2020

Summary of audited group results

for the year ended 31 August 2020

REDEFINE PROPERTIES

We're not landlords. We're people.

Highlights

Increased solar PV capacity to
25.9 MWP

Concluded property asset disposals to realise
R13.4 billion

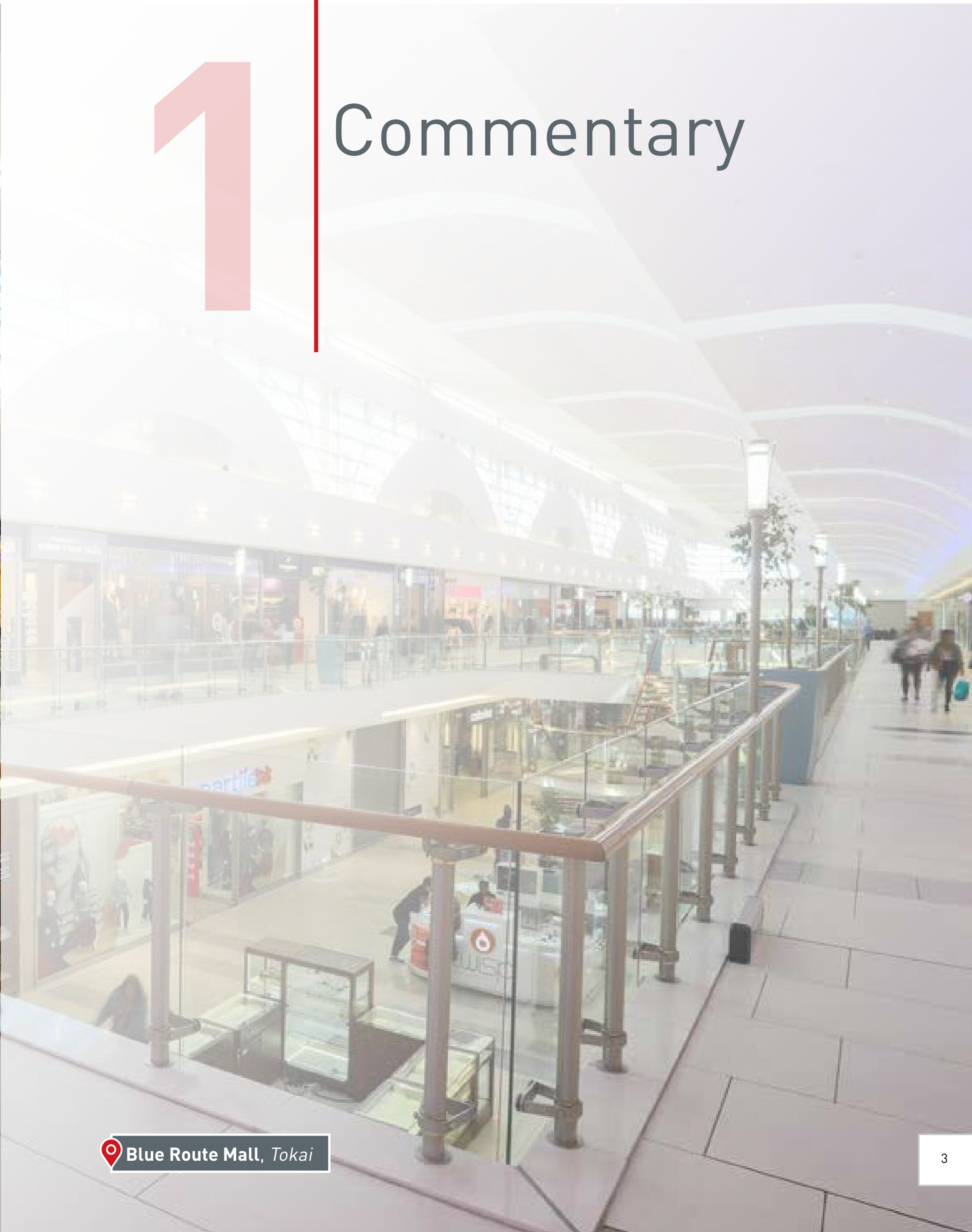
Healthy
liquidity levels

Tenant retention rate at
92.1%

Employee engagement score of **92%**
above global and local benchmark

Blue Route Mall, *Tokai*

1 Commentary



Blue Route Mall, *Tokai*

Profile

Redefine is a South African-based Real Estate Investment Trust (REIT), invested in a diverse property asset platform valued at R81.0 billion (FY19: R95.4 billion). Redefine's portfolio is predominately anchored in domestic directly held retail, office and industrial properties, and is complemented by retail and logistics property assets in Poland.

Redefine's purpose is to create and manage spaces in a way that changes lives, which requires more than a business-as-usual approach – it requires an integrated approach to sustain value creation for all stakeholders.

Redefine is listed on the Johannesburg Stock Exchange (JSE) and has a market capitalisation of R14.9 billion (FY19: R45.5 billion) as at 27 November 2020. 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 local and Polish real estate markets.

Redefine's diversified local property assets were valued at R65.4 billion (FY19: R72.8 billion). The group's international real estate investments, valued at R15.6 billion (FY19: R22.6 billion), represented 18.9% (FY19: 23.7%) of total property assets, providing geographic diversification to Poland and Australia.

Group loan-to-value (LTV) improvement plan

Redefine's top priority during the year was to address the group's LTV. Milestones achieved during 2020 resulting from the LTV improvement plan include:

- implementation of a dividend payout policy (Redefine was the first SA REIT to do so);
- disposed of properties realising R904.0 million;
- introduced an equity investor into European Logistics Investment ("ELI") to raise equity of €163 million (R3.2 billion);
- eliminated speculative development expenditure;
- no new local acquisitions;
- exited its investment in RDI REIT P.L.C. (RDI) for £106.3 million (R2.3 billion);
- entered into an agreement to sell the Journal Student Accommodation (JSAF) assets for AUD459.0 million (R5.1 billion). The sale of the Leicester Street site is now unconditional and proceeds are expected to be received on 11 December 2020. The Swanston Street sale is expected to close during 2021 once COVID-19 pandemic travel restrictions are lifted; and
- disposed of its investment in Cromwell Property Group (Cromwell). The proceeds were used to settle Australian debt of AUD53.3 million (R674.6 million).

The LTV improvement initiatives led to a 5.7% reduction in the LTV, while the destructive impact of COVID-19 on asset values increased the LTV by 7.8% – effectively negating the improvement initiatives. Therefore, in order to reduce the LTV ratio to below 40% by August 2021, further initiatives are required. A clear pathway has been set to achieve this target, which involves the receipt of the proceeds from the sale of the JSAF assets, further optimisation of the property asset base and limiting the cash outflow of dividends. The reduction of LTV remains a top priority for 2021.

Whilst the LTV improvement plan did not deliver the stated intention due to COVID-19, the plan did accelerate the transformation of the asset platform to become one which is now simplified, focused and significant in its respective sectors and geographies.

Financial results

Distributable income per share for the year ended 31 August 2020 amounted to 51.50 (FY19: 101.00) cents, a decrease of 49.0% on the prior year. Total revenue showed a marginal decline of 0.1% (FY19: growth of 4.1%). Given current volatile market conditions and uncertainty brought about by the pandemic, Redefine's offshore investments (with the exception of ELI) have withheld dividends during the year to preserve financial flexibility and bolster their liquidity. In addition, Redefine's local property portfolio performance was heavily impacted by the restrictions imposed by the government to curb the spread of COVID-19. This necessitated the granting of rental relief packages to support the sustainability of our tenants, amounting to R318.0 million. Credit losses have increased by R310.4 million given the heightened risk of tenants failing to meet their rental commitments. These factors account for the bulk of the distributable income decrease.

Redefine's property portfolio contributed 99.2% (FY19: 98.3%) of total revenue, with the remaining 0.8% (FY19: 1.7%) arising from investment income.

The operating cost margin increased to 38.9% (FY19: 34.4%) of contractual rental income (excluding straight-line rental income accrual). Net of electricity cost and utility recoveries, operating costs were 20.7% (FY19: 16.9%) of contractual rental income (excluding straight-line rental income accrual).

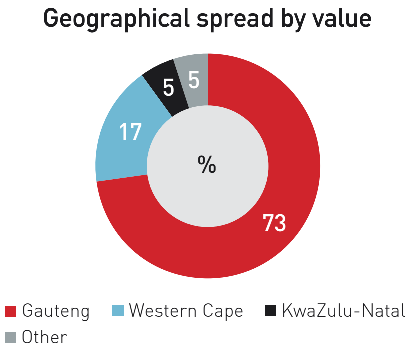
South African property portfolio

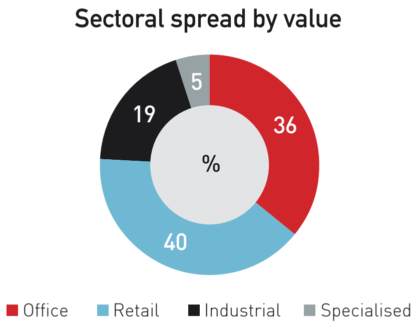
The active portfolio vacancy rate increased during the year to 7.3% (FY19: 5.1%). Leases covering 509 390m² (FY19: 454 049m²) were renewed during the year at an average rental decrease of 4.6% (FY19: -2.0%), while the tenant retention rate by GLA is 92.1% (FY19: 93.3%). A further 324 310m² (FY19: 387 448m²) was let across the portfolio. The student accommodation portfolio had an average occupancy of 84.8% (FY19: 83.7%) as at 31 August 2020. Net arrears amounted to R160.8 million (FY19: R87.0 million), representing 23.0% (FY19: 10.9%) of gross monthly rentals.

