REDEFINE PROPERTIES LIMITED

Summary of audited

Group Results

for the year ended 31 August **2018**

Where **purpose** and responsibility meet

REDEFINE
PROPERTIES

We're not landlords. We're people.

Highlights

Recurring income growth of **6.9%**

Net tangible asset value per share growth of **7%**

Recycling of capital realised **R8.9 billion**

Certified as a **Top Employer 2019**

Broadened the board's **diversity** and skills base

Commentary

Profile

Redefine is a leading South African-based Real Estate Investment Trust (REIT), with a diverse, property asset platform valued at R91.3 billion (FY17: R84.1 billion). Redefine's portfolio is anchored domestically in directly held retail, office and industrial properties, and is complemented by property investments in Poland, the United Kingdom (UK) and Australia.

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

Redefine is listed on the Johannesburg Stock Exchange (JSE), has a market capitalisation of R56.2 billion (FY17: R61.8 billion) and is ranked in the JSE Top 40 index. By volume, Redefine shares 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 2018, Redefine's diversified local property assets were valued at R72.4 billion (FY17: R68.1 billion). The Group's international real estate investments, valued at R18.9 billion (FY17: R16.0 billion) represented 20.7% (FY17: 19.0%) of total property assets, providing geographic diversification into the UK, Polish, Australian and African markets.

Financial results

The Redefine board of directors has declared a distribution of 49.80 (FY17: 47.18) cents per share for the six months ended 31 August 2018, an increase of 5.6% (FY17: 6.5%) on the previous comparable period. This brings the full year distribution to 97.10 (FY17: 92.00) cents per share resulting in year-on-year growth of 5.5% (FY17: 7.0%) which is in line with market guidance. Total revenue and gross distributable income showed growth of 8.3% (FY17: 17.3%) and 8.2% (FY17: 22.2%) respectively.

Redefine's property portfolio contributed 96.3% (FY17: 99.7%) of total revenue, with the remaining 3.7% (FY17: 0.3%) arising from investment income.

The operating cost margin improved to 33.5% (FY17: 34.2%) of contractual rental income. Net of electricity and utility recoveries, operating costs were 16.9% (FY17: 17.7%) of contractual rental income. The cost-to-income ratios are calculated in accordance with SA REIT Association's Best Practice Recommendations.

Redefine's international property investments contributed 24.0% (FY17: 27.3%) to distributable income.

Changes in fair value

The Group's property portfolio was independently valued by external valuers at 31 August 2018 resulting in a net increase in value of R2.6 billion (FY17: R151.4 million). The growth was due mainly to the contribution from properties which had been redeveloped in recent years. 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.

The exchangeable bonds were fair valued at 31 August 2018 which resulted in a R249.2 million increase in the liability (FY17: decrease of R142.7 million). The exchangeable bonds are measured at fair value through profit and loss. The fair value is determined with reference to the Bloomberg Valuation Service price and has been classified as level 1.

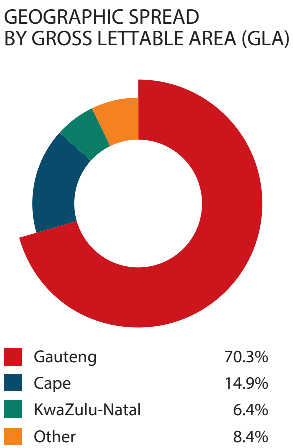
Commentary (continued)

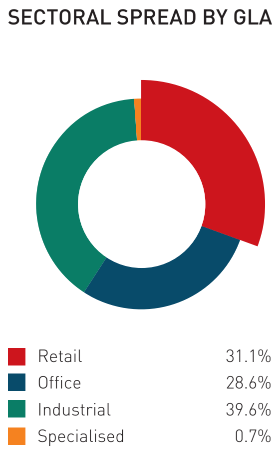
The fair value of the investment in listed securities decreased by R110.9 million (FY17: increase of R81.5 million) during the year. The Group's derivatives, which protect the Group against adverse movements in interest and foreign exchange rates, were valued using the swap curve and forward pricing methods respectively, resulting in an increase of R480.7 million (FY17: R621.5 million) in the Group's liabilities. In terms of IAS 39 and IFRS 13, Redefine's listed security investments 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 relate to gains on foreign unlisted investments of R74.9 million (FY17: Rnil), the profit on dilution of our equity accounted investments of R24.3 million (FY: R141.6 million), the loss arising on the deemed disposal of an associate becoming a listed security of R328.0 million (FY17: R415.3 million) and the recognition of the fair value movement on a profit participation loan liability of R25.5 million (FY17: Rnil).

South African property portfolio

The active portfolio vacancy rate remained stable during the year at 4.5% (FY17: 4.6%). Leases covering 497 491m² (FY17: 536 310m²) were renewed during the year at an average rental decrease of 1.5% (FY17: 2.9% increase) while the tenant retention rate was a pleasing 90.4% (FY17: 92.6%). A further 444 611m² (FY17: 406 406m²) was let across the portfolio. Net arrears amounted to R81.1 million (FY17: R67.9 million), representing 10.9% (FY17: 9.4%) of gross monthly rentals.





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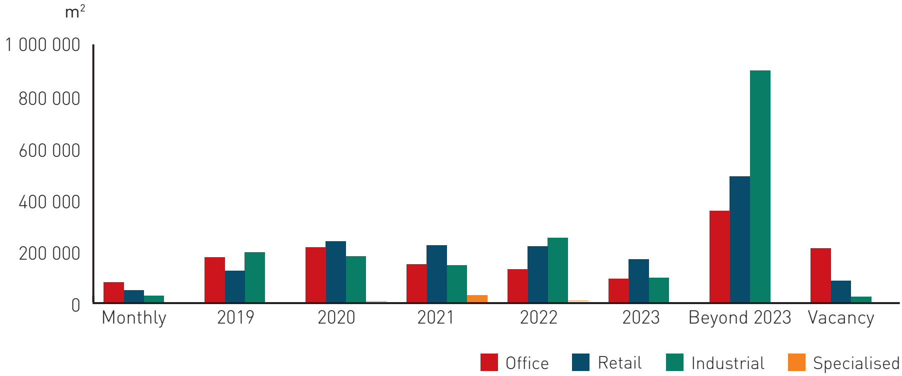

WEIGHTED AVERAGE VACANCY PER SECTOR

		Strategic vacancies*			
	31 August 2018 before strategic vacancies	Vacant properties under redevelopment	Vacant properties held-for-sale	31 August 2018	31 August 2017
Office	16.0%	3.1%	3.4%	**9.5%**	8.1%
Retail	5.9%	1.3%	0.1%	**4.5%**	3.3%
Industrial	1.2%	0.2%	–	**1.0%**	3.3%
Specialised	3.0%	3.0%	–	**–**	–
	6.9%	**1.4%**	**1.0%**	**4.5%**	**4.6%**

* Strategic vacancies include properties held-for-sale and properties under development.

