

REDEFINE PROPERTIES LIMITED

# Condensed unaudited **GROUP RESULTS**

FOR THE HALF YEAR ENDED 29 FEBRUARY 2016



**Distribution of 41.7 cents**  
+6.9% in line with guidance

**Property assets R67,8 billion**  
+R0,5 billion

**Market cap R58,2 billion**  
forward yield circa 7%

**Quality of local assets improved**  
R1,3 billion sale of government-  
tenanted offices

**Developments of R4,2 billion**  
projects of R1,8 billion completed

**International strategy extended**  
Acquisition of €1.2 billion Polish portfolio



We're not landlords. We're people.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited 29 February 2016 R000	Unaudited 28 February 2015 R000	Audited 31 August 2015 R000
Property portfolio	3 265 079	3 017 684	6 304 742
– Contractual rental income	3 266 801	2 937 252	6 141 437
– Straight-line rental income accrual	(1 722)	80 432	163 305
Listed security income	42 834	137 334	344 229
Insurance proceeds received	–	119 420	119 420
Fee income	70 423	12 374	44 800
Trading income/(loss)	294	1 270	(1 946)
<b>Total income</b>	<b>3 378 630</b>	<b>3 288 082</b>	<b>6 811 245</b>
Operating costs	(1 123 576)	(1 002 441)	(2 084 709)
Administration costs	(86 287)	(105 963)	(228 834)
<b>Net operating profit</b>	<b>2 168 767</b>	<b>2 179 678</b>	<b>4 497 702</b>
Change in fair value of properties, listed securities and financial instruments	(541 549)	733 521	2 242 360
Impairment of loans to joint ventures	(111 095)	–	–
Amortisation of intangible assets	(31 428)	(31 428)	(62 856)
Equity accounted profit	577 028	280 620	453 053
<b>Profit from operations</b>	<b>2 061 723</b>	<b>3 162 391</b>	<b>7 130 259</b>
Net interest	(616 885)	(656 093)	(1 376 835)
– Interest paid	(946 115)	(783 798)	(1 683 064)
– Interest received	329 230	127 705	306 229
Foreign exchange loss	(471 988)	(153 114)	(223 072)
<b>Profit before taxation</b>	<b>972 850</b>	<b>2 353 184</b>	<b>5 530 352</b>
Taxation	67 700	(73 094)	170 662
<b>Profit for the period/year</b>	<b>1 040 550</b>	<b>2 280 090</b>	<b>5 701 014</b>
<b>– Redefine shareholders</b>	<b>1 009 025</b>	<b>2 115 057</b>	<b>5 425 097</b>
<b>– Non-controlling interest (NCI)</b>	<b>31 525</b>	<b>165 033</b>	<b>275 917</b>
<b>Other comprehensive income/(loss) (restated)</b>	<b>1 541 328</b>	<b>(139 643)</b>	<b>522 382</b>
<i>Items that are or may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations – subsidiaries	93 223	(1 409)	(70 491)
Exchange differences on translation of foreign operations – associates	1 448 105	(66 240)	592 873
Recycling of exchange differences on translation on disposal/deemed disposal of foreign subsidiary and associate	–	(71 994)	–
<b>Total comprehensive income for the period/year (restated)</b>	<b>2 581 878</b>	<b>2 140 447</b>	<b>6 223 396</b>
<b>– Redefine shareholders</b>	<b>2 550 353</b>	<b>1 975 414</b>	<b>5 947 479</b>
<b>– NCI</b>	<b>31 525</b>	<b>165 033</b>	<b>275 917</b>

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Unaudited 29 February 2016 R000	Unaudited 28 February 2015 R000	Audited 31 August 2015 R000
Cash generated from operations	2 257 006	1 639 360	4 201 916
Interest paid	(946 115)	(783 798)	(1 683 064)
Interest received	329 230	127 705	306 229
Distributions paid	(1 823 935)	(1 368 112)	(2 859 144)
Distributions to non-controlling interests	–	(106 000)	(264 910)
<b>Net cash outflow from operating activities</b>	<b>(183 814)</b>	<b>(490 845)</b>	<b>(298 973)</b>
<b>Net cash outflow from investing activities</b>	<b>(1 892 351)</b>	<b>(4 102 997)</b>	<b>(6 371 977)</b>
<b>Net cash inflow from financing activities</b>	<b>2 093 628</b>	<b>4 961 690</b>	<b>6 583 831</b>
<b>Net movement in cash and cash equivalents</b>	<b>17 463</b>	<b>367 848</b>	<b>(87 119)</b>
Cash and cash equivalents at beginning of the period/year	129 924	350 606	350 606
Translation effects on cash and cash equivalents of foreign operations	18 048	(259 960)	(133 563)
<b>Cash and cash equivalents at end of the period/year</b>	<b>165 435</b>	<b>458 494</b>	<b>129 924</b>

