



redefining our business

- ▶ 2011 distribution **in line with forecast**
- ▶ Total assets under management **exceed R37 billion**
- ▶ Significant progress in **core portfolio restructuring**
- ▶ Moody's assigns investment-grade rating to **Redefine**
- ▶ Initial **R250 million** commercial paper issue under **R5 billion** programme well received
- ▶ **London Stock Exchange** main board listing for Redefine International following reverse acquisition of Wichford P.L.C.

ReDEFINE
P R O P E R T I E S

Group results for the year ended 31 August 2011

Condensed consolidated statements of comprehensive income

	Reviewed 31 August 2011 R'000	Restated 31 August 2010 R'000
Revenue		
Property portfolio	2 754 905	2 657 976
Contractual rental income	2 763 122	2 502 135
Straight-line rental income accrual	(8 217)	155 841
Listed securities portfolio	342 367	266 098
Fee income	205 485	193 364
Hotel income	157 628	–
Trading income	36 556	19 963
Total revenue	3 496 941	3 137 401
Operating costs	(732 648)	(537 639)
Administration costs	(158 787)	(135 904)
Net operating income	2 605 506	2 463 858
Changes in fair values of properties, listed securities and financial instruments	532 305	1 359 269
Amortisation of intangibles	(96 808)	(108 142)
Impairment of financial assets, property, plant and equipment ("PPE") and goodwill	(848 713)	(64 143)
Interest in associates	(19 988)	(62 931)
Income from operations	2 172 302	3 587 911
Interest paid	(1 098 871)	(843 211)
Interest received	161 404	283 905
Net interest	(937 467)	(559 306)
Foreign exchange gain	1 649	28 967
Income before debenture interest	1 236 484	3 057 572
Debenture interest	(1 825 321)	(1 777 412)
(Loss)/profit before taxation	(588 837)	1 280 160
Taxation	25 575	(199 884)
(Loss)/profit for the year	(563 262)	1 080 276
Other comprehensive income/(expense)		
Exchange differences on translation of foreign operations	107 598	(133 364)
Deferred profit on residential property realised	–	(9 488)
Revaluation of PPE (net of deferred taxation)	4 644	345
Other comprehensive income/(expense) for the year, net of taxation	112 242	(142 507)
Total comprehensive (loss)/income for the year	(451 020)	937 769
(Loss)/profit for the year attributable to:		
Redefine shareholders	(519 311)	1 097 346
Non-controlling interests	(43 951)	(17 070)
(Loss)/profit for the year	(563 262)	1 080 276
Total comprehensive (loss)/income attributable to:		
Redefine shareholders	(267 349)	958 382
Non-controlling interests	(183 671)	(20 613)
Total (loss)/comprehensive income	(451 020)	937 769

Condensed consolidated statements of comprehensive income

continued

	Reviewed 31 August 2011 R'000	Restated 31 August 2010 R'000
Reconciliation of (loss)/earnings, headline profit and distributable earnings		
(Loss)/profit for the year attributable to Redefine shareholders	(519 311)	1 097 346
Changes in fair values of properties (net of deferred taxation)	(280 558)	(263 065)
Changes in fair value of properties	(285 141)	(295 909)
Deferred taxation	4 583	32 844
Impairment of PPE and goodwill	837 245	–
Capital gains tax	49 000	–
Headline profit attributable to linked unitholders	86 376	834 281
Debt interest	1 825 321	1 777 412
Headline earnings attributable to linked unitholders	1 911 697	2 611 693
Changes in fair values of listed securities and financial instruments (net of deferred taxation)	(311 471)	(896 223)
Changes in fair values of listed securities and financial instruments	(247 164)	(1 063 360)
Deferred taxation	(64 307)	167 137
Amortisation of intangibles (net of deferred taxation)	79 208	108 142
Impairment of financial assets	11 468	64 143
Alignment of consolidated foreign profits with anticipated dividends	2 694	17 505
Straight-line rental income accrual	8 217	(155 841)
Foreign exchange gain	(1 649)	(28 967)
Fair value adjustment of associates and non-controlling interests	60 915	34 534
Fee income from foreign subsidiary	–	7 533
Capital write offs included in administration costs	6 387	5 697
Swaption included in net interest	10 000	–
Pre-acquisition income on Hyprop units acquired in prior year	47 855	9 196
Distributable earnings	1 825 321	1 777 412
Six months ended 28 February 2011	832 131	891 595
Six months ended 31 August 2011	993 190	885 817
Total distributions	1 825 321	1 777 412
Actual number of linked units in issue (000)*	2 684 295	2 684 295
Weighted number of linked units in issue (000)*	2 684 295	2 661 915
Earnings per linked unit (cents)	48.65	108.00
Headline earnings per linked unit (cents)	71.22	98.11
Distribution per linked unit (cents)	68.00	66.50

