REDEFINE PROPERTIES LIMITED

# Summarised audited group results

for the year ended 31 August

# 2019

PURPOSE IN ACTION

REDEFINE PROPERTIES

We're not landlords. We're people.

# Highlights

Deployed
**R6.9 billion**
into property assets

Interest rates hedged on
**87.3%**
of total debt

Tenant retention rate at
**93.3%**

Employee engagement score of
**87%** above global and local benchmark

**74**
Green Star rated buildings

# Commentary

## Profile

Redefine is a leading South African-based Real Estate Investment Trust (REIT), invested in a diverse property asset platform valued at R95.4 billion (FY18: R91.3 billion). Redefine's portfolio is anchored domestically in directly held retail, office and industrial properties, and is complemented abroad 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 R45.5 billion (FY18: R56.2 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 2019, total Group assets exceeded R100.0 billion for the first time. Redefine's diversified local property assets were valued at R72.8 billion (FY18: R72.4 billion). The Group's international real estate investments, valued at R22.6 billion (FY18: R18.9 billion) represented 23.7% (FY18: 20.7%) of total property assets, providing geographic diversification into the Polish, UK and Australian markets.

## Financial results

Distribution per share for the six months ended 31 August 2019 amounted to 51.81 (FY18: 49.80) cents, an increase of 4.0% (FY18: 5.6%) on the previous comparable period. This brings the full year distribution per share to 101.00 (FY18: 97.10) cents achieving year-on-year growth of 4.0% (FY18: 5.5%) in line with market guidance. Total revenue and gross distributable income showed growth of 4.1% (FY18: 8.3%) and 4.7% (FY18: 8.2%) respectively.

Redefine's property portfolio contributed 98.3% (FY18: 96.3%) of total revenue, with the remaining 1.7% (FY18: 3.7%) arising from investment income.

The operating cost margin for the year was 34.4% (FY18: 33.5%) of contractual rental income. Net of electricity and utility recoveries, operating costs were 16.9% (FY18: 16.9%) of contractual rental income.

Redefine's international property investments contributed 26.8% (FY18: 24.0%) of distributable income.

| | **31 August 2019 %** | 31 August 2018 % |
|---|---|---|
| **Property cost-to-income ratios** | | |
| Gross cost-to-income ratio | **34.4** | 33.5 |
| Net cost-to-income ratio | **16.9** | 16.9 |
| **Total cost-to-income ratios** | | |
| Gross cost-to-income ratio | **38.1** | 36.7 |
| Net cost-to-income ratio | **22.0** | 21.6 |

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

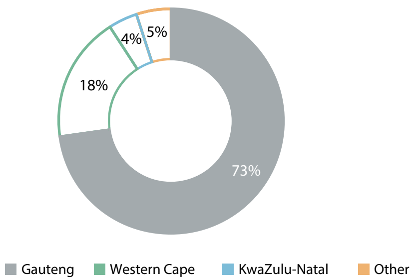
## South African property portfolio

The active portfolio vacancy rate increased during the year to 5.1% (FY18: 4.5%). Leases covering 454 049m² (FY18: 497 491m²) were renewed during the year at an average rental decrease of 2.0% (FY18: 1.5%) while the tenant retention rate was a pleasing 93.3% (FY18: 90.4%). A further 387 448m² (FY18: 444 611m²) was let across the portfolio. The student accommodation portfolio had an average occupancy of 83.7% (FY18: 91.7%) as at 31 August 2019. Net arrears amounted to R87.0 million (FY18: R81.1 million), representing 10.9% (FY18: 10.9%) of gross monthly rentals.

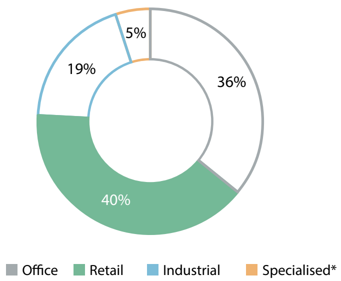
Redefine continues to implement its strategy of diversifying, growing and improving the quality of the property portfolio. Management's primary focus domestically was on protecting, expanding and improving existing well-located properties mainly through development and redevelopment activities.

| | Strategic vacancies | | | |
|---|---|---|---|---|
| | **31 August 2019 before strategic vacancies** | **Vacant properties under redevelopment** | **Vacant properties held-for-sale** | **31 August 2019** | 31 August 2018 |
| Office | 13.4% | 2.3% | 0.9% | **10.2%** | 9.5% |
| Retail | 4.8% | 0.1% | 0.1% | **4.6%** | 4.5% |
| Industrial | 1.8% | 0.0% | 0.0% | **1.8%** | 1.0% |
| Specialised | 8.3% | 0.0% | 0.0% | **8.3%** | 0.0% |
| | **6.0%** | **0.7%** | **0.3%** | **5.1%** | 4.5% |

Geographic spread by value

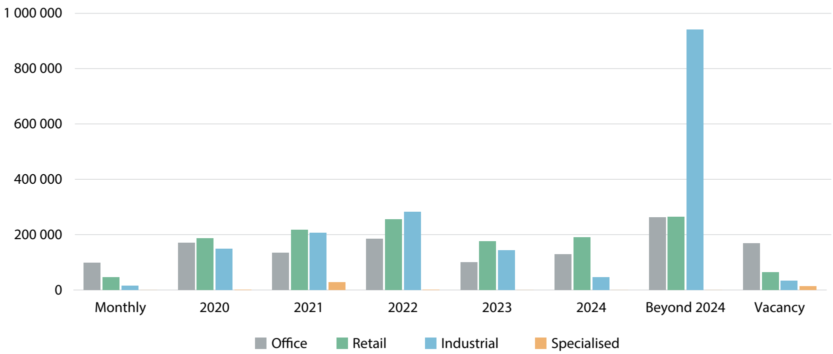



Sectoral spread by value




** Specialised includes hospital, hotels, student and residential accommodation.*

Lease expiry profile by GLA ($m^2$)




**Acquisitions:** Two industrial properties with a total GLA of 17 215m² were acquired for an aggregate purchase consideration of R130.0 million, at an average yield of 9.7%. In addition, Redefine acquired a piece of industrial land for R5.9 million on the Atlantic Hills site to unlock an opportunity for future development.

**New developments:** Developments valued in aggregate at R2.4 billion and an initial yield of 8.8% were completed during the year. Infrastructure projects at the S&J Jupiter site and Matlosana Mall were completed costing R88.6 million. Projects in progress total R342.8 million at an average initial yield of 9.3%. In addition, infrastructure projects totalling R721.0 million for the S&J, Atlantic Hills and Brackengate sites are currently under way. Future committed projects total R142.4 million with a projected initial yield of 9.2%.

**Redevelopments:** The Centurion Mall redevelopment (phases 3 and 4) was completed during the year, at a total cost of R543.8 million with an initial yield of 5.8%. Projects in progress total R662.4 million with an average initial yield of 6.6%. Future committed projects total R68.1 million with a projected initial yield of 3.0%.

**Held-for-trading:** During the year, Redefine disposed of various parcels of vacant land and 37 units in its residential development, Park Central, for proceeds of R246.8 million-realising a trading profit of R38.9 million.

**Disposals:** During the year, 17 properties with GLA of 160 076m², which no longer served Redefine's investment criteria, were disposed of to various buyers for an aggregate consideration of R1.0 billion, at an average yield of 8.2%. Redefine disposed of 50.0% of its share in the newly developed Loftus Hotel for R45.5 million, as well as various portions of land for R58.8 million. Agreements, subject to the usual conditions precedent, were concluded for the disposal of three properties for an aggregate consideration of R525.2 million, covering GLA of 47 068m² at an average yield of 8.4%, and four portions of vacant land for a total consideration of R107.2 million.