## DISTRIBUTABLE INCOME ANALYSIS

	Local R000	International R000	Total R000
Contractual rental income (excluding straight-line rental accrual)	3 266 801	–	3 266 801
Listed security income	42 834	–	42 834
Fee income	15 423	55 000	70 423
Trading income	294	–	294
<b>Total income</b>	<b>3 325 352</b>	<b>55 000</b>	<b>3 380 352</b>
Operating costs	(1 123 576)	–	(1 123 576)
Administration costs	(76 867)	(9 420)	(86 287)
Distributable equity income from interest in associates	–	327 377	327 377
Realised foreign exchange losses	–	(9 359)	(9 359)
Net interest	(656 855)	39 970	(616 885)
<b>Net distributable income before taxation and NCI</b>	<b>1 468 054</b>	<b>403 568</b>	<b>1 871 622</b>
Current tax	(18)	(30 969)	(30 987)
NCI's share of distributable income	(2 676)	–	(2 676)
<b>Distributable income before distributable income adjustments</b>	<b>1 465 360</b>	<b>372 599</b>	<b>1 837 959</b>
<i>Below the line-distributable income adjustments:</i>			
– Pre-acquisition distribution received	–	22 778	22 778
– Antecedent distribution	20 014	–	20 014
– Accrual for listed security income	4 187	6 868	11 055
– Transaction costs relating to business acquisitions	3 298	–	3 298
<b>Distributable income</b>	<b>1 492 859</b>	<b>402 245</b>	<b>1 895 104</b>

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 29 February 2016 R000	Restated 28 February 2015 R000	Restated 31 August 2015 R000
<b>ASSETS</b>			
<b>Non-current assets</b>	71 297 705	60 337 456	68 076 575
Investment properties	49 646 148	45 112 759	49 898 869
– Fair value of investment properties	46 011 097	42 172 722	46 589 717
– Straight-line rental income accrual	1 435 040	1 294 417	1 436 762
– Properties under development	2 200 011	1 645 620	1 872 390
Listed securities	1 336 848	3 933 827	988 793
Goodwill and intangible assets	5 335 620	5 297 248	5 367 047
Interest in associates and joint ventures	13 192 453	4 717 068	10 434 484
Interest rate swaps	340 315	–	93 150
Loans receivable	1 319 517	1 182 520	1 184 924
Other financial assets	–	2 462	–
Guarantee fees receivable	97 760	50 000	73 760
Property, plant and equipment	29 044	41 572	35 548
<b>Current assets</b>	1 715 285	1 862 822	1 422 776
Properties held-for-trading	–	18 677	1 080
Trade and other receivables	726 402	819 341	617 964
Loans receivable	767 738	504 926	587 440
Interest rate swaps	9 648	–	–
Listed security income receivable	46 062	61 384	86 368
Cash and cash equivalents	165 435	458 494	129 924
<b>Non-current assets held-for-sale</b>	1 503 210	464 648	1 289 612
<b>Total assets</b>	74 516 200	62 664 926	70 788 963
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	47 591 501	39 721 266	45 756 624
Shareholders' interest	47 454 622	36 661 987	45 756 624
Stated capital	34 716 446	25 894 246	33 738 010
Reserves	12 738 176	10 767 741	12 018 614
Non-controlling interest	136 879	3 059 279	–
<b>Non-current liabilities</b>	25 290 539	18 760 397	21 894 566
Interest-bearing liabilities	25 054 170	18 032 530	21 602 140
Interest rate swaps	27 105	158 767	–
Other financial liabilities	33 033	22 507	17 507
Deferred taxation	176 231	546 593	274 919
<b>Current liabilities</b>	1 634 160	4 183 263	3 137 773
Trade and other payables	1 276 212	1 183 027	1 106 230
Interest-bearing liabilities	320 873	2 948 477	1 980 226
Interest rate swaps	9 322	–	10 488
Other financial liabilities	–	19 832	18 437
Taxation payable	27 753	31 927	22 392
<b>Total equity and liabilities</b>	74 516 200	62 664 926	70 788 963
Net asset value per share (excluding deferred tax and NCI)(cents)	1 048,07	989,94	1 034,74
Net tangible asset value per share (excluding deferred tax and NCI)(cents)	930,67	849,01	914,09