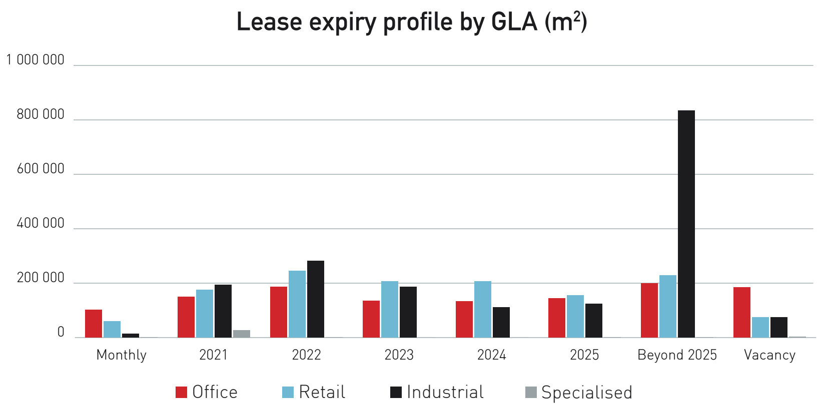
Vacancies

Sector	31 August 2020 before strategic vacancy	Vacant properties under redevelopment*	31 August 2020	31 August 2019
Office	**15.0%**	**1.2%**	**13.8%**	10.2%
Retail	**5.6%**	**–**	**5.6%**	4.6%
Industrial	**4.1%**	**–**	**4.1%**	1.8%
Specialised**	**6.5%**	**–**	**6.5%**	8.3%
Total	**7.6%**	**0.3%**	**7.3%**	5.1%

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







Redefine continues to implement its strategy of ensuring that its property portfolio remains relevant to our tenants' needs. Management's primary focus is to protect and improve the existing well-located tenants and on the disposal of non-core assets as part of the plan to reduce the LTV ratio.

Acquisitions: No properties were acquired locally during the year.

New developments: A warehouse development at S&J Stamphill (Jupiter), with GLA of 18 568m² and a cost of R94.4 million at an initial income yield of 9.3%, was completed during the year. Major projects in progress total R350.6 million at an average initial yield of 9.6%, and GLA of 81 882m² with a total year-to-date spend of R145.0 million. In addition, projects totalling R821.1 million (of which R748.8 million has been spent to date) for infrastructure at S&J, Atlantic Hills and Brackengate sites are currently under way. A fully let committed retail project of 10 008m², with a cost of R175.6 million and a projected initial yield of 9.8%, will commence in Little Falls during 2021.

Redevelopments: The redevelopment of 155 West Street was completed during the year, with a total cost of R301.8 million and an initial yield of 6.5%.

Disposals: During the year, six properties were disposed of for an aggregate consideration of R664.3 million, covering GLA of 80 943m² at an average yield of 10.7%, and various portions of vacant land for a total consideration of R166.4 million. In addition, Redefine disposed of 21 units in its Park Central residential development for R63.1 million. Agreements, subject to the usual conditions precedent, have been concluded for the disposal of four properties for an aggregate consideration of R474.7 million, covering GLA of 52 375m² at an average yield of 9.1%, and two portions of vacant land for a total consideration of R66.7 million.

Sustainability: Redefine has continued to invest in long-term renewable energy solutions. Our total renewable energy capacity is now 25.9 MWp (2019: 23.7 MWp). Four projects were completed during theyear (Golden Walk, Hillcrest Boulevard, AMR Office Park and Clearwater Office Park), adding 2.6 MWp to our total capacity, whilst the sale of Alberton Mall reduced our total capacity by 350 kWp.

International property portfolio

Redefine continues to execute its strategy of geographic diversification through expanding its exposure to the Polish logistics sector, to reduce risk and benefit from yield compression arising from development activity. ELI's active portfolio vacancy was 9.4% (FY19: 16.0%) at 31 August 2020, and the income-producing platform has a GLA of 527 070m², with developments under construction to add a further 144 589m².

Developments: During the year, land was acquired in Poland for €3.4 million (R60.8 million). Developments of €102.4 million (R1.8 billion) were completed during the year, with a total GLA of 160 175m², and an initial yield of 6.5%. Developments with a total cost of €99.2 million (R1.8 billion) (including land), with a total GLA of 144 589m², are currently in progress and are expected to achieve an initial yield of 6.5%.

Disposals Poland: As a liquidity measure, Strykow was disposed of at a yield of 6.1% during the year. To source capital to fund expansion, Redefine disposed of its controlling interest in ELI at the end of February 2020, reducing its shareholding from 95.0% to 46.5%. Madison International Holdings VII LLC (Madison) acquired 46.5% of ELI, and Griffin Partners acquired an additional 2.0%, increasing their shareholding from 5.0% to 7.0%.

ELI meets the definition of a joint venture, with Redefine and Madison being the joint venture partners. Redefine and Madison have contractually agreed to the sharing of control of ELI that requires unanimous consent by both parties on decisions about its relevant activities. ELI's shareholders have agreed to commit additional equity funding to expand ELI's property portfolio over the next three years. Madison and Redefine have both, at the inception of the joint venture, agreed to an equity commitment of €66.3 million (R1.3 billion), and Griffin has agreed to match this in relation to their shareholding. This disposal is part of Redefine's strategy to secure capital in a scarce and costly environment to fund the expansion and diversification of its logistics asset platform in Poland. Redefine's remaining equity commitment amounts to €48.0 million (R947.9 million), with earn-out fees of €18.6 million (R366.9 million) still to be received as developments are completed.

Disposals Australia: After completion of the Swanston Street development at a total cost of AUD107.6 million (R1.3 billion), Redefine announced the disposal of JSAF's two properties for AUD459.0 million (R5.1 billion). Redefine holds a 90% interest in JSAF. The disposal of JSAF's properties which accommodate 1 391 beds, is part of Redefine's portfolio refinement and LTV improvement strategy. The disposal was subject to certain conditions precedent and, as a result the properties, have been disclosed as non-current assets held-for-sale. On 5 November 2020, Redefine received notification that the last of the conditions precedent were fulfilled, and accordingly the settlement of the Leicester Street sale is expected to close on 11 December 2020. The settlement of Swanston Street remains subject to COVID-19 pandemic travel restrictions in relation to persons traveling to Australia with an Australian Student Visa from specified countries, being lifted with a long stop date of 30 June 2021 or as otherwise agreed by the parties.

In August 2020, Redefine sold its remaining investment in Cromwell, realising net proceeds of AUD53.3 million (R674.6 million). The proceeds have been used to part-settle in-country debt in Australia.

Disposals United Kingdom: To further advance its strategic priority of strengthening its balance sheet and simplifying and solidifying its asset platform, Redefine disposed of its entire shareholding in RDI for GBP106.3 million (R2.3 billion) in July 2020. Given that a portion of Redefine's investment in RDI was encumbered by an exchangeable bond issued in September 2016, Redefine had to buy back the bonds via a tender offer. The proceeds from the disposal of RDI were used to settle the exchangeable bond.

Disposal Africa: On 31 August 2020, Redefine disposed of its investment in its wholly-owned subsidiary, SB Wings Development (Pty) Ltd, which held a 40.6% share in Oando Wings Development Limited (Oando), to Growthpoint Investec African Properties Limited (GIAP), for $10.5 million (R174.3 million). In exchange, Redefine received a 3.7% equity interest in GIAP.

Investments in associates and joint ventures

		31 August 2020		31 August 2019	
	Stock exchange	**Carrying value R'000**	**Shares held %**	**Carrying value R'000**	**Shares held %**
EPP	LuxSE and JSE	**7 347 471**	**45.4**	9 023 856	45.4
RDI	LSE and JSE	**–**	**–**	2 826 148	29.4
ELI	Not listed	**1 261 227**	**46.5**	–	–
		8 608 698		11 850 004	

EPP: Given the prolonged decline in the share price of EPP and the impact of COVID-19 on its operations, the carrying value of EPP was subject to impairment testing in accordance with IAS 36: *Impairment of assets*. The impairment is calculated 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 EPP was accordingly impaired by R2.3 billion.

Redefine has an effective shareholding of 45.4%. To guard against the perception that Redefine may be able to exercise control through voting at general meetings, it has agreed to limit its voting rights exercisable at general meetings 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 EPP will be reflected as abstentions in relation to the relevant resolution.

ELI: The Madison sales price was referenced to determine the fair value of the retained 46.5% investment in ELI. The carrying amount of ELI at year end is R1.3 billion. No impairment test was performed for ELI as no impairment indicators were present.

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 2020	31 August 2019
AUD	**12.1902**	10.2851
EUR	**19.7328**	16.9140
GBP	**22.1230**	18.6601
USD	**16.5792**	15.3200

Changes in fair value

The group's property portfolio was independently valued by external valuers at 31 August 2020, resulting in a net decrease in value of R7.2 billion (FY19: net increase of R1.5 billion). This substantial decrease is principally because of the significant negative economic impact of the COVID-19 pandemic. In terms of IAS 40: *Investment property,* and IFRS 13: *Fair value measurement,* 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 bond which was settled during the current year was measured at fair value through profit and loss. The fair value was determined with reference to the Bloomberg Valuation Service price and was classified as level 1 in the fair value hierarchy. The exchangeable bond was partially redeemed in September 2019 as result of a put option available to bondholders and, in July 2020, the balance of the bond was early-settled, resulting in a decrease in the liability of R103.9 million (FY19: R20.0 million increase in the liability).

The fair value of the investment in listed securities decreased by R175.1 million (FY19: R793.4 million) and was mainly driven by the decrease in the Delta Property Fund Limited and Cromwell share prices during the year.

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 R2.4 billion (FY19: R522.1 million) in the group's liabilities.

The group measures the right-of-use assets (ROU) that meet the definition of investment property, using the fair value model applied to its investment property. ROU assets related to owner-occupied buildings are measured by applying the cost model relevant to that specific class of property, plant and equipment. Fair value adjustments to property, plant and equipment of R17.8 million relate to the ROU asset.

Non-current assets held-for-sale are measured at the lower of their carrying amount, and fair value less costs of disposal, with fair value movements recognised in profit and loss. Oando, which was classified as held-for-sale, incurred a fair value loss of R277.2 million during the current year. The net gain on foreign unlisted investments amounted to R44.7 million (FY19: R152.5 million).

