External valuations were completed using the top-slice method of valuation, the details of which has been disclosed in note 4, Investment Property.

Trade and other receivables, and cash and cash equivalents 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 R41.1 million, net of a provision for doubtful debts of R1.4 million, which is the best estimate at the acquisition date of the contractual cash flows not expected to be collected. Derivative assets are classified as at fair value through profit or loss.

Interest-bearing borrowings and trade and other payables are classified as other financial liabilities which are carried at amortised cost, which approximates fair value.

Figures in R'000	Notes	2018	2017

41. Commitments

Capital commitments			
Properties under development		2 476 481	2 361 600
Capital improvements on investment properties		747 179	632 152
– Approved and committed		747 179	632 152
		3 223 660	**2 993 752**
Operating lease commitments			
Commitments due in respect of leases entered into by the group on leasehold property.			
– Due within one year		25 045	22 525
– Due within two to five years		128 567	54 706
– Due beyond five years		384 589	348 489
		538 201	**425 720**
Operating expense commitments			
Contractual commitments are in respect of general maintenance of lifts, escalators and air-conditioning installations.			
– Due within one year		277 176	196 941
– Due within two to five years		1 057 839	227 590
– Due beyond five years		377 346	–
		1 712 361	**424 531**

42. 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 3 – 5 years. Contractual amounts (comprising of 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		5 488 492	6 642 957
– Receivable within two to five years		15 258 901	16 988 310
– Receivable beyond five years		7 416 243	8 432 209
		28 163 636	**32 063 476**

43. Contingent liabilities

At the date of this report, Redefine provides guarantees to various utility suppliers, amounting to R62.9 million (2017: R45.8 million).

In the prior year, Redefine provided guarantees to HSBC Bank Plc in respect of a loan facility to EPP N.V. to a maximum of EUR100 000 000. In the event of default, Redefine Properties Limited had the option of receiving shares in EPP N.V. to the value of the loan.

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

44. Financial risk management

The group has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Market risk
- 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
- 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.

44.1 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.

Figures in R'000	Less than one year	One to five years	More than five years	Total
Year ended 31 August 2018				
Financial liabilities				
Interest-bearing borrowings	4 903 004	30 817 960	7 213 202	42 934 166
Interest-bearing borrowings at fair value	38 635	2 581 822	–	2 620 457
Interest accrual on interest-bearing borrowings	262 081	–	–	262 081
Derivative liabilities	13 852	892 261	15 426	921 539
Other financial liabilities	86 167	–	–	86 167
Trade and other payables	1 993 143	–	–	1 993 143
	7 296 882	**34 292 043**	**7 228 628**	**48 817 553**
Year ended 31 August 2017				
Financial liabilities				
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

* *These amounts may be required to be repaid in terms of a guarantee and a written put option. Refer to notes 11 and 23, Other financial assets and liabilities.*

Total group undrawn facilities at year end amount to R3.8 billion (2017: R3.0 billion).

44. Financial risk management (continued)

44.2 Categories of financial instruments

Figures in R'000	Loans and receivables	At fair value through profit or loss	Total
Year ended 31 August 2018			
Financial assets			
Listed securities	–	1 935 843	1 935 843
Derivative assets#	–	40 795	40 795
Loans receivable	2 698 148	–	2 698 148
Other financial assets	–	218 890	218 890
Trade and other receivables	811 917	–	811 917
Cash and cash equivalents	421 978	–	421 978
	3 932 043	**2 195 528**	**6 127 571**

	Other financial liabilities	At fair value through profit or loss	Total
Financial liabilities			
Interest-bearing borrowings	33 621 152	–	33 621 152
Interest-bearing borrowings at fair value	–	2 502 753	2 502 753
Interest accrual on interest-bearing borrowings	262 081	–	262 081
Derivative liabilities#	–	921 539	921 539
Other financial liabilities	34 880	51 287	86 167
Trade and other payables	1 993 143	–	1 993 143
	35 911 256	**3 475 579**	**39 386 835**

Year ended 31 August 2017	Loans and receivables	At fair value through profit or loss	Total
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

The derivatives are classified as held-for-trading in terms of IAS 39.

* *In the current year, the amounts required to be repaid in terms of a guarantee and a written put option, were repaid. Refer to notes 11 and 23, Other financial assets and Other financial 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 2018

44. Financial risk management (continued)

44.2 Categories of financial instruments

For all financial instruments carried at amortised cost, interest is market-related and, therefore, the amortised cost reasonably approximates the fair value, except for the interest-bearing borrowings as at 31 August 2018, where the fair value has been calculated as R34.0 billion. This difference is due to the competitive interest rate spreads Redefine has managed to obtain recently on new debt, resulting in a change in Redefine's market spread.

44.3 Market risk

Figures in R'000	2018	2017
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:	81.9%	80.9%
Refer to note 22, 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:	(47 724)	(50 055)
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 and unlisted securities held. Any fluctuations in equity prices do not affect distributions paid to shareholders. Equity price risk is managed through monthly reviews of security prices. If equity security prices increased by 5%, the increase in profit and equity would have been:		
– Listed and unlisted securities	107 737	72 700
– Profit participation liability	(533)	–
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, as well as 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	(4 154)	(10 445)
GBP	(5 446)	(3 966)
EUR	(8 199)	(4 250)
USD	(1 106)	(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 interest-bearing borrowings and interest-bearing borrowings at fair value loan balances by:		
AUD	(135 447)	(271 500)
GBP	(99 333)	(80 778)
EUR	(304 050)	(203 550)
USD	(40 196)	(40 246)

44. Financial risk management (continued)

44.4 Fair value hierarchy for financial instruments and investment property

IFRS 13 requires that an entity discloses, 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 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).

The table below analyses financial instruments and investment property carried at fair value.

Figures in R'000	Fair value	Level 1	Level 2	Level 3
Year ended 31 August 2018				
Assets				
Investment properties*	74 945 045	–	–	74 945 045
Listed securities	1 935 843	1 935 843	–	–
Derivative assets	40 795	–	40 795	–
Other financial assets	218 890	–	–	218 890
	77 140 573	**1 935 843**	**40 795**	**75 163 935**
Liabilities				
Interest-bearing borrowings at fair value	2 502 753	2 502 753	–	–
Derivative liabilities	921 539	–	921 539	–
Other financial liabilities	51 287	–	–	51 287
	3 475 579	**2 502 753**	**921 539**	**51 287**

Level 3 reconciliation

	Balance at beginning of year	Acquisitions/ (disposals)	Gains/(losses) in profit or loss for the year	Balance at end of year
Year ended 31 August 2018				
Investment properties	59 243 224	6 375 969	2 850 658	68 469 851
Properties under development	3 948 869	2 009 233	(31 997)	5 926 105
Investment property held-for-sale	2 403 756	(2 124 317)	269 650	549 089
Other financial assets	–	143 973	74 917	218 890
Other financial liabilities	–	23 826	27 461	51 287
	65 595 849	**6 428 684**	**3 190 689**	**75 215 222**

* *Including 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.

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

44. Financial risk management (continued)

44.4 Fair value hierarchy for financial instruments and investment property (continued)

Figures in R'000	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	–
Other financial assets	253 038	253 038	–	–
	67 380 624	1 707 032	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

	Balance at beginning of year	Acquisitions/ (disposals)	Gains/(losses) in profit or loss for the year	Balance at end of year
Year ended 31 August 2017				
Investment properties	49 698 640	8 286 260	1 258 324	59 243 224
Properties under development	2 030 041	2 666 962	(748 134)	3 948 869
Investment property held-for-sale	1 170 172	1 241 557	(7 973)	2 403 756
	52 898 853	12 194 779	502 217	65 595 849

* *Including 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

Investment property

Refer to note 4, Investment property, for valuation techniques.

Listed securities

Closing market price on the relevant exchange.

Interest-bearing borrowings at fair value

The exchangeable bond's 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.

44. Financial risk management (continued)

44.4 Fair value hierarchy for financial instruments and investment property (continued)

Other financial assets and liabilities

Unlisted securities

The adjusted net asset value method is used to determine the fair value, i.e. the fair value is measured based on the fair value of the investee's assets and liabilities.

Profit participation liability

The adjusted net asset value method is used to determine the fair value of the liability, i.e. the fair value is measured based on 5% of the underlying Chariot investment.

There have been no significant changes in valuation techniques during the year.

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.

44.5 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 10, 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 summoned for non-payment, vacated the premises or who have a history of payment default.