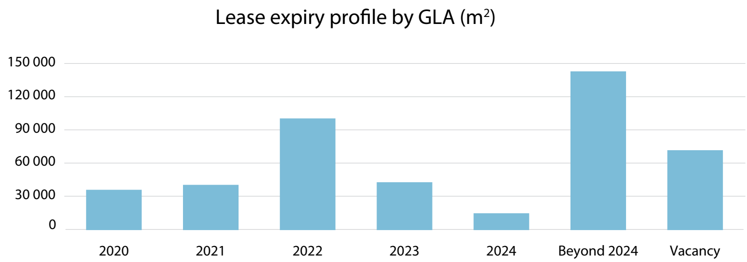
**Student accommodation:** Roscommon House in Claremont, opened for trading at the beginning of the year, with 582 beds at a total development cost of R231.7 million and a projected yield of 10.0%. Paton House in Pietermaritzburg, a future committed project at an estimated cost of R108.1 million, has an initial yield of 10.6% and will have 538 beds. Subject to town planning approval, Redefine plans to develop phase 2 of Yale Village in Johannesburg at a cost of R53.9 million which will have 196 beds at an 8.9% initial yield. During the year, a property was purchased in Parktown for R33.0 million, with potential to be redeveloped into student accommodation, providing 462 beds, at a cost of R124.1 million and an estimated initial yield of 10.7%.

**Sustainability:** Redefine has continued to invest in long-term renewable energy solutions and now has a total installed capacity of 23,7 MWp. Projects in progress will add an additional of 3.5 MWp in the 2020 financial year. Redefine received certification for an additional 30 buildings for Existing Building Performance ratings bringing the total number of certifications to 74 Green Star SA ratings. We have identified approximately 20 additional buildings for rating to commence in the new financial year. We continue to implement energy and water efficiency projects to reduce our impact on precious natural resources.

## International property portfolio

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

The Polish Logistics Platform's active portfolio vacancy was 16.0% (FY18: 1.5%) at 31 August 2019.




**New developments:** In Poland, five parcels of land were acquired for €26.7 million (R434.7 million). Phase I of Strykow, Bielsko and Lublin developments were completed during the year, with a total GLA of 130 633m², and development cost of €75.2 million (R1.2 billion) with an initial yield of 6.7%. Warszawa Phase I & II and Opole Phase I are currently in development, with a total GLA of 97 861m² and a total development cost (including land) of €63.9 million (R1.1 billion), which is expected to achieve an initial yield of 6.7%. Subsequent to the year-end, two additional land parcels were acquired for €3.2 million (R54.1 million). Development has commenced on one of the sites with a total GLA of 16 920m², cost (including land) of €11.6 million (R196.2 million) and an initial yield of 6.6%.

**Student accommodation:** Redefine has continued the development of its Australian student accommodation investment through its 90% interest in Journal Student Accommodation Fund. The Leicester Street development was completed during the year, at a total cost of R1.3 billion (AUD130.0 million) and began trading with 804 beds and has an occupancy rate of 96.9%. The Swanston Street facility, at a total development cost of R1.1 billion (AUD110.0 million), will have 587 beds and it is anticipated that it will be completed in time for the second semester of 2020.

## Investments in associates

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | **Stock exchange** | **Carrying value R'000** | **Shares held %** | Carrying value R'000 | Shares held % |
| EPP | LuxSE and JSE | **9 023 856** | **45.4** | 6 996 725 | 39.0 |
| RDI REIT Plc (RDI) | LSE and JSE | **2 826 148** | **29.4** | 3 958 407 | 29.4 |
| Oando Wings Development Limited (OWDL) | Not listed | **–** | **–** | 553 498 | 38.9 |
| | | **11 850 004** | | 11 508 630 | |

**EPP:** On 3 May 2019, Redefine acquired an additional 44 291 339 EPP shares for a total consideration of R1.0 billion (€64.9 million) bringing its effective shareholding to 45.4%. While Redefine, as the holder of a minority shareholding in EPP, does not exercise either legal or factual control of EPP, to guard against the perception that Redefine may be able to exercise control of EPP through voting at general meetings, it has agreed to limit its voting rights exercisable at general meetings of EPP by entering into a Voting Limitation Deed ("the VLD").

In terms of the VLD the voting rights exercised by Redefine at general meetings of EPP will, while the VLD remains operative, not exceed 40% of the aggregate votes exercised either in favour or against the relevant resolution by all EPP shareholders (including Redefine). Any excess votes attributable to Redefine's shares in the Company will be reflected as abstentions in relation to the relevant resolution.

**RDI:** 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 considering 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, which already accounted for the reported 28% decline in net asset value, was accordingly, further impaired by R266.4 million (FY18: R753.8 million).

**OWDL:** Redefine has received an offer to purchase its wholly-owned subsidiary SB Wings Development (Pty) Ltd which holds its 40.6% share in OWDL. As a result of the offer Redefine has transferred the investment to non-current assets held-for-sale in accordance with IFRS 5. The carrying value of the investment has been reduced to its fair value less costs to sell of R436.2 million, resulting in an impairment of R37.2 million.

**Equity-accounted profit:** The equity-accounted profit decreased substantially from the prior year, mainly due to the sale of Redefine's 19.5% interest in Cromwell Property Group and its 50% beneficial interest in Cromwell Partner's Trust during 2018.

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

| **Foreign currency** | **31 August 2019** | 31 August 2018 |
|---|---|---|
| AUD | **10.2851** | 10.6736 |
| EUR | **16.9140** | 17.1709 |
| GBP | **18.6601** | 19.1406 |
| USD | **15.3200** | 14.7074 |

## Listed securities

During the year, Redefine disposed of its remaining shareholding in GRIT Real Estate Income Group Limited.

## Changes in fair value

The Group's property portfolio was independently valued by external valuers at 31 August 2019 resulting in a net increase in value of R1.5 billion (FY18: R2.6 billion). 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 issued by Redefine were fair valued at 31 August 2019 resulting in a R20.0 million (FY18: R249.2 million) increase in the liability. 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.

The fair value of the investment in listed securities decreased by R793.4 million (FY18: R110.9 million) driven largely by the decrease in the Delta Property Fund Limited share price. The Group's derivatives, which protect 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 R522.1 million (FY18: R480.7 million) in the Group's liabilities. Net gains on unlisted investments amount to R152.5 million (FY18: R74.9 million). In terms of IFRS 9 and IFRS 13, Redefine's listed security investments, derivatives and other financial assets are measured at fair value through profit or loss and are categorised as level 1, level 2 and level 3 respectively.

## Interest-bearing borrowings

Redefine's interest-bearing borrowings (net of cash and cash equivalents and including the fair value of cash settled hedges) represented 43.9% (FY18: 40.0%) of the value of its property asset platform at 31 August 2019. The Group's property asset platform is made up of property, listed and unlisted shares, loans receivable and interests in associates. The average cost of Rand-denominated funding is 9.1% (FY18: 9.3%), and interest rates are hedged on 92.6% (FY18: 81.9%) of local borrowings for an average period of 2.8 years (FY18: 2.3 years). Including foreign currency debt and derivatives, the average cost of debt is 5.8% (FY18: 6.3%). Interest rates are hedged on 87.3% (FY18: 81.2%) of total borrowings for an average period of 2.9 years (FY18: 2.8 years). The interest cover ratio (which includes equity-accounted dividends and listed security income) is 4.3x (FY18: 4.3x).