	31 August 2018 %	31 August 2017 %
Property cost-to-income ratios		
Gross cost-to-income ratio	**33.5**	34.2
Net cost-to-income ratio	**16.9**	17.7
Total cost-to-income ratios		
Gross cost-to-income ratio	**36.7**	37.6
Net cost-to-income ratio	**21.6**	22.1

The above cost-to-income ratios are calculated in accordance with the SA REIT Association's Best Practice Recommendations.

Commentary (continued)

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

Acquisitions: Redefine acquired the remaining 50% share of 115 West Street (Alexander Forbes building) which it did not own, with a GLA of 20 546m² at an average initial yield of 9.7% for R751.0 million.

New developments: New developments with a total value of R1.2 billion and an initial yield of 8.3% were completed during the year. In addition, the infrastructure project at Brackengate was completed during the year costing R324.9 million. Projects in progress total R2.3 billion at an average initial yield of 8.8%. In addition, infrastructure projects totalling R348.4 million for the S&J, Matlosana Mall and Atlantic Hills sites are currently under way. Committed new projects totalling R173.1 million with an average initial yield of 9.4% will be commencing in the new financial year.

Redevelopments: During the year, redevelopment projects with a total value of R602.1 million were completed at an average projected initial yield of 5.3%. Redevelopment projects in progress total R879.6 million at an average initial yield of 5.2%.

Held-for-trading: During the year, Redefine disposed of vacant land which had been classified as held-for-trading for a consideration of R106.2 million realising a profit of R40.6 million. Subject to the usual conditions precedent, Redefine has agreed to dispose of a further R19.8 million of vacant land after the financial year-end.

Disposals: 19 properties with a GLA of 303 276m², which no longer served Redefine's investment criteria, were disposed of during the year to various buyers for an aggregate consideration of R2.6 billion, at an average yield of 8.4%. Redefine also disposed of two portions of vacant land for R61.7 million. Agreements, subject to the usual conditions precedent, were concluded for the disposal of five properties for an aggregate consideration of R429.9 million with a GLA of 82 493m² at an average yield of 6.4% and two portions of vacant land for a total consideration price of R57.5 million.

Student accommodation: Redefine continues to expand its local student accommodation portfolio. During the year, Redefine completed Lincoln House in Bloemfontein and Hatfield Square in Pretoria. Lincoln House is a 469-bed residence which started trading in January 2018, for a total value of R119.9 million with an average projected initial yield of 9.8%. Hatfield Square is a 2 200-bed residence, phase one started trading in 2017 and it is expected that phase three will come on line in January 2019, for a total value of R853.9 million with an average projected initial yield of 10.7%. The development of Roscommon House in Claremont with a total value of R231.7 million at an average yield of 10.0% is in progress. Paton House in Pietermaritzberg, a future committed project, has a cost of R108.1 million with an estimated initial yield of 10.6%. Subject to town planning approval, Redefine is planning to develop phase 2 of Yale Village in Johannesburg to the value of R50.3 million on an 8.5% initial yield.

Sustainability: We continue to focus on operating our buildings efficiently. During 2018, we have increased our total Solar PV capacity from 7 807 kWp to 22 448 kWp which will generate approximately 34.6 GWh of renewable energy annually. We installed approximately 2 300 smart electricity meters in 73 of our buildings, and have deployed smart water metering and control devices at 66 buildings, including all our Cape Town based properties. Using smart metering data enables us to operate buildings efficiently and increases consumption control to minimise energy and water waste. We have installed back-up water solutions at 13 key properties in Cape Town. This R40.0 million investment reduces our consumption of potable water by 800 000 litres per day. We have registered 30 office buildings for Existing Building Performance Green Star ratings. These ratings will be completed during the 2019 financial year which will bring our total Green Star SA ratings to 73. Through ongoing interaction with our facilities and property management teams, energy efficiency projects are continuously identified and implemented where feasible.

International real estate investments

Redefine continues to advance its strategy of geographic diversification and exploiting attractive yield spreads in hard currency markets.

Acquisitions: During the year, Redefine acquired a 25% equity share in Chariot Top Group B.V. (Chariot) for R910.0 million (€57.9 million). The purchase price was split between two components,15% of the acquisition price of R138.3 million (€8.5 million) was classified as other financial assets, which has been fair valued, while the balance of R771.7 million (€49.4 million) is classified as loans receivable, both of which have been translated to spot at year-end. Chariot owns a portfolio of 24 well-located retail properties throughout Poland with two blue-chip tenants occupying over 65% of the GLA. EPP N.V. (EPP) agreed to acquire 13 properties from Chariot for R9.9 billion (€692.0 million) in three tranches, the first tranch of four properties transferred on 4 January 2018.

On 2 July 2018, the Group acquired a 95% effective ownership of Logistics Platform B.V. (Logistics) through newly formed Redefine Europe domiciled in the Netherlands. The shares in the SPVs holding each property were acquired by Logistics Platform B.V. (Logistics) from Sculptor PT Industrial (Netherlands) B.V. (Sculptor) for a consideration of R1.3 billion, settled in cash.

This acquisition included a portfolio of nine industrial logistics properties valued at R3.1 billion (€196.0 million) located throughout Poland with an acquisition yield of 7.1%. The portfolio has a GLA of 313 513m², a 98% occupancy and an average lease expiry profile of 3.5 years. All leases are triple net with Logistics only responsible for repairs and maintenance of a capital nature. The leases are linked to Euro indexation with annual growth of 2% per annum forecast in the medium term. The acquisition of the Logistics portfolio has been treated as a business combination (refer to page 24 for further information).

As part of the acquisition, Redefine was granted a five-year non-transferable exclusive priority right (at no upfront payment) for a pipeline of 24 potential warehousing and logistics development opportunities, with a total GLA of 1.9 million m² with Panatonni Development Europe sp.zo.o. (Panatonni), who also developed the nine operating properties that have been acquired. The priority right will expire if Redefine does not commit to €300.0 million (R5.2 billion) of developments within the first three years (this does not apply if Redefine has committed to €150.0 million (R2.6 billion) during years two to three) or Redefine rejects five consecutive projects. It has been agreed that out of every five opportunities presented, a maximum of two may be speculative in nature (i.e. are less than 30% pre-let).

New developments: Two of the exclusive priority right development projects have already been committed to. The first being a 99 987m² facility located in Strykow which has a development cost of €49.5 million (R850.0 million) and is expected to achieve an initial income yield of 8.2%. Phase one is fully let with an expected occupation date of 1 October 2018. Phase two is scheduled to begin in February 2019. The second project is a 70 725m² facility located in Bielska which has a development cost of €41.4 million (R710.9 million) and is expected to achieve an initial income yield of 8.4%. Phase one and phase two are expected to be completed in August 2019 and October 2019 respectively. During the year, Logistics purchased the land for the Strykow development for €6.7 million (R107.3 million).