In terms of IFRS 9: *Financial instruments* 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.

Goodwill and intangible assets

Economic conditions and the lack of catalysts for meaningful economic growth in South Africa, volatility of international markets exacerbated by trade restrictions, combined with the decreasing trend in the market capitalisation of the group, were indicators for impairment of the group's goodwill. As a result, the group's goodwill was subject to impairment testing in accordance with IAS 36. The carrying amount of the cash-generating unit (CGU) to which goodwill had been allocated was compared to the recoverable amount of the CGU, being its value-in-use. A discounted cash flow calculation was performed by using the forecasted future cash flows generated by the CGU, discounted at relevant market rates in order to calculate the value-in-use. This resulted in the impairment of goodwill of R5.0 billion (FY19: R60.8 million).

The ongoing increases in electricity-related costs, structural tariff changes and tenant mix were indicators of impairment of the electricity recovery business. The electricity recovery business was tested for impairment by comparing the carrying amount to the recoverable amount, being its value-in-use. A discounted cash flow calculation was performed by using the forecasted future cash flows generated by the CGU, discounted at relevant market rates in order to calculate the value-in-use. The carrying amount of the electricity recovery business was impaired by R275.4 million.

The remaining useful life of the right-to-manage property was reassessed during the year, and this led to an amortisation of R314.3 million.

Refer to note on Goodwill and Intangible assets, for further details on the valuation technique and unobservable inputs across the CGUs.

Interest-bearing borrowings

Redefine's interest-bearing borrowings (net of cash and cash equivalents, and including the mark-to-mark of cross-currency swaps) represented 47.9% (FY19: 43.9%) of the value of its property asset platform at 31 August 2020. The group's property asset platform comprises property, listed and unlisted shares, loans receivable, other financial assets and interests in associates and joint ventures. The average cost of rand-denominated funding is 8.1% (FY19: 9.1%), and interest rates are hedged on 84.8% (FY19: 92.6%) of local borrowings for an average period of 2.8 years (FY19: 2.8 years).

Including foreign currency debt and derivatives, the average cost of debt is 6.0% (FY19: 5.8%). Interest rates are hedged on 81.4% (FY19: 87.3%) of total borrowings for an average period of 2.8 years (FY19: 2.9 years). The interest cover ratio (which includes equity-accounted dividends and listed security income) is 2.6x (FY19: 4.3x).

Redefine had unutilised committed bank facilities of R2.6 billion (FY19: R5.6 billion) at 31 August 2020, which provides assurance that the group will be able to meet its short-term commitments.

Moody's credit rating

As a direct consequence of South Africa's sovereign rating downgrade, Moody's downgraded Redefine's rating on 24 November 2020 as follows:

Global long-term:	Downgraded to Ba2 from Ba1
Global short-term:	Maintained NP
National long-term:	Withdrawn Aa2.za issuer rating
National long-term corporate family rating:	Aa2.za
National short-term:	Maintained P-1.za
Outlook:	Negative

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 2019 (Refer to page 46). These summarised consolidated financial statements are extracted from the annual financial statements audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon but are not themselves audited. The auditor's report does not necessarily report on all the information contained in these summarised consolidated financial statements. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report, together with the accompanying audited consolidated financial statements, both of which are available on the Redefine website.

Significant judgement, estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Judgement also needs to be exercised in applying the group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Valuation of investment properties and properties under development;
- Goodwill;
- Impairment of investments in associates;
- Rental concessions;
- Expected credit losses;
- Insurance contract liability;
- Facilities and covenants;
- Significant influence and control assessment; and
- Dividend declaration.

Events after the reporting period

Mall of the South (MOTS)

During 2013, Redefine, FirstRand Bank Limited (acting through its Rand Merchant Bank Division) (RMB) and Truzen 89 Trust (Truzen) – an entity associated with Zenprop Property Holdings Proprietary Limited – entered into a structured financing transaction. The agreements included two put options, one which allowed Truzen to put MOTS to RMB (RMB put) in certain circumstances, and the other a put option which would require Redefine to purchase MOTS from RMB (Redefine put) in certain circumstances, including upon the exercise of the RMB put option. During August 2020, Truzen elected to exercise the RMB put option and RMB elected to exercise the Redefine put option.

During October 2020, Redefine, Truzen and RMB agreed a mutually beneficial and alternative arrangement. Various amendments were made to the put option agreements and a new sale of enterprise agreement was concluded and it was further agreed that a newly incorporated company, K2020150943 (South Africa) Proprietary Limited (Propco SPV), would purchase MOTS for an initial purchase price of R1 759 million and an agterskot payment, up to a maximum amount of R25 million, payable in three years. RMB Investments and Advisory Proprietary Limited (RMBIA) holds an 80% interest in Propco SPV and Redefine holds the remaining 20%. It is intended that Propco SPV will be jointly controlled by RMBIA and Redefine.

RMB and PropCo SPV will conclude a three-year loan facility agreement for a maximum amount of R1 825 million. RMB, RMBIA, Propco SPV and Redefine have concluded various agreements, including placement and underwriting agreements which provide for a sale of Propco SPV or the sale of MOTS to a third party, as well as put option agreements which allow RMB and RMBIA to put their interests in MOTS and Propco SPV to Redefine in certain circumstances. Redefine's security SPV has guaranteed any shortfall arising between the sales price to a third party and the put option price (as determined in the new put option agreements). In three years, if there are no third-party buyers for MOTS, or upon certain other circumstances occurring, Redefine may be required to acquire MOTS. In this regard, Redefine has provided a negative pledge over properties to the value of R3.65 billion (which includes MOTS with a value of R1.65 billion) to the Redefine security SPV.

All necessary agreements were concluded, and the transaction became unconditional on 25 November 2020.

M1 Marki

On 5 November 2020, Redefine, Redefine Europe B.V. (a wholly owned subsidiary of Redefine) (Redefine Europe), and the other shareholders of Chariot Top Group B.V. (Chariot Top) and Chariot Group B.V (Chariot Group) concluded an agreement in terms of which, Redefine Europe will acquire Bruin sp. z.o.o (Marki SPV) from Chariot Group for an aggregate purchase price equal to 75% of the net asset value attributable to Marki SPV which, taking into account the expected third party debt within Marki SPV of R872.2 million (€44.2 million), is expected to be R1162.3 million (€58.9 million).

Marki SPV holds the title to the Marki Commercial Centre located in Marki near Warsaw, Poland (Marki) from Chariot Group. The aggregate purchase price will be settled as follows:

- Chariot Top will repurchase Redefine Europe's 25% equity interest in Chariot Top for an aggregate consideration of R1 089.3 million (€55.2 million) (Redefine stake price), which will give rise to a claim in the hands of Redefine Europe;
- The repurchase will become effective when the agreement relating to the third tranche of the acquisition by EPP N.V. or its subsidiary of 4 retail properties from Chariot Group has become unconditional;
- The claim will remain payable by Chariot Top from the repurchase date until the date of completion of the sale of the Marki SPV to Redefine Europe which is expected to be no later than 31 December 2021;
- The settlement of the claim will in effect be achieved by way of set-off against the Marki SPV purchase consideration in accordance with the following terms:
  - Redefine Europe will purchase the Marki SPV for the purchase consideration, ensuring that the third-party debt has been discharged;
  - Redefine Europe will pay an advance payment of R197.3 million (€10 million) to Chariot Top on the later of 31 December 2020 or 10 days after the repurchase effective date;
  - The Marki SPV purchase consideration and the Redefine Claim will be settled by Redefine Europe and Chariot Top as follows:
    - the Advance Payment will be deducted from the Marki SPV purchase consideration;
    - an amount equal to the Redefine stake price will be set off against the Redefine Claim; and
    - the balance, which shall be adjusted *inter alia* for 25% of all distributions received by the other Chariot shareholders and the cash balances of the Chariot Group and which shall be limited to an amount of R296.0 million (€15 million), will be payable in cash.

Going concern

The directors have assessed the group's ability to continue as a going concern. The assessment includes solvency and liquidity tests which included, *inter alia,* a forecast of debt covenants such as the LTV and interest cover ratios. The liquidity test considers expected cash flows for the next 12 months, including the anticipated proceeds from disposals and cash flows related to funding and development activities of the group. As at 31 August 2020, the group had a positive net asset value and a stable liquidity position, with unutilised committed bank facilities of R2.6 billion.

The COVID-19 pandemic impacted and continues to impact the global economy significantly. Measures such as the prolonged and severe restrictions of movement imposed by governments to reduce the spread of the virus, and the consequential impact on demand for products and services and impact on people's behaviour, have negatively impacted economic performance and prospects globally. Internationally, the resurgence of the pandemic, the so-called second wave, has been observed in many European countries, with governments considering re-imposing restrictions previously enforced. Locally, a second wave of infections may similarly result in the re-introduction of government-imposed restrictions, which could lead to further adverse economic impact. The pandemic primarily impacted the group in the 2020 financial year as follows:

- Significant reduction of investment property valuations, which adversely affected the group's LTV ratio;
- Dividends were withheld by certain investee companies to bolster their own liquidity needs, which adversely affected the group's earnings and liquidity;
- Rental relief measures granted to tenants to support the sustainability of their businesses, which adversely affected the group's earnings and liquidity; and
- The provision for credit losses increased in response to the heightened risk of tenants failing to meet their rental obligations, which adversely impacted the group's earnings.

The following uncertainties were considered as part of the going concern assessment:

Access to liquidity

Stressed market conditions continue to impact debt funders' risk appetite and may limit future access to liquidity. Proceeds from the sale of Journal assets is expected in the second quarter of the 2021 financial year.

Debt covenants

Financial covenant reporting is required by lenders within 90 days of each reporting period. To create additional headroom to absorb adverse LTV covenant triggers, and to avoid a potential technical breach of our corporate LTV covenant as at 31 August 2020, the group negotiated a temporary relaxation of the corporate LTV covenant. For the reporting periods ending 31 August 2020 to 28 February 2021, all funders agreed to the temporary relaxation of the LTV covenant limit from 50% to 55%. For the reporting period ending 31 August 2021, it is anticipated that the corporate LTV covenant limit will be below 50%. All debt covenant projections are proactively monitored to manage and remedy any potential breaches. As at 31 August 2020, no covenants were breached.