Figures in R'000	2018	2017
Ageing of impaired trade receivables		
Not more than 30 days	9 428	9 256
More than 30 days but not more than 60 days	7 313	3 786
More than 60 days but not more than 90 days	12 556	4 284
More than 90 days	75 469	54 093
	104 766	71 419
Movements on the allowance for the impairment of trade receivables are as follows		
Opening balance	71 419	54 222
Impairment losses recognised on receivables	73 681	86 852
Impairment losses reversed/utilised on receivables	(40 334)	(69 655)
Balance at end of year	104 766	71 419

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.

Notes to the financial statements (continued)

for the year ended 31 August 2018

44. Financial risk management (continued)

44.5 Credit risk management (continued)

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.

As at 31 August 2018, group trade receivables of R95.2 million (2017: R54.0 million) were considered past due but not impaired. These include varied customers with no recent history of payment default.

Figures in R'000	2018	2017
Ageing of trade receivables past due but not impaired		
Not more than 30 days	47 067	13 787
More than 30 days but not more than 60 days	12 361	5 624
More than 60 days but not more than 90 days	11 851	4 849
More than 90 days	23 878	29 728
	95 157	53 988

45. 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 16, Stated capital, for disclosure relating to shares issued during the year.

The group's property assets are made up of investment property, listed securities, loans receivable and investments in associates and joint ventures.

	2018	2017
Property assets	91 133 499	84 148 224
Interest-bearing borrowings (net of cash on hand)	35 701 927	34 532 525
Loan to value (%)	39.1%	41.1%

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.

46. Related-party transactions

Related parties are defined as those entities with which the group transacted during the year and in which the following relationship(s) exist:

Subsidiaries
Alice Lane Trust
Annuity Asset Managers Proprietary Limited (deregistered on 15 November 2017)
Annuity Properties Limited
Annuity Property Managers Proprietary Limited (deregistered on 15 November 2017)
Any Name 621 Proprietary Limited
Avanti Trust
Ballywoods Trust
Black River Park Investments Proprietary Limited
Bridgeport 26 Proprietary Limited (deregistered on 16 August 2018)
Bryanston Place Trust
Carnation Place Trust
Central Logistics Investment sp. z o.o. (previously: SO SPV 54 sp. z o.o.)
Centurion Lifestyle Trust
Cogan sp. z o.o.
Ellington sp. z o.o.
Elmswell sp. z o.o.
Erf 2/49 Bryanston Proprietary Limited
European Logistics Investment B.V.
Farramere Retail Trust
Fountainhead Property Administration Proprietary Limited (deregistered on 20 March 2018)
Fountainhead Property Trust
Fountainhead Property Trust Management Limited
Gateway Retail Trust
Greenstone Motor City Trust
Hazeldean Retail Trust
Hillcrest Precinct Trust
Industrial Center 29 sp. z o.o.
Journal Student Accommodation Fund
Journal Student Living Proprietary Limited
Kewstoke sp. z o.o.
Kinbuck sp. z o.o.
Knapton sp. z o.o.
K2018103151 South Africa Proprietary Limited
Logistics Platform B.V.
Madison Property Fund Managers Holdings Limited
Madison Property Fund Managers Limited
Malvern sp. z o.o.
Micawber 185 Proprietary Limited
Observatory Business Park Proprietary Limited
Pivotal CCF Proprietary Limited
Pivotal Global Proprietary Limited
Pivotal Goldfields Mall Proprietary Limited

Associates
Cromwell Property Group*
EPP N.V. (formerly known as Echo Polska Properties N.V.)
International Hotel Properties Limited##
RDI REIT Plc (formerly known as Redefine International Plc)
Oando Wings Development Limited

Joint ventures
Cromwell Partners Trust**
Cromwell Partners Trust Operations**

Directors
AJ König
B Mathews
B Nackan
DA Nathan
HK Mehta
LC Kok
M Barkhuysen
M Wainer
NB Langa-Royds
P Langeni

Prescribed officers
DH Rice
MJ Ruttell

Other related parties
Admyt (Proprietary) Limited
– Son of key management holds 49% share in the company
Ellwain Investment (Proprietary) Limited
– Key management holds 50% share in the company
BKD Trading CC
– Son-in-law of key management holds 100%
Primecare Property Management CC
– Brother-in-law of key management holds 100%
Top Service Properties CC
– Relation of key management holds 100%

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

46. Related-party transactions (continued)

Subsidiaries

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 Europe B.V.
Redefine Global Proprietary Limited
Redefine Pacific Proprietary Limited
Redefine Property Management Proprietary Limited (deregistered on 15 November 2017)
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 (deregistered on 16 November 2018)
SO SPV 104 Sp. z o.o.
Sunninghill Retail Trust
The Pivotal Fund Proprietary Limited
The Property Management Team Proprietary Limited (deregistered on 15 November 2017)
The Redefine Empowerment Trust
Valley View Office Trust
Wonderboom Junction Retail Trust

* *During the current financial year, 19.5% of Cromwell Property Group shares were sold, resulting in loss of significant influence. The remaining investment is classified with other listed securities.*

** *During the current financial year, the group disposed of its 50% shareholding in Cromwell Partners Trust and Cromwell Partners Trust Operations.*

During the year, Redefine agreed to exchange all of the shares it held in International Hotel Properties Limited for 19.8 million shares in RDI REIT Plc and R138.6 million (EUR7.5 million) cash.

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

46. Related-party transactions (continued)

Figures in R'000	2018 Equity-accounted investments	Impairment on investments	Gross receivable/ (payable)	Sales and services to/ (purchases and services from)
Cromwell Property Group*	–	(161 725)	–	852
Delta Property Fund Limited	–	–	–	–
EPP N.V. (formerly known as Echo Polska Properties N.V.)	6 996 725	–	–	16 321
International Hotel Properties Limited##	–	–	–	–
RDI REIT Plc (formerly known as Redefine International Plc)	3 958 407	(753 818)	–	811
Cromwell Partners Trust**	–	–	–	–
Cromwell Partners Trust Operations**	–	–	–	–
Oando Wings Development Limited	553 498	(138 210)	–	–
	–		–	
AJ König	–	–	35 834	(11 516)
B Nackan	–	–	–	(897)
DA Nathan	–	–	–	(649)
DH Rice#	–	–	8 523	(10 316)
GZ Steffens#	–	–	–	–
HK Mehta	–	–	–	(496)
LC Kok	–	–	9 768	(6 795)
M Barkhuysen	–	–	–	(519)
M Wainer	–	–	39 411	(15 239)
MJ Ruttell#	–	–	2 442	(5 109)
MJ Watters#	–	–	–	–
NB Langa-Royds	–	–	–	(551)
P Langeni	–	–	–	(643)
B Mathews	–	–	–	(749)
Admyt (Proprietary) Limited	–	–	2 469	(1 593)
Ellwain Investment (Proprietary) Limited	–	–	–	(3 867)
BKD Trading CC	–	–	–	(11 914)
Primecare Property Management CC	–	–	–	(2 494)
Top Service Properties CC	–	–	–	(14 488)
	11 508 630	(1 053 753)	98 447	(55 363)
Refer to note	9	30	10	47

* *During the current financial year, 19.5% of Cromwell Property Group shares were sold, resulting in loss of significant influence. The remaining investment is classified with other listed securities.*

During the year, Redefine agreed to exchange all of the shares it held in International Hotel Properties Limited for 19.8 million shares in RDI REIT Plc and R138.6 million (EUR7.5 million) cash.

DH Rice, GZ Steffens, MJ Ruttell and MJ Watters resigned as executive directors on 9 February 2017. DH Rice and MJ Ruttell are prescribed officers in terms of the Companies Act, No 71 of 2008.