Disposals: Redefine disposed of two townhouses in the UK for proceeds of R36.7 million.

Student accommodation: Redefine has also continued with the development of its Australian student accommodation investment through its 90% beneficial interest in Journal Student Accommodation Fund. The Leicester Street development, at a total cost of R1.4 billion (AUD130.0 million), will have 804 beds and is progressing well with anticipated completion in time for the 2019 student intake. The Swanston Street development at a total cost of R1.2 billion (AUD110.0 million), will have 587 beds and it is anticipated that it will be completed in time for the 2020 student intake.

Commentary (continued)

Investments in associates and joint ventures

	2018			2017	
	Stock exchange	Carrying value R'000	Shares held (%)	Carrying value R'000	Shares held (%)
EPP	LuxSE and JSE	**6 996 725**	39.0	4 784 916	39.6
RDI REIT Plc (RDI)	LSE and JSE	**3 958 407**	29.4	3 857 858	29.5
Oando Wings Development Limited	Not listed	**553 498**	38.9	587 199	37.2
Cromwell Property Group (Cromwell)	ASX	**–**	–	4 889 868	25.3
Cromwell Partners Trust (CPT) (JV)	Not listed	**–**	–	887 892	50.0
International Hotel Properties Limited (IHL)	Not listed	**–**	–	245 993	27.5
		11 508 630		15 253 726	

EPP: During July 2018, Redefine participated in an EPP capital raise and as a result acquired an additional 36 436 916 shares for a total consideration of R701.8 million (€45.0 million).

Cromwell: During the year, Redefine disposed of 19.5% of its interest in Cromwell for an aggregate gross sale consideration of R3.9 billion (AUD405.9 million). Prior to the sale proceeds being received, Redefine transferred the 19.5% interest to non-current assets held-for-sale at fair value less costs to sell which resulted in an impairment of R161.7 million. The net proceeds, after deduction of capital gains tax and selling costs, were R3.6 billion (AUD375.9 million). The remaining portion of the investment (3.0%) was transferred at fair value to listed securities which resulted in a loss arising on the deemed disposal of an associate becoming a listed security of R328.0 million.

RDI: During the year, Redefine agreed to exchange all of the shares it held in IHL for 19.8 million shares in RDI and R138.6 million (£7.5 million) cash. In accordance with IAS 36 *Impairment of Assets* and given the prolonged decline in the share price of RDI as well as the existence of other impairment indicators, the carrying value of RDI was subject to impairment testing, by comparing the carrying amount to the recoverable amount, being value-in-use. A discounted cash flow calculation was performed taking into account the forecasted future expected cash flows which were discounted at relevant market rates in order to calculate the value-in-use. The carrying amount of RDI was accordingly impaired by R753.8 million (FY17: R688.2 million).

CPT: During the year, Redefine disposed of its 50% beneficial interest in CPT for an aggregate gross sale consideration of R1.8 billion (AUD186.4 million). The net proceeds, after deduction of capital gains tax and selling costs, were R1.6 billion (AUD157.9 million).

Exchange rates: The Rand depreciated when compared to the prior year and as a result, Redefine's proportionate share of the underlying foreign currency denominated associates' net assets increased. This increase was largely neutralised by the natural hedge created by the foreign currency denominated debt held against these assets, as it increased similarly.

Foreign currency	31 August 2018	31 August 2017
AUD	**10.6736**	10.2867
EUR	**17.1709**	15.4646
GBP	**19.1406**	16.8243
USD	**14.7074**	13.0203

Interest-bearing borrowings

Redefine's interest-bearing borrowings (net of cash and cash equivalents and including the fair value of cash settled hedges) represented 40.0% (FY17: 41.1%) of the value of its property asset platform at 31 August 2018. The Group's property asset platform is made up of property, listed and unlisted property shares, loans receivable, and interests in associates and joint ventures. The average cost of Rand-denominated funding is 9.3% (FY17: 9.1%), interest rates are hedged on 81.9% (FY17: 93.0%) of local borrowings for an average period of 2.3 years (FY17: 2.4 years). Including foreign currency debt and derivatives, the average cost of debt is 6.3% (FY17: 7.3%). Interest rates are hedged on 81.2% (FY17: 88.7%) of total borrowings for an average period of 2.8 years (FY17: 2.7 years). The interest cover ratio (which includes equity-accounted dividends and listed security income) is 4.3x (FY17: 3.6x).

Redefine had unutilised committed bank facilities of R3.8 billion (FY17: R3.0 billion) at 31 August 2018 which provides assurance that the Group will be able to meet its short-term commitments. At 31 August 2018, Redefine had R2.5 billion (FY17: R6.8 billion) short-term interest-bearing borrowings. Of this, R1.0 billion has already been refinanced for a term of 5.5 years subsequent to the reporting period.

Moody's credit rating

On 27 March 2018, the outlook on Redefine's global scale rating was upgraded to stable after being placed under review for downgrade on 29 November 2017, following a similar action taken on the sovereign credit rating. On 25 April 2018, Moody's issued its latest credit opinion for Redefine and confirmed the rating as follows:

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

Moody's has maintained a Baa3 long-term global rating for the €150.0 million senior secured exchangeable bonds issued by Redefine.

Redefine updated its Domestic Medium Term Note Programme (DMTN) during August 2018, all changes were passed by the requisite number of votes. Redefine also increased the size of the DMTN programme from R20.0 billion to R30.0 billion.

Equity raises

The December 2017 dividend reinvestment alternative saw 14.6% of shareholders accepting the reinvestment alternative, conserving R341.7 million of cash and Redefine issuing 33.0 million shares.

Redefine issued 40 million shares for R448 million through a vendor consideration placement on 22 March 2018 to part fund the acquisition of the remaining 50% it did not own of 115 West Street (Alexander Forbes building).

The June 2018 dividend reinvestment alternative saw 19.1% of shareholders accepting the reinvestment alternative, conserving R469.7 million of cash and Redefine issuing 42.7 million shares.

Given Redefine's current share price, the Board has resolved not to offer a dividend reinvestment alternative to shareholders for the December 2018 dividend payment.

Capital commitments

Capital development commitments outstanding amount to R3.2 billion (FY17: R3.0 billion). Future commitments will be funded by undrawn banking facilities and proceeds from capital recycling activities.

Commentary (continued)

Broad-based black economic empowerment (B-BBEE)

Redefine believes that economic growth, sustainable development and empowerment are coherent and complementary processes. The transformation strategy employed by Redefine contributes towards sustainable value creation to the broader society in which Redefine operates. Currently, Redefine is rated as a level four B-BBEE contributor under the revised Property Sector codes that were promulgated during 2017. Redefine will continue to actively contribute to the growth of the organisation and country by conducting its business in a manner that promotes transformation and further aims to improve its rating through sustainable and inclusive business practices.

