

REDEFINE PROPERTIES LIMITED

**Condensed unaudited**

# **GROUP RESULTS**

for the six months ended 28 February **2018**



We're not landlords. We're people.

## Highlights

Operating margin  
maintained at

**82.7%**

Local developments in  
progress total

**R5.9 billion**

LTV lowered to

**40.1%**

**47**

Learners enrolled  
for 2018

Gold SAFMA award for

**solar PV**  
implementation

# Commentary

## Profile

Redefine is a leading South African-based Real Estate Investment Trust (REIT), with a diverse, internally managed property asset platform valued at R85.6 billion (FY17: R84.1 billion). Redefine's portfolio is anchored domestically in directly held retail, office and industrial properties, and is complemented by substantial property investments in the United Kingdom (UK), Poland and Australia.

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

Redefine is listed on the Johannesburg Stock Exchange (JSE), has a market capitalisation of R66.8 billion (FY17: R61.8 billion) and is ranked in the JSE Top 40 index. By volume, Redefine shares are among the most actively traded on the JSE, making it a highly liquid single entry point for investors to gain exposure to domestic and multiple international real estate markets.

At 28 February 2018, Redefine's diversified local property assets were valued at R68.6 billion (FY17: R68.1 billion). The Group's international real estate investments, valued at R17.0 billion (FY17: R16.0 billion) represented 19.9% (FY17: 19.0%) of total property assets, providing geographic diversification into the UK, Polish and Australian markets.

## Financial results

The Redefine Board has declared a distribution of 47.30 (HY17: 44.82) cents per share for the six months ended 28 February 2018, an increase of 5.5% (HY17: 7.5%) on the comparable period of the previous year, which is in line with market guidance. Total revenue and gross distributable income showed growth of 9.6% (HY17: 8.5%) and 8.6% (HY17: 24.8%) respectively, continuing to benefit from a number of substantial quality acquisitions made in recent years.

Redefine's property portfolio contributed 98.0% (HY17: 99.6%) of total revenue, with minimal income from listed securities 2.0% (HY17: 0.4%).

Operating costs remained stable at 33.9% (HY17: 33.9%) of contractual rental income. Net of electricity and utility recoveries, operating costs were 17.3% (HY17: 17.4%) of contractual rental income. The cost-to-income ratios are calculated in accordance with SA REIT Association's Best Practice Recommendations.

Redefine's international property investments contributed 25.3% (HY17: 22.7%) of distributable income.

## Changes in fair value

The Group's property portfolio was independently valued by external valuers at 28 February 2018 resulting in a net increase in value of R1.3 billion (HY17: R156.2 million). In terms of IAS 40 and IFRS 13, Redefine's investment properties are measured at fair value through profit or loss using valuation inputs which are categorised as level 3 on the fair value hierarchy. There were no transfers between levels 1, 2 and 3 during the period.

Exchangeable bonds were fair valued at 28 February 2018 which resulted in a R174.5 million (HY17: R433.5 million) decrease in the liability. These exchangeable bonds are measured at fair value through profit and loss. The fair value is determined with reference to the Bloomberg Valuation Service price, and has been classified as level 1.

The fair value of the investment in listed securities decreased by R257.7 million (HY17: R152.1 million increase) during the period. The Group's derivatives, which protect the Group against adverse movements in interest and foreign exchange rates, were valued using the

# Commentary (continued)

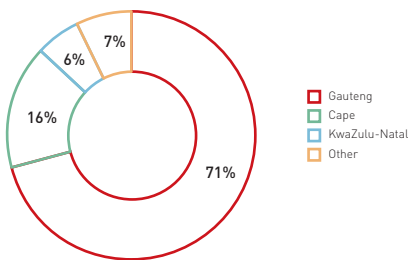
swap curve and forward pricing methods respectively, resulting in a decrease of R397.1 million (HY17: R53.6 million) in the Group's liabilities. In terms of IAS 39 and IFRS 13, Redefine's listed securities investments and derivatives are measured at fair value through profit or loss and are categorised as level 1 and level 2 respectively.