** *During the current financial year, the group disposed of its 50% shareholding in Cromwell Partners Trust and Cromwell Partners Trust Operations.*

2018		2017					
Interest income/ (expense)	Dividend income	Equity-accounted investments	Impairment on investments	Gross receivable/ (payable)	Sales and services to/ (purchases and services from)	Interest income/ (expense)	Dividend income
–	200 077	4 889 868	(515 862)	–	1 010	–	380 069
–	–	–	–	–	–	–	144 289
–	462 512	4 784 916	–	–	57 991	–	202 504
–	–	245 993	–	–	–	–	5 951
–	262 063	3 857 858	(688 201)	–	663	–	255 065
–	89 637	887 892	–	–	–	–	87 178
–	2 040	–	–	–	–	–	–
61 450	–	587 199	–	–	–	28 759	–
		-					
3 522	–	–	–	35 785	(13 601)	3 309	–
–	–	–	–	–	(860)	–	–
–	–	–	–	–	(615)	–	–
1 400	–	–	–	25 551	(12 644)	2 364	–
–	–	–	–	–	(300)	–	–
–	–	–	–	–	(450)	–	–
885	–	–	–	10 017	(8 594)	937	–
–	–	–	–	–	(417)	–	–
3 522	–	–	–	39 322	(18 678)	3 635	–
221	–	–	–	2 504	(6 250)	234	–
–	–	–	–	–	(190)	–	–
–	–	–	–	–	(450)	–	–
–	–	–	–	–	(470)	–	–
–	–	–	–	–	(263)	–	–
–	–	–	–	2 469	(1 547)	–	–
–	–	–	–	–	(2 757)	–	–
–	–	–	–	–	(13 170)	–	–
–	–	–	–	–	(5 806)	–	–
–	–	–	–	–	(8 196)	–	–
71 000	1 016 329	15 253 726	(1 204 063)	115 648	(27 398)	39 238	1 075 056
		9	30	10	47		

Notes to the financial statements (continued)

for the year ended 31 August 2018

47. Directors' and prescribed officers' emoluments

Executive directors and prescribed officers

	Short-term			Long-term	Post-employment	
Figures in R'000	**Salary and allowances**	**Bonuses and performance-related payments**	**Other benefits and payments**	**Share schemes**	**Retirement benefits**	**Total**
2018						
AJ König	4 083	–	117	6 797	519	11 516
LC Kok	3 044	–	182	3 170	399	6 795
M Wainer	5 431	–	1 087^	8 721	–	15 239
DH Rice*	3 582	–	219	6 148	367	10 316
MJ Ruttell*	2 385	–	–	2 724	–	5 109
	18 525	**–**	**1 605**	**27 560**	**1 285**	**48 975**
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	1182^	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**

^ *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 R897 688 (2017: R997 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 form part of the executive committee and meet the definition of a "prescribed officer" in terms of the Companies Act.*

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.

47. Directors' and prescribed officers' emoluments (continued)

Non-executive directors

The fees paid to non-executive directors for the year ended 31 August 2018 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 15 February 2018:

Figures in R'000	2018	2017
Basic annual fee for non-executive directors		
Lead independent director	562	530
Non-executive director	403	380
Audit and risk committee chairperson	240	180
Audit and risk committee member	159	150
Remuneration and nomination committee chairperson	188	70
Remuneration and nomination committee member	93	70
Social, ethics and transformation committee chairperson	148	70
Social, ethics and transformation committee member	87	70
Investment committee chairperson	148	110
Investment committee member	116	110
Non-executive directors' fees		
B Mathews	749	263
B Nackan	897	860
DA Nathan	649	615
GZ Steffens*	–	300
HK Mehta	496	450
M Barkhuysen	519	417
MJ Watters*	–	190
NB Langa-Royds	551	450
P Langeni	643	470
	4 504	4 015

* *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, in the context of decision-making processes within the group, executive management and the board have concluded that DH Rice and MJ Ruttell, who both are members of the executive committee, are regarded as "prescribed officers".

Notes to the **financial statements** (continued)

for the year ended 31 August 2018

48. Directors' and prescribed officers' interest

The interests of the directors and prescribed officers in the shares of Redefine Properties Limited were as follows:

	Beneficial	Non-beneficial	
	Direct/indirect	Associate	Total
2018			
AJ König	5 009 452	–	5 009 452
B Mathews	–	–	–
B Nackan	14 938	–	14 938
DA Nathan	–	–	–
HK Mehta	80 445 718	–	80 445 718
LC Kok	2 062 496	–	2 062 496
M Barkhuysen	100 000	–	100 000
M Wainer	25 497 954	4 571 743	30 069 697
NB Langa-Royds	–	–	–
P Langeni	–	–	–
DH Rice*	2 170 247	–	2 170 247
MJ Ruttell*	757 357	–	757 357
	116 058 162	4 571 743	120 629 905
2017			
AJ König	4 612 740	–	4 612 740
B Mathews	–	–	–
B Nackan	13 758	–	13 758
DA Nathan	–	–	–
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
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**

* *DH Rice and MJ Ruttell form part of the executive committee and meet the definition of a "prescribed officer" in terms of the Companies Act.*

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.

49. Subsequent events

Dividend declaration after the reporting date

In line with IAS 10 *Events after the reporting period*, the declaration of the dividend of 49.8 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.

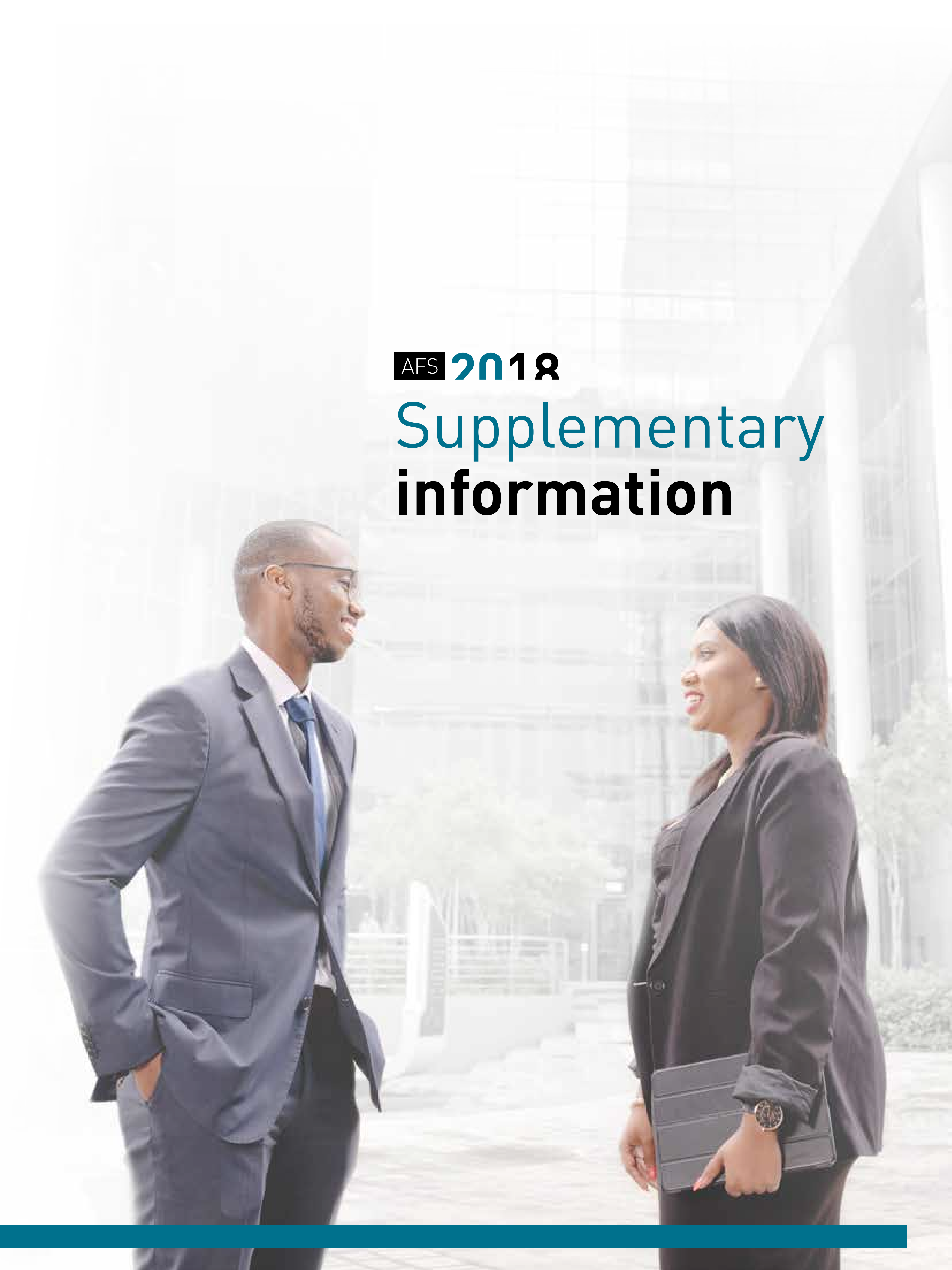
50. Going concern

The group earned a net profit after tax for the year ended 31 August 2018 of R6.6 billion (2017: R3.4 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 R2.2 billion (2017: R4.8billion).

Redefine has access to long-term undrawn interest-bearing borrowings (refer to note 20, 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.