Profitability

Investment income

Entities in which the group is invested may continue to defer the declaration and/or payment of dividends for a prolonged period to preserve liquidity due to the continued adverse financial impact related to the pandemic.

Rental concessions

Additional rental concessions may be provided to tenants as the impact of the pandemic persists, locally and beyond. Tenants' businesses may further be adversely impacted should the South African government reintroduce restrictions to mitigate against the risk of rising infections.

Provision for credit losses

The provision for credit losses and write-off of unrecoverable amounts may increase as the adverse impact of the pandemic on tenants' businesses persists.

Change to business environment

The acceleration of the adoption of technologies due to the pandemic, as well as potential changes in the demand for rentable space, particularly within the retail and office sectors, may impact the group adversely.

The directors' response to the pandemic included:

- establishment of a dedicated management team to implement a co-ordinated response across the business to ensure the health, safety and wellbeing of all stakeholders;
- implementation of business continuity plans to minimise disruption by initiatives implemented to curb the spread of the virus;
- curtailment of discretionary expenditure to make allowance for the anticipated costs associated with the various initiatives to combat the spread of the virus;
- continuous monitoring of the group's liquidity position;
- active participation in a property industry group which concerns itself with related property industry issues, including coordinating a framework of relief measures for tenants to aid in the sustainability of their businesses during the pandemic, addressing temporary regulatory compliance challenges posed by the pandemic with regards to REIT tax legislation and JSE Listings Requirements with the appropriate authorities, and engaging with debt funding providers regarding financial covenants and liquidity concerns; and
- negotiated the temporary relaxation of the group's corporate LTV debt covenant for two reporting periods.

The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient liquidity to meet its foreseeable cash requirements. Considering the outcomes of the solvency and liquidity projections, the group will be solvent and liquid, and the directors are confident in the ability of the group to continue as a going concern and have no reason to believe that the group will not be a going concern in the year ahead. The directors have therefore concluded and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Capital commitments

Capital commitments outstanding amount to R1.0 billion (FY19: R3.0 billion). Future commitments will be funded by undrawn banking facilities and proceeds from capital recycling activities.

Change in directorate

Harish Mehta resigned from the board of directors on 5 November 2019, the board would like to thank Harish for his many years of service. Diane Radley was appointed as an independent non-executive director with effect from 20 July 2020, her appointment will bolster the independent board's property skills.

David Rice retired from the board on 31 August 2020. The board wishes to thank him for his significant contribution to Redefine over many years of loyal service, as well as his selfless commitment to continue in his capacity until a replacement chief financial officer was appointed. Leon Kok will succeed David as the chief operating officer. We are delighted to announce that Ntobeko Nyawo has been appointed to the board as chief financial officer with effect from 1 March 2021. The board wishes Leon and Ntobeko every success in their respective roles and look forward to the benefit of their contributions as Redefine embarks on the next phase of its journey to realise its vision to be the best SA REIT.

Dividend for the year ended 31 August 2020

Having regard to the effects of the COVID-19 pandemic, its impact on Redefine's business operations, liquidity and loan-to-value ratio, and the uncertainty of its future impact on the company, the board, acting in the best interest of the company and all its stakeholders, is considering a distribution mechanism that would enable Redefine to meet its REIT regulatory obligations on a basis that will allow for the retention of a significant amount of cash to enhance Redefine's liquidity whilst providing shareholders with a means to monetise the proposed distribution. There are various options available to the Redefine that are currently under consideration in order to ensure a qualifying distribution for the purposes of section 25BB of the Income Tax Act, No 58 of 1962, is achieved.

As announced on Friday, 27 November 2020, the company has until 28 February 2021 to comply with the minimum distribution requirements in terms of paragraph 13.47 of the JSE Listings Requirements, read together with the notice issued by the Financial Services Conduct Authority on 26 June 2020.

The distribution mechanism would be subject to board and any other requisite regulatory approvals. Accordingly, the board has resolved to defer its decision on the declaration of a dividend until 1 February 2021.

Should the board at this date resolve not to declare the dividend as contemplated above, the company may be liable for taxation of approximately R420 million in respect of the year ended 31 August 2020.

Prospects

Notwithstanding the challenging environment, Redefine has made meaningful progress in advancing its strategic priorities, building today for tomorrow to ensure sustained value creation for all its stakeholders.

It is safe to assume that given the unprecedented and evolving market conditions, property fundamentals, domestically and globally, will remain challenged for 2021 and beyond as low growth will remain a persistent theme for some time to come.

As a people-centric organisation, COVID-19 has provided us with an inflection point to position Redefine for a better future that will contribute to the creation of a more inclusive, sustainable and resilient operating context. This will necessitate a greater emphasis on ESG factors, embracing technology as an enabler rather than seeing it as a disruptor, fostering innovation through diversity and repositioning the asset platform within the confines of scarce and costly capital remain relevant to our users' evolving needs.

We will continue to future-proof ourselves without being distracted by expecting the unexpected, and deal with our challenges and vulnerabilities, which were intensified and sharpened by the pandemic, through placing our purpose at the heart of what we do, whilst we focus on what matters most.

Simply put, the key to our success is rooted in collaboration, innovation and differentiation.

Following the completion of the LTV improvement strategy, and assuming a normalised operating environment, we believe that our simplified and refocused asset platform is able to deliver sustainable distributable income per share of approximately 80.0 cents per share.

Should COVID-19 and its devastating effects, however, persist for longer than expected, the recovery to normality will be prolonged. Due to the evolving and highly uncertain environment, we are currently unable to provide guidance on distribution per share for the 2021 financial year.

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 annual 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
30 November 2020

Redefine Properties Limited

2 Results

Statement of financial position as at 31 August 2020

Figures in R'000	2020	2019
ASSETS		
Non-current assets	**74 842 478**	**99 422 252**
Investment properties	63 315 899	78 640 182
– Fair value of investment properties	58 914 331	72 794 853
– Straight-line rental income accrual	2 656 797	2 291 651
– Right-of-use assets	116 329	–
– Properties under development	1 628 442	3 553 678
Listed securities	69 679	937 288
Goodwill and intangible assets	–	5 622 459
Investment in associates and joint ventures	8 608 698	11 850 004
Derivative assets	23 288	71 500
Loans receivable	1 997 042	1 731 921
Other financial assets	620 341	373 387
Property, plant and equipment	207 531	195 511
Current assets	**1 606 099**	**2 239 092**
Properties held-for-trading	175 080	451 883
Trade and other receivables	686 764	1 120 777
Loans receivable	304 978	180 047
Derivative assets	2 520	76 259
Taxation receivable	–	3 432
Other financial assets	204 679	–
Cash and cash equivalents	232 078	406 694
Non-current assets held-for-sale	5 721 269	1 081 659
Total assets	**82 169 846**	102 743 003
EQUITY AND LIABILITIES		
Equity	**38 831 234**	56 569 476
Shareholders' interest	38 282 966	55 960 310
– Stated capital	44 593 547	44 589 066
– (Accumulated losses) / Retained earnings	(8 644 993)	10 597 777
– Other reserves	2 334 412	773 467
Non-controlling interests	548 268	609 166
Non-current liabilities	**39 031 386**	39 234 899
Interest-bearing borrowings	34 790 630	34 754 868
Interest-bearing borrowings at fair value	–	1 971 088
Derivative liabilities	3 505 854	1 498 645
Other financial liabilities	80 946	75 670
Deferred taxation	552 299	934 628
Lease liability	101 657	–
Current liabilities	**4 294 437**	**6 938 628**
Trade and other payables	1 614 964	2 020 682
Interest-bearing borrowings	1 859 000	3 908 104
Interest-bearing borrowings at fair value	–	551 635
Interest accrual on interest-bearing borrowings	236 227	368 724
Derivative liabilities	355 252	78 806
Other financial liabilities	30 233	10 677
Insurance contract liability	130 275	–
Taxation payable	24 992	–
Lease liability	43 494	–
Non-current liabilities held-for-sale	**12 789**	–
Total liabilities	**43 338 612**	46 173 527
Total equity and liabilities	**82 169 846**	102 743 003

Statement of profit or loss and other comprehensive income

Figures in R'000	2020	2019 Restated*
Revenue		
Property portfolio revenue	8 714 924	8 637 504
– Contractual rental income	8 349 778	8 543 800
– Straight-line rental income accrual	365 146	93 704
Investment income	69 136	153 698
Total revenue	8 784 060	8 791 202
Costs		
Operating costs	(2 975 602)	(2 910 752)
Expected credit losses – Trade receivables	(273 195)	(24 754)
Administration costs	(401 625)	(376 015)
Net operating profit	5 133 638	5 479 681
Other income	40 125	113 531
Gain on disposal of assets	121 938	–
Loss on disposal of interest in associates and joint ventures	(259 592)	–
Changes in fair values of investment properties	(7 158 035)	1 490 979
Changes in fair values of financial instruments and other	(2 756 750)	(1 318 158)
Changes in fair value of insurance contract liability	(130 275)	–
Amortisation of intangible assets	(314 277)	(62 856)
Impairments	(7 702 102)	(304 448)
Expected credit losses – Loans receivable	(140 190)	(42 905)
Equity-accounted loss (net of taxation)	(403 900)	(315 972)
(Loss)/Profit before finance costs and taxation	(13 569 420)	4 979 852
Net interest costs	(2 014 638)	(1 486 470)
– Interest income	941 675	1 061 828
– Interest expense	(2 956 313)	(2 548 298)
Foreign exchange (losses)/gains	(1 042 006)	44 115
(Loss)/Profit before taxation	(16 626 064)	3 537 497
Taxation	13 117	(43 113)
(Loss)/Profit for the year	(16 612 947)	3 494 384
Attributable to:		
– Redefine Properties Limited shareholders	(16 628 264)	3 341 893
– Non-controlling interests	15 317	152 491
Other comprehensive income	1 625 013	24 374
Items that are or may be reclassified subsequently to profit or loss		
Other reserves	(40 178)	–
Exchange differences on translation of foreign operations:		
– Subsidiaries	453 171	(32 210)
– Associates	1 556 914	56 584
Reclassification of foreign currency differences on disposal of investments	(344 894)	–
Total comprehensive (loss)/income for the year	(14 987 934)	3 518 758
Attributable to:		
– Redefine Properties Limited shareholders	(15 043 288)	3 369 177
– Non-controlling interests	55 354	149 581
Earnings per share		
– Basic	306.11	61.76
– Diluted	306.11	61.55