Prospects

Financial volatility is likely to continue for the foreseeable future as the United States-led trade and geopolitical tensions flare up on an ongoing basis. Apart from a less supportive global backdrop, there are concerns that decisive economic policy interventions will only be taken after next year's general elections. The result is that the domestic economic outlook and general confidence remain uninspiring translating into continued weak domestic property fundamentals. With this backdrop, we believe that our strategic approach is appropriate for the environment in which we are operating. Redefine's geographically diversified asset platform has been positioned to provide cover against the domestic headwinds. We will continue to expect the unexpected and remain focused on what matters most (operate efficiently, invest strategically, optimise capital, engage talent and grow reputation) in executing all our strategic choices to deliver sustained value creation for all our stakeholders. We anticipate growth in distributable income per share for 2019 to range between 4% to 5%.

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

The Board have declared a gross dividend of 49.80000 cents per share for the six months ended 31 August 2018 (the dividend).

In accordance with Redefine's status as a REIT, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (Income Tax Act). The distribution on the shares will be deemed to be a dividend for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provided the following forms to their Central Securities Depository Participant (CSDP) or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

(a) a declaration that the dividend is exempt from dividends tax; and

(b) 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 dividend, if such documents have not already been submitted.

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Assuming dividend withholding tax will be withheld at a rate of 20% (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), the net dividend amount due to non-resident shareholders is 39.84000 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) a declaration that the distribution is subject to a reduced rate as a result of the application of a DTA; and

(b) 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 distribution if such documents have not already been submitted, if applicable.

The dividend is payable to Redefine's shareholders in accordance with the timetable set out below:

	2018
Last day to trade *cum* dividend	Tuesday, 27 November
Shares trade *ex* dividend	Wednesday, 28 November
Record date	Friday, 30 November
Payment date	Monday, 3 December

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 28 November 2018 and Friday, 30 November 2018, both days inclusive. Payment of the dividend will be made to shareholders on Monday, 3 December 2018. In respect of dematerialised shareholders, the dividend will be transferred to the CSDP accounts/broker accounts on Monday, 3 December 2018. Certificated shareholders' dividend payments will be deposited on or about Monday, 3 December 2018.

Shares in issue at the date of declaration of dividend: 5 765 799 764

Redefine's income tax reference number: 917/852/484/0

Commentary (continued)

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 auditors

As announced on 4 May 2018, KPMG Inc. will terminate their audit services on completion of their statutory commitments for Redefine's 2018 financial year, which is expected to be on or around 30 November 2018. PricewaterhouseCoopers Inc., together with Mr John Bennett as the designated audit partner, has been selected to replace KPMG Inc. as auditors.

Change in directorate

The following board changes are effective 2 November 2018:

- Sindi Zilwa, Amanda Dambuza and Lesego Sennelo were appointed as independent non-executive directors.
- Independent non-executive directors David Nathan and Phumzile Langeni have stepped down from the Board. Redefine thanks them for their valuable contributions during their terms of office and wishes them well in their future endeavours.

Bernie Nackan has indicated that he will not stand for re-election at the next annual general meeting.

Marc Wainer will remain executive chairman, until an independent non-executive chairperson is appointed. This appointment is a top priority. Marc will remain an executive director of Redefine following the appointment of the new chairperson.

Restatements

Change in accounting policies

DIVIDENDS AND INTEREST RECEIVED FROM ASSOCIATES AND JOINT VENTURES - STATEMENT OF CASH FLOWS

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

CAPITALISED INTEREST – STATEMENT OF CASH FLOWS

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

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

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

Basis of preparation

The summarised consolidated financial statements are prepared in accordance with International Financial Reporting Standards, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa and the JSE Listings Requirements. The accounting policies applied in preparing these financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in previous financial statements except for the change in accounting policies relating to dividends and interest received from associates and joint ventures and capitalised interest in the statement of cash flows (refer to changes in accounting policies above). These summarised consolidated financial statements are extracted from the audited information but are not themselves 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 summarised consolidated financial statements. Shareholders are therefore advised that 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 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. LC Kok (CA(SA)), Redefine's financial director, was responsible for supervising the preparation of these summarised consolidated financial statements.

By order of the Board

Redefine Properties Limited

5 November 2018

Statement of profit or loss and other comprehensive income

for the year ended 31 August

Figures in R'000s	2018	2017
Continuing operations		
Revenue		
Property portfolio revenue	**8 133 099**	7 770 111
– Contractual rental income	**7 879 370**	7 300 821
– Straight-line rental income accrual	**253 729**	469 290
Investment income	**308 223**	23 728
Total revenue	**8 441 322**	**7 793 839**
Costs		
Operating costs	**(2 637 956)**	(2 497 688)
Administration costs	**(365 144)**	(259 641)
Net operating profit	**5 438 222**	**5 036 510**
Other gains	**245 470**	93 195
Loss on disposal of interest in associate and joint ventures	**(57 787)**	–
Changes in fair values	**1 679 220**	(541 947)
Amortisation of intangible asset	**(62 856)**	(62 856)
Impairments	**(1 053 753)**	(1 215 209)
Equity-accounted profit (net of taxation)	**2 541 427**	1 593 387
Profit before finance costs and taxation	**8 729 943**	**4 903 080**
Net interest costs	**(1 511 179)**	(1 727 776)
– Interest income	**919 828**	650 282
– Interest expense	**(2 431 007)**	(2 378 058)
Foreign exchange (losses)/gains	**(69 254)**	478 670
Profit before taxation	**7 149 510**	**3 653 974**
Taxation	**(532 682)**	(239 842)
Profit from continuing operations	**6 616 828**	**3 414 132**
Discontinued operations		
Loss from discontinued operations (net of taxation)	**–**	(13 877)
Profit for the year	**6 616 828**	**3 400 255**
Attributable to:		
– Redefine Properties Limited shareholders	**6 575 079**	3 328 995
– Non-controlling interests	**41 749**	71 260
Other comprehensive income	**1 469 289**	(1 458 975)
Items that may not be reclassified subsequently to profit or loss		
Share of revaluation of property, plant and equipment of an associate	**4 126**	3 167
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations:		
– Subsidiaries	**155 016**	(6 938)
– Associates	**942 336**	(1 455 204)
Reclassification of foreign currency differences on loss of significant influence	**367 811**	–
Total comprehensive income for the year	**8 086 117**	**1 941 280**
Attributable to:		
– Redefine Properties Limited shareholders	**8 035 162**	1 876 965
– Non-controlling interests	**50 955**	64 315
Earnings per share from continuing operations (cents)		
– Basic	**123,07**	66,15
– Diluted	**123,01**	65,98