*Excludes 5 876 766 treasury units.

Condensed consolidated statements of financial position

	Reviewed 31 August 2011 R'000	Restated 31 August 2010 R'000	Restated 31 August 2009 R'000
ASSETS			
Non-current assets	40 036 545	33 122 788	25 393 640
Investment property	28 847 983	21 650 529	18 234 776
Fair value of property portfolio for accounting purposes	27 775 325	20 553 136	17 555 250
Straight-line rental income accrual	694 099	702 316	546 475
Property under development	378 559	395 077	133 051
Listed securities portfolio	4 664 346	5 099 485	2 807 448
Goodwill and intangibles	3 849 609	4 682 809	3 522 320
Interest in associates and joint ventures	1 236 726	346 227	201 387
Loans receivable	1 323 126	1 107 016	560 600
Other financial assets	12 938	4 115	–
Guarantee fees receivable	21 349	21 349	36 040
Property, plant and equipment	80 468	211 258	31 069
Current assets	1 680 758	1 497 974	640 129
Properties held for trading	31 052	128 317	186 908
Listed securities held for trading	–	–	9 316
Loans receivable	51 210	–	–
Trade and other receivables	742 665	572 277	211 996
Guarantee fees receivable	–	37 037	20 127
Listed security income	195 683	153 363	100 628
Cash and cash equivalents	660 148	606 980	111 154
Non-current assets held for sale	2 646 183	351 359	173 200
Total assets	44 363 486	34 972 121	26 206 969
EQUITY AND LIABILITIES			
Share capital and reserves	17 056 251	15 801 448	13 929 060
Share capital and premium	11 788 301	11 788 301	11 602 835
Reserves	2 996 726	3 360 308	2 323 124
Non-controlling interests	2 271 224	652 839	3 101
Non-current liabilities	22 794 297	16 090 651	11 572 112
Debenture capital	4 831 731	4 831 731	4 767 591
Interest-bearing liabilities	16 166 163	9 562 035	5 460 099
Interest rate swaps	358 090	199 933	46 210
Other financial liabilities	11 516	8 596	9 838
Deferred taxation	1 426 797	1 488 356	1 288 374
Current liabilities	4 425 577	3 080 022	705 797
Trade and other payables	1 037 126	636 386	374 271
Interest-bearing liabilities	2 158 496	1 987 306	20 308
Taxation payable	49 074	–	–
Interest rate swaps	187 691	–	–
Linked unitholders for distribution	993 190	456 330	311 218
Non-current liabilities held for sale	87 361	–	–
Total equity and liabilities	44 363 486	34 972 121	26 206 969
Net asset value per linked unit (excluding deferred taxation and non-controlling interests) (cents)	783.45	799.79	744.40
Net tangible asset value per linked unit (excluding deferred taxation and non-controlling interests) (cents)	640.54	625.34	613.18