# HEADLINE EARNINGS AND DISTRIBUTABLE EARNINGS RECONCILIATION

	Unaudited 29 February 2016 R000	Unaudited 28 February 2015 R000	Audited 31 August 2015 R000
Profit for the year attributable to Redefine shareholders	1 009 025	2 115 057	5 425 097
Change in fair value of properties (net of deferred taxation and NCI)	789 397	(254 843)	(2 111 739)
Insurance proceeds received	–	(119 420)	(119 420)
<b>Headline earnings attributable to Redefine shareholders</b>	<b>1 798 422</b>	<b>1 740 794</b>	<b>3 193 938</b>
Change in fair value of listed securities and financial instruments (net of deferred taxation)	(145 404)	(478 118)	(532 016)
Impairment of loans to joint ventures	111 095	–	–
Amortisation of intangible assets (net of deferred taxation)	13 828	22 628	45 256
Transactions costs relating to business acquisitions	3 298	–	4 874
Antecedant distribution	20 014	137 101	209 474
Accrual for listed security income	11 055	–	13 751
Straight-line rental income accrual	1 722	(80 432)	(163 305)
Unrealised foreign exchange loss	462 629	152 322	233 848
Fair value adjustments of associates and NCI (other than investment property)	(404 333)	(34 980)	160 558
NCI portion of Fountainhead distributable income for the period 1 March 2015 to 3 August 2015	–	–	101 917
Pre-acquisition distribution received	22 778	6 565	21 520
<b>Distributable income</b>	<b>1 895 104</b>	<b>1 465 880</b>	<b>3 289 815</b>
Six months ended February	1 895 104	1 465 880	1 465 880
Six months ended August	–	–	1 823 935
<b>Total distributions</b>	<b>1 895 104</b>	<b>1 465 880</b>	<b>3 289 815</b>
Actual number of shares in issue (000)*	4 544 612	3 758 667	4 448 623
Weighted number of shares in issue (000)*	4 496 090	3 656 134	3 798 575
Diluted number of shares in issue (000)*	4 496 090	3 795 745	3 798 575
<b>Basic earnings per share (cents)</b>	<b>22.44</b>	<b>57.85</b>	<b>142.82</b>
<b>Diluted earning per share (cents)**</b>	<b>22.44</b>	<b>55.72</b>	<b>142.82</b>
<b>Headline earnings per share (cents)</b>	<b>40.00</b>	<b>47.61</b>	<b>84.08</b>
<b>Diluted headline earnings per share (cents)**</b>	<b>40.00</b>	<b>45.86</b>	<b>84.08</b>
<b>Distribution per share (cents)</b>	<b>41.70</b>	<b>39.00</b>	<b>80.00</b>

\* Excludes 305,876,766 (2015: 5,876,766) treasury shares, 300 million held by the Redefine Empowerment Trust since second half 2015

\*\* In the current period there were no dilutionary shares in issue

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited 29 February 2016 R000	Restated 28 February 2015 R000	Restated 31 August 2015 R000
Opening balances	45 756 624	35 734 323	35 734 323
Total comprehensive income for the period/year	2 581 878	2 140 447	6 223 396
Issue of shares	978 435	3 336 287	11 179 971
Conversion of debentures to stated capital	–	(91)	–
Transactions with NCI	105 355	(121 348)	(4 265 020)
Cash adjustment on business combination	–	–	54 448
Share-based payment reserve	(6 856)	(240)	8 008
Distributions paid	(1 823 935)	(1 368 112)	(3 178 502)
<b>Total equity</b>	<b>47 591 501</b>	<b>39 721 266</b>	<b>45 756 624</b>

## CONDENSED SEGMENTAL ANALYSIS

	Office R000	Retail R000	Industrial R000	Specialised R000	Fountainhead R000	Total R000
<b>Six months ended 29 February 2016</b>						
Contractual rental income <sup>^</sup>	1 251 006	1 372 182	588 821	54 792	–	3 266 801
Operating costs	(404 374)	(533 582)	(166 708)	(18 912)	–	(1 123 576)
<b>Net property income</b>	<b>846 632</b>	<b>838 600</b>	<b>422 113</b>	<b>35 880</b>	<b>–</b>	<b>2 143 225</b>
<b>Investment property portfolio<sup>#</sup></b>	<b>18 383 199</b>	<b>20 409 300</b>	<b>9 261 752</b>	<b>895 096</b>	<b>–</b>	<b>48 949 347</b>
<b>Six months ended 28 February 2015</b>						
Contractual rental income <sup>^</sup>	880 092	875 239	420 118	–	761 803	2 937 252
Operating costs	(292 518)	(348 976)	(113 222)	–	(247 725)*	(1 002 441)
<b>Net property income</b>	<b>587 574</b>	<b>526 263</b>	<b>306 896</b>	<b>–</b>	<b>514 078</b>	<b>1 934 811</b>
<b>Investment property portfolio<sup>#</sup></b>	<b>11 829 222</b>	<b>12 048 698</b>	<b>8 132 372</b>	<b>–</b>	<b>11 921 495</b>	<b>43 931 787</b>
<b>Year ended 31 August 2015</b>						
Contractual rental income <sup>^</sup>	2 009 643	1 859 390	886 976	3 646	1 381 782	6 141 437
Operating costs	(669 542)	(733 126)	(230 003)	(5)	(452 033)*	(2 084 709)
<b>Net property income</b>	<b>1 340 101</b>	<b>1 126 264</b>	<b>656 973</b>	<b>3 641</b>	<b>929 749</b>	<b>4 056 728</b>
<b>Investment property portfolio<sup>#</sup></b>	<b>18 355 620</b>	<b>20 622 822</b>	<b>9 917 549</b>	<b>420 100</b>	<b>–</b>	<b>49 316 091</b>

