
REDEFINE PROPERTIES

We're not landlords. We're people.

# Audited group results for the year ended 31 August 2013

REDEFINE PROPERTIES

We're not landlords. We're people.

Distribution growth of 7,3% – ahead of market guidance

Net asset value growth of 8,6%

R4,7 billion in property acquisitions concluded

Fountainhead holding increased to 61,7%

Developments in progress total R3,2 billion

Balance sheet transformed and strengthened

# Consolidated statements | of comprehensive income

| | Audited 31 August 2013 R'000 | Audited 31 August 2012 R'000 |
|---|---|---|
| **Revenue** | | |
| Property portfolio | **3 220 615** | 2 448 873 |
| – Contractual rental income | **3 152 971** | 2 491 749 |
| – Straight-line rental income accrual | **67 644** | (42 876) |
| Listed security income | **311 046** | 511 036 |
| Fee income | **88 886** | 51 245 |
| Trading income | **3 807** | 12 414 |
| **Total revenue** | **3 624 354** | 3 023 568 |
| Operating costs | **(633 840)** | (556 042) |
| Administration costs | **(149 968)** | (119 074) |
| **Net operating income** | **2 840 546** | 2 348 452 |
| Changes in fair values of properties, listed securities and financial instruments | **1 369 451** | 1 772 064 |
| Amortisation of intangibles | **(62 856)** | (62 856) |
| Equity accounted profits | **329 656** | — |
| **Income from operations** | **4 476 797** | 4 057 660 |
| Net interest | **(850 716)** | (691 163) |
| – Interest paid | **(989 407)** | (767 395) |
| – Interest received | **138 691** | 76 232 |
| Foreign exchange loss | **(81 279)** | (22 957) |
| **Income before debenture interest** | **3 544 802** | 3 343 540 |
| Debenture interest | **(2 012 705)** | (1 742 715) |
| **Profit before taxation** | **1 532 097** | 1 600 825 |
| Taxation | **1 389 657** | (504 968) |
| **Profit for the year from continuing operations** | **2 921 754** | 1 095 857 |
| Profit/(loss) from discontinued operations | **935 272** | (1 862 708) |
| **Profit/(loss) for the year** | **3 857 026** | (766 851) |
| **– Redefine shareholders** | **3 619 654** | 342 079 |
| – Continuing operations | **2 693 667** | 1 099 300 |
| – Discontinued operations | **925 987** | (757 221) |
| **– Non-controlling interests** | **237 372** | (1 108 930) |
| – Continuing operations | **228 087** | (3 442) |
| – Discontinued operations | **9 285** | (1 105 488) |
| **Other comprehensive income** | **(297 087)** | 451 351 |
| Exchange differences on translation of foreign discontinued operations – subsidiaries | **93 449** | 451 351 |
| Exchange differences on translation of foreign continuing operations – associates | **(17 820)** | — |
| Recycling of exchange differences on translation of deemed disposal of foreign subsidiary | **(372 716)** | — |
| **Total comprehensive income/(loss) for the year** | **3 559 939** | (315 500) |
| **– Redefine shareholders** | **3 314 344** | 621 476 |
| – Continuing operations | **2 675 847** | 1 099 300 |
| – Discontinued operations | **638 497** | (477 824) |
| **– Non-controlling interests** | **245 595** | (936 976) |
| – Continuing operations | **228 087** | (3 442) |
| – Discontinued operations | **17 508** | (933 534) |