The balance of the fair value movements relate to foreign exchange losses on foreign unlisted investments of R11.8 million (HY17: Rnil) and the profit on dilution of our equity accounted investments of R43.5 million (HY: R107.5 million).

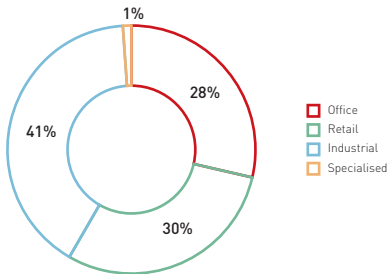
## Property portfolio

The active portfolio vacancy rate remained stable during the period to 4.7% (FY17: 4.6%). Leases covering 269 209m<sup>2</sup> (HY17: 171 208m<sup>2</sup>) were renewed during the period at an average rental increase of 0.3% (HY17: 3.1%) while the tenant retention rate was a pleasing 94.7% (HY17: 86.0%). A further 224 786m<sup>2</sup> (HY17: 205 213m<sup>2</sup>) was let across the portfolio. Net arrears amounted to R76.0 million (HY17: R73.3 million), representing 10.1% (HY17: 9.4%) of gross monthly rental.

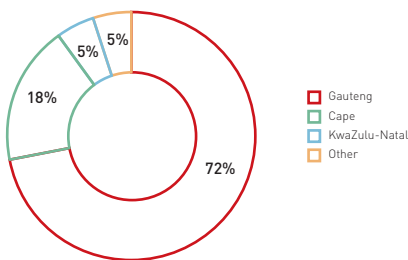
GEOGRAPHIC SPREAD BY GLA



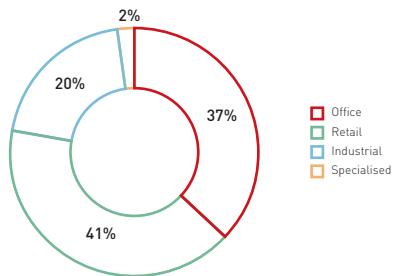
SECTORAL SPREAD BY GLA



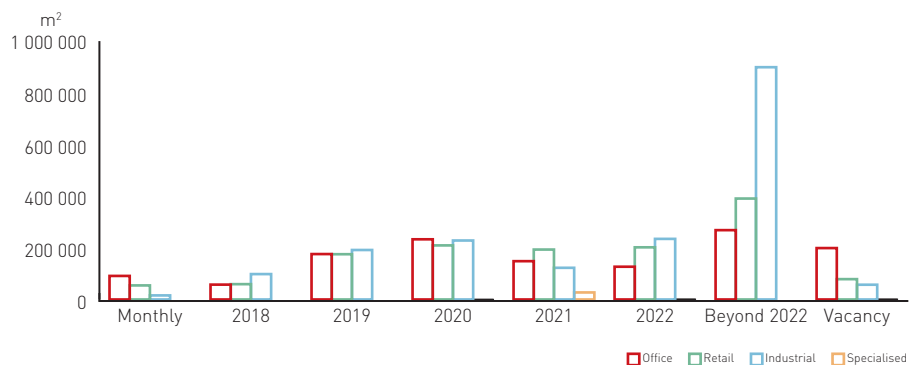
GEOGRAPHIC SPREAD BY VALUE



SECTORAL SPREAD BY VALUE



## LEASE EXPIRY PROFILE BY GLA



## VACANCY PER SECTOR

	28 February 2018 before strategic vacancies %	Strategic vacancies*		28 February 2018 %	31 August 2017 %
		Vacant properties under redevelopment %	Vacant properties held-for-sale %		
Office	15.3	1.9	5.3	8.1	8.1
Retail	5.8	1.4	–	4.4	3.3
Industrial	3.1	–	0.4	2.7	3.3
Specialised	3.4	3.4	–	–	–
	<b>7.4</b>	<b>1.0</b>	<b>1.7</b>	<b>4.7</b>	<b>4.6</b>