Distributable income analysis

	South African R'000	Foreign R'000	Total R'000
Net property income (excluding straight-line rental accrual)	1 925 639	104 835	2 030 474
Listed securities portfolio	299 440	42 927	342 367
Trading income	36 556	–	36 556
Hotel income	–	157 628	157 628
Fee income	128 931	76 554	205 485
Total revenue	2 390 566	381 944	2 772 510
Administration costs	(90 842)	(67 945)	(158 787)
Interest in associates (excluding fair value adjustments)	2 806	80 923	83 729
Net finance costs	(672 234)	(265 233)	(937 467)
Net distributable profit before taxation	1 630 296	129 689	1 759 985
Taxation	–	(2 749)	(2 749)
Net profit before distributable adjustments	1 630 296	126 940	1 757 236
Non-controlling interest (excluding fair value adjustments)	(1 622)	2 771	1 149
	1 628 674	129 711	1 758 385
Distribution adjustments:	64 242	2 694	66 936
Align consolidated foreign profits with anticipated dividends	–	2 694	2 694
Capital write offs included in administration costs	6 387	–	6 387
Swaption included in net interest	10 000	–	10 000
Pre-acquisition income on Hyprop units acquired in 2010	47 855	–	47 855
Distributable income	1 692 916	132 405	1 825 321

Condensed consolidated statements of changes in equity

	Reviewed 31 August 2011 R'000	Restated 31 August 2010 R'000	Restated 31 August 2009 R'000
Restated balance at beginning of year	15 801 448	13 929 060	4 404 397*
Issue of shares	–	185 466	9 513 892
Total comprehensive income for the year	(451 020)	937 769	437 783
Effect of acquiring controlling interest in ApexHi	–	–	(427 054)
Transactions with non-controlling interests	(26 308)	(76 017)	42
Changes in ownership interest in subsidiaries	–	70 204	–
Non-controlling interests on acquisition of subsidiaries	–	754 966	–
Issue of capital instrument	158 630	–	–
Share issued to non-controlling interests	1 573 501	–	–
Share capital and reserves at end of year	17 056 251	15 801 448	13 929 060

*Not-restated

Condensed consolidated statements of cash flow

	Reviewed 31 August 2011 R'000	Audited 31 August 2010 R'000
Cash generated from operations	2 819 012	2 180 214
Net financing costs	(937 467)	(559 306)
Linked unit distributions paid	(1 288 461)	(1 632 300)
Payments to non-controlling interests	(47 969)	(14 522)
Net cash inflow/(outflow) from operating activities	545 115	(25 914)
Net cash outflow from investing activities	(3 295 932)	(3 115 670)
Net cash inflow from financing activities	2 798 967	3 678 382
Net movement in cash and cash equivalents	48 150	536 798
Cash and cash equivalents at beginning of year	606 980	111 154
Translation effects on cash and cash equivalents of foreign operations	5 018	(40 972)
Cash and cash equivalents at end of year	660 148[^]	606 980

[^]Includes restricted cash of R88 million

Condensed segmental analysis

	Office R'000	Retail R'000	Industrial R'000	Foreign R'000	Total R'000
Year ended 31 August 2011					
Contractual rental income (excluding straight-line rental income accrual)	1 255 220	922 604	358 888	226 410	2 763 122
Operating costs	(330 429)	(218 184)	(62 459)	(121 576)	(732 648)
Net property income	924 791	704 420	296 429	104 834	2 030 474
Non-current assets – Investment property portfolio	8 181 042	6 578 164	2 540 345	11 169 872	28 469 423
Year ended 31 August 2010[^]					
Contractual rental income (excluding straight-line rental income accrual)	1 182 781	898 132	321 043	100 179	2 502 135
Operating costs	(275 691)	(192 631)	(57 793)	(11 524)	(537 639)
Net property income	907 090	705 501	263 250	88 655	1 964 496
Non-current assets – Investment property portfolio	8 427 703	7 374 696	3 194 705	2 258 348	21 255 452

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

Commentary

Profile

By market capitalisation, Redefine is the second largest South African property loan stock company listed on the Johannesburg Stock Exchange ("JSE") with a diverse range of property assets under management exceeding R37 billion. The company's property portfolio consisted of 358 properties located in South Africa valued at R20 billion and a R5 billion portfolio of strategic listed securities. The Redefine portfolio is further geographically diversified by 184 offshore properties and listed securities valued at R12 billion held through Redefine Properties International Limited ("RIN") and its 67% owned subsidiary Redefine International P.L.C. ("RI"), which are listed on the JSE and the London Stock Exchange ("LSE") respectively.

