



REDEFINE PROPERTIES LIMITED

Summary of audited

GROUP RESULTS

for the year ended 31 August **2017**

DELIVERING

SUSTAINED Value

**ReDefine**
PROPERTIES

We're not landlords. We're people.

Highlights

Operating margin
improved to

82.7%

Property asset platform
expanded by R11.4 billion to

R84.1 billion

International
funding restructured

Certified as a

**Top Employer
2018**

Integrated stakeholder
engagement strategy
formulated

Commentary

Profile

Redefine is a leading South African-based Real Estate Investment Trust (REIT), with a diverse, internally managed, R84.1 billion (FY16: R72.7 billion) property asset platform. Redefine's property asset platform is anchored domestically, in directly held retail, office and industrial properties, and complemented by substantial property investments in the United Kingdom, Poland and Australia.

Redefine's primary mission is to grow and improve cash flows which will deliver quality earnings, sustain growth in distributions, and support long-term growth in total returns to shareholders.

Redefine is listed on the Johannesburg Stock Exchange (JSE), has a market capitalisation of R61.8 billion (FY16: R58.1 billion) and is included in the JSE Top 40 index. Redefine's shares, by volume, are among the most actively traded on the JSE, making it a highly liquid single entry point for investors to gain exposure to domestic and multiple international real estate markets.

At 31 August 2017, Redefine's diversified local property asset platform was valued at R68.1 billion (FY16: R54.7 billion). The Group's international real estate investments, valued at R16.0 billion (FY16: R18.0 billion) represented 19.0% (FY16: 24.8%) of the total property asset platform, providing geographic diversification into the UK, Polish, Australian and African markets.

Financial results

Redefine's Board has declared a distribution of 47.18 cents per share (FY16: 44.30) for the six months ended 31 August 2017, an increase of 6.5% (FY16: 8.0%) on the comparable period. This brings the full year distribution to 92.00 cents per share (FY16: 86.00) resulting in year-on-year growth of 7.0% (FY16: 7.5%), which is in line with market guidance. Total revenue showed significant growth of 17.3% (FY16: 0.0%) benefiting from a number of substantial quality acquisitions made in recent years. Gross distributable income for the year increased by 22.2% (FY16: 21.8%).

Redefine's property portfolio contributed virtually its total revenue (FY16: 98.5%), with minimal income from listed securities (FY16: 1.5%), following the disposal of the remaining South African listed securities.

Operating costs were stable at 34.2% (FY16: 34.4%) of contractual rental income. Net of electricity and utility recoveries, operating costs were 15.9% (FY16: 17.9%) of contractual rental income, benefiting from improved recoveries and metering of consumption. The cost-to-income ratios are calculated in accordance with the SA REIT Association's Best Practice Recommendations.

Redefine's international property investments contributed 27.3% (FY16: 25.9%) of distributable income.

Changes in fair values

The Group's property portfolio was independently valued at 31 August 2017 resulting in a net increase in value of R151.4 million (FY16: decrease of R307.4 million). In terms of IAS 40 and IFRS 13, Redefine's investment properties are measured at fair value through profit or loss using valuation inputs which are categorised as level 3 in the fair value hierarchy. There were no transfers between levels 1, 2 and 3 during the year.

Redefine issued exchangeable bonds during September 2016 raising EUR150.0 million. These exchangeable bonds are measured at fair value through profit or loss. The fair value is determined with reference to the Bloomberg Valuation Service (BVAL) price, and has been classified as level 1. The exchangeable bonds were fair valued at 31 August 2017 which resulted in a R142.7 million decrease in the liability. The fair value of the investment in listed securities increased by R81.5 million

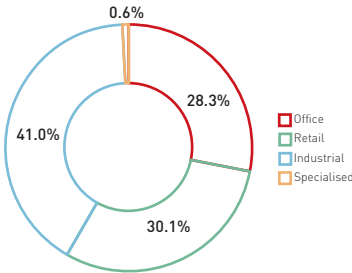
Commentary (continued)

(FY16: decrease of R275.4 million) during the year. The Group's derivatives, which protect the Group against adverse movements in interest and foreign exchange rates, were valued using the swap curve and forward pricing methods respectively, resulting in an increase (FY16: decrease) of R621.5 million (FY16: R124.9 million) in the Group's liabilities. In terms of IAS 39 and IFRS 13, Redefine's listed securities and derivatives are measured at fair value through profit or loss and are categorised as level 1 and level 2 respectively. The balance of the fair value movements include a loss of R415.3 million on the deemed disposal of Delta Property Fund Limited (Delta) in which Redefine held a 22.8% interest. This investment was sold to an empowerment consortium (refer to listed securities).

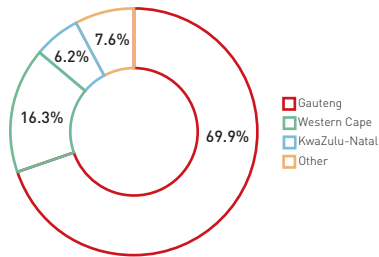
Property portfolio

The active portfolio vacancy rate decreased marginally during the year by 0.3% (FY16: 0.5%) to 4.6% (FY16: 4.9%). Leases covering 536 310m² (FY16: 492 126m²) were renewed during the year at an average rental increase of 2.9% (FY16: 3.3%) with the tenant retention rate a pleasing 92.6% (FY16: 91.8%). A further 406 406m² (FY16: 401 128m²) was let across the portfolio. Net arrears increased to R67.9 million (FY16: 39.8 million), representing 7.5% (FY16: 6.3%) of the gross monthly rental. The increase is largely attributable to The Pivotal Fund Limited (Pivotal) acquisition.