Statement of financial position

as at 31 August

Figures in R'000s	2018	2017
ASSETS		
Non-current assets	**95 843 287**	**87 611 269**
Investment properties	**74 395 956**	63 192 093
– Fair value of investment properties	**66 271 904**	57 299 006
– Straight-line rental income accrual	**2 197 947**	1 944 218
– Properties under development	**5 926 105**	3 948 869
Listed securities	**1 935 843**	1 453 994
Goodwill and intangible assets	**5 746 203**	5 809 059
Investment in associates and joint ventures	**11 508 630**	15 253 726
Derivative assets	**34 754**	1 868
Loans receivable	**1 930 342**	1 789 395
Other financial assets	**218 890**	29 519
Property, plant and equipment	**72 669**	81 615
Current assets	**2 300 847**	**1 477 586**
Properties held-for-trading	**28 943**	–
Trade and other receivables	**1 076 079**	912 752
Loans receivable	**767 806**	55 260
Other financial assets	**–**	253 038
Derivative assets	**6 041**	75 875
Cash and cash equivalents	**421 978**	180 661
Non-current assets held-for-sale	**549 089**	**2 403 756**
Total assets	**98 693 223**	**91 492 611**
EQUITY AND LIABILITIES		
Equity	**58 149 200**	**53 786 185**
Shareholders' interest	**57 677 363**	53 435 737
Stated capital	**44 329 101**	43 070 822
Accumulated profit	**12 617 787**	11 137 593
Other reserves	**730 475**	(772 678)
Non-controlling interests	**471 837**	350 448
Non-current liabilities	**35 513 831**	**29 052 772**
Interest-bearing borrowings	**31 151 253**	25 664 659
Interest-bearing borrowings at fair value	**2 502 753**	2 253 598
Derivative liabilities	**907 687**	487 564
Other financial liabilities	**86 167**	4 690
Deferred taxation	**865 971**	642 261
Current liabilities	**5 030 192**	**8 653 654**
Trade and other payables	**2 278 322**	1 180 736
Interest-bearing borrowings	**2 469 899**	6 794 929
Interest accrual on interest-bearing borrowings	**262 081**	406 849
Derivative liabilities	**13 852**	11 799
Other financial liabilities	**–**	253 038
Taxation payable	**6 038**	6 303
Total equity and liabilities	**98 693 223**	**91 492 611**
Number of shares in issue ^ ('000)	**5 404 403**	5 288 655
Net asset value per share (excluding deferred tax and NCI) (cents)	**1 083,25**	1 022,53
Net tangible asset value per share (excluding deferred tax, NCI and goodwill and intangible assets) (cents)	**976,93**	912,69

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

Statement of changes in equity

for the year ended 31 August

Figures in R'000s	Stated capital	Accumulated profit	Foreign currency translation reserve
Balance as at 31 August 2016	**36 526 352**	**12 231 282**	**640 820**
Total comprehensive income for the year	–	3 328 995	(1 455 197)
Profit for the year	–	3 328 995	–
Other comprehensive income for the year	–	–	(1 455 197)
Transactions with owners (contributions and distributions)	6 544 470	(4 422 684)	–
Issue of ordinary shares	6 544 470	–	–
Dividends	–	(4 418 066)	–
Recognition of share-based payments	–	(4 618)	–
Share of post-acquisition change in net assets of associate	–	–	–
Transactions with owners (changes in ownership interests)	–	–	–
Disposal of subsidiary with NCI	–	–	–
Acquisition of subsidiary with NCI	–	–	–
Balance as at 31 August 2017	**43 070 822**	**11 137 593**	**(814 377)**
Total comprehensive income for the year	**–**	**6 575 079**	**1 455 957**
Profit for the year	**–**	**6 575 079**	**–**
Other comprehensive income for the year	**–**	**–**	**1 455 957**
Transactions with owners (contributions and distributions)	**1 258 279**	**(5 031 330)**	**–**
Issue of ordinary shares	**1 258 279**	**–**	**–**
Dividends	**–**	**(5 031 252)**	**–**
Recognition of share-based payments	**–**	**(5 999)**	**–**
Disposal of investment in associates	**–**	**5 921**	**–**
Share of post-acquisition change in net assets of associate	**–**	**–**	**–**
Transactions with owners (changes in ownership interests)	**–**	**(63 555)**	**–**
Disposal of subsidiary with NCI	**–**	**(63 555)**	**–**
Acquisition of subsidiary with NCI	**–**	**–**	**–**
Balance as at 31 August 2018	**44 329 101**	**12 617 787**	**641 580**

	2018	2017
Dividend per share (cents)	**97,10**	92,00
Interim	**47,30**	44,82
Final^	**49,80**	47,18

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

Share-based payment reserve	Share of associates' reserves	Shareholders' interest	Non-controlling interests	Total equity
39 825	**(78 217)**	**49 360 062**	**281 300**	**49 641 362**
–	3 167	1 876 965	64 315	1 941 280
–	–	3 328 995	71 260	3 400 255
–	3 167	(1 452 030)	(6 945)	(1 458 975)
13 050	63 874	2 198 710	(23 998)	2 174 712
–	–	6 544 470	–	6 544 470
–	–	(4 418 066)	(23 998)	(4 442 064)
13 050	–	8 432	–	8 432
–	63 874	63 874	–	63 874
–	–	–	28 831	28 831
–	–	–	(25 269)	(25 269)
–	–	–	54 100	54 100
52 875	**(11 176)**	**53 435 737**	**350 448**	**53 786 185**
–	**4 126**	**8 035 162**	**50 955**	**8 086 117**
–	**–**	**6 575 079**	**41 749**	**6 616 828**
–	**4 126**	**1 460 083**	**9 206**	**1 469 289**
5 488	**37 582**	**(3 729 981)**	**(75 125)**	**(3 805 106)**
–	**–**	**1 258 279**	**–**	**1 258 279**
–	**–**	**(5 031 252)**	**(75 125)**	**(5 106 377)**
5 488	**–**	**(511)**	**–**	**(511)**
–	**(5 921)**	**–**	**–**	**–**
–	**43 503**	**43 503**	**–**	**43 503**
–	**–**	**(63 555)**	**145 559**	**82 004**
–	**–**	**(63 555)**	**(3 126)**	**(66 681)**
–	**–**	**–**	**148 685**	**148 685**
58 363	**30 532**	**57 677 363**	**471 837**	**58 149 200**

Statement of cash flows

for the year ended 31 August

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

* For detail on the restatement refer to page 10 of this summarised report.