* *The expected credit losses – trade receivables and expected credit losses – loans receivable amounts, which were presented in operating costs and impairment lines, respectively in 2019, have been presented separately in the statement of profit or loss and other comprehensive income in 2020.*

Statement of cash flows

Figures in R'000	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	4 333 031	5 267 179
Interest received	822 902	899 642
Interest paid	(3 000 846)	(2 451 727)
Taxation (paid)/received	29 178	20 579
Dividends and interest received from associates and joint ventures	543 408	889 099
Net cash inflow from operating activities	**2 669 317**	4 624 772
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition and development of investment properties	(2 838 774)	(4 900 832)
Acquisition of property, plant and equipment	(14 582)	(9 332)
Acquisition of other financial assets	(3 224)	(46 913)
Disposal of controlling interest (net of cash disposed)	248 360	–
Proceeds on deemed disposal of subsidiary	1 105 279	–
Investments in associates and joint ventures	(196 657)	(2 036 115)
Reclassification of subsidiary to held-for-sale	(12 645)	–
Proceeds on disposal of investment properties	905 475	1 422 951
Proceeds on disposal of listed securities	–	205 117
Proceeds on the disposal of property, plant and equipment	–	1 359
Proceeds from other financial assets	69 227	53 133
Proceeds on disposal of shares in associates and joint ventures	2 262 265	–
Loans receivable repaid	250 642	970 457
Loans receivable advanced	(327 632)	(325 416)
Net cash inflow/(outflow) from investing activities	**1 447 734**	(4 665 591)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	–	259 965
Dividends paid	(2 614 319)	(5 349 819)
Shares issued to non-controlling interests	889	13 311
Disposal of non-controlling interests	–	(5 247)
Dividends paid to non-controlling interests	(20 556)	(26 229)
Loans repaid from non-controlling interests	829	–
Loans advanced to non-controlling interests	(257)	–
Principal elements of lease payments	(51 547)	
Interest-bearing borrowings at fair value repaid	(2 812 775)	–
Interest-bearing borrowings raised	5 187 856	9 647 973
Interest-bearing borrowings repaid	(3 913 886)	(4 524 493)
Net cash (outflow)/inflow from financing activities	**(4 223 766)**	15 461
Net decrease in cash and cash equivalents	(106 715)	(25 358)
Cash and cash equivalents at beginning of year	406 694	421 978
Effect of foreign currency exchange fluctuations	(67 900)	10 074
Cash and cash equivalents at end of year	**232 078**	406 694

Statement of changes in equity

Figures in R'000	Stated capital	(Accumulated losses)/ Retained earnings
Balance as at 31 August 2018	**44 329 101**	**12 617 787**
Total comprehensive income for the year	–	3 341 893
Profit for the year	–	3 341 893
Other comprehensive income for the year	–	–
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 associates	–	–
Transactions with owners (changes in ownership interests)	–	(5 913)
Acquisition of subsidiary with NCI	–	(5 913)
Balance as at 31 August 2019	**44 589 066**	**10 597 777**
Total comprehensive income for the year	–	(16 628 264)
Loss for the year	–	(16 628 264)
Other comprehensive income for the year	–	–
Transactions with owners (contributions and distributions)	4 481	(2 614 506)
Issue of ordinary shares	4 481	–
Dividends	–	(2 614 319)
Recognition of share-based payments	–	(187)
Share of post-acquisition change in net assets of associates	–	–
Transactions with owners (changes in ownership interests)	–	–
Disposal of subsidiary with NCI	–	–
Balance as at 31 August 2020	**44 593 547**	**(8 644 993)**

	2020	2019
Dividend per share (cents)	–	97.32
Interim	–	49.19
Final^	–	48.13

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

Foreign currency translation reserve	Share-based payment reserve	Share of associates' reserves	Shareholders' interest	Non-controlling interests (NCI)	Total equity
641 580	**58 363**	**30 532**	**57 677 363**	**471 837**	**58 149 200**
27 284	–	–	3 369 177	149 581	3 518 758
–	–	–	3 341 893	152 491	3 494 384
27 284	–	–	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)
668 864	**57 179**	**47 424**	**55 960 310**	**609 166**	**56 569 475**
1 625 154	–	(40 178)	**(15 043 288)**	55 353	**(14 987 937)**
–	–	–	**(16 628 264)**	15 317	**(16 612 947)**
1 625 154	–	(40 178)	**1 584 976**	40 036	**1 625 012**
–	(24 069)	38	**(2 634 056)**	(19 667)	**(2 653 723)**
–	–	–	**4 481**	889	**5 370**
–	–	–	**(2 614 319)**	(20 556)	**(2 634 875)**
–	(24 069)	–	**(24 256)**	–	**(24 256)**
–	–	38	**38**	–	**38**
–	–	–	**–**	(96 584)	**(96 584)**
–	–	–	**–**	(96 584)	**(96 584)**
2 294 018	**33 110**	**7 283**	**38 282 965**	**548 268**	**38 831 234**

Earnings and headline earnings

Figures in R'000
EARNINGS AND HEADLINE EARNINGS
Reconciliation of basic earnings to headline earnings
(Loss)/Profit for the year attributable to Redefine shareholders
Change in fair value of properties
Profit on sale of subsidiary
Loss on disposal of interest in associate
Profit on dilution of ownership interest in an associate
Adjustment of measurements included in equity-accounted earnings of associates (net of tax)
Adjustment of measurements included in equity-accounted earnings of associates
Tax adjustment
Revaluation of property, plant and equipment
Impairments
Insurance proceeds received
Headline (loss)/earnings attributable to Redefine shareholders

	2020	2019
Actual number of shares in issue ('000)*	**5 432 630**	5 431 786
Weighted average number of shares in issue ('000)*	**5 432 191**	5 411 530
Diluted weighted average number of shares in issue ('000)*	**5 442 415**	5 428 383
Weighted average number of shares in issue ('000)	**5 432 191**	5 411 530
Potential dilutive effect of share incentive schemes (000) **	**10 244**	16 853
Diluted earnings per share and diluted headline earnings per share are calculated considering the potential dilution that could occur if all staff incentive shares vested. The number of shares outstanding is adjusted to show the potential dilution if all share schemes were settled in Redefine Properties Limited shares.		
Basic earnings per share (cents)	**(306.11)**	61.76
Diluted earnings per share (cents)	**(306.11)**	61.55
Headline earnings per share (cents)	**(52.64)**	39.53
Diluted headline earnings per share (cents)	**(52.64)**	39.39

* Excludes 360 553 015 (2019: 361 396 896) treasury shares.

** Due to the net loss attributable to shareholders in 2020, the inclusion of the potential ordinary shares arising from staff incentive schemes had an anti-dilutive effect on the loss per share and were therefore not taken into account in the current year calculation of diluted earnings per share and diluted headlines per share.

NET ASSET VALUE PER SHARE AND NET TANGIBLE ASSET VALUE PER SHARE		
Number of shares in issue^ ('000)	**5 432 630**	5 431 786
Net asset value per share (excluding deferred tax and NCI) (cents)	**714.85**	1 047.44
Net tangible asset value per share (excluding deferred tax, NCI and goodwill and intangible assets) (cents)	**714.85**	943.93

^ Group net of 360 553 015 (2019: 361 396 896) treasury shares.

2020 Gross	2020 Non-controlling interest effect of the adjustment	2020 Net	2019 Gross	2019 Non-controlling interest effect of the adjustment	2019 Net
(16 628 264)	–	(16 628 264)	3 341 893	–	3 341 893
7 158 035	6 510	7 164 545	(1 490 979)	122 457	(1 368 522)
(139 855)	–	(139 855)	–	–	–
259 592	–	259 592	–	–	–
(1 778)	–	(1 778)	46 081	–	46 081
(1 376 052)	–	(1 376 052)	(292 133)	–	(292 133)
(1 319 903)	–	(1 319 903)	(325 514)	–	(325 514)
(56 150)	–	(56 150)	33 381	–	33 381
28 625	–	28 625	5 283	–	5 283
7 842 292	–	7 842 292	407 353	–	407 353
(8 729)	–	(8 729)	(533)	–	(533)
(2 866 134)	6 510	(2 859 624)	2 016 965	122 457	2 139 422

Segmental report

Figures in R'000	Office	Retail
STATEMENT OF FINANCIAL POSITION		
Investment properties (including straight-line rental income accrual)	22 993 553	25 268 415
Right-of-use assets	17 803	98 526
Properties under development	190 260	48 150
Listed securities	–	–
Investment in associates and joint ventures	–	–
Loans receivable	–	–
Property, plant and equipment	100 239	–
Properties held-for-trading	–	–
Non-current assets held-for-sale	7 150	376 000
Other assets	–	–
Total assets	**23 309 006**	**25 791 091**
Interest-bearing borrowings	–	–
Other liabilities	–	–
Total liabilities	**–**	**–**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Contractual rental income	2 861 936	3 211 145
Straight-line rental income accrual	195 281	86 894
Investment income	–	–
Total revenue	**3 057 217**	**3 298 039**
Operating costs (including expected credit losses – trade receivables)	(958 578)	(1 546 010)
Administration costs	–	–
Net operating profit	**2 098 639**	**1 752 029**
Other income	–	–
Loss on disposal of assets	–	–
Changes in fair values of investment properties	(2 802 340)	(3 016 101)
Changes in fair values of financial instruments and other	–	–
Changes in insurance contract liability	–	–
Amortisation of intangible assets	–	–
Impairments (including expected credit losses – loans receivables)	(1 913 811)	(2 883 661)
Equity-accounted loss (net of taxation)	–	–
Loss before finance costs and taxation	**(2 617 512)**	**(4 147 733)**
Interest income	–	–
Interest expense	(92)	(963)
Foreign exchange losses	–	–
Loss before taxation	**(2 617 605)**	**(4 148 696)**
Taxation	–	–
Loss for the year	**(2 617 605)**	**(4 148 696)**
Non-controlling interests	–	–
Loss for the year attributable to Redefine Properties Limited shareholders	**(2 617 605)**	**(4 148 696)**