Redefine had unutilised committed bank facilities of R5.6 billion (FY18: R3.8 billion) at 31 August 2019 which provides assurance that the Group will be able to meet its short-term commitments.

## Moody's credit rating

On 23 April 2019, 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.

## Equity raises

Redefine offered shareholders a dividend reinvestment alternative for the interim dividend period in May 2019. The reinvestment alternative was taken up by 10.2% of the total shareholding, which enabled the company to conserve R260.2 million in cash in return for the issuance of 27.4 million shares. Given the current share price, the Board has resolved not to offer a dividend reinvestment alternative to shareholders for the December 2019 dividend.

## Capital commitments

Capital development commitments outstanding amount to R3.0 billion (FY18: R3.2 billion). Future commitments will be funded by undrawn banking facilities and proceeds from capital recycling activities.

## Broad-based black economic empowerment (B-BBEE)

Redefine is currently rated as a level three (FY18: level four) B-BBEE contributor under the revised Property Sector codes which were promulgated during 2017. Redefine will continue to actively contribute to the growth of the organisation and the economy by conducting its business in a manner that promotes transformation and further aims to maintain its rating through sustainable and inclusive business practices.

## Prospects

Operating in a virtual vacuum without catalysts to stimulate meaningful and sustained economic change, we can expect weak local property fundamentals to prevail in the medium-term. GDP growth is expected to be lacklustre, plagued primarily by electricity supply constraints and the weak global environment. Compounding the situation is the lack of clarity on contentious reforms, including land expropriation without compensation, the national health insurance, prescribed assets and the sale of ill-functioning state entities. The trigger for the upturn will begin with restoring confidence – it is not going to be through the conventional means of global, monetary or fiscal policy, it must be political. As we recalibrate to an environment of costly capital and a leasing environment reshaped by low levels of confidence and continued subdued economic fundamentals, we believe that our purpose-driven strategic approach is appropriate for the environment in which we are operating.

We are pleased to report that Redefine has achieved its market guidance of 4% growth (101.00 cents per share) in distribution per share for 2019. In the light of our operating context and given that our top priority is to strengthen our balance sheet, we are expecting our 2020 distribution per share to be in line with that of 2019, and we anticipate a comparable pay-out ratio.

Grey swan events are seen as unlikely but new risks no doubt will emerge. We brace ourselves to expect the unexpected and to continue future proofing ourselves without being distracted by waiting in anticipation of the Grey swan to appear. We remain focused on our purpose to remain resolute on what matters most to achieve our primary goal of sustained value creation for all our stakeholders.

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.

## Declaration of a cash dividend

As we recalibrate to an environment of scarce and costly capital and in pursuit of maintaining a sustainable capital structure the Board has resolved to introduce a dividend pay-out ratio policy. The policy is aimed at reserving sufficient cash from our distributable income to fund near term operational capital expenditure requirements while being cognisant of not creating unintended tax leakage for shareholders. The Board has declared a dividend of 48.13000 cents per share for the six months ended 31 August 2019. This represents a pay-out ratio of 92.9% or a retention amount of R200 million in cash.

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 38.50400 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:

| | |
|---|---|
| Last date to trade *cum* dividend: | Tuesday, 19 November 2019 |
| Shares trade *ex* dividend: | Wednesday, 20 November 2019 |
| Record date: | Friday, 22 November 2019 |
| Payment date: | Monday, 25 November 2019 |

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 20 November 2019 and Friday, 22 November 2019, both days inclusive. Payment of the dividend will be made to shareholders on Monday, 25 November 2019. In respect of dematerialised shareholders, the dividend will be transferred to the CSDP accounts/broker accounts on Monday, 25 November 2019. Certificated shareholders' dividend payments will be deposited on or about Monday, 25 November 2019.

Shares in issue at the date of declaration of dividend: 5 793 183 210

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

## 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

At the annual general meeting held on 14 February 2019, shareholders approved the appointment of PricewaterhouseCoopers Inc., together with John Bennett as the designated audit partner as auditors of Redefine.

## Change in directorate

With effect from 3 May 2019, Sipho Pityana was appointed to the board of directors as the independent non-executive chairman.

On 31 August 2019, Marc Wainer retired from the board. The board thanks Marc for his invaluable contribution to Redefine and wishes him well in his future endeavours.

Daisy Naidoo was appointed to the board of directors on 28 August 2019, and has been appointed as the chairperson of the audit committee effective 14 October 2019. Ntombi Langa-Royds, previously appointed as a member of the committee on a temporary basis, stepped down as a member of the audit committee on 14 October 2019.

## Restatement

### Re-presentation of changes in fair values on the statement of profit or loss and other comprehensive income

In the prior year, changes in fair values were shown as one line item on the statement of profit or loss and other comprehensive income. In the restated comparatives, this line item was separated out into changes in fair values of investment properties and changes in fair values of financial instruments to better represent the operations of the group.

This change was applied retrospectively and the following line items were effected:

| **Figures in R'000s** | Previously reported 31 August 2018 | Adjustments | Restated 31 August 2018 |
|---|---|---|---|
| **STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | | | |
| Changes in fair values | 1 679 220 | (1 679 220) | – |
| Changes in fair values of investment properties | – | 2 594 040 | 2 594 040 |
| Changes in fair values of financial instruments | – | (914 820) | (914 820) |

## Basis of preparation

These summarised consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), 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 the previous financial statements except for the changes in accounting policy relating to the new standards and interpretations which became effective to the Group for the financial year beginning 1 September 2018 (refer to page 35). These summarised consolidated financial statements are extracted from the audited information but are not themselves audited by PricewaterhouseCoopers 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.

## Significant judgement, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from these estimates. Judgement, estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which they were revised and in any future periods affected.

Key judgements, estimates and assumptions which have the most significant effect on the financial statements include:

- valuation of investment properties and properties under development;
- impairment of investments in associates; and
- significant influence and control assessment.