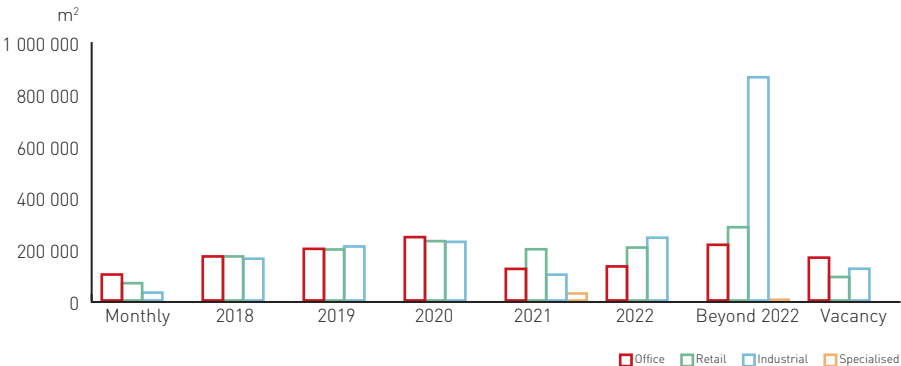
SECTORAL SPREAD BY GLA



GEOGRAPHIC SPREAD BY GLA



LEASE EXPIRY PROFILE BY GLA



SECTORAL VACANCY BY GLA

	31 August 2017 Vacancy before strategic vacancy (%)	Strategic vacancy * (%)	31 August 2017 (%)	31 August 2016 (%)
Office	12.3	4.2	8.1	8.7
Retail	5.9	2.6	3.3	3.6
Industrial	6.2	2.9	3.3	3.4
Specialised	4.5	4.5	–	–
	7.8	3.2	4.6	4.9

* Strategic vacancy comprises properties held-for-sale and properties under development.

Portfolio strategy

Redefine continues to advance its strategy of diversifying, growing and improving the quality of its property portfolio. During the year, management's primary domestic portfolio focus was on protecting, expanding and improving existing well-located properties, through acquisition and development activities.

Pivotal: On 9 January 2017, Redefine acquired 100% of the Pivotal shares in issue. Redefine issued 459 999 805 new shares to the Pivotal shareholders in settlement of the purchase consideration. The Pivotal acquisition was in line with Redefine's strategy of diversifying, growing and improving the quality of the portfolio.

Redefine acquired 32 Pivotal properties valued at R10.4 billion (including developments in progress and land holdings for future development). The portfolio consists of 17 office, 10 retail and five industrial properties with a total GLA of 436 912m², which includes the recently completed Alice Lane Phase 3 office building. Developments in progress and recently completed include the Loftus mixed-use development (Interest: 50.0%) and the Kyalami Corner Shopping Centre which opened for trading in April 2017 (Interest: 80.0%) with a total project cost of R1.2 billion, which will add a further 89 123m² of GLA. The major land holdings acquired are two industrial sites, Atlantic Hills (Interest: 55%) and S&J Industrial (Interest: 45%).

Acquisitions: Redefine acquired and transferred two properties with a GLA of 13 254m² during the year for an aggregate consideration of R145.0 million, at an initial yield of 10.7%. In addition, Redefine acquired development sites for an aggregate consideration of R372.7 million with a developable area of 540 876m² (Redefine's share: 311 826m²).

Student accommodation: During the year Redefine acquired a 90% equity investment in Journal Student Accommodation Fund and Operations, which is based in Melbourne, Australia. Development commenced at the Leicester Street site during June 2017, which has development approval for 804 beds. Another development site, strategically located in Swanston Street, was acquired with capacity for at least 650 beds. Redefine's share of the Leicester Street project cost is estimated at AUD125 million (R1.3 billion). The first site is envisaged to be operational in June 2019. The total investment to date amounts to R487.4 million.

Developments: A number of development projects were completed with a total value of R3.0 billion at an average projected initial yield of 8.4%. The approved value of projects in progress in the existing portfolio totals R5.2 billion at an average yield of 9.3%. Future committed projects total R3.0 billion at an initial yield of 9.4%.

Commentary (continued)

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

Sustainability: As part of Redefine's focus on sustainability and cost efficiency, various energy-efficient and sustainable building technologies are being implemented in new developments, as well as in existing buildings, including the installation of solar PV (photo voltaic) and continuing the roll-out of smart metering of electricity and water.

Listed securities

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

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

Redefine acquired 13 187 535 GRIT Real Estate Income Group Limited shares (previously known as MaraDelta Property Holdings Limited) as part of the Pivotal group acquisition. The fair value at 31 August 2017 was R238.7 million.

Investment in associates and joint ventures

	31 August 2017			31 August 2016	
	Stock exchange	Carrying value R'000	Held (%)	Carrying value R'000	Held (%)
Cromwell Property Group	ASX	4 889 868	25.3	5 511 449	25.5
Echo Polska Properties N.V.	LuxSE and JSE	4 784 916	39.6	3 918 640	44.9
Redefine International PLC	LSE and JSE	3 857 858	29.5	4 972 179	30.1
International Hotel Properties Limited	LuxSE and JSE	245 993	27.5	332 767	27.5
Oando Wings Development Limited	Not listed	587 199	37.2	–	–
Delta Property Fund Limited	JSE	–	–	1 597 967	22.8
Cromwell Partners Trust	ASX	887 892	50.0	822 646	50.0
Leopard Holdings	Not listed	–	–	798 737	50.0
		15 253 726		17 954 385	

Echo Polska Properties N.V. (EPP): During April 2017, Redefine participated in the EPP capital raise and as a result acquired 46 994 595 additional shares for a total consideration of R860.1 million. Redefine's shareholding in EPP remains unchanged at 39.6% post the capital raise.

Leopard Holdings: Redefine disposed of its share in Leopard Holdings to Redefine International PLC (RI PLC) for an aggregate selling price of EUR49.4 million (R698.1 million).

Oando Wings Development Limited (Oando): As part of the Pivotal group acquisition, Redefine acquired a 37.1% investment in Oando. Oando owns the Wings Office Complex in Lagos, Nigeria, consisting of two towers with a total GLA of 26 942m².

Given the prolonged decline in the share price of Cromwell and RI PLC and the existence of other impairment indicators, the carrying value of the investment in these associates were subjected to impairment testing. Impairment testing was performed in accordance with IAS 36 Impairment of Assets by comparing the carrying amount to the recoverable amount, being value-in-use. A discounted cash flow was performed taking into account the forecasted future expected cash flow which was discounted at relevant market rates in order to calculate the value-in-use. The carrying value of these investments was accordingly impaired by approximately R1.2 billion (RI PLC R688.2 million and Cromwell R515.9 million).