2020

Industrial	Specialised	Head office	Local	International	Total
10 875 164	2 433 996	–	61 571 128	–	61 571 128
–	–	–	116 329	–	116 329
1 390 032	–	–	1 628 442	–	1 628 442
–	–	69 679	69 679	–	69 679
–	–	–	–	8 608 698	8 608 698
–	–	1 316 126	1 316 126	985 894	2 302 020
–	26 600	80 600	207 499	32	207 531
4 260	170 820	–	175 080	–	175 080
158 255	–	–	541 405	5 179 864	5 721 269
–	–	812 295	812 295	957 375	1 769 670
12 427 711	**2 631 476**	**2 278 700**	**66 437 983**	**15 731 863**	**82 169 846**
–	–	31 845 455	31 845 455	4 804 175	36 649 630
–	–	2 567 820	2 567 820	4 121 162	6 688 982
–	**–**	**34 413 275**	**34 413 275**	**8 925 337**	**43 338 612**
1 498 196	392 165	–	7 963 443	386 336	8 349 778
108 023	(25 052)	–	365 146	–	365 146
–	–	19 757	19 757	49 379	69 136
1 606 219	**367 113**	**19 757**	**8 348 345**	**435 715**	**8 784 060**
(442 951)	(179 506)	–	(3 127 045)	(121 752)	(3 248 797)
–	–	(272 334)	(272 334)	(129 291)	(401 625)
1 163 268	**187 607**	**(252 577)**	**4 948 966**	**184 672**	**5 133 638**
16 112	10 427	11 100	37 640	2 485	40 125
–	–	–	–	(137 654)	(137 654)
(1 680 010)	(636 675)	(10 606)	(8 145 732)	987 697	(7 158 035)
–	(40 904)	(1 260 629)	(1 301 533)	(1 455 217)	(2 756 750)
–	–	(130 275)	(130 275)	–	(130 275)
–	–	(314 277)	(314 277)	–	(314 277)
(510 710)	–	(106 904)	(5 415 085)	(2 427 207)	(7 842 292)
–	–	–	–	(403 900)	(403 900)
(1 011 339)	**(479 545)**	**(2 064 167)**	**(10 320 296)**	**(3 249 124)**	**(13 569 420)**
–	–	889 092	889 092	52 583	941 675
(54)	(33 980)	(2 470 345)	(2 505 435)	(450 878)	(2 956 313)
–	–	–	–	(1 042 006)	(1 042 006)
(1 011 393)	**(513 525)**	**(3 645 420)**	**(11 936 639)**	**(4 689 425)**	**(16 626 064)**
–	–	30 122	30 122	(17 005)	13 117
(1 011 393)	**(513 525)**	**(3 615 298)**	**(11 906 517)**	**(4 706 430)**	**(16 612 947)**
–	105 165	–	105 165	(120 482)	(15 317)
(1 011 393)	**(408 361)**	**(3 615 298)**	**(11 801 352)**	**(4 826 912)**	**(16 628 264)**

Segmental report (continued)

Figures in R'000	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 and joint ventures	–	–
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 (including expected credit loss on trade receivables)	(854 230)	(1 342 247)
Administration costs	–	–
Net operating profit	**1 938 255**	**2 154 984**
Other income	–	–
Net changes in fair values	(415 357)	418 513
Amortisation of intangible assets	–	–
Impairments (including expected credit losses on loans receivable)	–	–
Net equity-accounted profit (net of taxation)	–	–
(Loss)/Profit before finance costs and taxation	**1 522 898**	**2 573 497**
Interest income	–	–
Interest expense	–	–
Foreign exchange losses	–	–
(Loss)/Profit before taxation	**1 522 898**	**2 573 497**
Taxation	–	–
(Loss)/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**

Distributable income analysis

Figures in R'000	South Africa	International	Total
Contractual rental income (excluding straight-line rental accrual)	7 963 442	386 336	**8 349 778**
Investment income	19 757	49 379	**69 136**
Total revenue	7 983 199	435 715	**8 418 916**
Operating costs	(3 127 045)	(121 752)	**(3 248 797)**
Administration costs	(272 334)	(129 291)	**(401 624)**
Net operating profit	4 583 820	184 672	**4 768 492**
Other gains	37 640	2 485	**40 125**
Net distributable profit before finance costs and taxation	4 621 460	187 157	**4 808 617**
Net interest costs	(1 616 343)	(398 295)	**(2 014 638)**
– Interest income	889 092	52 583	**941 675**
– Interest expense	(2 505 435)	(450 878)	**(2 956 313)**
Distributable foreign exchange gains/losses	–	40 539	**40 539**
Net distributable profit before taxation	3 005 117	(170 599)	**2 834 518**
Current taxation and withholding taxation	–	(32 199)	**(32 199)**
Net income from operations before non-controlling interest share	3 005 117	(202 798)	**2 810 319**
Non-controlling interest share of distributable income	(27 028)	(6 194)	**(33 222)**
Net income before distributable adjustments	2 978 089	(208 992)	**2 769 097**
Below-the-line distributable income adjustments:			
– Equity-accounted investments distribution adjustment	–	7 980	**7 980**
– Accrual for listed security income	–	(1 745)	**(1 745)**
– Leasehold distribution adjustment	(28 355)	1 398	**(26 957)**
– Modification of financial instruments	3 295	17 717	**21 012**
– Chariot distribution adjustment	–	(23 037)	**(23 037)**
– Transaction costs relating to business acquisitions	455	51 196	**51 651**
Distributable income	2 953 484	(155 483)	**2 798 001**

22 Fredman Drive, *Sandton*

3 Disclosure

155 West Street, *Sandton*

Goodwill and intangible assets

	2020	2019
Cost	**6 311 905**	6 311 905
Accumulated impairment – opening balance	**(60 888)**	–
Impairment	**(5 308 182)**	(60 888)
Accumulated amortisation – opening balance	**(628 558)**	–
Amortisation	**(314 277)**	(628 558)
Balance at end of year	**–**	5 622 459
Movement for the year		
Balance at beginning of year	**5 622 459**	5 746 203
Impairment of goodwill	**(5 032 766)**	(60 888)
Impairment of intangible assets	**(275 416)**	–
Amortisation of intangibles	**(314 277)**	(62 856)
Balance at end of year	**–**	5 622 459
Goodwill		
At acquisition cost / indefinite life	**5 093 654**	5 093 654
Accumulated impairment – opening balance	**(60 888)**	–
Impairment	**(5 032 766)**	(60 888)
Total goodwill	**–**	5 032 766
Intangible assets		
At cost less amortisation		
The right to manage property – Redefine*	**–**	314 277
– Cost	**942 835**	942 835
– Accumulated amortisation prior period	**(628 558)**	(565 702)
– Amortisation	**(314 277)**	(62 856)
Electricity recovery business #	**–**	275 416
– Cost	**275 416**	275 416
– Impairment	**(275 416)**	–
Total intangible assets	**–**	589 693

* *Accounted for before 1 September 2009 in terms of IFRS 3: Business Combinations, where the acquisition method was applied.*
\# *Indefinite useful life intangible asset.*

Goodwill and intangible assets (continued)

Goodwill

The carrying amount of goodwill is the gross amount recognised less any accumulated impairment losses.

Goodwill is tested for impairment annually and when there is any indication that an asset may be impaired.

As at 29 February 2020, the depressed economic conditions and lack of economic growth in South Africa, volatility of international markets exacerbated by trade restrictions, combined with the decreasing trend in the market capitalisation of the group, were indicators of possible impairment.

To test for impairment, goodwill is allocated to each cash-generating unit (CGU) or group of CGUs. The operating segments (Office, Retail and Industrial) each represents the lowest level within the group at which goodwill is monitored internally.

The carrying amount of the goodwill allocated to each CGU is presented below:

31 August 2020	**Financial year***	**Office**	**Retail**	**Industrial**	**Total**
Arising from business combination of:					
Annuity Properties Limited	2014	**59 968**	**54 918**	**7 433**	**122 319**
ApexHi and Madison group	2009	**1 028 213**	**1 259 562**	**282 759**	**2 570 534**
Fountainhead group	2013 & 2015	**295 509**	**1 235 264**	**140 189**	**1 670 962**
Leaf group	2015	**101 227**	**–**	**–**	**101 227**
Pivotal group	2017	**306 571**	**227 090**	**34 063**	**567 724**
Impairment		**(1 791 488)**	**(2 776 834)**	**(464 444)**	**(5 032 766)**
Total goodwill		**–**	**–**	**–**	**–**

31 August 2019	**Financial year***	**Office**	**Retail**	**Industrial**	**Specialised**	**Total**
Arising from business combination of:						
Annuity Properties Limited	2014	59 968	54 918	7 433	–	122 319
ApexHi and Madison group	2009	1 028 213	1 259 562	282 759	–	2 570 534
Fountainhead group	2013 & 2015	295 509	1 235 264	140 189	60 888	1 670 962
Leaf group	2015	101 227	–	–	–	101 227
Pivotal group	2017	306 571	227 090	34 063	–	567 724
Impairment					(60 888)	
Total goodwill		1 791 488	2 776 834	464 444	–	5 032 766

* *The financial year in which the business combination occurred.*

The recoverable amounts of the CGU' including the allocated goodwill are based on value-in-use. The recoverable amount for each CGU including the allocated goodwill was calculated by discounting future cash flows over a period of five years. Growth and discount rates are appropriately estimated for each CGU, taking into account both historic and future expectations of performance and risk. The inputs are considered to be level 3 unobservable inputs in the fair value hierarchy. Inputs are based on past experience and current market-related assumptions on the discount rate and exit rate.