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

4 November 2019
Redefine Properties Limited

# Results

# Statement of profit or loss and other comprehensive income

| Figures in R'000s | Audited 2019 | Restated* Audited 2018 |
|---|---|---|
| **Continuing operations** | | |
| **Revenue** | | |
| Property portfolio revenue | **8 637 504** | 8 133 099 |
| – Contractual rental income | **8 543 800** | 7 879 370 |
| – Straight-line rental income accrual | **93 704** | 253 729 |
| Investment income | **153 698** | 308 223 |
| **Total revenue** | **8 791 202** | 8 441 322 |
| **Costs** | | |
| Operating costs | **(2 935 506)** | (2 637 956) |
| Administration costs | **(376 015)** | (365 144) |
| **Net operating profit** | **5 479 681** | 5 438 222 |
| Other gains | **113 531** | 245 470 |
| Loss on disposal of interest in associates and joint ventures | **–** | (57 787) |
| Changes in fair values of investment properties | **1 490 979** | 2 594 040 |
| Changes in fair values of financial instruments | **(1 318 158)** | (914 820) |
| Amortisation of intangible asset | **(62 856)** | (62 856) |
| Impairments | **(407 353)** | (1 053 753) |
| Net equity-accounted (loss)/profit (net of taxation) | **(315 972)** | 2 541 427 |
| **Profit before finance costs and taxation** | **4 979 852** | 8 729 943 |
| Net interest costs | **(1 486 470)** | (1 511 179) |
| – Interest income | **1 061 828** | 919 828 |
| – Interest expense | **(2 548 298)** | (2 431 007) |
| Foreign exchange gains/(losses) | **44 115** | (69 254) |
| **Profit before taxation** | **3 537 497** | 7 149 510 |
| Taxation | **(43 113)** | (532 682) |
| **Profit for the year** | **3 494 384** | 6 616 828 |
| Attributable to: | | |
| – Redefine Properties Limited shareholders | **3 341 893** | 6 575 079 |
| – Non-controlling interests | **152 491** | 41 749 |
| **Other comprehensive income** | **24 374** | 1 469 289 |
| *Items that may not be reclassified subsequently to profit or loss* | | |
| Share of revaluation of property, plant and equipment of an associate | **–** | 4 126 |
| *Items that are or may be reclassified subsequently to profit or loss* | | |
| Exchange differences on translation of foreign operations: | | |
| – Subsidiaries | **(32 210)** | 155 016 |
| – Associates | **56 584** | 942 336 |
| Reclassification of foreign currency differences on loss of significant influence | **–** | 367 811 |
| **Total comprehensive income for the year** | **3 518 758** | 8 086 117 |
| Attributable to: | | |
| – Redefine Properties Limited shareholders | **3 369 177** | 8 035 162 |
| – Non-controlling interests | **149 581** | 50 955 |
| **Earnings per share from continuing operations** | | |
| – Basic | **61,76** | 123,07 |
| – Diluted | **61,55** | 123,01 |

** For more details on the restatements refer to page 10 of these summarised results.*

# Statement of financial position

## as at 31 August 2019

| Figures in R'000s | Audited 2019 | Audited 2018 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **99 422 252** | 95 843 287 |
| Investment properties | **78 640 182** | 74 395 956 |
| – Fair value of investment properties | **72 794 853** | 66 271 904 |
| – Straight-line rental income accrual | **2 291 651** | 2 197 947 |
| – Properties under development | **3 553 678** | 5 926 105 |
| Listed securities | **937 288** | 1 935 843 |
| Goodwill and intangible assets | **5 622 459** | 5 746 203 |
| Investment in associates | **11 850 004** | 11 508 630 |
| Derivative assets | **71 500** | 34 754 |
| Loans receivable | **1 731 921** | 1 930 342 |
| Other financial assets | **373 387** | 218 890 |
| Property, plant and equipment | **195 511** | 72 669 |
| **Current assets** | **2 239 092** | 2 300 847 |
| Properties held-for-trading | **451 883** | 28 943 |
| Trade and other receivables | **1 120 777** | 1 076 079 |
| Loans receivable | **180 047** | 767 806 |
| Derivative assets | **76 259** | 6 041 |
| Taxation receivable | **3 432** | – |
| Cash and cash equivalents | **406 694** | 421 978 |
| **Non-current assets held-for-sale** | **1 081 659** | 549 089 |
| **Total assets** | **102 743 003** | 98 693 223 |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | **56 569 476** | 58 149 200 |
| Shareholders' interest | **55 960 310** | 57 677 363 |
| – Stated capital | **44 589 066** | 44 329 101 |
| – Accumulated profit | **10 597 777** | 12 617 787 |
| – Other reserves | **773 467** | 730 475 |
| Non-controlling interests | **609 166** | 471 837 |
| **Non-current liabilities** | **39 234 899** | 35 513 831 |
| Interest-bearing borrowings | **34 754 868** | 31 151 253 |
| Interest-bearing borrowings at fair value | **1 971 088** | 2 502 753 |
| Derivative liabilities | **1 498 645** | 907 687 |
| Other financial liabilities | **75 670** | 86 167 |
| Deferred taxation | **934 628** | 865 971 |
| **Current liabilities** | **6 938 628** | 5 030 192 |
| Trade and other payables | **2 020 682** | 2 278 322 |
| Interest-bearing borrowings | **3 908 104** | 2 469 899 |
| Interest-bearing borrowings at fair value | **551 635** | – |
| Interest accrual on interest-bearing borrowings | **368 724** | 262 081 |
| Derivative liabilities | **78 806** | 13 852 |
| Other financial liabilities | **10 677** | – |
| Taxation payable | **–** | 6 038 |
| **Total equity and liabilities** | **102 743 003** | 98 693 223 |

# Statement of cash flows

| Figures in R'000s | **Audited 2019** | Audited 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash generated from operations | **5 267 179** | 6 399 525 |
| Interest received | **899 642** | 738 279 |
| Interest paid | **(2 451 727)** | (2 602 039) |
| Taxation received/(paid) | **20 579** | (569 083) |
| Dividends and interest received from associates and joint ventures | **889 099** | 1 016 328 |
| **Net cash inflow from operating activities** | **4 624 772** | 4 983 010 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition and development of investment properties | **(4 900 832)** | (5 879 783) |
| Acquisition of property, plant and equipment | **(9 332)** | (13 720) |
| Acquisition of other financial assets | **(46 913)** | (138 315) |
| Acquisition of subsidiary (net of cash acquired) | **–** | (1 231 495) |
| Investments in associates and joint ventures | **(2 036 115)** | (987 570) |
| Proceeds on disposal of investment properties | **1 422 951** | 2 826 030 |
| Proceeds on disposal of non-current assets held-for sale (other than investment properties) | **–** | 3 888 275 |
| Proceeds on disposal of listed securities | **205 117** | 33 789 |
| Proceeds on the disposal of property, plant and equipment | **1 359** | 249 |
| Proceeds on disposal of shares in associates and joint ventures | **–** | 2 007 117 |
| Proceeds on disposal of other financial assets | **53 133** | – |
| Other financial liabilities raised on investments made | **–** | 44 257 |
| Loans receivable repaid | **970 457** | 369 496 |
| Loans receivable advanced | **(325 416)** | (1 016 073) |
| **Net cash outflow from investing activities** | **(4 665 591)** | (97 743) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Shares issued | **259 965** | 1 258 279 |
| Dividends paid | **(5 349 819)** | (5 031 252) |
| Shares issued to non-controlling interests | **13 311** | 148 685 |
| Disposal of non-controlling interests | **(5 247)** | (66 681) |
| Dividends paid to non-controlling interests | **(26 229)** | (75 125) |
| Interest-bearing borrowings raised | **9 647 973** | 8 329 784 |
| Interest-bearing borrowings repaid | **(4 524 493)** | (9 072 536) |
| **Net cash inflow/(outflow) from financing activities** | **15 461** | (4 508 846) |
| Net (decrease)/increase in cash and cash equivalents | **(25 358)** | 376 421 |
| Cash and cash equivalents at the beginning of the year | **421 978** | 180 661 |
| Effect of foreign currency exchange fluctuations | **10 074** | (135 104) |
| **Cash and cash equivalents at end of year** | **406 694** | 421 978 |