Earnings and headline earnings

for the year ended 31 August

Figures in R'000s	2018	2017
EARNINGS AND HEADLINE EARNINGS		
Reconciliation of basic earnings to headline earnings		
Profit for the year attributable to Redefine shareholders	6 575 079	3 328 995
Change in fair value of properties	(2 571 822)	(99 497)
– Change in fair value of properties	(2 594 040)	(151 361)
– Non-controlling interest	22 218	51 864
Bargain purchase on additional acquisition of associate	(78 127)	–
Bargain purchase on acquisition of subsidiaries	(13 392)	–
– Bargain purchase on acquisition of subsidiaries	(14 097)	–
– Non-controlling interest	705	–
Loss on disposal of interest in associate	57 787	–
Profit on dilution of ownership interest in an associate	123 403	273 793
Adjustment on remeasurements, included in equity-accounted earnings of associates	(1 467 593)	(507 669)
– Adjustment on remeasurements, included in equity-accounted earnings of associates	(1 651 975)	(653 371)
– Tax adjustment	184 382	145 702
Impairment of interest in associates	1 053 753	1 215 209
Headline earnings attributable to Redefine shareholders	**3 679 088**	**4 210 831**
Actual number of shares in issue ('000)*	5 404 403	5 288 655
Weighted average number of shares in issue ('000)*	5 342 395	5 053 451
Diluted weighted average number of shares in issue ('000)*	5 356 688	5 066 217
Basic earnings per share (cents)	123,07	65,88
– Continuing operations	123,07	66,15
– Discontinued operations	–	(0,27)
Diluted earnings per share (cents)	123,01	65,71
– Continuing operations	123,01	65,98
– Discontinued operations	–	(0,27)
Headline earnings per share (cents)	68,87	83,33
– Continuing operations	68,87	83,60
– Discontinued operations	–	(0,27)
Diluted headline earnings per share (cents)	68,70	83,12
– Continuing operations	68,70	83,39
– Discontinued operations	–	(0,27)

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

Segmental analysis

for the year ended 31 August 2018

Figures in R'000s	Office	Retail
STATEMENT OF FINANCIAL POSITION		
Investment properties	23 818 094	27 441 765
Properties under development	1 653 690	243 316
Listed securities	–	–
Goodwill and intangible assets	1 913 810	2 883 662
Investment in associates and joint ventures	–	–
Loans receivable	–	–
Non-current assets held-for-sale	378 851	84 610
Properties held-for-trading	–	–
Other assets	–	–
Total assets	**27 764 445**	**30 653 353**
Interest-bearing borrowings	–	–
Interest-bearing borrowings at fair value	–	–
Other liabilities	–	–
Total liabilities	**–**	**–**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Contractual rental income	2 917 649	3 297 234
Straight-line rental income accrual	122 316	41 504
Investment income	–	–
Total revenue	**3 039 965**	**3 338 738**
Operating costs	(876 054)	(1 277 879)
Administration costs	–	–
Net operating profit	**2 163 911**	**2 060 859**
Other gains	–	–
Loss on disposal of interests in associates and joint ventures	–	–
Changes in fair values	876 727	1 555 349
Amortisation of intangible assets	–	–
Impairments	–	–
Equity-accounted profit (net of taxation)	–	–
Profit before finance costs and taxation	**3 040 638**	**3 616 208**
Interest income	–	–
Interest expense	–	–
Foreign exchange losses	–	–
Profit before taxation	**3 040 638**	**3 616 208**
Taxation	–	–
Profit for the year	**3 040 638**	**3 616 208**
Non-controlling interests	–	–
Profit for the year attributable to Redefine Properties Limited shareholders	**3 040 638**	**3 616 208**

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

Segmental analysis

for the year ended 31 August 2017

Figures in R'000s	Office	Retail
STATEMENT OF FINANCIAL POSITION		
Investment properties	22 294 016	24 523 035
Properties under development	619 677	802 840
Listed securities	–	–
Goodwill and intangible assets	1 913 810	2 883 662
Investment in associates and joint ventures	–	–
Loans receivable	–	–
Non-current assets held-for-sale	999 916	1 119 878
Other assets	–	–
Total assets	**25 827 419**	**29 329 415**
Interest-bearing borrowings	–	–
Interest-bearing borrowings at fair value	–	–
Other liabilities	–	–
Total liabilities	**–**	**–**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Contractual rental income	2 678 250	3 180 999
Straight-line rental income accrual	207 323	130 164
Investment income	–	–
Total revenue	**2 885 573**	**3 311 163**
Operating costs	(859 001)	(1 223 835)
Administration costs	–	–
Net operating profit	**2 026 572**	**2 087 328**
Other gains	–	–
Changes in fair values	(442 045)	348 034
Amortisation of intangible assets	–	–
Impairments	–	–
Equity-accounted profit (net of taxation)	–	–
Profit before finance costs and taxation	**1 584 527**	**2 435 362**
Interest income	–	–
Interest expense	–	–
Foreign exchange gains	–	–
Profit before taxation	**1 584 527**	**2 435 362**
Taxation	–	–
Profit from continuing operations	**1 584 527**	**2 435 362**
Loss from discontinued operations (net of taxation)	–	–
Profit for the year	**1 584 527**	**2 435 362**
Non-controlling interests	–	–
Profit for the year attributable to Redefine Properties Limited shareholders	**1 584 527**	**2 435 362**

Industrial	Specialised	Head office	Local	International	Total
11 021 088	1 405 085	–	59 243 224	–	59 243 224
1 311 752	727 214	–	3 461 483	487 386	3 948 869
–	–	1 215 323	1 215 323	238 671	1 453 994
510 710	60 888	439 989	5 809 059	–	5 809 059
–	–	–	–	15 253 726	15 253 726
–	–	1 748 501	1 748 501	96 154	1 844 655
196 051	–	–	2 315 845	87 911	2 403 756
–	–	1 535 328	1 535 328	–	1 535 328
13 039 601	**2 193 187**	**4 939 141**	**75 328 763**	**16 163 848**	**91 492 611**
–	–	29 622 915	29 622 915	2 836 673	32 459 588
–	–	–	–	2 253 598	2 253 598
–	–	2 993 240	2 993 240	–	2 993 240
–	**–**	**32 616 155**	**32 616 155**	**5 090 271**	**37 706 426**
1 240 932	200 640	–	7 300 821	–	7 300 821
140 991	(9 188)	–	469 290	–	469 290
–	–	5 076	5 076	18 652	23 728
1 381 923	**191 452**	**5 076**	**7 775 187**	**18 652**	**7 793 839**
(345 826)	(69 026)	–	(2 497 688)	–	(2 497 688)
–	–	(251 444)	(251 444)	(8 197)	(259 641)
1 036 097	**122 426**	**(246 368)**	**5 026 055**	**10 455**	**5 036 510**
–	–	14 874	14 874	78 321	93 195
319 967	(32 996)	(646 955)	(453 995)	(87 952)	(541 947)
–	–	(62 856)	(62 856)	–	(62 856)
–	–	(11 146)	(11 146)	(1 204 063)	(1 215 209)
–	–	130 191	130 191	1 463 196	1 593 387
1 356 064	**89 430**	**(822 260)**	**4 643 123**	**259 957**	**4 903 080**
–	–	581 377	581 377	68 905	650 282
–	–	(2 083 458)	(2 083 458)	(294 600)	(2 378 058)
–	–	–	–	478 670	478 670
1 356 064	**89 430**	**(2 324 341)**	**3 141 042**	**512 932**	**3 653 974**
–	–	(174 076)	(174 076)	(65 766)	(239 842)
1 356 064	**89 430**	**(2 498 417)**	**2 966 966**	**447 166**	**3 414 132**
–	–	–	–	(13 877)	(13 877)
1 356 064	**89 430**	**(2 498 417)**	**2 966 966**	**433 289**	**3 400 255**
–	–	(71 180)	(71 180)	(80)	(71 260)
1 356 064	**89 430**	**(2 569 597)**	**2 895 786**	**433 209**	**3 328 995**