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

	28 February 2018 %	28 February 2017 %
<b>Property cost-to-income ratios</b>		
Gross cost-to-income ratio	33.9	33.9
Net cost-to-income ratio	17.3	17.4
<b>Total cost-to-income ratios</b>		
Gross cost-to-income ratio	36.4	36.5
Net cost-to-income ratio	20.9	20.7

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

# Commentary (continued)

## Portfolio strategy

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

**Local acquisitions:** Subsequent to the reporting period, Redefine acquired the remaining 50% share of 115 West Street (Alexander Forbes), with a GLA of 20 546m<sup>2</sup> at an average initial yield of 9.25% for R750.0 million.

**International acquisitions:** Redefine acquired a 25% equity share in Chariot Top Group B.V. (Chariot) for R907.9 million (€57.9 million). Chariot owns a portfolio of 28 well-located retail properties throughout Poland with two blue chip tenants occupying over 65% of the GLA. Echo Polska Properties N.V. (EPP) has agreed to acquire 12 properties from Chariot for R9.9 billion (€692 million) in three tranches, the first of which was completed on 4 January 2018. The acquisition of Chariot is in line with Redefine's international strategy which is centered on geographic diversification in hard currency markets.

**New developments:** Projects in progress total R3.5 billion at an average initial yield of 8.5%. In addition, infrastructure projects totalling R648.6 million for the S&J, Brackengate, Matlosana Mall and Atlantic Hills sites are currently under way.

**Redevelopments:** During the period, redevelopment projects were completed with a total value of R212.7 million at an average projected initial yield of 6.4%. Redevelopment projects in progress in the existing portfolio total R743.4 million at an average initial yield of 6.2%. Future committed projects total R162.6 million at a projected initial yield of 1.6%.

**Held-for-trading:** Two portions of Brackengate land with a developable area of 213 191m<sup>2</sup> have been transferred to held-for-trading.

**Disposals:** 14 properties with a GLA of 208 360m<sup>2</sup>, which no longer served Redefine's investment strategy, were disposed of during the period to various buyers for an aggregate consideration of R2.2 billion, at an average yield of 8.1%. In addition, agreements, subject to the usual conditions precedent, were concluded for the disposal of properties for an aggregate consideration of R530.0 million with a GLA of 123 141m<sup>2</sup> at an average yield of 7.9%.

**Student accommodation:** Redefine continues to expand its local student accommodation portfolio with the completion of Lincoln House, a 469 bed Residence in Bloemfontein which started trading in January 2018, for a total value of R103.4 million with an average projected initial yield of 10.6%. Projects in progress (Hatfield Square and Roscommon House) total R1.1 billion at an average yield of 10.6%. Paton House, a future committed project, has a cost of R108.1 million with an estimated initial yield of 10.6%.

Redefine has also continued to expand its presence in the Australian student accommodation market through its 90% held subsidiary, Journal Student Accommodation Fund. The Leicester Street development, at a total cost of R1.2 billion (AUD140.0 million), will have 804 beds and is progressing well with anticipated completion in time for the 2019 student intake.

**Sustainability:** We continue to focus on operating our buildings efficiently. Approximately 3 000 smart electricity meters are in the process of being installed in 117 of our buildings, and we are deploying smart water metering and control devices at 66 buildings, including all our Cape Town based properties. Using smart metering data enables us to operate buildings efficiently and increases consumption control to minimise energy and water waste. Through ongoing interaction with our facilities and property management teams, energy efficiency projects are continuously identified and implemented where feasible.