# Statement of changes in equity

| Figures in R'000s | Stated capital | Accumulated profit | Foreign currency translation reserve |
|---|---|---|---|
| **Audited 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 an associate | – | 5 921 | – |
| Share of post-acquisition change in net assets of associates | – | – | – |
| *Transactions with owners (changes in ownership interests)* | – | (63 555) | – |
| Change in ownership of subsidiary with NCI | – | (63 555) | – |
| Acquisition of subsidiary with NCI | – | – | – |
| **Audited balance as at 31 August 2018** | **44 329 101** | **12 617 787** | **641 580** |
| *Total comprehensive income for the year* | **–** | **3 341 893** | **27 284** |
| Profit for the year | **–** | **3 341 893** | **–** |
| Other comprehensive income for the year | **–** | **–** | **27 284** |
| *Transactions with owners (contributions and distributions)* | **259 965** | **(5 355 990)** | **–** |
| Issue of ordinary shares | **259 965** | **–** | **–** |
| Dividends | **–** | **(5 349 819)** | **–** |
| Recognition of share-based payments | **–** | **(6 171)** | **–** |
| Share of post-acquisition change in net assets of associate | **–** | **–** | **–** |
| *Transactions with owners (changes in ownership interests)* | **–** | **(5 913)** | **–** |
| Change in ownership of subsidiary with NCI | **–** | **(5 913)** | **–** |
| Acquisition of subsidiary with NCI | **–** | **–** | **–** |
| **Audited balance as at 31 August 2019** | **44 589 066** | **10 597 777** | **668 864** |

**Dividend per share (cents)**

Interim

Final^

*^ 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 |
|---|---|---|---|---|
| **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** |
| **–** | **–** | **3 369 177** | **149 581** | **3 518 758** |
| **–** | **–** | **3 341 893** | **152 491** | **3 494 384** |
| **–** | **–** | **27 284** | **(2 910)** | **24 374** |
| **(1 184)** | **16 892** | **(5 080 317)** | **(12 918)** | **(5 093 235)** |
| **–** | **–** | **259 965** | **13 311** | **273 276** |
| **–** | **–** | **(5 349 819)** | **(26 229)** | **(5 376 048)** |
| **(1 184)** | **–** | **(7 355)** | **–** | **(7 355)** |
| **–** | **16 892** | **16 892** | **–** | **16 892** |
| **–** | **–** | **(5 913)** | **666** | **(5 247)** |
| **–** | **–** | **(5 913)** | **666** | **(5 247)** |
| **–** | **–** | **–** | **–** | **–** |
| **57 179** | **47 424** | **55 960 310** | **609 166** | **56 569 476** |

| 2019 | 2018 |
|---|---|
| 97,32 | 97,10 |
| 49,19 | 47,30 |
| 48,13 | 49,80 |

# Segmental report – Audited

| Figures in R'000s | Office | Retail |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | |
| Investment properties (including straight-line rental income accrual) | 24 986 554 | 27 943 702 |
| Properties under development | 217 232 | 371 469 |
| Listed securities | – | – |
| Goodwill and intangible assets | 1 913 810 | 2 883 662 |
| Investment in associates | – | – |
| Loans receivable | – | – |
| Property, plant and equipment | 105 096 | 4 |
| Properties held-for-trading | – | – |
| Non-current assets held-for-sale | 90 000 | 494 204 |
| Other assets | – | – |
| **Total assets** | **27 312 692** | **31 693 041** |
| 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 | 2 824 905 | 3 418 066 |
| Straight-line rental income accrual | (32 420) | 79 165 |
| Investment income | – | – |
| **Total revenue** | **2 792 485** | **3 497 231** |
| Operating costs | (854 230) | (1 342 247) |
| Administration costs | – | – |
| **Net operating profit** | **1 938 255** | **2 154 984** |
| Other gains | – | – |
| Net changes in fair values | (415 357) | 418 513 |
| Amortisation of intangible assets | – | – |
| Impairments | – | – |
| Net equity-accounted loss (net of taxation) | – | – |
| **Profit before finance costs and taxation** | **1 522 898** | **2 573 497** |
| Interest income | – | – |
| Interest expense | – | – |
| Foreign exchange gains | – | – |
| **Profit before taxation** | **1 522 898** | **2 573 497** |
| Taxation | – | – |
| **Profit for the year** | **1 522 898** | **2 573 497** |
| Non-controlling interests | – | – |
| Profit for the year attributable to Redefine Properties Limited shareholders | **1 522 898** | **2 573 497** |

| | | 2019 | | | |
|---|---|---|---|---|---|
| **Industrial** | **Specialised** | **Head office** | **Local** | **International** | **Total** |
| 12 427 957 | 2 856 488 | – | 68 214 701 | 6 871 803 | 75 086 504 |
| 1 230 882 | – | – | 1 819 583 | 1 734 095 | 3 553 678 |
| – | – | 178 248 | 178 248 | 759 040 | 937 288 |
| 510 710 | – | 314 277 | 5 622 459 | – | 5 622 459 |
| – | – | – | – | 11 850 004 | 11 850 004 |
| – | – | 1 301 772 | 1 301 772 | 610 196 | 1 911 968 |
| – | 32 677 | 54 903 | 192 680 | 2 831 | 195 511 |
| 56 549 | 395 334 | – | 451 883 | – | 451 883 |
| 48 195 | – | – | 632 399 | 449 260 | 1 081 659 |
| – | – | 1 158 695 | 1 158 695 | 893 354 | 2 052 049 |
| **14 274 293** | **3 284 499** | **3 007 895** | **79 572 420** | **23 170 583** | **102 743 003** |
| – | – | 30 718 206 | 30 718 206 | 7 944 766 | 38 662 972 |
| – | – | – | – | 2 522 723 | 2 522 723 |
| – | – | 2 724 834 | 2 724 834 | 2 262 998 | 4 987 832 |
| **–** | **–** | **33 443 040** | **33 443 040** | **12 730 487** | **46 173 527** |
| | | | | | |
| 1 437 868 | 337 088 | – | 8 017 927 | 525 873 | 8 543 800 |
| 66 446 | (19 487) | – | 93 704 | – | 93 704 |
| – | – | 89 751 | 89 751 | 63 947 | 153 698 |
| **1 504 314** | **317 601** | **89 751** | **8 201 382** | **589 820** | **8 791 202** |
| (393 744) | (134 470) | – | (2 724 691) | (210 815) | (2 935 506) |
| – | – | (280 158) | (280 158) | (95 857) | (376 015) |
| **1 110 570** | **183 131** | **(190 407)** | **5 196 533** | **283 148** | **5 479 681** |
| – | – | 72 912 | 72 912 | 40 619 | 113 531 |
| 207 074 | 52 838 | (1 107 772) | (844 704) | 1 017 525 | 172 821 |
| – | – | (62 856) | (62 856) | – | (62 856) |
| – | – | (103 794) | (103 794) | (303 559) | (407 353) |
| – | – | – | – | (315 972) | (315 972) |
| **1 317 644** | **235 969** | **(1 391 917)** | **4 258 091** | **721 761** | **4 979 852** |
| – | – | 915 574 | 915 574 | 146 254 | 1 061 828 |
| – | – | (2 161 205) | (2 161 205) | (387 093) | (2 548 298) |
| – | – | – | – | 44 115 | 44 115 |
| **1 317 644** | **235 969** | **(2 637 548)** | **3 012 460** | **525 037** | **3 537 497** |
| – | – | (25 062) | (25 062) | (18 051) | (43 113) |
| **1 317 644** | **235 969** | **(2 662 610)** | **2 987 398** | **506 986** | **3 494 384** |
| – | – | (49 532) | (49 532) | (102 959) | (152 491) |
| **1 317 644** | **235 969** | **(2 712 142)** | **2 937 866** | **404 027** | **3 341 893** |