In addition, the Rand strengthened compared to the prior year and as a result Redefine's proportionate share of the underlying foreign currency denominated associates' net assets similarly declined by R1.6 billion. The closing exchange rates were as follows:

Foreign currency	31 Aug 2017	31 Aug 2016
AUD	10.2867	10.8915
USD	13.0203	N/A
EUR	15.4646	16.1537
GBP	16.8243	18.9729

Funding and equity raises

Redefine's interest-bearing borrowings (net of cash and cash equivalents) represented 41.1% (FY16: 38.5%) of the value of its property asset platform at 31 August 2017. The Group's property asset platform is made up of property, listed securities, loans receivable and investment in associates and joint ventures. The average cost of Rand-denominated funding is 9.1% (FY16: 8.8%), interest rates are hedged on 93.0% (FY16: 82.1%) of local borrowings for an average period of 2.4 years (FY16: 2.2 years). Including foreign currency debt and derivatives, the average cost of debt is 7.3% (FY16: 7.7%). Interest rates are hedged on 88.7% (FY16: 79.7%) of total borrowings for an average period of 2.7 years (FY16: 2.2 years). The interest cover ratio (which includes equity-accounted profits and listed security income) is 3.6x (FY16: 4.3x).

During the year, Redefine successfully placed secured bonds with a principal amount of EUR150.0 million (R2.4 billion) bearing a coupon rate of 1.5%, exchangeable in five years into ordinary shares of RI PLC currently owned by Redefine. The proceeds of the bond issue were used to partially refinance the JP Morgan bridge facility raised for the EPP transaction during FY16. The balance of the bridge facility has been refinanced through a combination of secured offshore bank funding and local bonds with cross currency swaps.

Redefine successfully refinanced a portion of its investment in RI PLC through cross currency swaps valued at GBP100 million (R1.68 billion).

Redefine had unutilised committed bank facilities of R3.7 billion (FY16: R3.7 billion) at 31 August 2017 which provides assurance that the Group will be able to meet its short-term commitments. The majority of the short-term portion of interest-bearing borrowings is refinanced.

Redefine conserved R527.1 million in cash through the issue of 50.2 million shares under the November 2016 dividend reinvestment alternative, which was accepted by shareholders holding 24.1% of the share capital.

Commentary (continued)

The June 2017 dividend reinvestment alternative, saw 35.2% of shareholders accepting the reinvestment alternative, which delivered R811.7 million of cash and Redefine issued 77.7 million of shares.

During January 2017, Redefine issued 460 million shares pursuant to the Pivotal acquisition.

Moody's credit rating:

The rating was last refreshed during June 2017 and remains unchanged, except for national scale rating, which improved as follows:

Global long-term Baa3	Global short-term P-3
National long-term Aa1.za	National short-term P-1.za

During November 2016, Moody's assigned a Baa3 long-term global scale rating to the EUR150.0 million senior secured exchangeable bonds issued by Redefine.

Commitments

Capital development commitments outstanding amount to R3.0 billion (FY16: R2.4 billion) with no committed property acquisitions (FY16: R250.5 million). Future commitments will be funded by undrawn banking facilities.

Broad-based black economic empowerment

Redefine has maintained a Level 3 BBBEE contributor rating.

Prospects

Political instability, policy uncertainty, an ever increasing fiscal deficit and a volatile Rand weigh heavily on the domestic outlook. Against this backdrop we have adapted our strategic approach to cope with a prolonged slow-growth and subdued confidence environment. Redefine's diversified asset platform has been positioned to produce sustained value for all its stakeholders. Relentlessly focusing on what matters most will get us through this time in our lives, for the better. We anticipate the growth in distributable income per share for 2018 to range between 5.0% to 6.0%.

This forecast is predicated on the assumption that current trading conditions will prevail. Forecast rental income is based on contractual terms and anticipated market-related renewals. The forecast has not been reviewed or reported on by the Group's independent external auditors.

Redefine's use of distribution per share as a relevant measure of financial performance remains unchanged from prior years.

Declaration of a cash dividend with the election to reinvest the cash dividend in return for Redefine shares

The directors of Redefine have declared a final cash dividend of 47.18000 cents per share, for the six months ended 31 August 2017, from the Company's distributable income (the cash dividend).

Shareholders have been provided with the election to reinvest the cash dividend in return for Redefine shares (share reinvestment alternative), failing which they will receive the cash dividend of 47.18000 cents per share.

SALIENT DATES AND TIMES REGARDING THE CASH DIVIDEND

2017

Last day of trade in order to receive the cash dividend	Tuesday, 28 November
Shares trade <i>ex</i> dividend	Wednesday, 29 November
Record date to receive the cash dividend	Friday, 1 December
Cash dividend paid to certificated shareholders	Monday, 4 December
Accounts credited by CSDP or broker to dematerialised shareholders with cash dividend payment	Monday, 4 December

Notes:

1. Shares may not be dematerialised or rematerialised between Wednesday, 29 November 2017 and Friday, 1 December 2017, both days inclusive.
2. The above dates and times are subject to change. Any changes will be announced on SENS.

Certificated shareholders receiving the cash dividend will receive the dividend payment on Monday, 4 December 2017. Central Securities Depository Participants or broker custody accounts of dematerialised shareholders will be credited with the dividend on Monday, 4 December 2017. Any changes to these dates will be released on SENS.

Tax implications

Redefine was granted REIT status by the JSE with effect from 1 September 2013 in line with the REIT structure as provided for in the Income Tax Act, No 58 of 1962, as amended (the Income Tax Act), and section 13 of the JSE Listings Requirements. The REIT structure is a tax regime that allows a REIT to deduct qualifying distributions paid to investors, in determining its taxable income. The cash dividend of 47.18000 cents per share meets the requirements of a qualifying distribution for the purposes of section 25BB of the Income Tax Act (a qualifying distribution) with the result that:

- Qualifying distributions received by resident Redefine shareholders must be included in the gross income of such shareholders (as a non-exempt dividend in terms of section 10(1)(k)(aa) of the Income Tax Act), with the effect that the qualifying distribution is taxable as income in the hands of the Redefine shareholder. These qualifying distributions are, however, exempt from dividends withholding tax, provided that the South African resident shareholders provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:
 - A declaration that the dividends are exempt from dividends tax; and
 - A written undertaking to inform the CSDP, broker or the Company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,
 - Both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted; and
- Qualifying distributions received by non-resident Redefine shareholders will not be taxable as income and instead will be treated as ordinary dividends but which are exempt in terms of the usual dividend exemptions per section 10(1)(k) of the Income Tax Act. It should be noted that until 31 December 2013, qualifying distributions received by non-residents were not subject to dividends withholding tax. On 22 February 2017, the dividends withholding tax rate was increased from 15.0%

Commentary (continued)

to 20.0% and accordingly, any qualifying distribution will be subject to dividends withholding tax at 20.0%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder. Assuming dividends withholding tax will be withheld at a rate of 20.0%, the net dividend amount due to non-resident shareholders is 37.74400 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied upon if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

- A declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- A written undertaking to inform their CSDP, broker or the Company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner
- Both in the form prescribed by the Commissioner for the South African Revenue Service.