Redefine is committed to being the property owner of choice and is focused on achieving sustained growth in distributions and increasing net asset value. The company seeks to meet its objectives through continuous improvement in the quality of the core property portfolio, prudent management of debt, superior property management, effective management of strategic listed investments and exploiting its ability to identify and execute value-adding development and corporate opportunities.

Financial results

Redefine has declared a distribution of 37 cents per linked unit for the six months ended 31 August 2011, which combined with the distribution of 31 cents for the half year ended 28 February 2011, results in a total distribution of 68 cents per linked unit for the year ended 31 August 2011. On a comparable recurring income basis, the total distribution is 3% ahead of last year, after excluding fee income from the current and prior year's distributions of 4.6 cents and 5.0 cents per linked unit respectively.

On a geographic basis, South Africa generated 93% of distributable income. Contractual rental income comprised 79% of total revenue, income from listed securities 10%, hotel income 5%, and trading and fee income 6%. Operating costs represent 26.5% (31 August 2010: 21.5%) of contractual rental income, with 26% of the 5% increase caused by increases in local municipal and electricity charges that are not fully recoverable from tenants and non-recurring costs incurred as a result of internalising property management. The inclusion of foreign hotels added 2% to the increase and the balance was due to RI carrying the increase in service charges on new leases.

RIN along with Redefine International Fund Managers Limited ("RIFM"), the fund manager of RI, contributed 5.0 cents per linked unit to the distribution for the year.

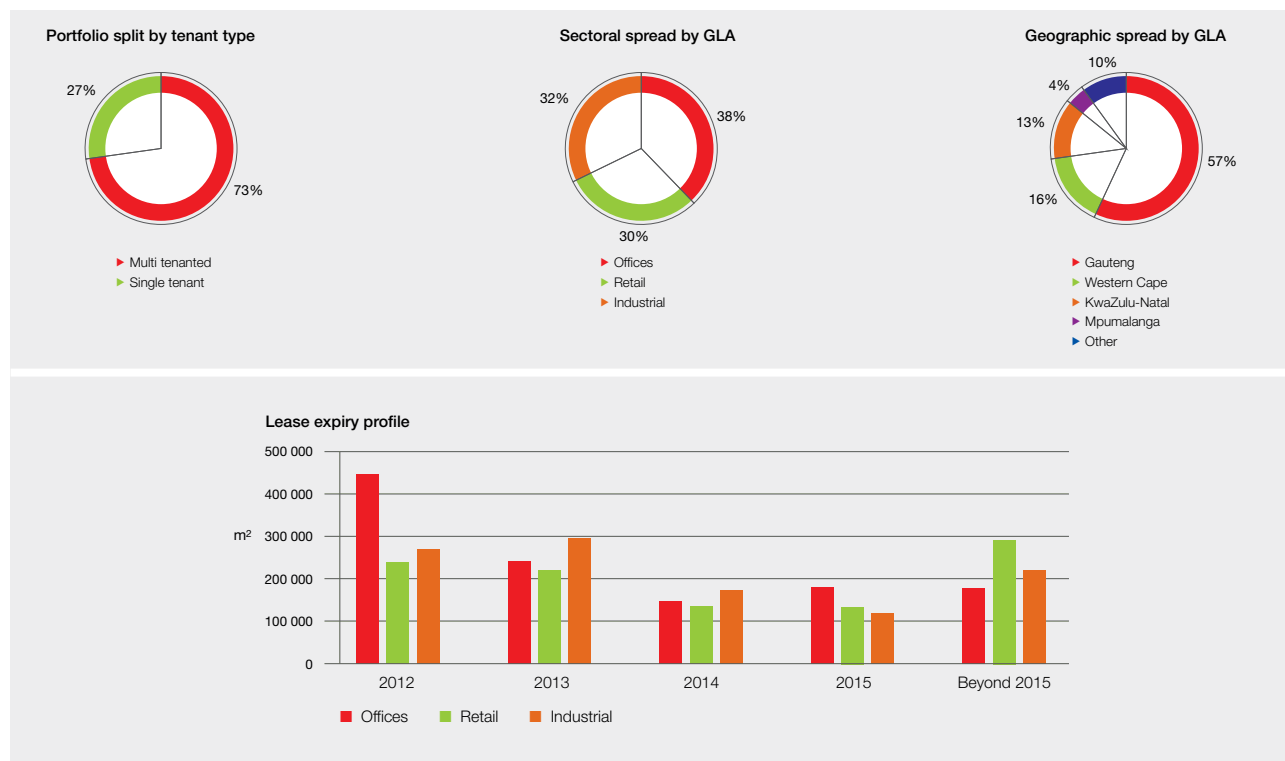
Impairment of financial assets, PPE and goodwill