<sup>^</sup> Excluding straight-line rental income accrual

<sup>#</sup> Excluding properties under development and held-for-trading. Properties classified as held-for-sale are included

\* Excludes property management fees reversed on consolidation of R20 726 000 which was not allocated to office, retail, industrial or specialised segment

# COMMENTARY

## PROFILE

Redefine is an internally managed Real Estate Investment Trust (REIT) with a primary goal of growing and improving cash flow to deliver quality earnings, which will underpin sustained growth in distributions, and support growth in total return per share. Redefine is listed on the Johannesburg Stock Exchange (JSE) with a market capitalisation of R58,2 billion and is included in the JSE Top 40 index. Redefine manages a diversified property asset platform with a value of R67,8 billion, comprising local and international property investments. Redefine's shares are among the most actively traded in the REIT sector, making it a highly liquid single entry point for gaining exposure to quality domestic properties and a spread of multiple international commercial real estate markets.

At 29 February 2016, Redefine's diversified, local property portfolio was valued at R54,3 billion. The group's international real estate investments, valued at R13,5 billion represent 19.9% of total property assets and provide geographic diversification into the UK, German and Australian property markets. Redefine has a 30.1% equity interest, with a value of R5,9 billion, in Redefine International PLC (RI PLC) which is listed on both the London Stock Exchange and the JSE. Redefine co-owns with RI PLC a German retail portfolio valued at R805 million. In addition, Redefine has a R6,5 billion presence in the Australian property market through a direct 50% interest in North Sydney's landmark tower, Northpoint, as well as a holding of 25.5% in Cromwell Property Group (Cromwell), one of the leading property groups listed on the Australian Stock Exchange.

## FINANCIAL RESULTS

Redefine's directors have declared a distribution of 41,7 (2015: 39,0) cents per share for the six months ended 29 February 2016, an increase of 6.9% on the comparable period, which is at the top end of market guidance. In Rand terms, distributable income for the period increased by 29.3% (2015: 31.4%) benefiting from a number of substantial quality acquisitions made in recent years.

Property portfolio income for the period contributed 96.6% (2015: 95.2%) of total revenue (excluding insurance proceeds received), income from listed securities 1.3% (2015: 4.3%), and fee and trading income of 2.1% (2015: 0.5%).

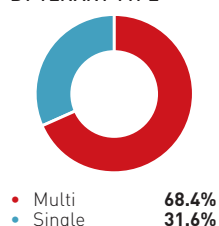
Operating costs were 34.4% (2015: 34.1%) of contractual rental income (excluding straight-line rental income accruals) – with the increase resulting mainly from increased administered costs. Net of electricity and utility recoveries, operating costs were 17.6% (2015: 17.8%) of contractual rental income. Redefine's international property investments contributed 21.2% (2015: 16.5%) of distributable income.

## CHANGES IN FAIR VALUES

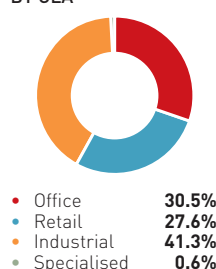
The group's property portfolio was internally valued by the directors at 29 February 2016 producing a net decrease in value of R605,9 million – a consequence of widening capitalisation rates following the upward trajectory of the interest rate cycle. In terms of IAS 40 and IFRS 13, Redefine's investment properties are measured at fair value and are categorised as level 3 investments. There were no transfers between levels 1, 2 and 3 during the period. The investment in listed securities decreased in value by R166,6 million during the period. The balance of R230,9 million relates to the increase in the mark-to-market of the group's interest rate swaps, which protect the group against adverse interest rate movements. In terms of IAS 39 and IFRS 13, Redefine's listed securities and interest rate swaps are measured at fair value through profit or loss and are categorised as level 1 and level 2 investments respectively. There were no transfers between levels 1, 2 and 3 during the period.