# Consolidated statements | of financial position

| | Audited 31 August 2013 R'000 | Audited 31 August 2012 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **42 796 057** | 43 376 376 |
| Investment properties | **32 812 494** | 29 735 776 |
| – Fair value of investment properties for accounting purposes | **30 687 910** | 28 754 581 |
| – Straight-line rental income accrual | **1 089 942** | 651 223 |
| – Properties under development | **1 034 642** | 329 972 |
| Listed securities | **2 050 203** | 5 341 485 |
| Goodwill | **3 647 251** | 2 753 971 |
| Intangible assets | **1 616 871** | 1 905 363 |
| Interest in associates and joint ventures | **1 654 067** | 1 963 050 |
| Loans receivable | **837 742** | 1 527 301 |
| Other financial assets | **78 236** | 5 349 |
| Guarantee fees receivable | **50 000** | 50 000 |
| Property, plant and equipment | **49 193** | 94 081 |
| **Current assets** | **997 895** | 1 245 426 |
| Properties held-for-trading | **23 949** | 25 833 |
| Trade and other receivables | **453 483** | 678 791 |
| Guarantee fees receivable | **—** | 21 349 |
| Loans receivable | **113 504** | 12 546 |
| Listed security income receivable | **48 051** | 155 574 |
| Cash and cash equivalents | **358 908** | 351 333 |
| **Non-current assets held-for-sale** | **5 087 645** | 2 134 453 |
| **Total assets** | **48 881 597** | 46 756 255 |
| **EQUITY AND LIABILITIES** | | |
| **Shareholders' interest** | **19 833 320** | 15 250 599 |
| Stated capital | **12 979 046** | 11 660 936 |
| Reserves | **6 854 274** | 3 589 663 |
| Non-current liabilities – debenture capital | **5 085 419** | 4 791 714 |
| **Linked unitholders interest** | **24 918 739** | 20 042 313 |
| Non-controlling interests (NCI) | **4 240 603** | 1 301 316 |
| Total unitholders interest | **29 159 342** | 21 343 629 |
| **Non-current liabilities** | **13 525 562** | 15 259 932 |
| Interest-bearing liabilities | **12 873 367** | 12 648 732 |
| Interest rate swaps | **10 430** | 468 064 |
| Other financial liabilities | **52 241** | 62 767 |
| Deferred taxation | **589 524** | 2 080 369 |
| **Current liabilities** | **4 149 445** | 8 921 389 |
| Trade and other payables | **948 055** | 953 012 |
| Interest-bearing liabilities | **2 142 000** | 6 793 374 |
| Interest rate swaps | **16 165** | 72 046 |
| Other financial liabilities | **11 439** | 15 948 |
| Provision | **—** | 161 769 |
| Taxation payable | **6 390** | 28 078 |
| Linked unitholders for distribution | **1 025 396** | 897 162 |
| **Non-current liabilities held-for-sale** | **2 047 248** | 1 231 305 |
| **Total equity and liabilities** | **48 881 597** | 46 756 255 |
| **Net asset value per linked unit (excluding deferred tax and NCI)(cents)** | **870,68** | 801,40 |
| Net tangible asset value per linked unit (excluding deferred tax and NCI)(cents) | **691,00** | 632,62 |

# Distributable income | analysis

| | Redefine R'000 | Fountainhead R'000 | International R'000 | Total R'000 |
|---|---|---|---|---|
| Net property income (excluding straight-line rental accrual) | 2 130 008 | 389 123 | — | **2 519 131** |
| Listed security income | 322 612 | — | — | **322 612** |
| Trading income | 3 807 | — | — | **3 807** |
| Fee income | 114 926 | — | — | **114 926** |
| **Total revenue** | **2 571 353** | **389 123** | **—** | **2 960 476** |
| Administration costs | (146 022) | (29 987) | — | **(176 009)** |
| Interest in associates (excluding fair value adjustments) | — | — | 142 849 | **142 849** |
| Realised foreign exchange gains | — | — | 4 273 | **4 273** |
| Net interest | (769 349) | (81 367) | — | **(850 716)** |
| **Net distributable profit before taxation from continuing operations** | **1 655 982** | **277 769** | **147 122** | **2 080 873** |
| Taxation | (3 275) | — | — | **(3 275)** |
| **Net profit from continuing operations before distributable adjustments** | **1 652 707** | **277 769** | **147 122** | **2 077 598** |
| Net profit from discontinued operations before distributable adjustments | — | — | 36 621 | **36 621** |
| **Net profit from operations before distributable adjustments** | **1 652 707** | **277 769** | **183 743** | **2 114 219** |
| Non controlling interest (excluding fair value adjustments) | — | (139 818) | (9 285) | **(149 103)** |
| | 1 652 707 | 137 951 | 174 458 | **1 965 116** |
| Distribution adjustments: | | | | |
| Align consolidated foreign profits with anticipated dividends | — | — | 47 589 | **47 589** |
| **Distributable income** | **1 652 707** | **137 951** | **222 047** | **2 012 705** |