The impairment of financial assets, PPE and goodwill mainly comprises the write-down of goodwill recognised on consolidation of RI and a capital loss arising from the disposal of the Upper East Side Hotel amounting to R655 million and R182 million respectively.

Changes in fair values

The property portfolio was valued at 31 August 2011 resulting in a net increase in value of R285 million. The South African portfolio increased by R403 million while the offshore portfolio decreased by R118 million. The investment in South African listed securities increased in value by R232 million during the period under review, while RI's interest in the Cromwell Property Group ("Cromwell"), a listed Australian property trust, increased in value by R115 million prior to being accounted for as an associate. The balance mainly relates to the mark to market of the group's interest rate swaps.

South African property profile



Commentary continued

Letting activity

During the year leases totalling 470 586 m² were renewed at an average rental increase of 6.1%. A further 305 259 m² was let across the portfolio and together with vacancies from properties disposed of, the total vacancy level reduced to 8.4%, set out below as a percentage of GLA:

	2011	2010
Offices	12.7%	13.4%
Retail	4.8%	7.4%
Industrial	6.8%	10.1%
Total	8.4%	10.1%

Arrears amounted to R34 million (31 August 2010: R40 million) against which a provision for possible bad debts of R9 million (31 August 2010: R10 million) is held.

Property portfolio strategy

At 31 August 2011, the property portfolio comprised 358 properties with a total gross lettable area ("GLA") of 3.2 million m² valued at R17 billion.

Redefine has made significant progress in implementing its strategy of restructuring and improving the quality of its core property portfolio. In this process, the number of properties will decline to approximately 258 and the average property value will increase from R50 million to R80 million. The total portfolio value will increase to approximately R20 billion.

Acquisitions: Three properties were acquired and transferred during the year for an aggregate purchase price of R733 million with a GLA of 42 243 m² at an initial yield of 9.1%. Subsequent to year end, definitive agreements have been concluded for the acquisition of seven high quality office and industrial properties from the Zenprop Group for an aggregate consideration of R979 million. In addition, the Discovery Life building in Sandton was acquired for R510 million and another acquisition of R430 million has been concluded for a portfolio of six high quality industrial properties, which is subject to sub divisions. These acquisitions are subject to Competition Commission approval.

Disposals: During the year 39 properties with a GLA of 184 083 m² were sold to various buyers for an aggregate consideration of R938 million at an average yield of 11.2%.

Unbundling and restructuring: On 28 October 2011, Redefine linked unitholders approved the unbundling of a subsidiary, Arrowhead Properties Limited ("Arrowhead"), which will be listed on the JSE. As part of the process, Redefine disposed of 98 properties. Redefine also concluded an agreement with Arrow Creek Investments 227 (Proprietary) Limited ("Arrow Creek"), unrelated to Arrowhead, for the disposal of 12 properties. These properties have been classified as assets held for sale at 31 August 2011.