Segmental analysis

Reconciliation of profit for the year to distributable earnings

Figures in R'000s	2018	2017
Profit for the year attributable to Redefine shareholders	**6 575 079**	3 328 995
Changes in fair value (net of NCI)	**(1 657 002)**	593 811
Straight-line rental income accrual	**(253 729)**	(469 290)
Gain on bargain purchase (net of NCI)	**(13 392)**	–
Amortisation of intangible assets	**62 856**	62 856
Impairments	**1 053 753**	1 215 209
Capital gains taxation	**511 429**	–
Deferred taxation (net of NCI)	**(46 538)**	176 439
Net unrealised foreign exchange losses/(gains) and realised foreign currency translation reserve (net of NCI)	**138 624**	(99 042)
Non-distributable items of associates	**(1 359 487)**	(332 701)
Loss on disposal of interest in associate and joint venture	**57 787**	–
Transaction costs relating to business acquisitions	**90 107**	19 892
Antecedent distribution	**39 628**	30 677
Accrual for listed security income (REIT distribution declared post year-end)	**19 926**	42 884
Adjustment to distributable profit from discontinued operations	**–**	24 557
Cornwall interest	**25 005**	31 216
Accrual for Chariot income	**18 762**	–
MA Afrika interest	**7 192**	16 210
Dipula BEE Trust profit share adjustment	**(42 521)**	–
Pivotal pre-acquisition distribution	**–**	189 037
Distributable income for the year	**5 227 479**	4 830 750
Interim	**2 536 085**	2 335 563
Final	**2 691 394**	2 495 187
Actual number of shares in issue ('000)		
– Interim	**5 361 701**	5 210 982
– Final	**5 404 403**	5 288 655
Distribution per share (cents)	**97,10**	92,00
Interim	**47,30**	44,82
Final	**49,80**	47,18

Distributable income analysis

Figures in R'000s	South Africa	International	Total
Contractual rental income (excluding straight-line rental accrual)	7 818 180	61 190	**7 879 370**
Investment income	157 574	150 649	**308 223**
Total revenue	7 975 754	211 839	**8 187 593**
Operating costs	(2 619 430)	(18 526)	**(2 637 956)**
Administration costs	(219 753)	(145 391)	**(365 144)**
Net operating profit	5 136 571	47 922	**5 184 493**
Other gains	156 016	75 357	**231 373**
Distributable equity income	–	1 181 940	**1 181 940**
Net distributable profit before finance costs and taxation	5 292 587	1 305 219	**6 597 806**
Net interest costs	(1 322 519)	(188 660)	**(1 511 179)**
– Interest income	788 109	131 719	**919 828**
– Interest expense	(2 110 628)	(320 379)	**(2 431 007)**
Net distributable foreign exchange gain	–	70 432	**70 432**
Net distributable profit before taxation	3 970 068	1 186 991	**5 157 059**
Current taxation and withholding taxation	–	(67 523)	**(67 523)**
Net income from operations before non-controlling interest share	3 970 068	1 119 468	**5 089 536**
Non-controlling interest share of distributable income	(26 548)	6 392	**(20 156)**
Net income before distributable adjustments	3 943 520	1 125 860	**5 069 380**
Below the line distributable income adjustments:			
Antecedent distribution	39 628	–	**39 628**
Accrual for listed security income	–	19 926	**19 926**
Transaction costs relating to business acquisitions	209	89 898	**90 107**
Accrual for Chariot income	–	18 762	**18 762**
Cornwall interest	25 005	–	**25 005**
MA Afrika interest	7 192	–	**7 192**
Dipula BEE Trust profit share adjustment	(42 521)	–	**(42 521)**
Distributable income	3 973 033	1 254 446	**5 227 479**

Business combinations

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

This acquisition is in line with Redefine's strategy to advance it's geographical diversification and exploit attractive yield spreads in a hard currency market.

This acquisition included a portfolio of nine industrial logistics properties located throughout Poland, with a GLA of 313 513m², a 98% occupancy and an average lease expiry profile of 3.5 years. All leases are triple net leases with Logistics only responsible for repairs and maintenance of a capital nature. The leases are linked to Euro indexation with annual growth of 2% per annum forecast in the medium term. The asset and property management agreements with Panatonni Development Europe Sp (Panatonni) were terminated on the closing of the sale and purchase agreement. Logistics appointed Griffin Real Estate (Griffin) as their asset and property manager, however, Griffin subcontracted these services back to Panatonni with the acceptance and approval of Redefine, thus in substance the asset and property management team for the properties has remained unchanged. As a result, the acquisition of the Sculptor property portfolio has been accounted for as a business combination.

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

If the business had been acquired on 1 September 2017, management estimates that consolidated revenue and net profit after taxation for the Group would have been R347.0 million and R85.0 million respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 September 2017.

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

Figures in R'000s	30 June 2018*
Assets	
Investment properties	3 107 049
Trade and other receivables	51 664
Derivative assets	59
Cash and cash equivalents	59 954
Liabilities	
Interest-bearing borrowings	(1 593 155)
Deferred taxation	(245 074)
Trade and other payables	(74 951)
Fair value of net assets	1 305 546
Gain on bargain purchase arising from the acquisition	(14 097)
Purchase consideration #	1 291 449
Cash and cash equivalents acquired	(59 954)
Net cash outflow on acquisition	1 231 495

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

The purchase consideration was settled in cash and used for the acquisition on equity and loans.

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

The same valuation techniques were used as disclosed under financial instruments and investment property fair value disclosures, in this document. Investment property was valued at 30 June 2018.

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

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

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

Measurement of fair value

External valuations were completed for investment properties using the topslice method of valuation, the details of which has been disclosed on page 33 of this summarised report.

Trade and other receivables and cash and cash equivalents are carried at amortised cost. Due to their short-term nature, amortised cost approximates the fair value. Trade and other receivables comprises gross contractual amounts due of R41.1 million, net of a provision for doubtful debts of R1.4 million, which is the best estimate at the acquisition date of the contractual cash flows not expected to be collected. Derivatives are classified at fair value through profit and loss.