# Segmental report – Audited

| Figures in R'000s | Office | Retail |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | |
| Investment properties (including straight-line rental income accrual) | 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 | – | – |
| Loans receivable | – | – |
| Non-current assets held-for-sale | 378 851 | 84 610 |
| Properties held-for-trading | – | – |
| Other assets | – | – |
| **Total assets** | **27 764 445** | **30 653 353** |
| Interest-bearing borrowings | – | – |
| Interest-bearing borrowings at fair value | – | – |
| Other liabilities | – | – |
| **Total liabilities** | **–** | **–** |
| **STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | | |
| Contractual rental income | 2 917 649 | 3 297 234 |
| Straight-line rental income accrual | 122 316 | 41 504 |
| Investment income | – | – |
| **Total revenue** | **3 039 965** | **3 338 738** |
| Operating costs | (876 054) | (1 277 879) |
| Administration costs | – | – |
| **Net operating profit** | **2 163 911** | **2 060 859** |
| Other gains | – | – |
| Loss on disposal of interest in associates and joint ventures | – | – |
| Net changes in fair values | 876 727 | 1 555 349 |
| Amortisation of intangible assets | – | – |
| Impairments | – | – |
| Net equity-accounted profit (net of taxation) | – | – |
| **Profit before finance costs and taxation** | **3 040 638** | **3 616 208** |
| Interest income | – | – |
| Interest expense | – | – |
| Foreign exchange gains | – | – |
| **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** |

Commentary
Results
Disclosure
New standards

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

# Earnings and headline earnings

| Figures in R'000s | **Audited 2019** | Audited 2018 |
|---|---|---|
| **EARNINGS AND HEADLINE EARNINGS** | | |
| **Reconciliation of basic earnings to headline earnings** | | |
| Profit for the year attributable to Redefine shareholders | **3 341 893** | 6 575 079 |
| Change in fair value of properties | **(1 368 522)** | (2 571 822) |
| – Change in fair value of properties | **(1 490 979)** | (2 594 040) |
| – Non-controlling interest | **122 457** | 22 218 |
| Bargain purchase on additional acquisition of associate | **–** | (78 127) |
| Bargain purchase on acquisition of subsidiaries | **–** | (13 392) |
| Loss on disposal of interest in associate | **–** | 57 787 |
| Profit on dilution of ownership interest in an associate | **46 081** | 123 403 |
| Adjustment on remeasurements, included in equity-accounted earnings of associates | **(292 133)** | (1 467 593) |
| – Adjustment on remeasurements, included in equity-accounted earnings of associates | **(325 514)** | (1 651 975) |
| – Tax adjustment | **33 381** | 184 382 |
| Revaluation of property, plant and equipment | **5 283** | – |
| Impairments | **407 353** | 1 053 753 |
| Insurance proceeds received | **(533)** | – |
| **Headline earnings attributable to Redefine shareholders** | **2 139 422** | 3 679 088 |
| Actual number of shares in issue ('000)* | **5 431 786** | 5 404 403 |
| Weighted average number of shares in issue ('000)* | **5 411 530** | 5 342 395 |
| Diluted weighted average number of shares in issue ('000)* | **5 428 383** | 5 356 688 |
| Basic earnings per share (cents) | **61,76** | 123,07 |
| Diluted earnings per share (cents) | **61,55** | 123,01 |
| Headline earnings per share (cents) | **39,53** | 68,87 |
| Diluted headline earnings per share (cents) | **39,39** | 68,70 |

** Excludes 361 396 896 (2018: 361 396 896) treasury shares.*

# Net asset value per share and net tangible asset per share

| | | **2019** | 2018 |
|---|---|---|---|
| Number of shares in issue^ | ('000) | **5 431 786** | 5 404 403 |
| Net asset value per share (excluding deferred tax and NCI) | (cents) | **1 047,44** | 1 083,25 |
| Net tangible asset value per share (excluding deferred tax, NCI and goodwill and intangible assets) | (cents) | **943,93** | 976,93 |

*^ Excludes 361 396 896 (2018: 361 396 896) treasury shares.*

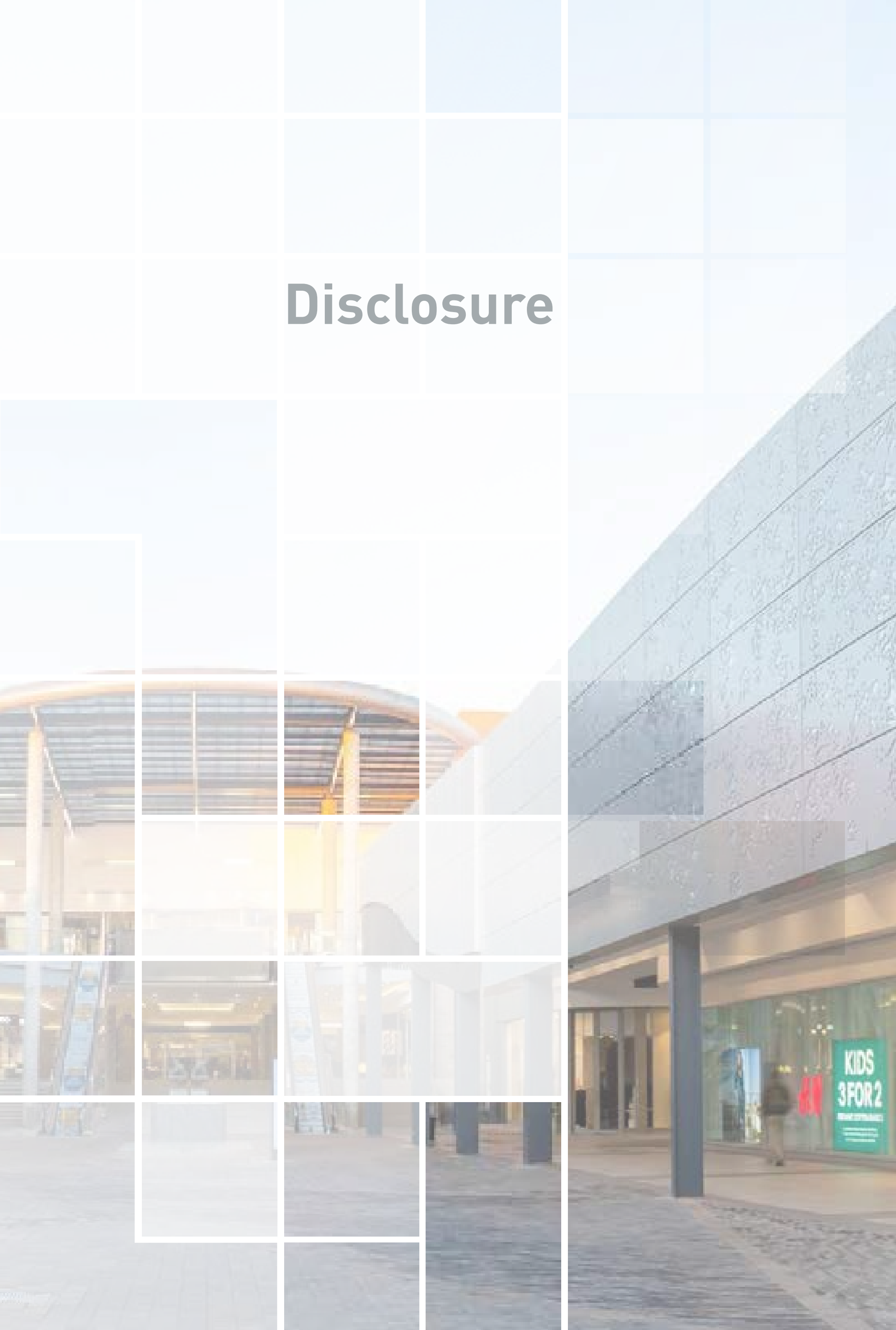
# Reconciliation of profit for the year to distributable earnings