AFS 2018

Supplementary information



Property information

Sectoral summary as at 31 August 2018

Figures in R'000	Office	Retail	Industrial	Specialised	International	Total
Investment properties	23 818 094	27 441 765	11 386 868	2 457 628	3 365 496	68 469 851
Properties under development	1 653 690	243 316	1 675 229	498 586	1 855 284	5 926 105
Properties held for trading	–	–	28 943	–	–	28 943
Non-current assets held-for-sale	378 851	84 610	23 874	–	61 754	549 089
Total	**25 850 635**	**27 769 691**	**13 114 914**	**2 956 214**	**5 282 534**	**74 973 988**

Investment properties – Office

Multi/single -tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Alice Lane	Gauteng	2 924 000	77 823	16 742 747	683.04	4 487
Single	115 West Street	Gauteng	1 622 700	41 091	–	–	–
Multi	90 Rivonia Road	Gauteng	1 340 000	39 864	6 598 784	174.44	2 036
Multi	Black River Park	Western Cape	1 143 800	52 808	7 187 011	139.80	1 400
Multi	The Towers	Western Cape	1 138 000	59 375	8 060 303	148.91	5 246
Multi	Loftus	Gauteng	573 386	13 788	1 000 978	149.25	7 082
Multi	90 Grayston Drive	Gauteng	572 200	19 886	4 004 647	203.16	174
Multi	Ballyoaks	Gauteng	567 923	24 708	3 463 522	167.85	4 073
Multi	Riverside Office Park	Gauteng	563 800	27 253	5 470 942	216.41	1 973
Multi	Wembley 2	Western Cape	447 500	17 766	2 967 117	168.26	132
Multi	Convention Tower	Western Cape	432 300	17 895	2 982 330	171.98	554
Single	Nedbank Lakeview JV	Gauteng	418 581	15 214	–	–	–
Multi	Commerce Square	Gauteng	416 800	17 047	2 922 562	182.89	1 067
Multi	Boulevard Office Park F&G	Western Cape	415 300	16 229	2 736 101	168.59	–
Multi	Observatory Business Park	Western Cape	393 200	18 739	2 750 597	148.59	228
Multi	Hillcrest Office Park	Gauteng	387 760	21 693	3 322 846	170.95	2 256
Multi	Rosebank Towers	Gauteng	379 687	10 959	2 649 964	241.82	1
Multi	Stoneridge Office Park	Gauteng	353 400	18 264	2 562 765	157.81	2 024
Multi	Silver Stream Business Park	Gauteng	349 410	16 811	2 717 280	164.77	320
Single	Constantia Kloof 3	Gauteng	345 850	16 026	–	–	–
Multi	Clearwater Office Park	Gauteng	296 780	19 592	2 194 320	117.78	961
Multi	Hampton Office Park	Gauteng	294 270	21 331	2 719 164	136.44	1 401
Multi	Thornhill Office Park	Gauteng	285 100	22 025	2 622 501	131.82	2 130
Multi	Bree Street	Western Cape	269 870	9 072	2 219 175	249.15	165
Multi	The Old Match Factory	Western Cape	265 200	12 160	1 466 099	129.51	840
Multi	Wembley 1	Western Cape	251 300	11 095	1 831 896	165.11	–
Single	Centurion Gate	Gauteng	238 600	11 541	–	–	–
Single	300 Middel Street	Gauteng	226 000	11 404	–	–	–
Multi	Hill on Empire	Gauteng	223 950	7 489	1 328 511	177.41	–
Single	Douglas Roberts Centre	Gauteng	221 600	19 309	–	–	–
Single	CIB Insurance	Gauteng	213 030	7 513	–	–	–
Single	Ericsson Woodmead	Gauteng	202 000	11 245	–	–	–
Single	61 Jorrisen Street	Gauteng	199 000	18 181	–	–	–
Single	240 & 260 Justice Mohamed Street	Gauteng	188 200	13 087	–	–	–
Single	Sasfin Head Office Building	Gauteng	184 700	8 028	–	–	–
Multi	82 Maude	Gauteng	179 400	10 031	910 683	126.34	2 823
Multi	Sandhurst Office Park	Gauteng	175 530	8 505	1 330 506	164.63	423
Multi	Boulevard Office Park A	Western Cape	174 000	6 725	1 279 527	190.26	–
Single	Knowledge Park II	Western Cape	171 000	7 181	–	–	–
Multi	16 Fredman Drive	Gauteng	170 000	11 000	–	–	11 000
Single	De Beers House	Gauteng	167 100	11 919	–	–	–
Multi	AMR Office Park	Gauteng	166 900	10 563	1 437 727	136.84	56
Multi	Boulevard Office Park B&C	Western Cape	165 200	8 062	1 057 168	145.18	780
Multi	The Atrium Building	Gauteng	162 000	13 555	1 513 424	111.65	–

Investment properties – Office (continued)

Multi/single -tenanted	Property	Province	Valuation R'000	GLA m^2	GMR R	GMR R/m^2	Vacancy m^2
Multi	Thabakgolo	Limpopo	160 900	13 316	1 667 002	136.98	1 146
Multi	Rosebank Corner	Gauteng	145 300	9 863	1 193 702	124.06	241
Single	Accenture	Gauteng	140 000	6 520	–	–	–
Multi	Bryanston Place	Gauteng	135 824	9 854	670 722	110.83	3 802
Multi	Grayston Ridge Office Park	Gauteng	127 300	11 899	1 210 718	119.20	1 742
Multi	Essex Gardens	KwaZulu-Natal	126 500	8 498	1 098 984	140.61	682
Multi	Nedbank Centre Nelspruit	Mpumalanga	113 000	15 298	1 223 293	108.67	4 041
Multi	Kimberley-Clark House	Gauteng	103 400	7 319	1 181 645	161.45	–
Single	Heron Place	Western Cape	98 000	4 734	–	–	–
Multi	2 Fricker Road	Gauteng	88 310	5 259	468 783	116.47	1 234
Multi	Wembley 3	Western Cape	86 500	4 765	739 117	155.11	–
Multi	Stonewedge	Gauteng	84 100	7 063	803 824	116.80	181
Multi	Mineralia Building	Gauteng	83 100	13 605	1 901 284	139.75	–
Multi	150 Rivonia Road	Gauteng	83 000	6 724	513 584	114.79	2 250
Multi	Knowledge Park	Western Cape	82 600	6 210	988 424	159.17	–
Single	Wheat Board	Gauteng	78 700	13 109	–	–	–
Multi	Eagle Park	Western Cape	74 900	7 817	669 616	92.80	601
Multi	18 The Boulevard	KwaZulu-Natal	74 600	5 189	516 180	119.07	854
Multi	Surrey Place	Gauteng	74 600	12 007	737 973	90.60	3 862
Single	Emanzeni	Gauteng	74 000	9 340	–	–	–
Multi	Cedarwood House	Gauteng	73 700	4 979	487 119	108.90	506
Multi	Silver Point Office Park	Gauteng	69 705	4 781	560 915	164.68	1 375
Single	Hyde Park Manor	Gauteng	67 900	4 687	–	–	–
Single	7 Sturdee Avenue	Gauteng	65 400	4 011	–	–	3 662
Multi	1006 on the Lake	Gauteng	64 700	7 470	468 438	108.31	3 145
Multi	3 Sturdee Avenue	Gauteng	64 300	3 252	529 545	176.51	252
Multi	Curator	Gauteng	62 900	8 938	727 559	108.90	2 257
Multi	West End Shopping Centre	North West	59 500	21 002	906 800	65.93	7 248
Multi	Batho Pele House	Gauteng	57 100	14 258	–	–	14 258
Multi	Boskruin Village Office Park	Gauteng	56 100	6 999	668 865	111.09	978
Multi	Wedgefield	Gauteng	55 100	4 027	502 654	145.99	584
Single	Kernick House	Gauteng	54 000	3 564	–	–	–
Multi	5 Sturdee Avenue	Gauteng	53 900	3 160	548 622	182.81	159
Multi	Hillcrest Corner	Gauteng	52 900	2 024	354 841	204.28	287
Multi	66 Peter Place	Gauteng	52 000	4 273	555 290	141.69	354
Multi	Knowledge Park III	Western Cape	52 000	3 779	473 765	130.01	135
Single	Delpen Building	Gauteng	51 500	5 550	–	–	–
Single	Standard Bank Centurion	Gauteng	49 300	2 732	–	–	–
Multi	Ethos Building	Gauteng	49 000	2 521	410 431	163.78	15
Single	Abcon House – Pivotal	Gauteng	48 400	2 442	–	–	88
Multi	Silver Stream Building 3	Gauteng	48 095	2 333	367 119	158.45	16
Multi	The Avenues	Gauteng	48 000	6 355	475 599	81.15	494
Multi	Delmat House	KwaZulu-Natal	47 800	4 185	414 260	120.35	743
Multi	Warich Close Office Park	Gauteng	45 100	4 026	503 206	128.21	101
Single	Jabil House	Gauteng	44 200	3 039	–	–	–
Multi	The Ambridge Office Park	Gauteng	43 700	4 952	406 557	88.21	343
Multi	Accord House	KwaZulu-Natal	42 600	3 964	456 036	123.62	275
	Boulevard Annex – CPT	Western Cape	39 728	–	–	–	–
Multi	Hillside House	Gauteng	38 700	5 593	352 950	94.52	1 859
Multi	Yellowwood House	Gauteng	37 900	2 705	279 105	118.01	340