Listed securities portfolio

The listed securities portfolio comprises:

Fund	2011		2010	
	Value R'000	Interest held %	Value R'000	Interest held %
Local listed securities				
Hyprop Investments Limited	4 122 626	45.7	3 959 361	45.7
Oryx Properties Limited	155 731	26.4	144 851	26.4
Sycom Property Fund	–	–	144 067	3.1
Dipula Income Fund	385 989	33.8	–	–
	4 664 346		4 248 279	
Foreign listed securities				
Cromwell	–	–	851 206	19.8
Total	4 664 346		5 099 485	

Hyprop Investments Limited ("Hyprop")

Following Hyprop's acquisition of the Attfund retail portfolio, Redefine's shareholding declined from 45.7% to 31.2% of the enlarged company after year end.

Sycom Property Fund ("Sycom")

The investment in Sycom was sold for R141 million during the year.

Cromwell

In line with RI's objective of increasing its presence in the Australian property market, a further 2.9% in Cromwell was acquired, taking the interest to 22.7%. Cromwell is now accounted for as an associate.

Dipula Income Fund Limited ("Dipula")

Dipula was listed on the JSE on 17 August 2011. Redefine underwrote the listing and as a result holds 66 624 872 Dipula "B" units, representing a 34% equity interest.

Commentary continued**Redefine International/Wichford reverse acquisition**

On 23 August 2011, the merger between RI (formerly Wichford P.L.C.) and Redefine International Holdings Limited (formerly Redefine International plc) ("RIHL") ("the merger") become unconditional in all respects, establishing RI with a primary listing on the LSE. The merger was undertaken by means of a recommended all share offer ("the offer") by RI for the entire issued ordinary share capital of RIHL.

Under the terms of the offer, RIHL shareholders received 7.2 RI shares for each RIHL share.

The provisional fair value of the net assets acquired is set out below:

	R'000
Investment property	6 300 944
Trade and other receivables	43 423
Loans and borrowings	(5 621 124)
Derivative financial instruments	(215 493)
Deferred tax	(18 618)
Trade and other payables	(176 758)
Net assets excluding cash acquired	312 374
Cash acquired	460 215
Cash and cash equivalents – unrestricted	372 596
Cash and cash equivalents – restricted	87 619
Net assets including cash acquired	772 589
Consideration settled by	772 769
Total consideration transferred – shares	605 267
Fair value of existing interest in RI	167 502
Resulting goodwill	180

RIN's group financial statements have been prepared assuming an acquisition date of 31 August 2011 the effect of which is that the acquired business does not contribute to either the net loss or fair value adjustments. If the acquisition occurred on 1 September 2010, RIN's management estimate that their consolidated revenue would have been R755 million and consolidated loss for the year would have been R496 million. In determining these amounts, RIN's management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 September 2010.

The business combinations have been accounted for using provisional figures in terms of IFRS 3 – "Business Combinations". The excess of the purchase price over RI's net assets has been reflected as goodwill. A detailed assessment of the assets, liabilities and contingent liabilities acquired will be completed by the 2012 financial year end and the required adjustments processed.

Distribution adjustment

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

Interest in associates and joint ventures

This comprises Cromwell, together with Redefine's interest in joint venture property investments of R30 million.

Funding

Excluding RI, as at 31 August 2011, Redefine's local borrowings of R8 billion represent 28.8% of the value of its local property and listed securities portfolio. Redefine's average cost of funding is 9.57% and the interest rates are fixed on 74% of borrowings for an average period of six years. Following the business combination, RI's borrowings of R11 billion are all negotiated directly by RI and have no recourse to Redefine's South African balance sheet.