## PROPERTY PORTFOLIO

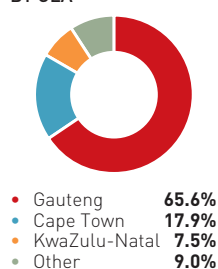
PORTFOLIO SPLIT  
BY TENANT TYPE



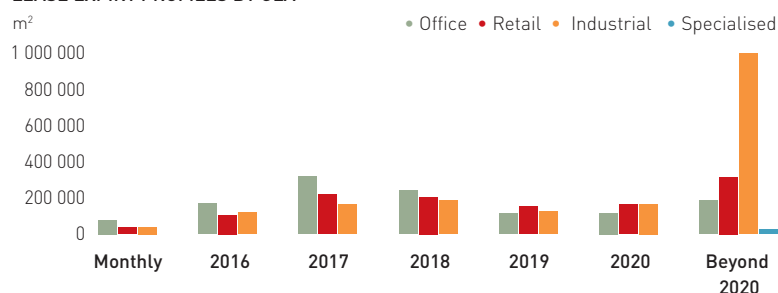
SECTORAL SPREAD  
BY GLA



GEOGRAPHIC SPREAD  
BY GLA



LEASE EXPIRY PROFILES BY GLA





## COMMENTARY continued

The overall portfolio vacancy rate deteriorated marginally during the period by 0.3% to 5.7% (2015: 5.4%). Leases covering 282 070m<sup>2</sup> were renewed at an average rental increase of 4.3%, with the retention rate a pleasing 83%. A further 171 832m<sup>2</sup> was let across the portfolio.

### VACANCY BY GLA

Vacancy per sector	29 February 2016 before strategic vacancies	Strategic vacancies*	29 February 2016	31 August 2015
Office	13.7%	8.4%	9.1%	8.5%
Retail	6.4%	1.9%	4.5%	4.3%
Industrial	6.3%	2.1%	4.2%	3.8%
Specialised	0.0%	0.0%	0.0%	0.0%
	8.6%	3.4%	5.7%	5.4%

\* Strategic vacancies include properties held for sale and properties under development. Since 29 February 2016 vacancy has improved to 5.2%

Net arrears improved to R34 million (31 August 2015: R42 million). Net arrears represent 6.0% (31 August 2015: 8.3%) of gross monthly rental.

### REDEFINE'S PROPERTY PORTFOLIO STRATEGY

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

**Acquisitions:** Redefine acquired and transferred three properties, with a GLA of 17 186m<sup>2</sup>, during the period, for an aggregate consideration of R185,0 million, at an initial yield of 9.6%. Redefine also acquired a 40% undivided share in predominantly vacant retail land in Soweto for R56,4 million, with a developable land area of 344 328m<sup>2</sup> (Redefine's share: 137 731m<sup>2</sup>). Subsequent to the reporting period, Redefine acquired two properties, for an aggregate consideration of R268,5 million, at an initial yield of 5.3% and GLA of 11 587m<sup>2</sup> and also acquired a 50.1% undivided share in vacant industrial land in Cape Town for R108,2 million with a gross building area of 446 530m<sup>2</sup> (Redefine's share: 227 730m<sup>2</sup>).

**Developments:** Redevelopment projects in the existing portfolio with an approved value of R1,3 billion at an average yield of 7.0% are in progress. New development projects covering 138 144m<sup>2</sup> of GLA with an approved value of R1,1 billion at an average yield of 9.3%, are presently in progress. Projects totalling R1,8 billion were completed during the period.

**Disposals:** 10 properties with a GLA of 136 010m<sup>2</sup>, which did not meet Redefine's investment strategy, were disposed of during the year to various buyers for an aggregate consideration of R1,2 billion, at an average yield of 8.0%. In addition, agreements, subject to conditions precedent, were concluded for the disposal of properties for an aggregate consideration of R300,0 million, with a GLA of 82 773m<sup>2</sup>.

**Government-tenanted offices:** Redefine concluded an agreement with Delta Property Fund Limited (Delta) to acquire a total of 15 Redefine properties with a GLA of 191 567m<sup>2</sup> at an average yield of 16,4% for R1,3 billion in exchange for 162,043,079 Delta shares. The effective date of the transaction was 1 April 2016. Redefine will dispose of the balance of its government-tenanted portfolio on a deal-by-deal basis.

**Student accommodation:** With effect from 1 September 2015, Redefine acquired a 51% equity interest in Respublica Student Living (Pty) Ltd (RSL) for R109 million at an initial yield of 10%. RSL owns and manages student accommodation facilities with a current capacity of 2 734 beds. RSL acquired, subject to conditions precedent, a property in Midrand, for an aggregate consideration of R460 million, at an initial yield of 11.1% and a bed capacity of 953. Hatfield Square, one of Redefine's secondary office assets, is being converted by RSL into student accommodation at a cost of R757 million with a bed capacity of 2 200 beds.