# Abridged consolidated statements | of cash flow

| | **Audited 31 August 2013 R'000** | Audited 31 August 2012 R'000 |
|---|---|---|
| Cash generated from continuing operations | **2 790 761** | 2 559 971 |
| Net interest | **(923 410)** | (709 064) |
| Linked unit distributions paid | **(1 884 471)** | (1 838 742) |
| Payments to non-controlling interests | **(303 582)** | — |
| Net cash (outflow)/inflow from operating activities – continuing operations | **(320 702)** | 12 165 |
| Net cash inflow/(outflow) from operating activities – discontinued operations | **14 523** | (198 584) |
| Net cash outflow from operating activities | **(306 179)** | (186 419) |
| Net cash outflow from investing activities | **(5 209 623)** | (2 590 345) |
| Net cash outflow from investing activities – continuing operations | **(4 810 258)** | (2 316 928) |
| Net cash outflow from investing activities – discontinued operations | **(399 365)** | (273 417) |
| Net cash inflow from financing activities | **5 504 581** | 2 393 403 |
| Net cash inflow from financing activities – continuing operations | **5 500 030** | 2 300 853 |
| Net cash inflow from financing activities – discontinued operations | **4 551** | 92 550 |
| Net movement in cash and cash equivalents | **(11 221)** | (383 361) |
| Cash and cash equivalents at beginning of year | **351 333** | 660 148 |
| Translation effects on cash and cash equivalents of foreign operations | **18 796** | 74 546 |
| **Cash and cash equivalents at end of year** | **358 908** | 351 333 |

# Distributable income | reconciliation

| | Audited 31 August 2013 R'000 | Audited 31 August 2012 R'000 |
|---|---|---|
| Profit for the year attributable to Redefine shareholders | **3 619 654** | 342 079 |
| Changes in fair values of properties (net of deferred taxation) | **(2 024 718)** | 1 249 136 |
| Profit on deemed disposal of subsidiary | **(898 651)** | — |
| Capital gains tax paid | **64 542** | 35 206 |
| **Headline profit attributable to Redefine shareholders** | **760 827** | 1 626 421 |
| Debenture interest | **2 012 705** | 1 742 715 |
| **Headline earnings attributable to Redefine linked unitholders** | **2 773 532** | 3 369 136 |
| Changes in fair values of listed securities and financial instruments (net of deferred taxation) | **(718 943)** | (985 969) |
| Fair value interest adjustment | **—** | 365 584 |
| Amortisation of intangibles (net of deferred taxation) | **45 256** | 83 505 |
| Alignment of consolidated foreign profits with anticipated distributions | **47 589** | 8 781 |
| Straight-line rental income accrual | **(67 644)** | 42 876 |
| Unrealised foreign exchange | **85 552** | 36 656 |
| Fair value adjustments of associates and NCI | **(164 203)** | (1 163 292) |
| Fee income from foreign subsidiary | **—** | 8 312 |
| Capital write offs included in administration costs | **—** | (22 874) |
| Pre-acquisition income on listed securities | **11 566** | — |
| **Distributable income** | **2 012 705** | 1 742 715 |
| Six months ended 28 February | **987 309** | 845 553 |
| Six months ended 31 August | **1 025 396** | 897 162 |
| **Total distributions** | **2 012 705** | 1 742 715 |
| Actual number of linked units in issue (000)* | **2 929 702** | 2 760 497 |
| Weighted number of linked units in issue (000)* | **2 824 980** | 2 694 914 |
| **Earnings and diluted^ per linked unit (cents)** | **199,38** | 77,36 |
| – continuing operations per linked units (cents) | **166,60** | 105,46 |
| – discontinued operations per linked units (cents) | **32,78** | (28,10) |
| **Headline earnings and diluted^ headline earnings per linked unit (cents)** | **98,18** | 125,02 |
| – continuing operations per linked units (cents) | **97,21** | 153,12 |
| – discontinued operations per linked units (cents) | **0,97** | (28,10) |
| **Distribution per linked unit (cents)** | **68,70** | 64,00 |