The key assumptions and sensitivity scenario ranges applied in determining the recoverable amount of each CGU including the allocated goodwill is shown in the table below:

			2020		
	Discount period	Growth less than one year %	Growth one to five years %	Discount rate %	Exit rate %
Retail	**5 years**	**(7.0)**	**0.0-5.0**	**11.5 – 13.5**	**7.4 – 9.4**
Office	**5 years**	**(7.0)**	**0.0-5.0**	**11.9 – 13.9**	**7.6 – 9.6**
Industrial	**5 years**	**(7.0)**	**0.0-5.0**	**12.5 – 14.5**	**8.2 – 10.2**

			2019		
	Discount period	Growth less than one year %	Growth one to five years %	Discount rate %	Exit rate %
Retail	5 years	0.0	4.0	12.1	8.4
Office	5 years	0.0	4.0	12.4	8.6
Industrial	5 years	0.0	4.0	13.0	9.2
Specialised	5 years	0.0	4.0	13.5	9.6

At 29 February 2020, the recoverable amount of each CGU including goodwill did not exceed the carrying amount of the CGU including the allocated goodwill. This resulted in goodwill being fully impaired in the current year.

As an impairment loss in respect of goodwill is not reversed, no further testing was performed at year end.

Intangible assets

Right to manage property

This relates to a property and asset management function.

The remaining useful life of the right-to-manage property was reassessed to 0 months (FY19: 58 months), leading to an amortisation of R314.3 million.

Electricity recovery business

The electricity recovery business was acquired in terms of the business combination on 14 April 2013. The electricity recovery business has been accounted for as a contractual right to recover electricity charges. There is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity, as there does not appear to be a foreseeable termination of the electricity recovery function. However, the ongoing increases in electricity-related costs, structural tariff changes and tenant mix are indicators of possible impairment of the electricity recovery business.

Goodwill and intangible assets (continued)

The electricity recovery business was tested for impairment 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.

Carrying amount of the electricity recovery business allocated to cash-generating units (CGUs):

	2020			
	Office	**Retail**	**Industrial**	**Total**
Electricity recovery business*	122 322	106 828	46 266	275 416
Impairment	122 322	106 828	46 266	275 416
	–	–	–	–

	2019			
	Office	**Retail**	**Industrial**	**Total**
Electricity recovery business*	122 322	106 828	46 266	275 416
	122 322	106 828	46 266	275 416

* *The financial year in which the business combination occurred was 2013.*

The following key assumptions were used in calculating the value-in-use of the electricity recovery business:

- Electricity recovered from tenants will increase by 6.0% (2019: 8.0%) per annum.
- Operating expenses relating to electricity recovered from tenants will increase by 8.7% (2019: 8.0%) per annum.
- A discount rate of 14.0% (2019: 13.0%) applies.
- The value in use was calculated by discounting forecasted future cash flows for five years and a residual value at the end of the cash flow projection period with the discount rate. The value in use is Rnil.

The carrying amount of the electricity recovery business was accordingly impaired in full.

Fair value disclosures

The following table analyses the group's assets and liabilities that are recognised and subsequently measured at fair value:

Year ended 31 August 2020 Figures in R'000	Fair value	Level 1	Level 2	Level 3
Assets				
Investment properties*	69 024 380	–	–	69 024 379
Listed securities	69 679	69 679	–	–
Derivative assets	25 808	–	25 808	–
Other financial assets	825 020	–	–	825 020
	69 944 886	69 679	25 808	69 849 399
Liabilities				
Derivative liabilities	3 861 106	–	3 861 106	–
Other financial liabilities	96 642	–	–	96 642
	3 957 748	–	3 861 106	96 642

Level 3 reconciliation:

Year ended 31 August 2020	Balance at beginning of year	Acquisitions/ (disposals)	Gains/(losses) in profit or loss for the year	Balance at end of year
Investment properties	75 086 504	(6 678 067)	(6 837 309)	61 571 128
Properties under development	3 553 678	(2 074 794)	149 558	1 628 442
Right-of-use asset	–	–	116 329	116 329
Investment property held-for-sale	645 461	5 329 087	(266 068)	5 708 480
Other financial assets	373 387	406 849	44 784	825 020
Loans receivable**	112 032	(112 032)	–	–
Derivative liabilities	(7 854)	–	7 854	–
Other financial liabilities	(46 921)	(41 721)	(8 000)	(96 642)
	79 716 289	(3 170 678)	(6 792 852)	69 752 757

The fair value gains and losses are included in the changes in fair values of investment properties and changes in fair values of financial instruments.

* *Including 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.*

Fair value disclosures (continued)

Year ended 31 August 2019	Fair value	Level 1	Level 2	Level 3
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:

Year ended 31 August 2019	Balance at beginning of year	Acquisitions/ (disposals)	Gains/(losses) in profit or loss for the year	Balance at end of year
Investment properties	68 469 851	4 900 885	1 715 768	75 086 504
Properties under development	5 926 105	(2 191 999)	(180 428)	3 553 678
Investment property held-for-sale	549 089	91 926	4 446	645 461
Other financial assets	218 890	(5 844)	160 341	373 387
Loans receivable	–	138 905	(26 873)	112 032
Derivative liabilities	–	–	(7 854)	(7 854)
Other financial liabilities	(51 287)	14 115	(9 749)	(46 921)
	75 112 648	2 947 988	1 655 651	79 716 287

The fair value gains and losses are included in the changes in fair values of investment properties and changes in fair values of financial instruments.

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

Details of valuation techniques

Investment property

A panel of independent external valuers are appointed to conduct the group's year-end market valuations. The group provided the valuers with property and other information required in the valuation of the properties. Among other inputs, the independent valuers applied current market-related assumptions to the risks in rental streams of properties. Once the valuations have been completed by the independent valuers, it was reviewed internally and presented at different forums within the group. The investment committee, a sub-committee of the board of directors, provides final approval of the valuations. All the valuers are registered valuers in terms of Section 19 of the Property Valuers Professional Act (Act No 47 of 2000). The independent valuers are as follows:

Real Insight	T Behrens	NDip (Prop Val), professional valuer
Broll	J Weiner	Dip Real Estate (P.V.). MIV(SA), professional valuer
Eris Property Group	C Everatt	BSc (Hons) Estate Management, MRICS, MIV (SA), professional valuer
Sterling Valuation Specialists	A Smith	BSc, MIV (SA), professional valuer
Jones Lang LaSalle	J Karg	BSc, MRICS, MIV (SA), professional valuer
Jones Lang LaSalle	S Crous	BSc, MRICS, MIV (SA), professional valuer
Knight Frank	A Arbee	NDip (Prop Val), professional valuer
Mills Fitchet Cape	S Wolff	NDip (Prop Val), professional associated valuer

Unobservable inputs across sectors (% unless otherwise stated)	2020	2019
Expected market rental growth	**3.00 – 5.50**	3.00 – 6.00
Expected expense growth	**6.00 – 8.00**	6.50 – 8.00
Occupancy rate	**91.9**	94.6
Vacancy periods	**0 – 12 months**	0 – 12 months
Rent-free periods	**0 – 9months**	0 – 6 months
Office sector		
Discount rate	**12.00 – 16.50**	10.00 – 17.00
Exit capitalisation rate	**8.00 – 12.50**	7.75 – 12.25
Bulk rate	**R1 500 – R3 000 p/m^2**	R2 000 – R4 725 p/m^2
Retail sector		
Discount rate	**10.50 -16.75**	12.00 – 17.00
Exit capitalisation rate	**7.25 – 13.50**	7.00 – 13. 00
Bulk rate	**R175 – R1 600 p/m^2**	R330 – R4 000 p/m^2
Industrial sector		
Discount rate	**12.50 – 15.50**	13.00 – 16.00
Exit capitalisation rate	**8.00 – 11.00**	8.00 – 12.00
Bulk rate	**R450 – R1 800 p/m^2**	R400 – R 1 850 p/m^2
Specialised sector		
Discount rate	**14.50 – 15.00**	14.00 – 14.50
Exit capitalisation rate	**9.50 – 10.50**	9.50 – 10.50
International sector		
Core yield	**–**	N/A
Discount rate	**–**	7.00 – 9.00
Exit capitalisation rate	**–**	6.50 – 7.25
Bulk rate	**–**	R398 – R403 p/m^2

Fair value disclosures (continued)

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

The impact of COVID-19 was also taken into account on performing valuation assessment, as set out below:

The external valuers took into consideration the deferred rental agreements that Redefine negotiated with their tenants in arriving at their valuation.

The impact of COVID-19 was incorporated into the final valuation by adjusting the valuation number directly, and not by adjusting the forecasted cash flows.

COVID-19 has seen the core portfolio exit cap rate increase to account for market uncertainty and risk, therefore lowering value across the portfolio.

The COVID-19 impact has seen market rental growth figures reduced across the portfolio by 25bps to 50bps.

COVID-19 has resulted in valuers increasing vacancy periods in various assets, e.g., a property that would normally have a maximum three-month vacancy period would be extended to six months or more given the severity of COVID-19.

To account for excess rental stock on the market, valuers have had to re-assess market rental for various nodes and lower expected rental in poor-performing or over-supplied nodes.

Details of valuation techniques and input used

Sensitivity of fair values to changes in unobservable inputs

Valuation of investment properties are sensitive to changes in inputs used in determining its fair value. The table below illustrates the sensitivity in fair value to changes in unobservable inputs, whilst holding the other inputs constant.