## Investment in associates and joint ventures

	28 February 2018			31 August 2017	
	Stock exchange	Carrying value R'000	Held (%)	Carrying value R'000	Held (%)
EPP	LuxSE and JSE	4 985 744	36.2	4 784 916	39.6
RDI REIT Plc (RDI)	LSE and JSE	3 895 228	29.4	3 857 858	29.5
Cromwell Property Group (Cromwell)	ASX	575 562	3.0	4 889 868	25.3
Oando Wings Development Limited	Not listed	538 800	39.5	587 199	37.2
Cromwell Partners Trust (CPT)	Not listed	1 434 101	50.0	887 892	50.0
International Hotel Properties Limited (IHL)	LSE and JSE	–	–	245 993	27.5
		11 429 435		15 253 726	

**Cromwell:** Redefine has entered into an agreement for the sale of 19.5% of its interest in Cromwell for an aggregate gross sale consideration of R3.7 billion (AUD405.9 million). Subject to the approval of the Australian Foreign Investment Review Board (FIRB), the proceeds are expected to be received in May 2018. This portion of the investment in Cromwell has been reclassified to non-current assets held-for-sale. As a result of the reclassification to non-current assets held-for-sale, the investment in Cromwell is now carried at fair value less costs to sell which, in addition to the strengthening of the Rand, lead to an impairment of R416.0 million (FY17: R515.9 million). The net proceeds, after deduction of capital gains tax and selling costs, are estimated at R3.4 billion (AUD375.9 million). The remaining portion of the investment (3.0%) is classified as an investment in associate until the date of the disposal, thereafter it will be transferred to listed securities.

**RDI:** During the period, Redefine agreed to exchange all of the shares it held in IHL for 19.8 million shares in RDI and R138.6 million (£7.5 million) cash. Given the prolonged decline in the share price of RDI and the existence of other impairment indicators, the carrying value of RDI was subject to impairment testing, in accordance with IAS 36 Impairment of Assets by comparing the carrying amount to the recoverable amount, being value-in-use. A discounted cash flow was performed taking into account the forecasted future expected cash flow which was discounted at relevant market rates in order to calculate the value-in-use. The carrying amount of RDI was accordingly impaired by R78.4 million (FY17: R688.2 million).

**CPT:** The development of Northpoint Tower is substantially complete. During the period, the property was fair valued resulting in an uplift of R1.2 billion (AUD136.0 million), of which Redefine's share is R621.0 million.

**Exchange rates:** The Rand strengthened compared to the prior period and as a result Redefine's proportionate share of the underlying foreign currency denominated associates' net assets similarly declined. This decline was largely neutralised by the natural hedge created by the foreign currency denominated debt held against these assets, as it was correspondingly valued downwards

Foreign currency	28 February 2018	31 August 2017
AUD	9.1359	10.2867
USD	11.7186	13.0203
EUR	14.3293	15.4646
GBP	16.2986	16.8243

## Commentary (continued)

### Funding and equity raises

Redefine's interest-bearing borrowings (net of cash and cash equivalents and including the fair value of cash settled hedges) represented 40.1% (FY17: 41.1%) of the value of its property asset platform at 28 February 2018. The Group's property asset platform is made up of property, listed securities, loans receivable, and interests in associates and joint ventures. The average cost of Rand-denominated funding is 9.0% (FY17: 9.1%), interest rates are hedged on 87.9% (FY17: 93.0%) of local borrowings for an average period of 2.3 years (FY17: 2.4 years). Including foreign currency debt and derivatives, the average cost of debt is 6.9% (FY17: 7.3%). Interest rates are hedged on 84.5% (FY17: 88.7%) of total borrowings for an average period of 2.5 years (FY17: 2.7 years). The interest cover ratio (which includes equity-accounted dividends and listed security income) is 4.0x (FY17: 3.6x).

Redefine had unutilised committed bank facilities of R2.6 billion (FY17: R3.7 billion) at 28 February 2018 which provides assurance that the Group will be able to meet its short-term commitments. At 28 February 2018, Redefine had R8.1 billion (FY17: R6.8 billion) short-term interest-bearing borrowings. Of this R1.0 billion has been repaid and subsequent to the reporting period the balance has been refinanced to lengthen the overall debt portfolio's maturity profile. It is anticipated that the proceeds from the sale of Cromwell will bolster liquidity by applying the proceeds against local debt facilities and to fund development activities.