**Excludes 5 876 766 treasury units.*
*^No dilutionary instruments in issue.*

# Consolidated statements | of changes in equity

| | Audited 31 August 2013 R'000 | Audited 31 August 2012 R'000 |
|---|---|---|
| Opening balance | **16 551 915** | 17 056 251 |
| Issue of linked units | **1 318 110** | 495 887 |
| Effect on NCI from deemed disposal and dilution of interest in subsidiary | **(1 177 188)** | — |
| Unbundling | **—** | (623 252) |
| Total comprehensive income/(loss) for the year | **3 559 939** | (315 500) |
| Transactions with non-controlling interests | **(153 782)** | 11 763 |
| Changes in ownership interests in subsidiaries | **(431 968)** | — |
| Share-based payment reserve | **5 822** | — |
| NCI on acquisition of subsidiaries | **4 401 075** | (73 234) |
| **Total stated capital, reserves and non-controlling interests** | **24 073 923** | 16 551 915 |

# Abridged | segmental analysis

| | Office R'000 | Retail R'000 | Industrial R'000 | Fountainhead R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Year ended 31 August 2013** | | | | | |
| Contractual rental income¥ | 1 200 156 | 1 026 981 | 437 024 | 488 810 | **3 152 971** |
| Operating costs | (247 058) | (242 101) | (44 994) | (99 687) | **(633 840)** |
| **Net property income** | **953 098** | **784 880** | **392 030** | **389 123** | **2 519 131** |
| Investment property portfolio# | 7 212 356 | 9 177 965 | 4 282 406 | 11 105 125 | **31 777 852** |
| **Year ended 31 August 2012** | | | | | |
| Contractual rental income¥ | 1 220 335 | 907 009 | 364 405 | — | **2 491 749** |
| Operating costs | (281 556) | (198 374) | (76 112) | — | **(556 042)** |
| **Net property income** | **938 779** | **708 635** | **288 293** | **—** | **1 935 707** |
| Investment property portfolio# | **9 522 696** | **7 602 649** | **3 953 621** | **—** | **21 078 966*** |

¥*Excluding straight-line rental income accrual.*
#*Excluding properties held for development, held-for-sale and trading.*
**Excludes RIN's investment property portfolio of R8,3 billion.*

# Commentary

## PROFILE

Redefine, capitalised on the Johannesburg Stock Exchange (JSE) at R30 billion, is a diversified property company actively managing R41 billion in assets. As at 31 August 2013, directly held properties were valued at R24 billion, while Fountainhead Property Trust (Fountainhead), in which Redefine has a 49,7% interest, has an R11 billion property portfolio. Redefine also has a R6 billion listed property securities portfolio (including those held for sale), which provides international diversification through a 32,3% direct interest in Redefine International P.L.C. (RI PLC) listed on both the London Stock Exchange and JSE. The group has a material investment in the Australian property market through a direct holding of 12,4% in Cromwell Property Group (Cromwell), which is listed on the Australian Stock Exchange – and an indirect holding of a further 13,7% through RI PLC.

Redefine's primary objective is to achieve sustained income growth for investors. Redefine actively pursues revenue enhancing opportunities to secure the potential for long-term capital appreciation for unitholders.

## FINANCIAL RESULTS

Redefine has declared a distribution of 35,0 cents per linked unit for the six months ended 31 August 2013, which is 7,7% ahead of the comparable period. The total distribution of 68,7 cents per linked unit in 2013 (2012: 64 cents) is ahead of market guidance, and shows year-on-year growth of 7,3%. In Rand terms, distributable income grew by 15,5%. Results for the year reflect considerable changes as a result of corporate activity, namely the deemed disposal of Redefine Properties International Limited (RIN) which has resulted in the change in accounting treatment of RIN from that of a consolidated subsidiary to an equity accounted associate, the consolidation of Fountainhead from 27 March 2013 following Redefine's acquisition of a controlling interest, as well as the transfer of Redefine International Fund Managers (RIFM) to held-for-sale in anticipation of its sale to RI PLC, which in turn would be a precursor for RI PLC should it convert to a United Kingdom REIT. Consequently, the financial results are not directly comparable to the prior year. A detailed explanation of these changes has been set out in the Group Results presentation, which is available on the Redefine website.

Contractual rental income for the year comprised 89% (2012: 81%) of total revenue, income from listed securities 9% (2012: 17%), and trading and fee income 2% (2012: 2%).

Operating costs represent 20% of total revenue (2012: 23,7%) due to a strict focus on costs and the internalisation of electricity recoveries.