	As at 31 August 2020			Change in exit capitalisation rate				Change in discount rate			
Sector	Valuation R'000	Weighted average exit cap %	Discount range %	Decrease 50bps R'000	%	Increase 50bps R'000	%	Decrease 50bps R'000	%	Increase 50bps R'000	%
Industrial	10 875 164	9,27%	13,88%	336 170	3,09%	(319 248)	(2,94%)	170 874	1,57%	(185 070)	(1,70%)
Office	23 093 793	8,80%	13,05%	843 589	3,65%	(763 931)	(3,31%)	383 144	1,66%	(385 838)	(1,67%)
Retail	25 268 415	8,43%	12,68%	1 169 572	4,63%	(771 357)	(3,05%)	600 960	2,38%	(309 159)	(1,22%)
Total	59 237 372										

Properties under development - Comparable sales method

Properties under development comprise of the cost of land and development, and are measured at fair value. Fair value is based on the costs incurred up to the date of the valuation. Undeveloped land is valued in terms of the internationally accepted and preferred method of comparison. This involves the use of recent comparable transactions as a basis for the valuation. Bulk rates are determined for the land that has been zoned.

The fair value measurement for investment properties of R62.0 billion (2019: R75.1 billion) and properties under development of R1.6 billion (2019: R3.5 billion) has been categorised as level 3 under the fair value hierarchy based on the inputs to the valuation technique.

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.

Fair value disclosures (continued)

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.

Loans receivable

The fair value is calculated by discounting the future cash flows, using a risk-adjusted discount rate.

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.

There have been no significant changes in valuation techniques during the year. There have been no transfers between level 1, level 2 and level 3 during the year under review.

4 New standards

Matlosana Mall, *Matlosana*

New standards and interpretations adopted

IFRS 16

IFRS 16: *Leases* supersedes IAS 17: *Leases,* IFRIC 4: *Determining whether an Arrangement contains a Lease,* SIC-15: *Operating Leases-Incentives* and SIC-27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Redefine has initially adopted IFRS 16 from 1 September 2019, and has adopted the modified retrospective method of application whereby the standard is applied retrospectively, with the cumulative effect of initially applying the standard recognised at the date of initial application. Redefine has elected to use the transition practical expedient, allowing the standard to be applied only to contracts that were previously identified as leases, applying IAS 17 and IFRIC 4 at the date of initial application. Accordingly, comparatives were not restated and there was no impact on opening retained earnings upon adoption of the standard at 1 September 2019.

Group as a lessee

On adoption of IFRS 16: *Leases,* Redefine has recognised right-of-use assets and lease liabilities in relation to leases over land and buildings which had previously been classified as operating leases under the principles of IAS 17: Leases.

These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate on a lease by lease basis.

On transition date, the right-of-use assets relating to leases were measured at the amount equal to the lease liability. The right-of-use assets are subsequently remeasured at fair value in terms of IAS 40: Investment properties and IAS 16: Property, plant and equipment.

Group as a lessor

The group is not required to make any adjustments for leases in which it is a lessor, except where it is an intermediate lessor in a sub-lease.

The group has determined that the sub-leases should continue to be recognised as an operating lease based on the new classification criteria.

5 SA REIT ratios

Park One, *Century City*

REIT ratios

SA REIT Association's best practice recommendations (BPR)

The BPR is effective for reporting periods commencing on or after 1 January 2020. Redefine has, however, elected to early-adopt the BPR. The comparative figures have been disclosed on the same basis.

Figures in R'000	2020	2019
REIT RATIOS		
SA REIT funds from operations (SA REIT FFO) per share		
Profit or loss per IFRS statement of comprehensive income (SOCI) attributable to the parent	**(16 628 264)**	3 341 893
Adjusted for:		
Accounting/specific adjustments	**15 416 532**	**(230 918)**
Fair value adjustments to:		
– Investment property	**7 158 035**	(1 490 979)
– Debt and equity instruments held at fair value through profit or loss	**317 954**	766 009
– Insurance contract liability	**130 275**	–
Depreciation and amortisation of intangible assets	**332 512**	86 586
Impairment of goodwill	**5 308 182**	60 888
Asset impairments (excluding goodwill) and reversals of impairment	**2 534 110**	346 465
Gains or losses on the modification of financial instruments	**21 012**	–
Deferred tax movement recognised in profit or loss	**(70 308)**	77 460
Straight-lining operating lease adjustment	**(365 147)**	(93 704)
Transaction costs expensed in accounting for a business combination	**51 651**	20 709
Adjustments to dividends from equity interests held	**(1 745)**	(4 352)
Adjustments arising from investing activities	**822 338**	**(38 914)**
Gains or losses on disposal of:		
– Debt and equity instruments	**711 223**	–
– Investment property	**(26 539)**	(38 914)
– Subsidiaries and equity-accounted entities held	**137 654**	–
Foreign exchange and hedging items	**2 810 119**	**567 311**
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**2 438 796**	552 149
Reclassified foreign currency translation reserve upon disposal of a foreign operation	**(344 894)**	–
Foreign exchange gains or losses relating to capital items – realised and unrealised	**716 217**	15 162

Figures in R'000	2020	2019
Other adjustments	**393 976**	**1 497 222**
Adjustments made for equity-accounted entities	**411 881**	1 490 452
Non-controlling interests in respect of the above adjustments	**(17 905)**	6 770
SA REIT FFO	**2 814 700**	**5 136 594**
Number of shares outstanding at end of period (net of treasury shares)	**5 432 630**	5 431 786
SA REIT FFO per share (cents)	**51.81**	**92.57**
Company-specific adjustments	**(16 699)**	**336 041**
Chariot distribution adjustment	**(23 037)**	270 833
Capital gains tax paid/(refund) on Cromwell disposal	**24 992**	(41 180)
Cornwall interest	**–**	91 204
Depreciation	**(18 234)**	(23 730)
Investment property held for trading	**26 539**	38 914
Leasehold interest and expenses	**(26 959)**	–
Distributable income	**2 798 001**	**5 472 635**
Distributable income per share (DIPS) cents	**51.5**	**101.0**

REIT ratios (continued)

Figures in R'000	2020	2019
SA REIT net asset value (SA REIT NAV)		
Reported NAV attributable to the parent	**38 282 965**	55 960 310
Adjustments:		
Dividend declared	**–**	(2 614 319)
Fair value of certain derivative financial instruments	**1 522 147**	506 660
Goodwill and intangible assets	**–**	(5 622 459)
Deferred tax	**552 299**	934 628
SA REIT NAV	**40 357 411**	**49 164 820**
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	**5 432 630**	5 431 786
Effect of dilutive instruments	**10 224**	16 853
Dilutive number of shares in issue	**5 442 854**	**5 448 639**
SA REIT NAV per share	**7.41**	**9.00**
SA REIT cost-to-income ratio		
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**3 248 797**	2 935 506
Administrative expenses per IFRS income statement	**401 625**	376 015
Exclude:		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	**(332 511)**	(86 586)
Operating costs	**3 317 911**	**3 224 035**
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**6 433 829**	6 750 890
Utility and operating recoveries per IFRS income statement	**1 915 949**	1 792 910
Gross rental income	**8 349 778**	**8 543 800**
SA REIT cost-to-income ratio	**39.7%**	**37.7%**

Figures in R'000	2020	2019
SA REIT administrative cost-to-income ratio		
Expenses		
Administrative expenses as per IFRS income statement	**401 625**	376 015
Administrative costs	**401 625**	**376 015**
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**6 433 829**	6 750 890
Utility and operating recoveries per IFRS income statement	**1 915 949**	1 792 910
Gross rental income	**8 349 778**	**8 543 800**
SA REIT administrative cost-to-income ratio	**4.8%**	**4.4%**
SA REIT GLA vacancy rate		
Gross lettable area of vacant space	**241 815**	355 627
Gross lettable area of total property portfolio	**4 418 039**	4 432 904
SA REIT GLA vacancy rate	**5.5%**	**7.6%**

REIT ratios (continued)

Cost of debt	ZAR	AUD
2020		
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	5.4%	2.2%
Pre-adjusted weighted average cost of debt	**5.4%**	**2.2%**
Adjustments		
Impact of interest rate derivatives	2.3%	1.1%
Impact of cross-currency interest rate swaps	0.5%	–
All-in weighted average cost of debt	**8.1%**	**3.3%**
2019		
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	8.5%	3.4%
Fixed interest rate borrowings		
Weighted average fixed rate	0.1%	–
Pre-adjusted weighted average cost of debt	**8.6%**	**3.4%**
Adjustments		
Impact of interest rate derivatives	0.4%	0.6%
Impact of cross-currency interest rate swaps	0.1%	–
All-in weighted average cost of debt	**9.1%**	**4.0%**

EUR	USD	GBP
2.7%	3.5%	2.9%
2.7%	**3.5%**	**2.9%**
–	–	–
(1.0%)	–	–
1.7%	**3.5%**	**2.9%**
0.3%	4.5%	1.5%
0.4%	–	0.3%
0.7%	**4.5%**	**1.8%**
0.1%	–	–
0.9%	–	1.2%
1.7%	**4.5%**	**3.0%**

REIT ratios (continued)

R'000	2020	2019
SA REIT loan-to-value		
Gross debt	**36 649 630**	41 200 071
Less:		
Cash and cash equivalents	**(232 078)**	(406 694)
Add/Less:		
Derivative financial instruments (including insurance contract liability)	**3 965 573**	1 429 692
Net debt	**40 383 125**	42 223 069
Total assets – per statement of financial position	**82 169 846**	102 743 005
Less:		
Cash and cash equivalents	**(232 078)**	(406 694)
Derivative financial assets	**(25 808)**	(147 759)
Goodwill and intangible assets	**–**	(5 622 461)
Trade and other receivables	**(686 764)**	(1 120 777)
Carrying amount of property-related assets	**81 225 196**	95 445 314
SA REIT loan-to-value (SA REIT LTV)	**49.7%**	44.2%

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)

Independent non-executive directors

SM Pityana (chairperson)
ASP Dambuza
B Mathews (lead independent)
D Naidoo
D Radley
LJ Sennelo
M Barkhuysen
NB Langa-Royds

Executive directors

AJ König (chief executive officer)
LC Kok (financial director)

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.