Property **information** (continued)

Investment properties – Office (continued)

Multi/single -tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Crawford House	Gauteng	34 000	1 898	311 047	163.88	
Single	Questek – Pivotal	Gauteng	33 760	1 991	–	–	917
Single	Duncan Street	Gauteng	32 833	1 310	–	–	–
Multi	Gleneagles – Pivotal	Gauteng	31 100	1 972	133 774	117.35	832
Multi	Kent House	KwaZulu-Natal	29 300	2 775	302 546	123.14	318
	Centurion Junction	Gauteng	26 950	–	–	–	–
Multi	Nashua House	Gauteng	26 800	7 551	–	–	7 551
Multi	BDO House	KwaZulu-Natal	19 900	2 214	210 038	113.60	365
Multi	Odyssey Place	KwaZulu-Natal	19 300	2 101	255 628	129.50	127
Multi	Embassy House	Gauteng	15 400	3 419	–	–	3 419
Multi	The Ridge	KwaZulu-Natal	11 100	1 014	106 605	138.99	247
Multi	RPA Centre	Gauteng	8 000	1 839	103 317	69.25	347
Single	Peugeot Hatfield	Gauteng	6 930	588	–	–	–
Multi	Schoeman Street	Gauteng	6 132	825	35 235	95.88	458
Multi	Sevenfold	KwaZulu-Natal	6 000	670	61 933	126.39	180
Single	Boulevard Office Park D	Western Cape	4 400	192	–	–	–
			23 818 094	**1 194 201**			**128 502**

Single-tenanted office properties weighted average rental rate of R165.69/m².

Properties under development – Office

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Rosebank Link	Gauteng	646 652	–	–	–	–
2 Pybus Road	Gauteng	360 761	–	–	–	–
155 West Street	Gauteng	274 200	24 964	–	–	24 964
Galleria	Gauteng	244 477	–	–	–	–
22 Fredman Drive	Gauteng	127 600	11 082	–	–	11 082
		1 653 690	**36 046**			**36 046**

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	Jewel City	Gauteng	178 000	42 576	966 086	85.07	31 219
Multi	Fedsure Forum	Gauteng	170 851	28 722	1 505 414	98.07	13 371
Multi	Allhart Park	Gauteng	30 000	4 665	480 341	105.94	131
			378 851	**75 963**			**44 721**

Investment properties – Retail

Multi/single -tenanted	Property	Province	Valuation R'000	GLA m^2	GMR R	GMR R/m^2	Vacancy m^2
Multi	Centurion Mall	Gauteng	4 588 341	124 359	26 030 634	244.76	18 009
Multi	Blue Route Mall	Western Cape	1 609 500	56 145	11 412 666	203.50	64
Multi	Kenilworth Centre	Western Cape	1 471 000	53 433	9 890 535	185.51	119
Multi	East Rand Mall	Gauteng	1 445 558	34 025	9 337 443	282.93	1 022
Multi	Golden Walk	Gauteng	1 276 885	45 210	9 018 942	200.80	294
Multi	Matlosana Mall	North West	1 169 748	64 972	8 341 329	140.32	5 527
Multi	Stoneridge Centre	Gauteng	1 128 000	68 021	6 823 822	103.85	2 315
Multi	Centurion Lifestyle Centre	Gauteng	996 730	60 512	7 550 196	126.17	669
Multi	The Boulders Shopping Centre	Gauteng	929 400	48 601	7 144 558	155.81	2 747
Multi	Maponya Mall	Gauteng	871 509	36 466	6 589 067	182.77	415
Multi	Goldfields Mall Pivotal	Free State	847 160	37 753	6 244 541	169.91	1 002
Multi	Benmore Centre	Gauteng	792 400	23 099	5 538 984	242.18	228
Multi	Wonderboom Junction	Gauteng	764 930	42 704	6 371 565	154.58	1 486
Multi	Sammy Marks Square	Gauteng	764 660	35 575	5 446 117	170.62	3 655
Multi	Park Meadows	Gauteng	551 000	29 927	4 296 848	143.96	80
Multi	Langeberg Mall	Western Cape	536 000	29 851	4 163 983	140.45	204
Multi	Southcoast Mall	KwaZulu-Natal	526 800	35 052	4 200 412	127.03	1 986
Multi	Kyalami Corner	Gauteng	524 891	20 572	3 515 536	181.58	1 211
Multi	Cradlestone Mall	Gauteng	484 620	32 969	5 569 445	176.70	1 451
Multi	Chris Hani Crossing	Gauteng	471 780	20 773	3 162 643	152.25	–
Multi	Hazeldean Retail Square	Gauteng	335 310	20 195	3 072 345	155.36	419
Multi	Bryanston Shopping Centre	Gauteng	312 363	13 914	2 786 219	205.00	323
Multi	Ottery Centre	Western Cape	310 700	30 802	2 803 874	91.45	142
Multi	Horizon Shopping Centre	Gauteng	300 400	20 061	2 600 894	139.92	1 472
Multi	Shoprite Park	Western Cape	263 100	27 967	2 470 754	88.35	–
Multi	Ermelo Mall	Mpumalanga	241 100	19 501	2 223 053	117.33	554
Multi	Standard Bank Centre Pretoria	Gauteng	219 500	23 698	3 997 228	181.54	1 680
Multi	Hillcrest Boulevard	Gauteng	214 730	8 440	1 644 249	195.86	45
Multi	Oakfields Shopping Centre	Gauteng	193 800	11 569	1 631 126	145.57	364
Multi	Alberton Mall	Gauteng	181 360	16 899	1 942 498	116.48	222
Multi	The Mall @ Scottsville	KwaZulu-Natal	178 400	14 327	1 985 321	146.11	739
Multi	Gateway Corner	Gauteng	158 210	11 651	1 325 163	113.74	–
Multi	Cross Place	Gauteng	146 700	5 328	1 170 718	222.36	63
Multi	Monument Commercial Centre	Gauteng	145 900	19 562	1 355 442	69.29	–
Single	Festival Square	Gauteng	145 400	11 041	–	–	–
Multi	Finpark	Gauteng	131 000	2 957	126 010	64.13	992
Multi	320 West Street	KwaZulu-Natal	130 000	10 720	1 787 801	182.09	902
Multi	Besterbrown	Mpumalanga	125 000	14 333	1 300 602	99.18	1 220
Single	Jetmart Pretoria	Gauteng	122 100	11 018	–	–	6 374
Multi	Riverhorse Valley	KwaZulu-Natal	122 000	12 490	1 276 500	102.20	–
Multi	Riverside Mall	Western Cape	108 000	9 588	1 223 611	127.75	10
Multi	Botshabelo Shopping Centre	Free State	105 100	15 081	1 574 086	115.22	1 419
Multi	Blue Downs	Western Cape	104 100	8 817	1 052 267	119.60	19
Multi	Moreleta Plaza	Gauteng	102 600	8 854	1 151 526	132.60	170
Multi	66 Smal Street	Gauteng	87 400	2 162	752 882	348.23	–
Multi	Riverside Junction	Mpumalanga	84 400	10 038	801 870	85.47	656
Multi	China Town	Western Cape	81 000	8 227	718 211	87.30	–
Multi	Posthouse Link	Gauteng	80 640	4 765	680 266	156.13	408
Multi	Greenstone Motor City	Gauteng	79 440	6 000	742 709	123.78	–
Single	Pro Shop Woodmead	Gauteng	74 120	5 190	–	–	–
Multi	McCarthy Audi Centre West Rand	Gauteng	72 300	4 309	840 387	195.03	–

Property information (continued)

Investment properties – Retail (continued)