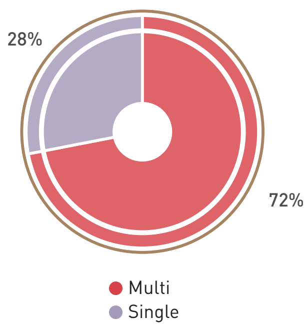
The local operations contributed 89% (2012: 90%) to distributable income.

## CHANGES IN FAIR VALUES

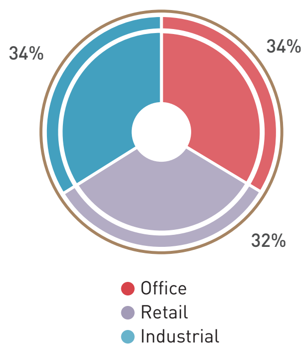
The group's property portfolio was independently valued at 31 August 2013 resulting in a net increase in value of R834 million. The investment in listed securities increased in value by R72 million during the year. The balance of R463 million mainly relates to the mark to market of the group's interest rate swaps, which protect the group against adverse interest rate movements.

## REDEFINE'S PROPERTY PROFILE (EXCLUDING FOUNTAINHEAD)

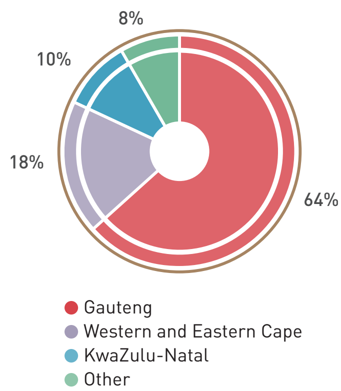
### Portfolio split by tenant type



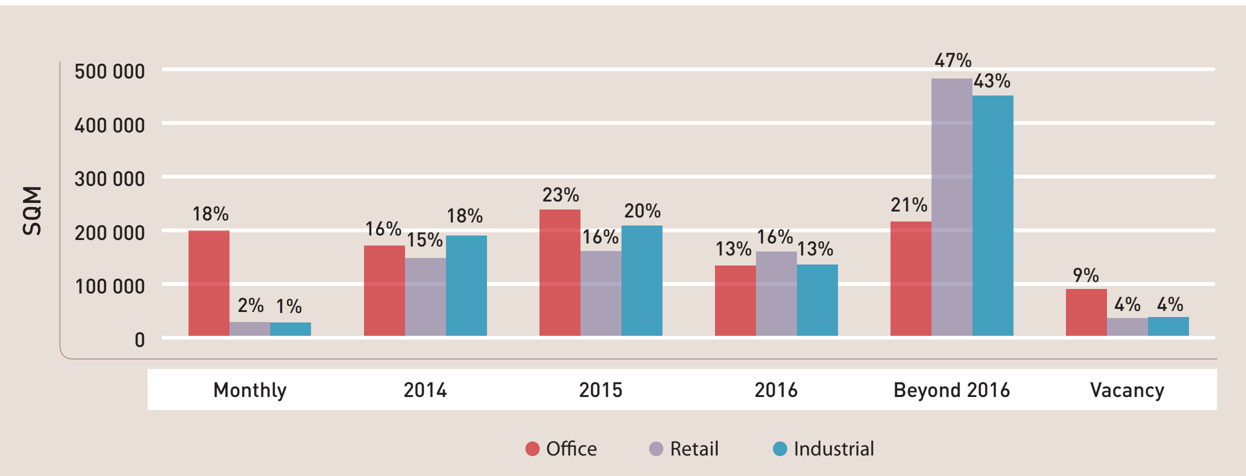

### Sectoral spread by GLA




### Geographic spread by GLA




### Lease expiry profile



**Letting activity:** During the year, leases covering 720 769 $m^2$ were renewed at an average rental increase of 6%. A further 233 233 $m^2$ was let across the portfolio and together with vacates, vacancies decreased by 0,5% to 5,3% after adjusting for developments/unlettable space. Vacancies are set out below as a percentage of gross lettable area ("GLA"):

| | 2013 | 2012 |
|---|---|---|
| Office | **8,6%** | 7,2% |
| Retail | **3,6%** | 5,4% |
| Industrial | **3,7%** | 4,3% |
| **Total** | **5,3%** | **5,7%** |

Arrears amounted to R46 million at year end (2012: R39 million) against which a provision for possible bad debts of R21 million (2012: R14 million) is held. Amounts due by Government total R17 million (2012: R7 million). Most of the growth in arrears is due to the internalisation of electricity recoveries.