**Sustainability:** As part of Redefine's focus on sustainability and cost efficiency, various energy-efficient and sustainable building technologies are being implemented in new developments as well as in existing buildings, including the installation of solar PV and smart metering of electricity and water. To protect income, Redefine has taken steps to ensure that there is uninterrupted electricity supply at a number of its key retail properties.

### LISTED SECURITIES

Redefine currently owns 11.5% of Emira Property Fund Limited, 12.3% of Arrowhead Properties Limited acquired through the disposal of Cleary Park and holds 27.9% of newly listed International Hotel Group Limited.

### INTERESTS IN SIGNIFICANT ASSOCIATES AND JOINT VENTURES

**RI PLC:** On 16 February 2016, RI PLC undertook a capital raise in which Redefine participated and acquired 81,4 million additional RI PLC shares for a consideration of R762 million. During the period, Redefine also participated in RI PLC's dividend re-investment scheme and elected to receive 6,4 million shares. Currently Redefine owns 30.1% of RI PLC, which is equity accounted.

**Cromwell:** Currently Redefine owns 25.5% of Cromwell, which is equity accounted.



### ACQUISITION OF INTEREST IN ECHO PRIME PROPERTIES (EPP)

As more fully set out in a SENS announcement published on 1 March 2016, Redefine significantly extended its international strategy, which is centred on geographic diversification and exploiting attractive initial yield spreads, via an initial 75% investment into a €1.2 billion high-yielding commercial platform comprising 18 properties in the Polish market. It is Redefine's intention to reduce its shareholding to approximately 50% through the immediate on-sale of just over 25% of EPP's shares.

Antitrust clearance by the European Union, which was a key condition precedent, was obtained on 28 April 2016. The transaction is now expected to be completed at the end of May 2016 on the fulfilment of the remaining conditions precedent. Redefine's consideration price will be funded by offshore bridge funding with a 12-month term, and it is anticipated that this bridge funding will in due course be settled through a number of alternatives being considered such as proceeds from a possible placement by Redefine of bonds convertible into Redefine ordinary shares or similar instruments.

### FUNDING

Redefine's debt represented 37.2% (2015: 36.4%) of the value of its property assets as at 29 February 2016. The average cost of funding is 8.5% (2015: 8.4%) – interest rates are fixed on 79.3% (2015: 81.3%) of borrowings for an average period of 2.4 years (2015: 2.8 years). The interest cover ratio (which includes equity accounted profit and listed security income) is 3.7 (2015: 3.4).

During the period, Redefine conserved R979 million in cash through the issue of 96 million shares under the distribution reinvestment alternative, which was taken up by 51.5% of shareholders.

Moody's credit rating: The rating was refreshed during March 2016 and remains unchanged as follows:

Global long-term Baa3	Global short-term P-3
National long-term A3.za	National short-term P-2.za

### CONTINGENCIES AND COMMITMENTS

At 29 February 2016, Redefine had guarantees and suretyships in respect of its Black Economic Empowerment initiatives amounting to R175 million (2015: R195 million). Capital commitments outstanding (excluding EPP) amount to R2,2 billion (2015: R2,2 billion) and committed property acquisitions totalled R377 million (2015: R415 million). Future commitments will be funded by undrawn banking facilities and the acquisition of EPP will be funded by an initial bridging facility of €250 million.

### BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Redefine has achieved a Level 3 BBBEE contributor rating, significantly bolstering its empowerment credentials compared to the previous Level 6 status.

### PROSPECTS

Domestically challenging property fundamentals are anticipated to persist across all sectors, principally due to electricity tariff increases, exceptionally weak business and consumer confidence, potentially long-term damage to the agricultural sector from the drought, major downsizing in the mining sector (despite some relief from the weaker currency and improvement in commodity prices), political uncertainty and labour unrest. We see little prospect of a catalyst for significant change in local business conditions in the short to medium term.

On the international front, the trend of lower interest rates and elusive growth are set to continue. Attractive initial yield spreads and investing in offshore markets that offer growth through expansion works for Redefine with the local swings covered by international round-about.

Redefine's diversified asset base, combined with management's relentless focus on disciplined execution of its strategic priorities will drive achievement of its long term goals. Excluding accretive income benefits from the EPP transaction, we are confident of achieving distribution per share growth of 6% to 7% for the full 2016 financial year. The completion of the EPP transaction at the end of May 2016 is anticipated to yield accretive earnings of 1 cent per share in the second financial half of 2016.