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

#### Moody's credit rating:

On 27 March 2018, the outlook on Redefine's global scale rating was upgraded to stable after being placed under review for downgrade on 29 November 2017, following a similar action taken on the sovereign rating.

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

Moody's has maintained a Baa3 long-term global rating for the EUR150.0 million senior secured exchangeable bonds issued by Redefine.

### Commitments

Capital development commitments outstanding amount to R3.4 billion (FY17: R3.0 billion) and committed property acquisitions total R750.0 million (FY17: Rnil). Future commitments will be funded by undrawn banking facilities and proceeds from capital recycling activities.

### Subsequent events

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

During April 2018, Redefine concluded the sale of its equity share in Cromwell Partners Trust (CPT) to Early Light Channel for an amount of R1.6 billion (AUD180.1 million). The net proceeds, after deduction of capital gains tax and selling costs, are estimated at R1.4 billion (AUD152.9 million). The transaction is subject to FIRB approval and is expected to be settled during May 2018.

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

Redefine is committed to the objectives of B-BBEE and endeavours to explicitly integrate the principles in our business. Redefine has made meaningful organisational changes to embrace the spirit of B-BBEE, including forming a Transformation Committee. The revised property sector codes were promulgated during 2017. Certain new elements were introduced and rating thresholds were increased. We were pleased to achieve a level 4 contributor-status as rated under these new codes. It remains a priority to improve our compliance with the codes.



## Prospects

Global growth and commodity prices continue to support local fundamentals and the improvement in political stability and policy certainty – lack of which were the key reasons for sub-optimal growth over the past five years – are expected to lead to higher investment and economic growth as confidence continues to build. While growth forecasts have been revised upwards to around 1.7% and 1.9% for 2018 and 2019 respectively, economic growth is not yet at a level to alleviate soft property fundamentals – twice the current growth on a sustained basis is required to make sustainable inroads. Interventions introduced by President Ramaphosa to propel the economic growth rate are welcomed and we are supportive of his initiatives.

Against this background we believe that our strategic approach is appropriate for the environment in which we are operating.

We are pleased to report that Redefine has delivered its market guidance of 5.5% growth in distribution per share for the first half of 2018. We anticipate maintaining this growth rate for the full 2018 financial year.

We remain focused on what matters most in executing all our strategic choices to deliver sustained value creation for all our stakeholders (operating efficiently, investing strategically, optimising capital, engaging talent and growing reputation).

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

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

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

The directors of Redefine have declared an interim cash dividend of 47,30000 cents per Redefine ordinary share, for the six months ended 28 February 2018, from the company's distributable income (the cash dividend).

Shareholders will be provided with an election to reinvest the cash dividend in return for Redefine shares (share reinvestment alternative), failing which they will receive the cash dividend of 47,30000 cents per share.

### SALIENT DATES AND TIMES REGARDING THE CASH DIVIDEND

Last day to trade in order to receive the cash dividend	Tuesday, 22 May
Shares trade ex dividend	Wednesday, 23 May
Record date to receive the cash dividend	Friday, 25 May
Cash dividend paid to certificated shareholders on or about	Monday, 28 May
Accounts credited by CSDP or broker to dematerialised shareholders with the cash dividend payment	Monday, 28 May

#### Notes:

1. Shares may not be dematerialised or rematerialised between Wednesday, 23 May 2018 and Friday, 25 May 2018, both days inclusive.
2. The above dates and times are subject to change. Any changes will be announced on SENS.

Certificated shareholders receiving the cash dividend will receive the dividend payment on Monday, 28 May 2018. Central Securities Depository Participants or broker custody accounts of dematerialised shareholders will be credited with the dividend on Monday, 28 May 2018. Any changes to these dates will be released on SENS.