| Figures in R'000s | **Audited 2019** | Audited 2018 |
|---|---|---|
| Profit for the year attributable to Redefine shareholders | **3 341 893** | 6 575 079 |
| Changes in fair values (net of NCI) | **(50 364)** | (1 657 002) |
| Straight-line rental income accrual (net of NCI) | **(93 704)** | (253 729) |
| Gain on bargain purchase (net of NCI) | **–** | (13 392) |
| Amortisation of intangible assets | **62 856** | 62 856 |
| Impairments | **407 353** | 1 053 753 |
| Capital gains taxation (refund)/paid | **(41 180)** | 511 429 |
| Deferred taxation (net of NCI) | **75 416** | (46 538) |
| Unrealised foreign exchange gains/(losses) and realised foreign currency translation reserve (net of NCI) | **(19 489)** | 138 624 |
| Non-distributable items of associates | **1 405 600** | (1 359 487) |
| Loss on disposal of interest in associates and joint ventures | **–** | 57 787 |
| Transaction costs relating to business acquisitions (net of NCI) | **19 799** | 90 107 |
| Antecedent distribution | **6 770** | 39 628 |
| Accrual for listed security income (REIT distribution declared post-year-end) | **(4 352)** | 19 926 |
| Cornwall interest | **91 204** | 25 004 |
| Other distributable income/(expense) | **270 833** | (16 566) |
| **Distributable income for the year** | **5 472 635** | 5 227 479 |
| Interim | **2 658 426** | 2 536 085 |
| Final | **2 814 209** | 2 691 394 |
| **Actual number of shares in issue ('000)** | | |
| – Interim | **5 404 403** | 5 361 701 |
| – Final | **5 431 786** | 5 404 403 |
| **Distribution per share (cents)** | **101,00** | 97,10 |
| – Interim | **49,19** | 47,30 |
| – Final | **51,81** | 49,80 |
| **Dividend per share (cents)** | **97,32** | 97,10 |
| – Interim | **49,19** | 47,30 |
| – Final | **48,13** | 49,80 |

# Distributable income analysis

| Figures in R'000s | South Africa | International | Total |
|---|---|---|---|
| Contractual rental income (excluding straight-line rental accrual) | 8 017 927 | 525 873 | **8 543 800** |
| Investment income | 89 751 | 63 947 | **153 698** |
| **Total revenue** | 8 107 678 | 589 820 | **8 697 498** |
| Operating costs | (2 724 691) | (210 815) | **(2 935 506)** |
| Administration costs | (280 158) | (95 857) | **(376 015)** |
| **Net operating profit** | 5 102 829 | 283 148 | **5 385 977** |
| Other gains | 72 912 | 40 619 | **113 531** |
| Distributable equity income | – | 1 089 628 | **1 089 628** |
| **Net distributable profit before finance costs and taxation** | 5 175 741 | 1 413 395 | **6 589 136** |
| Net interest costs | (1 245 631) | (240 839) | **(1 486 470)** |
| – Interest income | 915 574 | 146 254 | **1 061 828** |
| – Interest expense | (2 161 205) | (387 093) | **(2 548 298)** |
| Distributable foreign exchange gain | – | 27 880 | **27 880** |
| **Net distributable profit before taxation** | 3 930 110 | 1 200 436 | **5 130 546** |
| Current taxation and withholding taxation | – | (6 833) | **(6 833)** |
| **Net income for the year** | 3 930 110 | 1 193 603 | **5 123 713** |
| Non-controlling interest share of distributable income | (26 612) | (9 630) | **(36 242)** |
| **Net income before distributable adjustments** | 3 903 498 | 1 183 973 | **5 087 471** |
| *Below the line distributable income adjustments:* | | | |
| – Antecedent distribution | 6 770 | – | **6 770** |
| – Accrual for listed security income | – | (4 352) | **(4 352)** |
| – Transaction costs relating to business acquisitions | 2 517 | 18 192 | **20 709** |
| – Other distributable income | 91 204 | 270 833 | **362 037** |
| **Distributable income** | 4 003 989 | 1 468 646 | **5 472 635** |

# Disclosure



# Financial instruments and investment property fair value disclosure – Audited

## Categories of financial instruments

| Figures in R'000s | At amortised cost | At fair value through profit or loss | Total |
|---|---|---|---|
| **Year ended 31 August 2019** | | | |
| ***Financial assets*** | | | |
| Listed securities | – | 937 288 | **937 288** |
| Derivative assets | – | 147 759 | **147 759** |
| Loans receivable* | 1 906 737 | 112 032 | **2 018 769** |
| Other financial assets | – | 373 387 | **373 387** |
| Trade and other receivables | 788 796 | – | **788 796** |
| Cash and cash equivalents | 406 694 | – | **406 694** |
| | 3 102 227 | 1 570 466 | **4 672 693** |

| Figures in R'000s | At amortised cost | At fair value through profit or loss | Total |
|---|---|---|---|
| ***Financial liabilities*** | | | |
| Interest-bearing borrowings | 38 662 972 | – | **38 662 972** |
| Interest-bearing borrowings at fair value | – | 2 522 723 | **2 522 723** |
| Interest accrual on interest-bearing borrowings | 368 724 | – | **368 724** |
| Derivative liabilities | – | 1 577 451 | **1 577 451** |
| Other financial liabilities | 39 426 | 46 921 | **86 347** |
| Trade and other payables | 1 712 839 | – | **1 712 839** |
| | 40 783 961 | 4 147 095 | **44 931 056** |

For all financial instruments carried at amortised cost, interest is market related and, therefore, the amortised cost reasonably approximates the fair value.

** Includes a loan receivable classified as a Non-current asset held-for-sale.*

## Categories of financial instruments

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

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

# Financial instruments and investment property fair value disclosure – Audited

## Fair value hierarchy for financial instruments and investment property

IFRS 13 requires that an entity disclose 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.

| Figures in R'000s | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **2019** | | | | |
| ***Assets*** | | | | |
| Investment properties* | **79 285 643** | – | – | 79 285 643 |
| Listed securities | **937 288** | 937 288 | – | – |
| Derivative assets | **147 759** | – | 147 759 | – |
| Other financial assets | **373 387** | – | – | 373 387 |
| Loans receivable | **112 032** | – | – | 112 032 |
| | **80 856 109** | 937 288 | 147 759 | 79 771 062 |
| ***Liabilities*** | | | | |
| Interest-bearing borrowings at fair value | **2 522 723** | 2 522 723 | – | – |
| Derivative liabilities | **1 577 451** | – | 1 569 597 | 7 854 |
| Other financial liabilities | **46 921** | – | – | 46 921 |
| | **4 147 095** | 2 522 723 | 1 569 597 | 54 775 |

**Level 3 reconciliation**

| Figures in R'000s | Balance at beginning of year | Gains/(losses) in profit or loss for the year | Acquisitions/ (disposals) | Balance at end of year |
|---|---|---|---|---|
| **2019** | | | | |
| Investment properties | 68 469 851 | 1 715 768 | 4 900 885 | **75 086 504** |
| Properties under development | 5 926 105 | (180 428) | (2 191 999) | **3 553 678** |
| Investment properties held-for-sale | 549 089 | 4 446 | 91 926 | **645 461** |
| Other financial assets | 218 890 | 160 341 | (5 844) | **373 387** |
| Loans receivable# | – | (26 873) | 138 905 | **112 032** |
| Derivative liabilities | – | (7 854) | – | **(7 854)** |
| Other financial liabilities | (51 287) | (9 749) | 14 115 | **(46 921)** |
| | 75 112 648 | 1 655 651 | 2 947 988 | **79 716 287** |