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.

### DECLARATION OF A CASH DIVIDEND WITH THE ELECTION TO REINVEST THE CASH DIVIDEND IN RETURN FOR REDEFINE SHARES

The directors of Redefine have declared an interim cash dividend of 41,70000 cents per share, for the half year ended 29 February 2016, from the company's distributable income (the cash dividend).

Shareholders will be entitled, in respect of all or part of their shareholdings, to elect to reinvest the cash dividend in return for Redefine shares (the share reinvestment alternative), failing which they will receive the cash dividend of 41,70000 cents per share that will be paid to those shareholders not electing to participate in the share reinvestment alternative.

## COMMENTARY continued

A circular providing further information in respect of the cash dividend and share reinvestment alternative will be posted to Redefine shareholders on 6 May 2016.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker should instruct their CSDP or broker with regard to their election in terms of the custody agreement entered into between them and their CSDP or broker.

### SALIENT DATES AND TIMES

The salient dates and times for the cash dividend and share reinvestment alternative are as set out below.

Salient dates and times	2016
Circular and form of election posted to shareholders	Friday, 6 May
Finalisation information including the share ratio and price per share published on SENS	Friday, 13 May
Last day to trade in order to participate in the election to receive shares in terms of the share reinvestment alternative or to receive a cash dividend (LDT)	Friday, 20 May
Shares trade ex dividend	Monday, 23 May
Listing of maximum possible number of shares under the share reinvestment alternative	Wednesday, 25 May
Last day to elect to receive shares in terms of the share reinvestment alternative or to receive a cash dividend (no late forms of election will be accepted) at 12:00 (SA time)	Friday, 27 May
Record date for the election to receive shares in terms of the share reinvestment alternative or to receive a cash dividend (record date)	Friday, 27 May
Announcement of results of cash dividend and share reinvestment alternative released on SENS	Monday, 30 May
Cash dividend paid to certification shareholders on or about	Monday, 30 May
Accounts credited by CSDP or broker to dematerialised shareholders with the cash dividend payment	Monday, 30 May
Share certificates posted to certificated shareholders on or about	Wednesday, 1 June
Accounts updated with the new shares (if applicable) by CSDP or broker to dematerialised shareholders	Wednesday, 1 June
Adjustment to shares listed on or about	Friday, 3 June

#### Notes:

Shareholders electing the share reinvestment alternative are alerted to the fact that the new shares will be listed on LDT + 3 and that these new shares can only be traded on LDT + 3, due to the fact that settlement of the shares will be three days after the record date, which differs from the conventional one day after record date settlement process.

Shares may not be dematerialised or rematerialised between Monday, 23 May 2016 and Friday, 27 May 2016, both days inclusive.

The above dates and times are subject to change. Any changes will be released on SENS.

### TAX IMPLICATIONS

Redefine was granted REIT status by the JSE with effect from 1 September 2013 in line with the REIT structure as provided for in the Income Tax Act, 58 of 1962, as amended (the Income Tax Act) and section 13 of the JSE Listings Requirements.

The REIT structure is a tax regime that allows a REIT to deduct qualifying distributions paid to investors, in determining its taxable income.

The cash dividend of 41,70000 cents per share meets the requirements of a qualifying distribution for the purposes of section 25BB of the Income Tax Act (a qualifying distribution) with the result that:

- Qualifying distributions received by resident Redefine shareholders must be included in the gross income of such shareholders (as a non-exempt dividend in terms of section 10(1)(k)(aa) of the Income Tax Act), with the effect that the qualifying distribution is taxable as income in the hands of the Redefine shareholder. These qualifying distributions are however exempt from dividends withholding tax, provided that the South African resident shareholders provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- a declaration that the dividends are exempt from dividends tax; and
- a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the above mentioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

- Qualifying distributions received by non-resident Redefine shareholders will not be taxable as income and instead will be treated as ordinary dividends but which are exempt in terms of the usual dividend exemptions per section 10(1)(k) of the Income Tax Act. It should be noted that until 31 December 2013, qualifying distributions received by non-residents were not subject to dividends withholding tax. Since 1 January 2014 any qualifying distribution will be subject to dividends withholding tax at 15%, unless the rate is reduced in terms of any applicable

## COMMENTARY continued

agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder. Assuming dividends withholding tax will be withheld at a rate of 15%, the net dividend amount due to non-resident shareholders is 35,44500 cents per share. A reduced dividend withholding rate in terms of the applicable DTA, may only be relied upon if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

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

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

Shareholders are advised that in electing to participate in the share reinvestment alternative, pre-taxation funds are utilised for the reinvestment purposes and that taxation will be due on the total cash dividend amount of 41,70000 cents per share.