Non-resident shareholders are advised to contact their CSDP, broker or the Company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Other information

- The ordinary issued share capital of Redefine is 5 650 052 260 ordinary shares of no par value before any election to reinvest the cash dividend
- Income tax reference number of Redefine: 917/852/484/0

This cash dividend may have tax implications for resident, as well as non-resident shareholders. Shareholders are therefore encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

Foreign shareholders

The release, publication or distribution of this announcement and/or accompanying documents and the right to elect shares pursuant to the share reinvestment alternative in jurisdictions other than the Republic of South Africa may be restricted or affected by the laws of such jurisdictions, and a failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdictions. The shares issued pursuant to the share reinvestment plan have not been and will not be registered for the purposes of the election under the securities laws of the United States, Australia, Canada, countries in the European Economic Area, Japan and Hong Kong and accordingly are not being offered, sold taken up, re-sold or delivered directly or indirectly to recipients with registered addresses in such jurisdictions unless certain exemptions from the requirements of those jurisdictions are applicable.

United States of America

The shares issued pursuant to the share reinvestment alternative have not been and will not be registered under the U.S. Securities Act of 1933, as amended (U.S. Securities Act), or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state and other securities laws of the United States. There will be no public offer of the shares issued pursuant to the share reinvestment plan in the United States.

Dividend declaration after reporting date

In line with IAS 10 Events after the Reporting Period, the declaration of the dividend occurred after the end of the reporting period, resulting in a non-adjusting event which is not recognised in the financial statements.

Change in directorate

Board changes effective on 9 February 2017:

- B Mathews was appointed as an independent non-executive director
- Independent non-executive director, GZ Steffens, and non-executive director, MJ Watters, did not stand for re-election at the annual general meeting
- Executive directors DH Rice and MJ Ruttell have stepped down from the Board but remain members of the Company's senior executive management team and standing invitees to meetings of the Board

Board changes effective on 3 August 2017:

- B Mathews was appointed as deputy chairperson and as lead independent director; and
- B Nackan consequently relinquished that position

Basis of preparation

The summary consolidated financial statements are prepared in accordance with the JSE Listings Requirements for provisional reports and the requirements of the Companies Act applicable to summary financial statements. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the *SAICA Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary financial statements are derived, are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements.

This summarised report is extracted from the audited information, but is not itself audited. The consolidated financial statements are audited by KPMG Inc., who expressed an unmodified opinion thereon. The auditor's report does not necessarily report on all the information contained in these summary consolidated financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying audited consolidated financial statements, both of which are available for inspection at the Company's registered office. The directors of Redefine Properties Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying consolidated financial statements.

Mr LC Kok (CA (SA)), Redefine's financial director, was responsible for supervising the preparation of this summarised report.

By order of the Board

Redefine Properties Limited

6 November 2017

Statement of profit or loss and other comprehensive income

for the year ended 31 August 2017

Figures in R'000s	2017	2016
Continuing operations		
Revenue		
Property portfolio revenue	7 770 111	6 548 293
– Contractual rental income	7 300 821	6 510 127
– Straight-line rental income accrual	469 290	38 166
Investment income	23 728	98 355
Total revenue	7 793 839	6 646 648
Costs		
Operating costs	(2 497 688)	(2 241 032)
Administration costs	(259 641)	(210 241)
Net operating profit	5 036 510	4 195 375
Other gains	93 195	80 036
– Trading (loss)/income	(2 595)	294
– Fee income	92 503	62 927
– Sundry income	3 287	16 815
Changes in fair values of properties, listed securities and financial instruments	(541 947)	168 471
Amortisation of intangible asset	(62 856)	(62 856)
Impairments	(1 215 209)	(13 886)
Equity-accounted profit (net of taxation)	1 593 387	1 405 932
Profit before finance costs and taxation	4 903 080	5 773 072
Net interest costs	(1 727 776)	(1 389 672)
– Interest income	650 282	596 418
– Interest expense	(2 378 058)	(1 986 090)
Foreign exchange gains	478 670	309 941
Profit before taxation	3 653 974	4 693 341
Taxation	(239 842)	(88 298)
Profit from continuing operations	3 414 132	4 605 043
Discontinued operations		
(Loss)/profit from discontinued operations (net of taxation)	(13 877)	5 923
Profit for the year	3 400 255	4 610 966
Attributable to:		
– Redefine Properties Limited shareholders	3 328 995	4 565 617
– Non-controlling interests	71 260	45 349
Other comprehensive income	(1 458 975)	74 829
<i>Items that may not be reclassified subsequently to profit or loss</i>		
Share of revaluation of property, plant and equipment of an associate	3 167	1 177
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations:		
– Subsidiaries	(6 938)	(12 687)
– Associates	(1 455 204)	86 339
Total comprehensive income for the year	1 941 280	4 685 795
Attributable to:		
– Redefine Properties Limited shareholders	1 876 965	4 640 446
– Non-controlling interests	64 315	45 349
Earnings per share from continuing operations		
– Basic	66.15	101.32
– Diluted	65.98	101.32