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

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

*# Loans receivable have been classified as fair value through profit or loss per first time adoption of IFRS 9.*

# Financial instruments and investment property fair value disclosure – Audited

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

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

**Level 3 reconciliation**

| Figures in R'000 | Balance at beginning of year | Gains/(losses) in profit or loss for the year | Acquisitions/ (disposals) | Balance at end of year |
|---|---|---|---|---|
| Investment properties | 59 243 224 | 2 850 658 | 6 375 969 | **68 469 851** |
| Properties under development | 3 948 869 | (31 997) | 2 009 233 | **5 926 105** |
| Investment properties held-for-sale | 2 403 756 | 269 650 | (2 124 317) | **549 089** |
| Other financial assets | – | 74 917 | 143 973 | **218 890** |
| Other financial liabilities | – | (27 461) | (23 826) | **(51 287)** |
| | 65 595 849 | 3 135 767 | 6 381 032 | **75 112 648** |

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

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

## Details of valuation techniques

The valuation techniques used in measuring fair values at 31 August 2019 for financial instruments 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 2018.

## 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 adjustment 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 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:

# Financial instruments and investment property fair value disclosure – Audited

| Unobservable inputs across sectors (% unless otherwise stated) | 2019 | 2018 |
|---|---|---|
| Expected market rental growth | **3.00 – 6.00** | 3.00 – 6.00 |
| Expected expense growth | **6.50 – 8.00** | 6.50 – 8.00 |
| Occupancy rate | **94.60** | 95.68 |
| Vacancy periods | **0 – 12 months** | 0 – 12 months |
| Rent-free periods | **0 – 6 months** | 0 – 6 months |
| **Office sector** | | |
| Discount rate | **10.00 – 17.00** | 10.00 – 17.00 |
| Exit capitalisation rate | **7.75-12.25** | 7.50 – 13.25 |
| Bulk rate | **R2 000 – R4 725 p/m²** | R2 000 – R4 725 p/m² |
| **Retail sector** | | |
| Discount rate | **12.00 – 17.00** | 11.75 – 17.00 |
| Exit capitalisation rate | **7.00 – 13.00** | 7.25 – 12.00 |
| Bulk rate | **R330 – R4 000 p/m²** | R330 – R4 000 p/m² |
| **Industrial sector** | | |
| Discount rate | **13.00 – 16.00** | 13.00 – 16.00 |
| Exit capitalisation rate | **8.00 – 12.00** | 8.00 – 11.50 |
| Bulk rate | **R400 – R1 850 p/m²** | R60 – R1 900 p/m² |
| **Specialised sector** | | |
| Discount rate | **14.00 – 14.50** | 14.00 – 14.50 |
| Exit capitalisation rate | **9.50 – 10.50** | 9.50 – 10.50 |
| **International sector** | | |
| Core yield | **–** | 6.25 – 7.50 |
| Discount rate | **7.00 – 9.00** | 6.25 – 7.50 |
| Exit capitalisation rate | **6.50 – 7.25** | – |
| Bulk rate | **R398 – R403 p/m²** | – |

## Measurement of fair value

### Valuation techniques

Valuations were completed using the following methods of valuation:

### Investment property – Discounted cash flow method

The valuation model generates a net present value for each property by discounting forecasted future cash flows and a residual value at the end of the cash flow 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, 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 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 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 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 redetermined 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); and
- bulk rate was higher/(lower).

# New standards

# New standards and interpretations adopted

## IFRS 9, Financial Instruments

### Classification and measurement of financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets and their cash flow characteristics are managed. IFRS 9 contains three principal classification categories for financial assets – Amortised cost, Fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVPL).

With exception of certain vendor loans of the Group, the measurement categories of financial instruments remained the same on the date of initial application, 1 September 2018.

**Vendor loans**
The Group's business model is achieved by collecting the contractual cash flows.

Where the contractual cash flows of the Vendor loans consist solely of principal and interest, the Group continued to classify and measure these loans at amortised cost.

Where the contractual cash flows of the Vendor loans did not consist solely of principle and interest, the Group reclassified and measured these Vendor loans to FVPL.

| R'000 | IAS 39 31 August 2018 Amortised cost | IFRS 9 – 1 September 2018 Amortised cost | IFRS 9 – 1 September 2018 FVPL |
|---|---|---|---|
| Loans receivable | 2 698 148 | 2 506 038 | 192 110 |

### Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost or FVOCI.

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

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

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

From 1 September 2018, the Group has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- loans receivable carried at amortised costs;
- trade receivable; and
- cash and cash equivalents.

The Group assesses on a forward-looking basis the expected credit losses associated with its loans receivable carried at amortised cost. The Group uses three main parameters to measure ECL on loans receivable carried at amortised cost. These are the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

For trade receivables, the Group applies the IFRS 9 simplified impairment provision matrix based on historical credit loss experiences to estimate lifetime ELC for all trade receivables.

ECLs are calculated by applying a loss ratio to the aged balance of the trade receivables at each reporting date. The loss ratio is calculated according to the aging of credit by applying historic/proxy write-offs to the payment profile of the credit population. The historic loss ratio is then adjusted for forward-looking information to determine the ECL for the portfolio of trade receivables at the reporting period to the extent that there is a strong correlation between the forward-looking information and the ECL.

While loan receivables at amortised costs, trade receivables and cash and cash equivalents are subject to the impairment requirements of IFRS 9, the impact of IFRS 9 expected credit losses compared to the loss allowance recognised based on IAS 39 was not material and did not lead to an adjustment of the accumulated profit as at 1 September 2018.

## Refinancing of financial liabilities

There was no impact from the adoption of IFRS 9 on the financial liabilities of the Group.

## IFRS 15, Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, replacing the existing revenue standards and the related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments.

The Group adopted IFRS 15 on 1 September 2018 and, as permitted by IFRS 15, did not restate its comparative financial results. The standard does not apply to revenue associated with leases and financial instruments, and therefore, does not impact the majority of the Group's revenue.

Revenue from lease components includes rent. Revenue recognition remains consistent with the accounting policies outlined in the most recent audited annual consolidated financial statements.

Revenue related to the services component of the Group's leases are accounted for in accordance with IFRS 15. These services consist primarily of operating costs recoveries for which the revenue is recognised over time, typically, as the costs are incurred, which is when the services are provided. This IFRS 15 treatment is the same as that applied previously under IAS 18.

The adoption of IFRS 15 did not have an impact on the timing of recognition or measurement of revenue and was limited to additional disclosure on the disaggregation of the Group's various revenue streams.

| **R'000** | **31 August 2019** | 31 August 2018 |
|---|---|---|
| Gross rental income (IAS 17) | **6 750 890** | 6 304 318 |
| Operating costs recoveries (IFRS 15) | **1 792 910** | 1 575 052 |
| **Contractual rental income** | **8 543 800** | 7 879 370 |

# 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

AJ König (Chief executive officer)
LC Kok (Financial director)

## Non-executive directors

SM Pityana (Chairman)*
ASP Dambuza*
B Mathews (Lead Independent)*
HK Mehta
D Naidoo*
LJ Sennelo*
M Barkhuysen*
NB Langa-Royds*
** 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

## Independent auditors

PricewaterhouseCoopers Inc.

ince

PROPERTIES



We're not landlords. We're people.