Multi/single -tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Isipingo Junction	KwaZulu-Natal	68 600	5 399	897 704	175.64	288
Multi	Bryanston Carvenience	Gauteng	64 800	3 886	472 644	142.19	562
Single	Unitrans Nissan Clearwater	Gauteng	64 300	4 000	–	–	–
Single	Buco	Gauteng	62 300	27 000	–	–	–
Multi	Acornhoek Shopping Centre	Mpumalanga	54 700	5 452	666 446	122.24	–
Multi	Nedbank Mall	Gauteng	51 700	1 193	728 129	610.33	–
Multi	Post House	Gauteng	42 610	3 355	314 341	113.69	590
Multi	Nunnerleys	Gauteng	38 600	796	393 038	493.77	–
Multi	Vaal Walk	Gauteng	37 000	10 899	805 993	78.03	570
Single	Williams Hunt Randburg	Gauteng	34 200	3 351	–	–	–
Multi	Kemsquare	Gauteng	33 300	7 239	422 704	62.72	500
Multi	CCMA House Rustenburg	North West	31 000	6 378	550 654	108.01	1 280
Multi	Kine Centre	Gauteng	30 600	1 156	475 191	411.06	–
Multi	Schreiner Chambers	Gauteng	22 900	662	375 588	567.35	–
Single	Shoprite Polokwane	Limpopo	21 000	10 149	–	–	–
Single	ABSA Centurion	Gauteng	15 000	1 306	–	–	–
Multi	Leonita – Mallinick	Gauteng	12 400	1 504	295 888	240.56	274
Multi	Tamlea – Arundel	Gauteng	11 700	685	383 998	560.58	–
Multi	Small Street Mall	Gauteng	11 200	119	108 787	914.18	–
	JD Dwarsloop	Mpumalanga	9 900	–	–	–	–
Single	Southern Motors	Gauteng	8 900	3 863	–	–	3 863
Multi	East End Shopping Centre	North West	5 400	10 455	239 283	45.95	5 247
Multi	Lakeside Building A	Gauteng	2 570	11 972	243 100	54.38	7 502
			27 441 765	**1 410 342**			**81 352**

Single-tenanted retail properties weighted average rental rate of R71.46/m².

Properties under development – Retail

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Wilgespruit	Gauteng	164 441	–	–	–	–
Wonderboom Junction Phase 2	Gauteng	54 772	–	–	–	–
Masingita Mall	Gauteng	24 103	–	–	–	–
		243 316	**–**			**–**

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	Standerton Centre	Mpumalanga	51 010	6 384	496 179	91.16	941
Land	Kyalami Corner	Gauteng	33 600	–	–	–	–
			84 610	6 384			941

Investment properties – Industrial

Multi/single -tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Single	Pepkor Isando	Gauteng	864 000	107 017	–	–	–
Single	Robor	Gauteng	735 970	120 277	–	–	–
Single	Macsteel Lilianton Boksburg	Gauteng	653 050	73 071	–	–	–
Single	Macsteel Coil Processing Wadeville	Gauteng	379 030	52 886	–	–	–
Single	Macsteel VRN Roodekop	Gauteng	369 900	57 645	–	–	–
Single	Macsteel Tube & Pipe Usufruct	Gauteng	342 810	68 822	–	–	–
Multi	Cato Ridge DC	KwaZulu-Natal	337 000	50 317	3 010 513	59.83	–
Multi	Wingfield Park	Gauteng	317 400	56 486	2 450 884	47.49	4 878
Single	Macsteel Trading Germiston South	Gauteng	313 390	56 495	–	–	–
Single	GM – COEGA	Eastern Cape	248 100	38 515	–	–	–
Single	Macsteel Cape Town	Western Cape	247 320	38 340	–	–	–
Single	34 Wrench Road	Gauteng	201 126	24 452	–	–	–
Multi	Mifa Industrial Park	Gauteng	195 600	34 729	1 960 097	58.67	1 322
Multi	Ushukela Industrial Park	KwaZulu-Natal	186 600	27 226	1 669 827	61.33	–
Single	Macsteel Trading Durban	KwaZulu-Natal	174 470	21 540	–	–	–
Single	8 Jansen Road	Gauteng	166 000	24 147	–	–	–
Single	Waltloo DC	Gauteng	157 100	25 735	–	–	–
Single	Edcon	Gauteng	152 600	23 308	–	–	–
Single	Macsteel Trading Wadeville	Gauteng	151 130	24 128	–	–	–
Single	Dawn	Gauteng	150 100	22 069	–	–	–
Multi	12 Piet Rautenbach Street	Gauteng	148 300	27 795	1 739 142	62.57	–
Single	Macsteel Roofing Wadeville	Gauteng	147 680	23 729	–	–	–
Single	29 Springbok Road	Gauteng	143 400	20 067	–	–	–
Multi	Strydom Industrial Park	Gauteng	140 100	25 361	1 362 125	77.51	7 787
Multi	190 Barbara Road	Gauteng	140 070	24 398	1 125 967	46.15	–
Single	Heron Industrial	Western Cape	138 000	23 803	–	–	–
Multi	Midway Park	Gauteng	134 000	14 286	881 533	76.19	2 716
Multi	Nasrec Road – Aeroton	Gauteng	121 800	15 575	936 837	60.15	–
Single	Macsteel Special Steels Dunswart	Gauteng	120 520	19 334	–	–	–
Multi	1 Springbok Road	Gauteng	118 800	15 729	1 554 463	98.83	–
Single	Tetford Circle	KwaZulu-Natal	117 800	9 515	–	–	–
Single	City Deep 45 & 46	Gauteng	116 700	13 407	–	–	–
Multi	CTX Business Park	Western Cape	113 100	18 484	1 137 095	64.18	766
Single	Moresport DC	Western Cape	110 700	12 991	–	–	–
Single	Schneider Midrand	Gauteng	108 070	11 924	–	–	–
Single	Coricraft – Stormill	Gauteng	108 000	19 369	–	–	–
Single	2 Lake Road	Gauteng	104 200	13 547	–	–	–
Multi	Supreme Industrial Park	Gauteng	99 400	29 233	1 459 336	50.28	210
Single	Macsteel Trading Klerksdorp	North West	92 400	15 263	–	–	–
Multi	Golf Air Park II	Western Cape	92 000	12 807	857 103	66.92	–
Single	Macsteel Trading Witbank	Mpumalanga	90 260	5 018	–	–	–
Single	Litha Medical	Gauteng	89 600	10 129	–	–	–
Multi	Murrayfield	KwaZulu-Natal	89 600	16 822	1 289 290	76.76	25
Multi	Spearhead Business Park	Western Cape	87 000	13 549	951 006	70.19	–
Single	Macsteel Roofing Harvey	Gauteng	85 630	14 133	–	–	–
Single	Regal	Gauteng	72 700	6 083	–	–	–
Single	Trentyre Spartan	Gauteng	72 200	12 344	–	–	–
Single	Le Sel 1	Gauteng	67 400	11 606	–	–	–
Multi	18 Halifax Road	KwaZulu-Natal	66 400	14 693	802 384	54.61	–
Single	Rage Distribution	Gauteng	66 380	9 000	–	–	–
Single	Le Sel 2	Gauteng	64 000	10 680	–	–	–
Multi	Platinum Park	Western Cape	64 000	9 362	654 493	69.91	–
Single	Macsteel VRN Pinetown	KwaZulu-Natal	61 630	7 517	–	–	–

Property **information** (continued)

Investment properties – Industrial (continued)