Statement of financial position

As at 31 August 2017

Figures in R'000s	2017	2016
ASSETS		
Non-current assets	87 611 269	77 029 317
Investment properties	63 192 093	51 728 681
– Fair value of investment properties	57 299 006	48 223 712
– Straight-line rental income accrual	1 944 218	1 474 928
– Properties under development	3 948 869	2 030 041
Listed securities	1 453 994	974 620
Goodwill and intangible assets	5 809 059	5 304 191
Investment in associates and joint ventures	15 253 726	17 954 385
Derivative assets	1 868	172 296
Loans receivable	1 789 395	838 692
Other financial assets	29 519	36 391
Property, plant and equipment	81 615	20 061
Current assets	1 477 586	1 612 719
Trade and other receivables	912 752	577 560
Loans receivable	55 260	20 799
Other financial assets	253 038	675 078
Derivative assets	75 875	73 286
Listed security income receivable	–	57 630
Cash and cash equivalents	180 661	208 366
Non-current assets held-for-sale	2 403 756	1 170 172
Total assets	91 492 611	79 812 208
EQUITY AND LIABILITIES		
Equity	53 786 185	49 641 362
Shareholders' interest	53 435 737	49 360 062
Stated capital	43 070 822	36 526 352
Reserves	10 364 915	12 833 710
Non-controlling interests	350 448	281 300
Non-current liabilities	29 052 772	21 453 096
Interest-bearing borrowings	25 664 659	21 148 712
Interest-bearing borrowings at fair value	2 253 598	–
Derivative liabilities	487 564	35 066
Other financial liabilities	4 690	–
Deferred taxation	642 261	269 318
Current liabilities	8 653 654	8 532 556
Trade and other payables	1 180 736	922 864
Interest-bearing borrowings	6 794 929	7 041 390
Interest accrual on interest-bearing borrowings	406 849	307 881
Derivative liabilities	11 799	2 978
Other financial liabilities	253 038	253 016
Taxation payable	6 303	4 427
Non-current liabilities held-for-sale	–	185 194
Total equity and liabilities	91 492 611	79 812 208
Number of shares in issue [^] ('000)	5 288 655	4 700 911
Net asset value per share (excluding deferred tax and NCI) (cents)	1 022.53	1 055.74
Net tangible asset value per share (excluding deferred tax, NCI and goodwill and intangible assets) (cents)	912.69	942.91

[^] Net of 361 396 896 [2016: 361 396 896] treasury shares

Statement of changes in equity

for the year ended 31 August 2017

Figures in R'000s	Stated capital	Accumulated profit	Foreign currency translation reserve	Share-based payment reserve	Share of associates' reserves	Shareholders' interest	Non-controlling interests	Total equity
Balance as at 31 August 2015	33 209 605	11 338 789	567 168	21 710	–	45 137 272	–	45 137 272
<i>Total comprehensive income for the year</i>	–	4 565 617	73 652	–	1 177	4 640 446	45 349	4 685 795
Profit for the year	–	4 565 617	–	–	–	4 565 617	45 349	4 610 966
Other comprehensive income for the year	–	–	73 652	–	1 177	74 829	–	74 829
<i>Transactions with owners (contributions and distributions)</i>	3 316 747	(3 673 124)	–	18 115	(79 394)	(417 656)	(12 814)	(430 470)
Issue of ordinary shares	3 318 016	–	–	–	–	3 318 016	–	3 318 016
Dividends	–	(3 673 124)	–	–	–	(3 673 124)	(12 814)	(3 685 938)
Recognition of share-based payments	(1 269)	–	–	18 115	–	16 846	–	16 846
Share of post-acquisition change in net assets of associate	–	–	–	–	(79 394)	(79 394)	–	(79 394)
<i>Changes in ownership interests</i>	–	–	–	–	–	–	248 765	248 765
Transactions with non-controlling interests	–	–	–	–	–	–	248 765	248 765
Balance as at 31 August 2016	36 526 352	12 231 282	640 820	39 825	(78 217)	49 360 062	281 300	49 641 362
<i>Total comprehensive income for the year</i>	–	3 328 995	(1 455 197)	–	3 167	1 876 965	64 315	1 941 280
Profit for the year	–	3 328 995	–	–	–	3 328 995	71 260	3 400 255
Other comprehensive income for the year	–	–	(1 455 197)	–	3 167	(1 452 030)	(6 945)	(1 458 975)
<i>Transactions with owners (contributions and distributions)</i>	6 544 470	(4 422 684)	–	13 050	63 874	2 198 710	(23 998)	2 174 712
Issue of ordinary shares	6 544 470	–	–	–	–	6 544 470	–	6 544 470
Dividends	–	(4 418 066)	–	–	–	(4 418 066)	(23 998)	(4 442 064)
Recognition of share-based payments	–	(4 618)	–	13 050	–	8 432	–	8 432
Share of post-acquisition change in net assets of associate	–	–	–	–	63 874	63 874	–	63 874
<i>Transactions with owners (changes in ownership interests)</i>	–	–	–	–	–	–	28 831	28 831
Disposal of subsidiary with non-controlling interest	–	–	–	–	–	–	(25 269)	(25 269)
Acquisition of subsidiary with non-controlling interest	–	–	–	–	–	–	54 100	54 100
Balance as at 31 August 2017	43 070 822	11 137 593	(814 377)	52 875	(11 176)	53 435 737	350 448	53 786 185

	2017	2016
Dividend per share (cents)	92.00	86.00
Interim	44.82	41.70
Final [^]	47.18	44.30

[^] The final dividend is declared post the financial year end and is therefore a non-adjusting subsequent event

Statement of cash flows

for the year ended 31 August 2017

Figures in R'000s	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	4 671 340	4 494 762
Interest received	621 524	596 418
Interest paid	(2 643 655)	(2 125 060)
Taxation paid	(66 825)	(111 864)
Net cash inflow from operating activities	2 582 384	2 854 256
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition and development of investment properties	(3 615 750)	(3 479 654)
Acquisition of property, plant and equipment	(80 368)	(9 075)
Acquisition of subsidiaries with the exclusive view to resell	–	(210 433)
Acquisition of other financial assets	(3 100)	(508 081)
Cash balances acquired on acquisition of subsidiaries	103 740	–
Investments in associates and joint ventures	(1 031 243)	(5 429 648)
Proceeds on disposal of investment properties	1 688 413	1 207 521
Proceeds on disposal of listed securities	1 047 639	–
Proceeds on the disposal of property, plant and equipment	–	2 833
Proceeds disposal of subsidiaries with exclusive view to resell	190 697	–
Proceeds on disposal of joint venture	698 134	–
Proceeds on disposal of other financial assets	399 999	–
Loan to joint venture repaid	8 741	38 299
Loans receivable repaid	901 387	348 602
Loans receivable advanced	(309 992)	–
Dividends and interest received from associates and joint ventures	1 075 056	680 745
Net cash inflow/(outflow) from investing activities	1 073 353	(7 358 891)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	1 337 272	3 318 016
Dividends paid	(4 418 066)	(3 673 124)
Shares issued to non-controlling interests	54 100	248 765
Disposal of non-controlling interest	(25 269)	–
Dividends paid to non-controlling interests	(23 998)	(12 814)
Interest-bearing borrowings at fair value	2 396 220	–
Interest-bearing borrowings raised	8 088 968	7 020 456
Interest-bearing borrowings repaid	(11 191 223)	(2 163 873)
Net cash (outflow)/inflow from financing activities	(3 781 996)	4 737 426
Net (decrease)/increase in cash and cash equivalents	(126 259)	232 791
Cash and cash equivalents at beginning of year	208 366	129 924
Effect of foreign currency exchange fluctuations	98 554	(154 349)
Cash and cash equivalents at end of year	180 661	208 366