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

Financial instruments and investment property fair value disclosures

CATEGORIES OF FINANCIAL INSTRUMENTS

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

Financial liabilities Figures in R'000s	Other financial liabilities	At fair value through profit or loss	Total
2018			
Interest-bearing borrowings	**33 621 152**	**–**	**33 621 152**
Interest-bearing borrowings at fair value	**–**	**2 502 753**	**2 502 753**
Interest accrual on interest-bearing borrowings	**262 081**	**–**	**262 081**
Derivative liabilities[#]	**–**	**921 539**	**921 539**
Other financial liabilities	**34 880**	**51 287**	**86 167**
Trade and other payables	**1 993 143**	**–**	**1 993 143**
	35 911 256	**3 475 579**	**39 386 835**
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

For all financial instruments carried at amortised cost, interest is market related and, therefore, the amortised cost reasonably approximates the fair value, except for the interest-bearing borrowings as at 31 August 2018, where the fair value has been calculated as R40.0 billion. This difference is due to the competitive interest rate spreads Redefine has managed to obtain recently on new debt, resulting in a change in Redefine's market spread.

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

Financial instruments and investment property fair value disclosures

Fair value hierarchy for financial instruments and investment property

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

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

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

The fair value hierarchy has the following levels:

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

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

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

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

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

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

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

Figures in R'000s	Fair value	Level 1	Level 2	Level 3
2017				
Assets				
Investment properties*	65 595 849	–	–	65 595 849
Listed securities	1 453 994	1 453 994	–	–
Derivative assets	77 743	–	77 743	–
Other financial assets	253 038	253 038	–	–
	67 380 624	1 707 032	77 743	65 595 849
Liabilities				
Interest-bearing borrowings at fair value	2 253 598	2 253 598	–	–
Derivative liabilities	499 363	–	499 363	–
	2 752 961	2 253 598	499 363	–

* Including non-current assets (properties) held-for-sale.

Financial instruments and investment property fair value disclosures (continued)

LEVEL 3 RECONCILIATION

Figures in R'000s	Balance at beginning of year	Acquisition/ (disposal)	Gain/(loss) in profit or loss for the year	Balance at end of year
2018				
Investment properties	59 243 224	6 375 969	2 850 658	68 469 851
Properties under development	3 948 869	2 009 233	(31 997)	5 926 105
Investment property held-for-sale	2 403 756	(2 124 317)	269 650	549 089
Other financial assets	–	143 973	74 917	218 890
Other financial liabilities	–	23 826	27 461	51 287
	65 595 849	6 428 684	3 190 689	75 215 222

Figures in R'000s	Balance at beginning of year	Acquisition/ (disposal)	Gain/(loss) in profit or loss for the year	Balance at end of year
2017				
Investment properties	49 698 640	8 286 260	1 258 324	59 243 224
Properties under development	2 030 041	2 666 962	(748 134)	3 948 869
Investment property held-for-sale	1 170 172	1 241 557	(7 973)	2 403 756
	52 898 853	12 194 779	502 217	65 595 849

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

Details of valuation techniques

The valuation techniques used in measuring fair values at 31 August 2018 for financial instruments and investment property measured at fair value in the statement of financial position, as well as the significant unobservable inputs used is disclosed below. There have been no significant changes in valuation techniques and inputs since 31 August 2017.

FINANCIAL INSTRUMENTS

Listed securities

Closing market price on the relevant exchange.

Interest-bearing borrowings at fair value

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

Derivative assets and liabilities

FOREIGN EXCHANGE OPTIONS

The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

INTEREST RATE SWAPS

The fair value is calculated as the present value of the estimated future cash flows. Estimates of the future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources, which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty. This is calculated based on credit spreads derived from current credit default swap or bond prices.

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.

OTHER FINANCIAL ASSETS AND LIABILITIES

Unlisted securities

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

Profit participation liability

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

INVESTMENT PROPERTY

The valuation policy adopted by management is to revalue investment property at each reporting date, valued externally for both interim reporting and financial year-end reporting. 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 on page 32 of this summarised report.

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:

Financial instruments and investment property fair value disclosures (continued)

Unobservable inputs (% unless otherwise stated)	2018	2017
Expected market rental growth	**3.00 – 6.00**	4.00 – 6.00
Expected expense growth	**6.50 – 8.00**	7.00 – 9.00
Occupancy rate	**95.68**	94.10
Vacancy periods	**0 – 12 months**	0 – 12 months
Rent-free periods	**0 – 6 months**	0 – 3 months
Office sector		
Discount rate	**10.00 – 17.00**	11.50 – 18.50
Exit capitalisation rate	**7.50 – 13.25**	7.50 – 13.00
Bulk rate	**R2 000 – R4 725 p/m²**	R1 750 – R5 400 p/m²
Retail sector		
Discount rate	**11.75 – 17.00**	11.00 – 18.00
Exit capitalisation rate	**7.25 – 12.00**	7.25 – 12.50
Bulk rate	**R330 – R4 000 p/m²**	R1 200 – R3 000 p/m²
Industrial sector		
Discount rate	**13.00 – 16.00**	13.50 – 17.00
Exit capitalisation rate	**8.00 – 11.50**	8.00 – 12.50
Bulk rate	**R60 – R1 900 p/m²**	R643 – R2 500 p/m²
Specialised sector		
Discount rate	**14.00 – 14.50**	14.00 – 16.25
Exit capitalisation rate	**9.50 – 10.50**	8.00 – 10.25
International sector		
Core yield	**6.25 – 7.50**	–
Discount rate	**6.25 – 7.50**	–

Measurement of fair value

VALUATION TECHNIQUES

All external valuations were completed using the following methods of valuation:

Investment property – Discounted cash flow method

The valuation model generates a net present value (NPV) for each property by discounting forecasted future cash flows and a residual value at the end of the cash flow projections 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, base 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 MSCI/South African Property Owners Association (MSCI/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 MSCI/SAPOA.

Investment property – Topslice method

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

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

Properties under development - Comparable sales method

Properties under development comprise of the cost of land and development, and are measured at fair value. Fair value is based on the costs incurred up to the date of 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 MEASUREMENT

The estimated fair value would increase/(decrease) if:

- → Expected market rental growth was higher/(lower);
- → Expected expense growth was lower/(higher);
- → Vacant periods were shorter/(longer);
- → Occupancy rate was higher/(lower);
- → Rent-free periods were shorter/(longer);
- → Discount rate was lower/(higher);
- → Exit capitalisation rate was lower/(higher);
- → Capitalisation rate was lower/(higher);
- → Bulk rate was higher/(lower); or
- → Core yield was lower/(higher).

Redefine Properties Limited

(Incorporated in the Republic of South Africa)
Registration number: 1999/018591/06
JSE share code: RDF ISIN: ZAE000190252
Debt company code: BIRDF
(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:

A Dambuza*
B Mathews (Deputy Chairperson and lead independent)*
B Nackan *
DA Nathan**
HK Mehta
L Sennelo*
M Barkhuysen*
NB Langa-Royds*
P Langeni**
S Zilwa*

* Independent
** Resigned from the Board effective 2 November 2018

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

Independent auditors:

KPMG Inc.

Notes

Notes

PROPERTIES

www.redefine.co.za

We're not landlords. We're people.