Multi/single -tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Single	Macsteel Trading Rustenburg	North West	60 910	7 860	–	–	–
Single	SSAB	Gauteng	60 700	9 473	–	–	–
Single	BAT	Gauteng	60 100	6 748	–	–	–
Multi	Ferreiras North Riding	Gauteng	60 000	9 573	576 789	60.25	–
Single	26-28 Christiaan Avenue	Western Cape	59 000	13 727	–	–	–
Single	14 Piet Rautenbach Street	Gauteng	57 900	7 834	–	–	–
Single	Jupiter Ext 1	Gauteng	56 800	11 507	–	–	–
Multi	Golf Air Park	Western Cape	54 800	14 800	650 952	43.98	–
Multi	S Burde	Gauteng	54 100	19 047	379 654	19.93	–
Multi	Creation	North West	52 500	28 723	626 756	21.82	–
Single	11 Galaxy Avenue	Gauteng	52 300	6 217	–	–	–
Single	Macsteel Trading Nelspruit	Mpumalanga	52 230	5 262	–	–	–
Single	BGM 1	Western Cape	50 150	8 973	–	–	–
Single	East Balt	Gauteng	49 980	9 923	–	–	–
Single	Macsteel Trading Bloemfontein	Free State	49 500	4 947	–	–	–
Single	Trencor	Western Cape	47 300	6 861	–	–	–
Single	Macsteel Special Steels Meyerton	Gauteng	46 680	11 693	–	–	–
Single	Aveng Stormill	Gauteng	44 400	5 965	–	–	–
Single	Macsteel VRN Richards Bay	KwaZulu-Natal	44 090	4 117	–	–	–
Single	GNLD International	Gauteng	42 200	5 477	–	–	–
Single	Elvey Security	Gauteng	42 050	4 127	–	–	–
Single	Deutz Diesel	Gauteng	39 100	7 678	–	–	–
Multi	77 & 78 Plane Road	Gauteng	36 500	8 686	415 783	51.24	571
Single	Hoist Avenue	Western Cape	36 200	5 051	–	–	–
Single	52 Mimetes Road	Gauteng	36 000	7 567	–	–	–
Single	Macsteel Trading Pretoria	Gauteng	35 390	7 698	–	–	–
Single	Macsteel Kimberley	Northern Cape	34 660	6 822	–	–	–
Single	6 Kruger Street	Gauteng	32 500	7 590	–	–	–
Multi	BGM 3 – Bidvest Plumblink	Western Cape	29 559	12 226	261 205	21.36	–
Single	Macsteel VRN Rustenburg	North West	27 300	4 724	–	–	–
Single	Macsteel VRN Vaal	Gauteng	27 090	6 943	–	–	–
Single	66 Mimetes Road	Gauteng	27 000	5 903	–	–	–
Single	Macsteel Trading Welkom	Free State	24 700	5 550	–	–	–
Single	64 Mimetes Road	Gauteng	24 400	5 136	–	–	–
Single	Aviz Labs	Gauteng	22 000	2 871	–	–	–
Single	Aristocrat Tech	Gauteng	20 900	2 158	–	–	–
Land	Golf Air Park III	Western Cape	18 000	–	–	–	–
Land	Macsteel Hudson Road	KwaZulu-Natal	17 550	–	–	–	–
Single	Macsteel Roofing Queenstown	Eastern Cape	17 220	4 674	–	–	–
Single	Trentyre Spartan 2	Gauteng	14 600	3 138	–	–	–
Single	Macsteel VRN Klerksdorp	North West	12 390	2 370	–	–	–
Multi	Denver Industrial Park	Gauteng	11 700	10 476	315 370	40.44	2 677
Single	Macsteel Trading Newcastle	KwaZulu-Natal	5 780	2 060	–	–	–
Multi	Precision House	Gauteng	2 200	604	–	–	604
Land	Erf 4462 Clayville	Gauteng	1 903	–	–	–	–
			11 386 868	**1 777 537**			**21 556**

Single-tenanted industrial properties weighted average rental rate of R 50.77/m².

Properties under development – Industrial

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
S & J Industrial	Gauteng	685 764	–	–	–	–
Hirt & Carter	KwaZulu-Natal	424 850	30 661	–	–	–
Mainland – Phase Two	Western Cape	334 213	–	–	–	–
Atlantic Hills	Western Cape	140 279	–	–	–	–
Cornubia Ptn 17 & 18	KwaZulu-Natal	90 123	–	–	–	–
		1 675 229	**30 661**	**–**		**–**

Properties held for trading – Industrial

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Stikland	Western Cape	28 943	–	–	–	–
		28 943	**–**	**–**		**–**

Non-current assets held-for-sale – Industrial

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Cornubia Ptn 22	KwaZulu-Natal	23 874	–	–	–	–
		23 874	**–**			**–**

Investment properties – Specialised

Multi/single -tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²	Beds	Vacant beds
Single	Bedford Gardens Hospital	Gauteng	342 200	12 817	–	–	–	–	–
Single	Southern Sun O.R. Tambo International Airport	Gauteng	48 600	14 153	–	–	–	–	–
Multi	Yale Village	Gauteng	98 156	–	5 287 739	–	–	330	–
Multi	Hatfield Square	Gauteng	789 873	2 615	16 943 098	269	886	1 079	196
Multi	Peasons and Princeton house	Gauteng	556 551	–	4 792 530	–	–	1 846	100
Multi	Urban Nest	Gauteng	56 039	–	1 132 839	–	–	300	–
Multi	West City	Gauteng	139 162	–	3 424 823	–	–	1 134	18
Multi	Saratoga Village	Gauteng	243 390	–	4 017 272	–	–	1 077	15
Multi	The Fields	Gauteng	52 323	–	1 032 661	–	–	308	4
Multi	Lincoln House	Free State	119 934	–	1 106 192	–	–	469	207
Multi	Paton House	KwaZulu-Natal	11 400	–	–	–	–	–	–
			2 457 628	**29 585**			**886**	**6 543**	**540**

Single-tenanted specialised properties weighted average rental rate of R78.22/m².

Property **information** (continued)

Properties under development – Specialised

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
15 Baker Street	Gauteng	323 820	–	–	–	–
Roscommon House	Western Cape	174 766	–	–	–	–
		498 586	**–**	**–**		**–**

Investment properties – International

Multi/single -tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
Multi	Krakow III	Skawina, Poland	390 982	33 713	2 231 225	66.18	–
Multi	PoznaĐ IV	Plewiska, Poland	375 356	32 227	2 514 287	78.02	4 677
Multi	Warsaw Airport I	Sokołów, Poland	229 918	20 766	1 712 668	82.47	–
Multi	Krakow II	Skawina, Poland	166 386	15 303	1 221 316	79.81	–
Multi	ŁódĐ Business Center II	ŁódĐ, Poland	403 344	32 917	2 905 893	88.28	–
Multi	ŁódĐ Business Center III	ŁódĐ, Poland	303 066	30 143	2 250 019	74.64	–
Multi	Sosnowiec II	Sosnowiec, Poland	673 271	64 807	2 683 888	41.41	–
Single	Bydgoszcz III	Bydgoszcz, Poland	365 225	37 995			–
Single	Bydgoszcz II	Bydgoszcz, Poland	457 948	45 642			–
			3 365 496	**313 513**			**4 677**

Single-tenanted specialised properties weighted average rental rate of R98.53/m².

Properties under development – International

Multi/single -tenanted	Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²	Beds	Vacant beds
Multi	Stryków	Stryków, Poland	486 572	99 987	–	–	41 000		
Multi	16-32 Leicester Street	Carlton VIC Australia	1 033 747	804	–	–	–	804	804
Multi	500 Swanston Street	Carlton VIC Australia	334 965	587	–	–	–	587	587
			1 855 284	**101 378**	**–**		**41 000**	**1 391**	**1 391**

Properties held for sale – International

Property	Province	Valuation R'000	GLA m²	GMR R	GMR R/m²	Vacancy m²
49 Atalanta Street	London	61 754	4	–	–	–
		61 754	**4**	**–**		**–**

%	Office	Retail	Industrial	Specialised	Total
Local weighted average portfolio escalation	6.6	6.1	6.7	9.4	6.4
Local average annualised property yield	8.6	7.4	8.5	6.7	7.6

Property portfolio

Geographical profile

Province	Number of properties	GLA (m²)	GLA (%)	GMR R'000	GMR (%)
Gauteng	214	3 207 406	64	338 291	67
Western Cape	45	680 408	14	85 850	17
KwaZulu-Natal	28	293 066	6	23 062	5
Other	28	379 840	8	29 845	6
International	13	413 500	8	23 745	5
	328	**4 974 220**	**100**	**500 793**	**100**

Tenant profile

South African investment property

Sector	Grade	GLA (m²)*	GLA (%)
Office		**1 096 941**	
	A Grade	761 266	70
	B Grade	210 705	19
	C Grade	124 969	11
Retail		**1 334 433**	
	A Grade	975 154	73
	B Grade	201 601	15
	C Grade	157 678	12
Industrial		**1 786 642**	
	A Grade	1 466 710	82
	B Grade	222 994	13
	C Grade	96 938	5
Specialised		**28 699**	
	A Grade	26 984	94
	B Grade	453	2
	C Grade	1 262	4

International investment property

Sector	Grade	GLA (m²)*	GLA (%)
Industrial		**408 823**	
	A Grade	408 823	100
		4 655 538	

* *Occupied GLA only (total GLA less vacancy).*

A Grade: Major corporates, JSE listed companies, national retailers, local and international government (including all departments, embassies, consulates and parastatals) and local subsidiaries of international businesses.