Earnings and headline earnings

for the year ended 31 August 2017

Figures in R'000s	2017	2016
Reconciliation of basic earnings to headline earnings		
Profit for the year attributable to Redefine shareholders	3 328 995	4 565 617
Change in fair value of properties	(99 497)	(27 850)
– Other fair value adjustments	(151 361)	(307 351)
– Non-controlling interest effect on other fair value adjustments	51 864	28 848
Bargain purchase on acquisition of associate	–	(288 548)
Profit on dilution of ownership investment in associates	273 793	(11 610)
Adjustment of remeasurements, included in equity-accounted earnings of associates (net of tax)	(507 669)	(520 338)
– Adjustment of remeasurements, included in equity-accounted earnings of associates	(653 371)	(656 164)
– Tax adjustment	145 702	135 826
Impairment of investment in associates	1 215 209	4 639
Headline earnings attributable to Redefine shareholders	4 210 831	3 471 257
Actual number of shares in issue ('000)*	5 288 655	4 700 911
Weighted average number of shares in issue ('000)*	5 053 451	4 500 281
Diluted weighted average number of shares in issue ('000)*	5 066 217	4 500 281
Basic earnings per share (cents)	65.88	101.45
– Continuing operations	66.15	101.32
– Discontinued operations	(0.27)	0.13
Diluted earnings per share (cents)	65.71	101.45
– Continuing operations	65.98	101.32
– Discontinued operations	(0.27)	0.13
Headline earnings per share (cents)	83.33	77.13
– Continuing operations	83.60	77.00
– Discontinued operations	(0.27)	0.13
Diluted headline earnings per share (cents)	83.12	77.13
– Continuing operations	83.39	77.00
– Discontinued operations	(0.27)	0.13

* Excludes 361 396 896 (2016: 361 396 896) treasury shares

Segmental analysis

for the year ended 31 August 2017

Figures in R'000s	Office	Retail	Industrial	Specialised	International	Total
2017						
Contractual rental income [^]	2 678 250	3 180 999	1 240 932	200 640	–	7 300 821
Operating costs	(859 001)	(1 223 835)	(345 826)	(69 026)	–	(2 497 688)
Net property income	1 819 249	1 957 164	895 106	131 614	–	4 803 133
Investment properties*	23 293 932	25 642 913	11 217 139	1 405 085	87 911	61 646 980
2016						
Contractual rental income [^]	2 449 801	2 751 315	1 170 058	138 953	–	6 510 127
Operating costs	(783 123)	(1 075 576)	(341 362)	(40 971)	–	(2 241 032)
Net property income	1 666 678	1 675 739	828 696	97 982	–	4 269 095
Investment properties*	18 033 797	21 344 930	10 163 302	1 202 538	124 245	50 868 812

[^] Excluding straight-line rental income accrual

* Excluding properties under development and including non-current assets (properties) held-for-sale

RECONCILIATION OF PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS

Figures in R'000s	2017	2016
Profit for the year attributable to Redefine shareholders	3 328 995	4 565 617
Change in fair value (net of non-controlling interest)	593 811	(139 623)
Change in fair value	541 947	(168 471)
Non-controlling interest	51 864	28 848
Straight-line rental income accrual	(469 290)	(38 166)
Amortisation of intangible assets	62 856	62 856
Impairments	1 215 209	13 886
Bargain purchase on acquisition of associate	–	(288 548)
Deferred taxation	176 439	(5 601)
Unrealised foreign exchange gain and realised foreign currency translations reserve	(99 042)	(243 326)
Non-distributable items of associates	(332 701)	(98 874)
Transactions costs relating to business acquisitions	19 892	4 187
Antecedent distribution	30 677	83 088
Accrual for listed security income (REIT distribution declared post year end)	42 884	3 250
Adjustment to distributable profit from discontinued operations	24 557	–
Other distributable income	47 426	35 709
Pivotal pre-acquisition distribution	189 037	–
Distributable income for the year	4 830 750	3 954 455
Interim	2 335 563	1 871 951
Final	2 495 187	2 082 504
Actual number of shares in issue ('000)*	5 288 655	4 700 911
Distribution per share (cents)	92.00	86.00
Interim	44.82	41.70
Final	47.18	44.30

* Excludes 361 396 896 (2016: 361 396 896) treasury shares

DISTRIBUTABLE INCOME ANALYSIS

Figures in R'000s	South Africa	International	Total
Contractual rental income (excluding straight-line accrual)	7 300 821	–	7 300 821
Investment income	5 076	18 652	23 728
Total revenue	7 305 897	18 652	7 324 549
Operating costs	(2 497 688)	–	(2 497 688)
Administration costs	(251 444)	(8 197)	(259 641)
Net operating profit	4 556 765	10 455	4 567 220
Other gains	14 874	78 321	93 195
Distributable equity income	135 429	1 219 669	1 355 098
Net distributable profit before finance costs and taxation	4 707 068	1 308 445	6 015 513
Net interest costs	(1 502 081)	(225 695)	(1 727 776)
– Interest income	581 377	68 905	650 282
– Interest expense	(2 083 458)	(294 600)	(2 378 058)
Distributable foreign exchange gain	–	285 216	285 216
Net distributable profit before taxation	3 204 987	1 367 966	4 572 953
Current taxation and withholding taxation	1 648	(65 051)	(63 403)
Net income from continuing operations	3 206 635	1 302 915	4 509 550
Distributable profit from discontinued operations	–	10 680	10 680
Net income from operations before non-controlling interest share	3 206 635	1 313 595	4 520 230
Non-controlling interest share of distributable income	(19 396)	–	(19 396)
Net income before distributable adjustments	3 187 239	1 313 595	4 500 834
<i>Below the line distributable income adjustments:</i>			
– Antecedent distribution	30 677	–	30 677
– Pivotal pre-acquisition distribution	189 037	–	189 037
– Accrual for listed security income	40 065	2 819	42 884
– Transaction costs relating to business acquisitions	19 892	–	19 892
– Other distributable income	47 426	–	47 426
Distributable income	3 514 336	1 316 414	4 830 750

Business combinations

The Pivotal Fund Limited

On 9 January 2017, the Group acquired 100% of the shares and voting rights in Pivotal and obtained control of Pivotal. The shares were acquired for a consideration of R5.2 billion, settled in Redefine shares. Pivotal was a JSE-listed property developer and capital growth fund.