## REDEFINE'S PROPERTY PORTFOLIO STRATEGY

Redefine has made significant progress in implementing its strategy of repositioning and improving the quality of the core property portfolio and in the process, the average value per property is now approaching R100 million – compared with R80 million previously. The emphasis in acquisitions, wherever possible, is to secure fully repairing leases with blue chip tenants.

**Acquisitions:** Four properties, with a GLA of 45 426 $m^2$, were acquired and transferred during the year for an aggregate purchase consideration of R1,3 billion at an initial yield of 7,2%. In addition and subject to the usual conditions precedent, agreements have been concluded for the acquisition of properties for an aggregate consideration of R3,4 billion at an initial yield of 7,8% and GLA of 188 194 $m^2$. Committed new development projects covering 130 766 $m^2$ of GLA with an approved value of R2,6 billion at an average yield of 8%, are presently in progress, with a pre-let factor in excess of 50%. Redevelopment projects of the existing portfolio with an approved value of R619 million at an average yield of 9% are also in progress.

**Disposals:** During the year, 16 properties with a GLA of 72 706 $m^2$, no longer meeting Redefine's investment criteria, were sold to various buyers for an aggregate consideration of R366 million at an average yield of 10,8%. Agreements for an aggregate consideration of R216 million with a GLA of 35 113 $m^2$, were concluded for the disposal of properties, which are subject to the usual conditions precedent.

**Government tenanted office portfolio:** Negotiations are at an advanced stage for the disposal of 26 government tenanted office properties valued at R2,2 billion through a new listing. These properties are included in non-current assets held-for-sale.

**Fountainhead:** Effective 27 March 2013, Redefine acquired 529,7 million Fountainhead units, representing 45,6% of the units in issue. The Fountainhead units were acquired for an aggregate consideration of R4,6 billion, settled by way of Hyprop units, cash and Redefine units. Subsequent to the business combination date, Redefine acquired an additional 47,7 million Fountainhead units for an aggregate consideration of R376 million, settled in cash. The additional units purchased increased Redefine's holding to 49,7% of the total Fountainhead units in issue. The acquired controlling interest contributed revenues of R488 million and net profit after tax of R437 million to the group for the five months since the acquisition. These amounts have been calculated using the group's accounting policies. If the controlling interest had been acquired on 1 September 2012, the revenue and profit after tax from this business would have been R541 million and R381 million respectively. Subsequent to the year end, Redefine has acquired additional Fountainhead units in exchange for Hyprop units and now holds 61,7% of Fountainhead's units in issue.

Details of the net assets acquired and goodwill are as follows:

| | R'000 |
|---|---|
| **Purchase consideration** | **4 582 417** |

The assets and liabilities as at 27 March 2013 arising from the acquisition are as follows :

| | Fair value R'000 |
|---|---|
| Investment property | 10 972 389 |
| Cash and cash equivalents | 342 302 |
| Trade and other receivables** | 91 250 |
| Trade and other payables | (144 368) |
| Interest-bearing liabilities | (2 867 777) |
| Linked unitholders for distribution | (303 584) |
| **Fair value of net assets** | **8 090 212** |
| NCI acquired | (4 401 075) |
| Goodwill* | 893 280 |
| **Total consideration paid on acquisition** | **4 582 417** |
| Purchase consideration: | 4 582 417 |
| – Settled in cash | 501 645 |
| – Settled in Redefine units | 854 430 |
| – Settled in Hyprop units | 3 165 013 |
| – Fair value of existing interest in Fountainhead | 61 329 |
| Cash and cash equivalents in subsidiary acquired | (342 302) |
| **Cash outflow on acquisition** | **159 343** |

**The goodwill arises as a result of the expected synergies from the acquisition.*

***Gross contractual amounts receivable are R100,6 million. The group's best estimate of the contractual cash flow not expected to be collected is R9,4 million.*

**Electricity recovery business:** On 14 April 2013, Redefine acquired an electricity recovery business. The acquired business contributed revenues of R152 million and net profit after tax of R17 million to the group for the four and a half months since the acquisition. These amounts have been calculated using the group's accounting policies. If the business had been acquired on 1 September 2012, the revenue and profit after tax from the business would have been R405 million and R44 million respectively. As the purchase price adjustment account has not yet been finalised, a detailed assessment of the identifiable assets and liabilities acquired and their respective fair values had not yet been completed at year end. The purchase consideration has been provisionally allocated to intangible assets. Once the detailed assessment is completed, the required adjustments will be processed. The purchase consideration was R270 million, settled in cash.