## Tax implications

Redefine was granted REIT status by the JSE with effect from 1 September 2013 in line with the REIT structure as provided for in the Income Tax Act, 58 of 1962, as amended (the Income Tax Act), and section 13 of the JSE Listings Requirements. The REIT structure is a tax regime that allows a REIT to deduct qualifying distributions paid to investors, in determining its taxable income. The cash dividend of 47,30000 cents per share meets the requirements of a qualifying distribution for the purposes of section 25BB of the Income Tax Act (a qualifying distribution) with the result that:

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

both in the form prescribed by the Commissioner for the South African Revenue Service.

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

- 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. Any qualifying distribution will be subject to dividends withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder. Assuming dividends withholding tax will be withheld at a rate of 20% (FY17: 20%), the net dividend amount due to non-resident shareholders is 37,84000 cents per share. A reduced dividend withholding rate in terms of the applicable DTA, may only be relied upon if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:
    - A declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
    - A written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,
- both in the form prescribed by the Commissioner for the South African Revenue Service.

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

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 47,30000 cents per share.

## Other information

- The ordinary issued share capital of Redefine is 5 723 098 386 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.

## Foreign shareholders

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

## United States of America

The shares issued pursuant to the share reinvestment alternative have not been and will not be registered under the U.S. Securities Act of 1993, as amended (U.S. Securities Act), or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, take up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state and other securities laws of the United States. There will be no public offer of the shares issued pursuant to the share reinvestment plan in the United States.

## Dividend declaration after reporting date

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

## Restatements

### Business combinations

On 9 January 2017, the Group acquired 100% of the shares and voting rights in The Pivotal Fund Limited ("Pivotal") and attained control of Pivotal. Provisional amounts were used for the purpose of consolidation, as the business combination occurred shortly before Redefine's 2017 interim reporting period. Subsequent to this, new information was obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition which led to the revision of the accounting of the acquisition.

Accordingly, these results are restated with the change applied retrospectively.

# Commentary (continued)

## ASSETS AND LIABILITIES ARISING FROM THE PIVOTAL ACQUISITION (31 DECEMBER 2016)

Figures in R'000s	Provisional amounts as previously reported	Adjustments	Restated
<b>Assets</b>			
Listed securities	299 782	608 089	907 871
Interest in associate	783 627	(245 823)	537 804
<b>Liabilities</b>			
Other financial liabilities	–	(608 088)	(608 088)
Trade and other payables	(266 626)	57 656	(208 970)
<b>Fair value of net assets</b>	<b>4 827 640</b>	<b>(188 166)</b>	<b>4 639 474</b>
Goodwill	379 558	188 166	567 724

The line items affected are:

Figures in R'000s	Previously reported Unaudited 28 February 2017	Adjustments	Restated Unaudited 28 February 2017
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### STATEMENT OF FINANCIAL POSITION

<b>Non-current assets</b>	87 930 036	(57 657)	87 872 379
Goodwill and intangible assets	5 652 321	188 166	5 840 487
Investment in associates and joint ventures	16 575 787	(245 823)	16 329 964
<b>Total assets</b>	<b>91 790 060</b>	<b>(57 657)</b>	<b>91 732 403</b>
<b>Current liabilities</b>	<b>(7 378 928)</b>	<b>57 657</b>	<b>(7 321 271)</b>
Trade and other payables	(1 190 582)	57 657	(1 132 925)
<b>Total equity and liabilities</b>	<b>(91 790 060)</b>	<b>57 657</b>	<b>(91 732 403)</b>
<b>Net tangible asset value per share (excluding deferred tax, NCI, and goodwill and intangible assets) (cents)</b>	<b>951.54</b>	<b>[3.61]</b>	<b>947.93</b>