### OTHER INFORMATION

- The ordinary issued share capital of Redefine is 4 850 488 789 ordinary shares of no par value before any election to reinvest the cash dividend.
- Income tax reference number of Redefine: 917/852/484/0.

The cash dividend or share reinvestment alternative may have tax implications for resident as well as non-resident shareholders. Shareholders are therefore encouraged to consult their professional advisers should they be in any doubt as to the appropriate action to take.

### 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.

### PRIOR YEAR RESTATEMENT

The group's accounting policy for investments in associates and joint ventures is to use the equity method, whereby the investments are initially recognised at cost and increased or decreased by the group's share of post-acquisition profits or losses and other comprehensive income.

In prior periods, the group did not include its share of the associate's other comprehensive income when applying the equity method. Accordingly, these results are restated with the change applied retrospectively. The change is of a non-cash flow nature and has no effect on the distributable income or profit or loss. We believe this change will give a fairer reflection of the economic substance of investments, particularly where those investments operate in foreign currencies and will provide more relevant information to the users of the financial statements.

#### (i) Consolidated statement of financial position

	Impact of restatement		
	As previously reported R000	Adjustment R000	As restated R000
<b>28 February 2015</b>			
Interest in associates and joint ventures	4 751 352	(34 284)	4 717 068
<b>Total assets</b>	62 699 210	(34 284)	62 664 926
Reserves	10 802 025	(34 284)	10 767 741
<b>Equity</b>	39 755 550	(34 284)	39 721 266
Net asset value per share (excluding deferred tax and NCI) (cents)	990,85	0.91	989.94
Net tangible asset value per share (excluding deferred tax and NCI) (cents)	849,92	0.91	849.01
<b>31 August 2015</b>			
Interest in associates and joint ventures	9 823 319	611 165	10 434 484
<b>Total assets</b>	70 177 798	611 165	70 788 963
Reserves	11 407 449	611 165	12 018 614
<b>Equity</b>	45 145 459	611 165	45 756 624
Net asset value per share (excluding deferred tax and NCI) (cents)	1021,00	13.74	1 034.74
Net tangible asset value per share (excluding deferred tax and NCI) (cents)	900,35	13.74	914.09

## COMMENTARY continued

### (iii) Consolidated statement of comprehensive income

	Impact of restatement		
	As previously reported R000	Adjustment R000	As restated R000
<b>28 February 2015</b>			
Exchange differences on translation of foreign operations - associates	(33 570)	(32 670)	(66 240)
<b>Other comprehensive loss</b>	(106 973)	(32 670)	(139 643)
<b>Total comprehensive income for the period</b>	2 173 117	(32 670)	2 140 447
<b>Total comprehensive income for the period – attributable to Redefine shareholders</b>	2 008 084	(32 670)	1 975 414
<b>31 August 2015</b>			
Exchange differences on translation of foreign operations – associates	(19 906)	612 779	592 873
<b>Other comprehensive (loss)/income</b>	(90 397)	612 779	522 382
<b>Total comprehensive income for the year</b>	5 610 617	612 779	6 223 396
<b>Total comprehensive income for the year – attributable to Redefine shareholders</b>	5 334 700	612 779	5 947 479

There is no impact on the group's basic or diluted earnings per share and no impact on the total operating, investing or financing cash flows for the period/year ended 28 February 2015 and 31 August 2015.

### EXTERNAL AUDITORS

The appointment of KPMG Inc as the group's external auditors commencing for the financial year ending 31 August 2016 was confirmed by shareholders at the annual general meeting held on 18 February 2016.

### BASIS OF PREPARATION

The unaudited condensed consolidated half year financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these half year financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

Leon Kok (CA [SA]), Redefine's financial director, was responsible for supervising the preparation of these condensed consolidated half year financial statements, which have not been reviewed or audited by Redefine's independent external auditors.

By order of the Board

**Redefine Properties Limited**

4 May 2016

#### REDEFINE PROPERTIES LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1999/018591/06

JSE share code: RDF ISIN: ZAE000190252

("Redefine" or "the company" or "the group")

(Approved as a REIT by the JSE)

Executive directors: M Wainer (Chairman), A J König (CEO), L C Kok (FD),  
D H Rice<sup>†</sup> (COO), M J Ruttel<sup>®</sup>

Non-executive directors: M Barkhuysen\*, N B Langa-Royds\*, H K Mehta\*, P Langeni\*,  
B Nackan (Lead independent)\*, D A Nathan\*, G Z Steffens<sup>#</sup>, M J Watters

\*Independent <sup>†</sup>British <sup>®</sup>Irish <sup>#</sup>German

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

Transfer secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Java Capital

Company secretary: B Baker