The business combination is in line with Redefine's strategy to diversify, grow and improve the quality of its portfolio and recycle its capital through disposing of non-core assets and replacing them with prime assets. The acquisition of Pivotal positions Redefine even more competitively in the commercial property sector in line with its strategic intent to become the landlord of choice in A-grade office space in sought-after areas in South Africa. This has given rise to the goodwill recognised below.

For the eight months since acquisition, Pivotal contributed total revenue of R870.1 million and a net loss after taxation of R151.6 million to the Group's results.

If the businesses had been acquired on 1 September 2016, management estimates that consolidated revenue and net profit after taxation for the Redefine Group would have been R8.2 billion and R2.1 billion respectively. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 September 2016.

The Group incurred acquisition-related costs of R19.9 million to August 2017. This is disclosed as part of administration costs in the statement of profit or loss and other comprehensive income.

The table below summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition. The condensed unaudited Group results for the six months ended 28 February 2017 reflected provisional goodwill of R379.6 million. A measurement period adjustment relating to the listed securities, investment in associate, trade and other payables and other financial liabilities resulted in a final goodwill amount of R567.7 million as at 31 August 2017.

Key estimates and assumptions

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

The same valuation techniques were used as disclosed under financial instruments fair value disclosure, in this document. Investment property was valued at 28 February 2017 adjusted to 1 January 2017 values.

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

Unobservable inputs [% unless otherwise stated]	2017
Expected market rental growth	6.00 – 8.00
Expected expense growth	7.00 – 10.00
Occupancy rate	96.00
Vacancy periods	0 – 12 months
Rent-free periods	0 – 3 months
Office sector	
Discount rate	12.75 – 14.25
Exit capitalisation rate	7.00 – 8.50
Bulk rate	R1 750 – R3 750 p/m ²
Retail sector	
Discount rate	12.50 – 13.50
Exit capitalisation rate	7.50 – 9.25
Bulk rate	R2 000 – R3 000 p/m ²
Industrial sector	
Discount rate	13.50
Exit capitalisation rate	8.75

ASSETS AND LIABILITIES ARISING FROM THE ACQUISITION

	31 December 2016*
Figures in R'000s	
Assets	
Investment properties	10 363 483
Listed securities	907 871
Investment in associate	537 804
Loans receivable	1 488 559
Derivative assets	12 703
Property, plant and equipment	928
Trade and other receivables	142 025
Other financial assets	1 546
Cash and cash equivalents	103 740
Liabilities	
Interest-bearing borrowings	(7 837 319)
Derivative liabilities	(51 374)
Other financial liabilities	(608 088)
Deferred taxation	(196 504)
Trade and other payables	(208 970)
Interest accrual on interest-bearing borrowings	(11 632)
Taxation payable	(5 298)
Fair value of net assets	4 639 474
Goodwill arising from the acquisition	567 724
Purchase consideration	5 207 198
Settled in 459 999 805 Redefine shares [#]	5 207 198
Cash and cash equivalents acquired	103 740
Net cash inflow on acquisition of Pivotal	103 740

* The effective date used for accounting for the business combination in terms of IFRS 3 was 1 January 2017

[#] The fair value of the Redefine shares issued was based on the listed closing price on 9 January 2017, being the date that the Redefine shares were transferred to the previous shareholders of Pivotal

Loans receivable are carried at amortised cost, interest is market related, therefore the amortised cost approximates the fair value. The gross contractual amount receivable for loans receivable is as disclosed above.

Trade and other receivables are carried at amortised cost. Due to their short-term nature, amortised cost approximates the fair value. Trade and other receivables comprise gross contractual amounts due of R146.3 million, net of a provision for doubtful debts of R4.3 million, which is the best estimate at the acquisition date of the contractual cash flows not expected to be collected.

Loans receivables, trade and other receivables and cash and cash equivalents are classified as loans and receivables which is carried at amortised cost which approximates fair value.

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

Financial instruments and investment property fair value disclosure

CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets Figures in R'000s	Loans and receivables	At fair value through profit or loss	Total
2017			
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

2016			
Listed securities	–	974 620	974 620
Derivative assets [#]	–	245 582	245 582
Loans receivable	859 491	–	859 491
Other financial assets	455 895	255 574	711 469
Trade and other receivables	478 071	–	478 071
Listed security income receivable	57 630	–	57 630
Cash and cash equivalents	208 366	–	208 366
	2 059 453	1 475 776	3 535 229

Financial liabilities Figures in R'000s	Other financial liabilities	At fair value through profit or loss	Total
2017			
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

2016			
Interest-bearing borrowings	28 190 102	–	28 190 102
Interest accrual on interest-bearing borrowings	307 881	–	307 881
Derivative liabilities [#]	–	38 044	38 044
Other financial liabilities*	253 016	–	253 016
Trade and other payables	750 341	–	750 341
	29 501 340	38 044	29 539 384

[^] For all financial instruments carried at amortised cost, interest is market related and therefore, the amortised cost approximates the fair value

[#] The derivatives are classified as held-for-trading in terms of IAS 39

* These amounts may be required to be repaid in terms of a guarantee and a written put option. There is no material difference between the fair values of financial instruments and the amounts recognised in the statement of financial position. The carrying amount of the right to the Dipula B shares and associated liability reasonably approximate the fair value of the Group's continuing involvement in the guarantee and put option

Fair value hierarchy for financial instruments and investment property

IFRS 13 requires that an entity discloses for each class of financial instruments and investment property measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety.

The fair value hierarchy reflects the significance of the inputs used in making fair value measurements.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The table on page 22 analyses financial instruments and investment property carried at fair value.