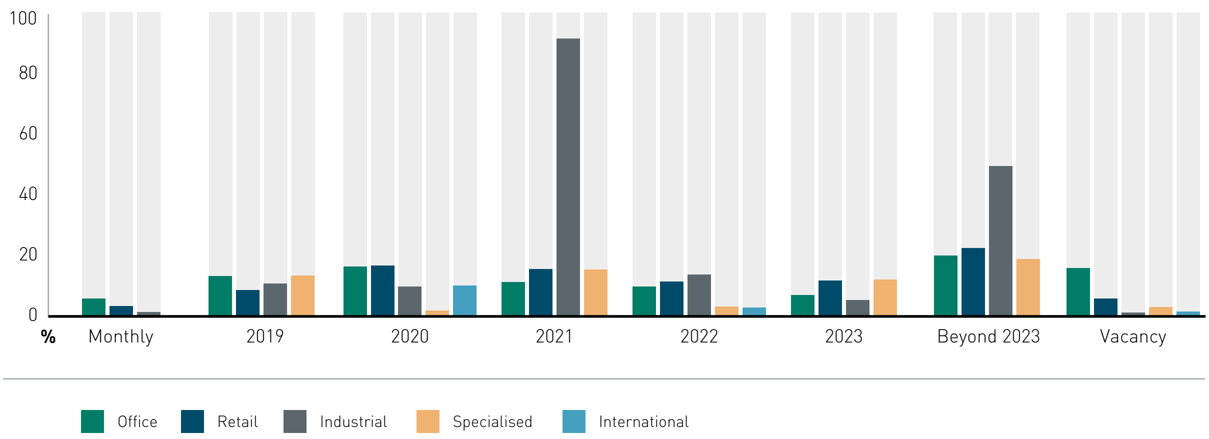
B Grade: Medium- to large-sized corporates and franchisees (with no lease surety or where no substitution is in place).

C Grade: Comprises individuals and sole proprietorships, as well as other legal entities that occupy less than 300m². 2 182 of the group's tenants have been classified as C grade.

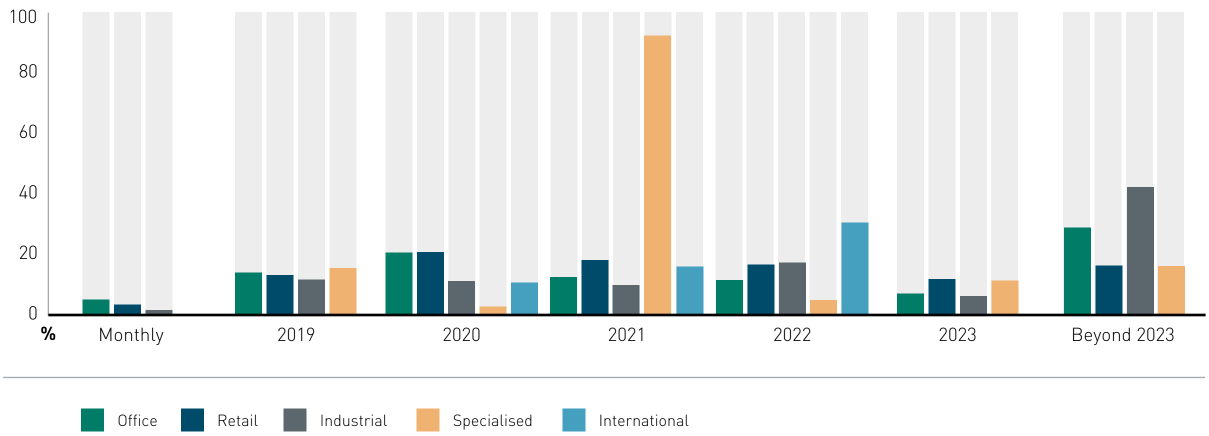
Property **information** (continued)

LEASE EXPIRY PROFILE BY SECTOR

Lease expiry profile by GLA (%)



Lease expiry profile by GMR (%)



	Weighted average lease escalation by GLA (%)	Average annualised property yield (%)
Office	6.2	8.2
Retail	5.7	8.2
Industrial	6.6	9.3
Specialised	8.9	9.2

Shareholders' analysis

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	6 977	24.45	1 903 462	0.03
1 001 – 10 000	11 461	40.17	51 798 470	0.90
10 001 – 100 000	8 004	28.05	237 824 099	4.13
100 001 – 1 000 000	1 538	5.39	490 160 395	8.50
Over 1 000 000	552	1.93	4 984 113 338	86.44
Total	**28 532**	**100.00**	**5 765 799 764**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance companies	76	0.27	156 735 189	2.72
BBBEE entities	1	0.01	33 945	0.00
Close corporations	269	0.94	14 420 250	0.25
Collective investment schemes	769	2.70	2 328 407 652	40.39
Control accounts	6	0.02	483 601	0.01
Custodians	99	0.35	152 800 296	2.65
Foundations and charitable funds	289	1.01	51 066 073	0.89
Hedge funds	7	0.02	6 857 440	0.12
Insurance companies	32	0.11	24 945 560	0.43
Investment partnerships	98	0.34	4 399 815	0.08
Managed funds	144	0.50	94 846 930	1.64
Medical aid funds	31	0.11	20 075 190	0.35
Organs of state	7	0.02	770 526 881	13.36
Private companies	619	2.17	238 919 790	4.14
Public companies	14	0.05	47 152 645	0.82
Public entities	4	0.01	3 267 625	0.06
Retail Shareholders	22 084	77.40	274 566 472	4.76
Retirement benefit funds	495	1.73	835 729 529	14.49
Scrip lending	33	0.12	60 068 236	1.04
Sovereign funds	19	0.07	60 768 853	1.05
Stockbrokers and nominees	57	0.20	113 428 320	1.97
Treasury and share schemes	3	0.01	18 446 141	0.32
Trusts	3 363	11.79	487 811 266	8.46
Unclaimed scrip	13	0.05	42 065	0.00
Total	**28 532**	**100.00**	**5 765 799 764**	**100.00**

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	15	0.05	737 094 511	12.78
Directors and associates (including share schemes)	11	0.04	120 629 905	2.09
Own holdings	1	0.00	5 876 766	0.10
Other employees	2	0.01	12 569 375	0.22
Government employees pension fund	1	0.00	598 018 465	10.37
Public shareholders	28 517	99.95	5 028 705 253	87.22
Total	**28 532**	**100.00**	**5 765 799 764**	**100.00**

Shareholders' analysis (continued)

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Government Employees Pension Fund	675 193 417	11.71
The Redefine Empowerment Trust	300 000 000	5.20
Coronation Fund Managers	263 903 752	4.58
Vanguard	215 674 058	3.74
Old Mutual Group	210 362 320	3.65
MMI	188 436 704	3.27
Sanlam Group	176 406 942	3.06
Total	**2 029 977 193**	**35.21**

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Public Investment Corporation	705 427 395	12.23
Coronation Fund Managers	372 117 274	6.45
Investec Asset Management	308 916 913	5.36
Prudential Investment Managers	261 232 430	4.53
Sesfikile Capital	231 796 583	4.02
Vanguard Investment Management	230 664 781	4.00
BlackRock	224 626 019	3.90
Stanlib Asset Management	222 084 066	3.85
Old Mutual Investment Group	182 696 063	3.17
Total	**2 739 561 524**	**47.51**

Shares in issue	2018	2017
Total number of shares in issue	5 765 799 764	5 650 052 265
Shares in issue (net of treasury shares)	5 404 402 868	5 288 655 364
Weighted average number of shares in issue (net of treasury shares)	5 342 394 632	5 053 450 950

Trading volumes	2018	2017
Volume traded during period	3 250 485 349	3 026 584 932
Ratio of volume traded to shares issued	56.38%	53.57%
Ratio of volume traded to weighted number of shares issued	60.84%	59.89%
Rand value traded during the year	R35 320 418 590	R33 087 215 387
Market capitalisation at 31 August	R59 676 027 557	R60 229 557 145
Number of shareholders	28 532	28 233
Opening price 1 September 2017/2016	R10.69	R11.06
Closing price 31 August	R10.35	R10.66
Closing high for year	R11.98	R11.60
Closing low for year	R10.00	R10.17

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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INVESTOR RELATIONS
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Definitions

ASX	Australian Securities Exchange
AUD	Australian dollar
BBBEE	Broad-based black economic empowerment
CBD	Central business district
CPT	Cromwell Partners Trust
CGU	Cash-generating unit
Delta	Delta Property Fund
EPP N.V.	EPP 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
RDI REIT Plc	RDI REIT Plc, a company listed on both the JSE and London Stock Exchange
SA	South Africa/South African
SAICA	South African Institute of Chartered Accountants
SAPOA	South African Property Owners Association

Notes

Notes

THANK YOU

Our employees are the heart – and the face – of Redefine.

The images in our reporting suite are of our employees, taken in our buildings. We thank them for how they create sustained value for all our stakeholders, every day.

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PROPERTIES

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We're not landlords. We're people.