## LISTED SECURITIES PORTFOLIO

The listed securities portfolio comprises:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Value R'000** | **Interest held %** | Value R'000 | Interest held % |
| Arrowhead Properties Limited – A units | **9 491** | **0,7** | 27 286 | 3,0 |
| Arrowhead Properties Limited – B units | **9 308** | **0,7** | 23 772 | 3,0 |
| Cromwell Property Group | **2 031 404** | **12,4** | — | — |
| Hyprop Investments Limited* | **1 912 567** | **11,4** | 5 287 983 | 30,4 |
| | **3 962 770** | | **5 339 041** | |

**The entire shareholding is classified as held-for-sale.*

**Cromwell:** Redefine's direct investment in Cromwell was previously treated as an associate, but is now included in listed securities following the deconsolidation of RIN.

**Hyprop:** Consistent with the company's stated objective of disposing of this holding, the interest in Hyprop was reduced from 30% to 11%. Subsequent to 31 August 2013, a further 15,4 million Hyprop units were swapped for Fountainhead units, reducing the remaining holding to 5,1% of the Hyprop units in issue, which are classified as non-current assets held for sale.

## INTEREST IN ASSOCIATES

**RI PLC:** At 31 August 2013, Redefine held a 49,3% interest in RIN, which in turn had a 65,5% holding in RI PLC, translating into Redefine's effective interest of 32,3% in RI PLC. Subsequent to the year end, RI PLC undertook a capital raise and Redefine also acquired 36,5 million RI PLC shares (in terms of a put option), which in both cases resulted in the issue of additional shares. As a result, RIN's holding in RI PLC was reduced to 61,8% and Redefine acquired a direct holding of 3,5%, converting its effective interest in RI PLC to 33%.

To remove inefficiencies at various levels in the RIN group structure, RIN's unitholders approved the distribution of the RI PLC shares held by RIN at a general meeting held on 18 October 2013. Following the secondary listing on the JSE on 28 October 2013 of RI PLC, RIN will distribute (unbundle) all of the RI PLC shares it holds. As a consequence, RIN will delist from the JSE and will commence the process of winding up. Redefine will now have a direct interest in RI PLC.

**Distribution adjustment:** It is Redefine's policy to distribute its share of income from international investments to the extent of dividends received. Accordingly, an adjustment has been made to the company's distributable earnings for the year to equate the equity accounted results from its international investments for the period to the anticipated dividends.

## FUNDING

Redefine's group borrowings of R17 billion at 31 August 2013 comprised borrowings of R14 billion by Redefine and R3 billion by Fountainhead. Redefine's debt represented 40% of the value of its property and listed securities portfolio. Redefine's average cost of funding is 8,0% (August 2012: 8,9%) – interest rates are fixed on 66% of borrowings for an average period of four years. Redefine continues to grow its presence in the debt capital market, having raised R1,5 billion during March 2013 at favourable interest rates.

During the year, Redefine issued 90,8 million linked units for the acquisition of Fountainhead units and as part of an accelerated bookbuild, a further 78,4 million linked units were issued, taking the total number of linked units, ranking for distribution to 2 929 701 503 excluding treasury holdings. At a general meeting on 19 July 2013, 5% of Redefine's unissued but authorised shares were placed under the control of the directors, subject to a discount limitation, to fund the acquisition of property assets and authority was granted to the directors to issue linked units, pursuant to a rights offer up to R2 billion, subject to a discount limitation. During the first week of September 2013, Redefine launched an American Depositary Receipt Programme, which trades under the symbol "REDPY" – this is designed to make investing into Redefine more accessible to international investors.