The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments and investment property fair value disclosure (continued)

LEVEL OF FINANCIAL INSTRUMENTS

Figures in R'000s	Fair value	Level 1	Level 2	Level 3
2017				
Assets				
Investment property	65 595 849	–	–	65 595 849
Listed securities	1 453 994	1 453 994	–	–
Derivative assets	77 743	–	77 743	–
	67 127 586	1 453 994	77 743	65 595 849
Liabilities				
Interest-bearing borrowings at fair value	2 253 598	2 253 598	–	–
Derivative liabilities	499 363	–	499 363	–
	2 752 961	2 253 598	499 363	–
2016				
Assets				
Investment property	52 898 853	–	–	52 898 853
Listed securities	974 620	974 620	–	–
Derivative assets	245 582	–	245 582	–
	54 119 055	974 620	245 582	52 898 853
Liabilities				
Derivative liabilities	38 044	–	38 044	–
	38 044	–	38 044	–

There have been no transfers between level 1, level 2 and level 3 during the year under review.

LEVEL 3 RECONCILIATION

Figures in R'000s	Balance at beginning of year	Gain/(loss) in profit or loss for the year	Acquisition/ (disposal)/ transfers	Balance at end of year
2017				
Investment property	49 698 640	1 258 324	8 286 260	59 243 224
Properties under development	2 030 041	(748 134)	2 666 962	3 948 869
Investment property held-for-sale	1 170 172	(7 973)	1 241 557	2 403 756
	52 898 853	502 217	12 194 779	65 595 849
2016				
Investment property	48 026 479	663 044	1 009 117	49 698 640
Properties under development	1 872 390	(374 773)	532 424	2 030 041
Investment property held-for-sale	1 289 612	(6 843)	(112 597)	1 170 172
	51 188 481	281 428	1 428 944	52 898 853

The fair value gains and losses are included in the fair value adjustment line in profit or loss.

Details of valuation techniques

The valuation techniques used in measuring fair values at 31 August 2017 for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used, are disclosed below. There have been no significant changes in valuation techniques and inputs since 31 August 2016.

LISTED SECURITIES

Closing market price on the relevant exchange.

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 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.

Cross-currency interest rate swaps

The fair value is calculated by discounting the future cash flows using the swap curve of the respective currencies at the dates when the cash flows will take place.

INTEREST-BEARING BORROWINGS AT FAIR VALUE

The exchangeable bonds fair value is determined with reference to the quoted Bloomberg Valuation Service (BVAL) price.

INVESTMENT PROPERTIES

The valuation policy adopted by management is to revalue investment property at each reporting period, valued internally for the interim financial statements and externally for the annual financial statements. The changes in fair value from the previous reporting period are analysed by management.

Current market-related assumptions were applied to the risks in rental streams of properties. Discount rates in the respective sectors are disclosed below.

At the reporting date, the key assumptions used by the Group in determining fair value were in the following ranges for the Group's portfolio of properties:

Unobservable inputs (% unless otherwise stated)	2017	2016
Expected market rental growth	4.00 – 6.00	4.00 – 8.00
Expected expense growth	7.00 – 9.00	7.00 – 10.00
Occupancy rate	94.10	93.40
Vacancy periods	0 – 12 months	0 – 12 months
Rent-free periods	0 – 3 months	0 – 3 months
Office sector		
Discount rate	11.50 – 18.50	12.50 – 18.00
Exit capitalisation rate	7.50 – 13.00	7.75 – 13.00
Bulk rate	R1 750 – R5 400 p/m ²	R1 600 – R3 100 p/m ²
Retail sector		
Discount rate	11.00 – 18.00	12.25 – 19.25
Exit capitalisation rate	7.25 – 12.50	7.00 – 12.50
Bulk rate	R1 200 – R3 000 p/m ²	R1 180 – R2 500 p/m ²
Industrial sector		
Discount rate	13.50 – 17.00	13.00 – 18.50
Exit capitalisation rate	8.00 – 12.50	8.00 – 14.00
Bulk rate	R643 – R2500 p/m ²	R423 – R2092 p/m ²
Specialised sector		
Discount rate	14.00 – 16.25	15.00
Exit capitalisation rate	8.00 – 10.25	9.00

Financial instruments and investment property fair value disclosure (continued)

Measurement of fair value VALUATION TECHNIQUES

All valuations were completed using the discounted cash flow method of valuation.

INVESTMENT PROPERTIES – DISCOUNTED CASH FLOW METHOD

The valuation model generates a net present value for each property by discounting forecasted future cash flows and a residual value at the end of the cash flow projection period by the discount rate of each property. The residual value is calculated by capitalising the net income forecasted for the 12-month period immediately following the final year of the cash flow at the exit capitalisation rate. The discount rate applied by each valuator is determined by adding a growth rate per property, based on forecasted market-related rental increases, to the determined capitalisation rate per property. The discount rate is then tested for reasonableness by benchmarking the rate against recent comparable sales and surveys prepared by the Investment Property Databank/South African Property Owners Association (IPD/SAPOA). The capitalisation rate is dependent on a number of factors, such as location, the condition of the improvements, current market conditions, the lease covenants and the risk inherent in the property, which is also tested for reasonableness by benchmarking against recent comparable sales and surveys prepared by the IPD/SAPOA.

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/(higher);
- Discount rate was lower/(higher);
- Exit capitalisation rate was lower/(higher);
- Capitalisation rate was lower/(higher); or
- Bulk rate was higher/(lower).

Redefine Properties Limited

(Incorporated in the Republic of South Africa)

Registration number: 1999/018591/06

JSE share code: RDF ISIN: ZAE000190252

(Redefine or the Company or the Group)

(Approved as a REIT by the JSE)

Executive directors:

M Wainer (Executive chairman)

AJ König (Chief executive officer)

LC Kok (Financial director)

Non-executive directors:

B Mathews (Lead independent)*

B Nackan *

DA Nathan*

HK Mehta

M Barkhuysen*

NB Langa-Royds*

P Langeni*

* Independent

Registered office:

Rosebank Towers, Office Level 5, 19 Biermann Avenue, Rosebank 2196

(PO Box 1731, Parklands 2121)

Transfer secretaries:

Computershare Investor Services Proprietary Limited

Sponsor:

Java Capital

Company secretary:

B Baker

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