On 5 September 2011, Redefine made its debut in the local bond market with an issue of R250 million 90 day Commercial Paper (maturing on 7 December 2011) under its R5 billion Domestic Medium Term Note Programme, which is listed on the Interest Rate Market of the JSE. The issue was priced at an all-in rate of 5.925%.

Redefine was assigned an investment-grade credit rating by Moody's with a stable outlook as follows:

Credit rating

Global long term	Baa3
Global short term	P-3
National long term	A3.za
National short term	P-2.za

Change in accounting policy**Deferred taxation**

Redefine has early adopted the amendment to IAS 12. Deferred taxation is now recognised on the revaluation of the building component of investment properties at the capital gains tax rate on the presumption that the investment will be recovered through disposal and will therefore attract capital gains tax. Redefine has applied the amendment retrospectively as required by IAS 8. The early adoption has had the effect of reducing the 2009 deferred taxation balance with a corresponding increase in opening 2010 reserves by R728 million. The effect on the 2010 deferred taxation balance and opening reserves was a net decrease of R38 million. The prior year adjustments are outlined by way of a third column in the statements of financial position.

Commentary continued**Accounting for joint ventures**

Redefine has changed its accounting policy for joint ventures from proportional consolidation to the equity accounting method as an allowed alternative in IAS 31. The effect of this change has no material impact on the financial statements and accordingly they have not been restated.

Contingencies

At 31 August 2011, Redefine had guarantees and suretyships in respect of its BEE initiatives and joint ventures amounting to R320 million and R30 million respectively.

Property management

The property management function, which was previously outsourced, was internalised during the year. Redefine believes that this will enhance its tenant offering and result in increased efficiencies and economies. The benefit of this initiative began to be realised in the second half of 2011.

Prospects

The domestic economy has not escaped the impacts of global financial market turmoil. Despite ongoing challenging market conditions, the core property portfolio is anticipated to achieve satisfactory growth, in line with the restructuring strategy. This will be offset by the immediate negative impact of the Arrowhead unbundling and the lower yields arising from acquisitions. As a result, distributable income on a recurring income basis is anticipated to reduce moderately in 2012. Fee and trading income are largely unpredictable. From a unitholder perspective, recognising the forecast Arrowhead distribution, a modest decrease in total unitholder income is anticipated. This forecast has not been reviewed or reported on by the group's independent external auditors.

Debenture interest distribution

Unitholders are advised that interest distribution number 45 of 37 cents per linked unit has been declared for the six months ended 31 August 2011. The distribution will be payable to Redefine linked unitholders in accordance with the abbreviated timetable set out below:

	2011
Last day to trade "cum" interest distribution	Friday, 18 November
Linked units trade "ex" interest distribution	Monday, 21 November
Record date	Friday, 25 November
Payment date	Monday, 28 November

There may be no dematerialisation or rematerialisation of linked units between Monday, 21 November 2011 and Friday, 25 November 2011, both days inclusive. The next interest distribution will be for the six months ending 28 February 2012 payable during May 2012.

Basis of preparation

The results for the year ended 31 August 2011 have been reviewed by the group's independent external auditors PKF (Jhb) Inc. The auditor's review opinion is available for inspection at the company's registered office. These results have been prepared in accordance with International Financial Reporting Standards, IAS 34 – Interim Financial Reporting, the AC500 series issued by the Accounting Practices Board, JSE Listings Requirements and the requirements of the South African Companies Act, 2008. With the exception of deferred taxation and accounting for joint ventures, the accounting policies used are consistent with those applied in the annual financial statements for the year ended 31 August 2010.

These financial results have been prepared under the supervision of Andrew König (CA)SA, the financial director of the group.

By order of the Board

Redefine Properties Limited

2 November 2011



ReDeFiNe

P R O P E R T I E S

REDEFINE PROPERTIES LIMITED

("Redefine" or "the company" or "the group") Registration number 1999/018591/06
• JSE share code: RDF • ISIN: ZAE000143178 • Bond code: RDFC01 • ISIN: ZAG00088998

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