**Moody's credit rating:**

The rating was refreshed on 5 August 2013 and remains unchanged as follows:
Global long term Baa3
Global short term P-3
National long term A3.za
National short term P-2.za

## CONVERSION TO A REAL ESTATE INVESTMENT TRUST (REIT)

Redefine has been granted REIT status with effect from 1 September 2013. The Income Tax Act, as currently drafted, exempts directly held property assets, listed REIT securities, qualifying REIT subsidiaries and jointly controlled properties from Capital Gains Tax. Deferred Taxation, as a consequence, has been reduced by R1,5 billion.

To ensure compliance with legislation, Redefine is in the process of reviewing simplification of its linked unit capital structure.

## CONTINGENCIES AND COMMITMENTS

At 31 August 2013, Redefine had guarantees and suretyships in respect of its BEE initiatives and subsidiaries amounting to R272 million (2012: R381 million). Redefine has capital commitments outstanding amounting to R3,1 billion (2012: R955 million), committed property acquisitions of R2,4 billion (2012: R1,3 billion) and R242 million in respect of the RI PLC put option outlined above.

## CHANGES TO THE BOARD

Greg Heron (independent non-executive) resigned from the Board with effect from 3 May 2013 to avoid possible conflicts of interest which might arise as a result of his assuming an executive role with another organisation. Günter Steffens (independent non-executive) and Mike Ruttell (executive) were appointed to the Board on 1 September 2013. Robert Robinson (independent non-executive) has been appointed to the Board with immediate effect.

## PROSPECTS

A subdued trading environment, disproportionate increases in rates and taxes and continued financial market volatility are recurring themes for the coming financial year. Notwithstanding these challenges, Redefine is well focused on managing the variables within its control and the restructured property asset base is strongly positioned to absorb continued improvement of the portfolio without materially diluting income. Accordingly, Redefine anticipates growth in distributable income per linked unit for 2014 at a rate similar to that achieved in the previous year. This forecast has not been reviewed or reported on by the group's independent external auditors.

The forecast is predicated on the assumption that the current trading conditions will prevail. Forecast rental income is based on contractual terms and anticipated market related renewals.

## DEBENTURE INTEREST DISTRIBUTION

Unitholders are advised that interest distribution number 49 of 35 cents per linked unit has been declared for the six months ended 31 August 2013. This distribution is not subject to dividends witholding tax.

The distribution is payable to Redefine linked unitholders in accordance with the abbreviated timetable set out below:

| | |
|---|---|
| Last day to trade *"cum"* interest distribution | Friday, 15 November 2013 |
| Linked units trade "*ex*" interest distribution | Monday, 18 November 2013 |
| Record date | Friday, 22 November 2013 |
| Payment date | Monday, 25 November 2013 |

There may be no dematerialisation or rematerialisation of linked units between Monday, 18 November 2013 and Friday, 22 November 2013, both days inclusive.

## BASIS OF PREPARATION

The results for the year ended 31 August 2013 have been audited by the group's independent external auditors Grant Thornton (Jhb) Inc. The unqualified audit 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, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, JSE Listings Requirements and the requirements of the South African Companies Act, 2008 (as amended).The accounting policies adopted in the preparation of these audited results are consistent with those applied in the preparation of the financial statements for the year ended 31 August 2012. The prior year's statements of comprehensive income, cash flows and segmental analysis have been re-presented to reflect the deconsolidation of RIN and the treatment of RIFM as a discontinued operation in terms of IFRS 5.

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

By order of the Board
**Redefine Properties Limited**

31 October 2013


REDEFINE PROPERTIES

We're not landlords. We're people.

**REDEFINE PROPERTIES LIMITED**
("Redefine" or "the company" or "the group")
Registration number 1999/018591/06
JSE share code: RDF

**Directors:**
D Gihwala (Chairman), M Wainer* (CEO),
M K Khumalo, A J Konig* (FD), H K Mehta, B Nackan,
D Perton†, R W Rees†, D H Rice*† (COO), R Robinson,
M J Ruttell*@, G Z Steffens#

*Executive †British @Irish #German

**Registered office:**
3rd Floor, Redefine Place, 2 Arnold Road, Rosebank, 2196.
(PO Box 1731, Parklands, 2121)

**Transfer secretaries:**
Computershare Investor Services (Pty) Ltd

**Sponsor:**
Java Capital

**Company secretary:**
Probity Business Services (Pty) Ltd

www.redefine.co.za

BASTION GRAPHICS