## Change in accounting policy

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

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

	Previously reported Unaudited 28 February 2017	Adjustments	Restated Unaudited 28 February 2017
<b>Figures in R'000s</b>			
<b>STATEMENT OF CASH FLOWS</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends and interest received from associates and joint ventures	–	536 144	536 144
<b>Net cash inflow from operating activities</b>	<b>1 757 337</b>	<b>536 144</b>	<b>2 293 481</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends and interest received from associates and joint ventures	536 144	(536 144)	–
<b>Net cash inflow from investing activities</b>	<b>1 225 418</b>	<b>(536 144)</b>	<b>689 274</b>

	Previously reported Audited 31 August 2017	Adjustments	Restated Audited 31 August 2017
<b>Figures in R'000s</b>			
<b>STATEMENT OF CASH FLOWS</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends and interest received from associates and joint ventures	–	1 075 056	1 075 056
<b>Net cash inflow from operating activities</b>	<b>2 582 384</b>	<b>1 075 056</b>	<b>3 657 440</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends and interest received from associates and joint ventures	1 075 056	(1 075 056)	–
<b>Net cash inflow/(outflow) from investing activities</b>	<b>1 073 353</b>	<b>(1 075 056)</b>	<b>(1 703)</b>

## Basis of preparation

These condensed consolidated unaudited interim financial statements are prepared in accordance with International Financial Reporting Standards, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by 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 interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous financial statements except for the change in accounting policy relating to dividends and interest received from associates and joint ventures in the statement of cash flows (refer to restatements). LC Kok (CA(SA)), Redefine's financial director, was responsible for supervising the preparation of these condensed consolidated interim financial statements. These condensed consolidated interim financial statements for the period ended 28 February 2018 have not been reviewed or reported on by Redefine's independent external auditors.

By order of the Board

**Redefine Properties Limited**

7 May 2018

# Statement of profit or loss and other comprehensive income

Figures in R'000s	Unaudited 28 February 2018	Unaudited 28 February 2017	Audited 31 August 2017
<b>Continuing operations</b>			
<b>Revenue</b>			
Property portfolio revenue	3 855 362	3 572 621	7 770 111
– Contractual rental income	3 855 469	3 423 486	7 300 821
– Straight-line rental income accrual	(107)	149 135	469 290
Investment income	77 763	15 557	23 728
<b>Total revenue</b>	<b>3 933 125</b>	<b>3 588 178</b>	<b>7 793 839</b>
Operating costs	(1 306 237)	(1 162 053)	(2 497 688)
Administration costs	(124 798)	(92 596)	(259 641)
<b>Net operating profit</b>	<b>2 502 090</b>	<b>2 333 529</b>	<b>5 036 510</b>
Other gains	19 901	27 237	93 195
– Trading loss	–	–	(2 595)
– Fee income	19 793	23 441	92 503
– Sundry income	108	3 796	3 287
Loss on disposal of interest in associate	(52 514)	–	–
Changes in fair values of properties, listed securities and financial instruments	1 659 102	795 835	(541 947)
Amortisation of intangible asset	(31 428)	(31 428)	(62 856)
Impairments	(494 395)	–	(1 215 209)
Equity-accounted profit (net of taxation)	1 548 314	825 246	1 593 387
<b>Profit before finance costs and taxation</b>	<b>5 151 070</b>	<b>3 950 419</b>	<b>4 903 080</b>
Net interest costs	(779 752)	(824 883)	(1 727 776)
– Interest income	467 959	284 895	650 282
– Interest expense	(1 247 711)	(1 109 778)	(2 378 058)
Foreign exchange gains	552 024	613 700	478 670
<b>Profit before taxation</b>	<b>4 923 342</b>	<b>3 739 236</b>	<b>3 653 974</b>
Taxation	(199 150)	(197 016)	(239 842)
<b>Profit from continuing operations</b>	<b>4 724 192</b>	<b>3 542 220</b>	<b>3 414 132</b>
<b>Discontinued operations</b>			
Loss from discontinued operations (net of taxation)	–	(13 864)	(13 877)
<b>Profit for the period/year</b>	<b>4 724 192</b>	<b>3 528 356</b>	<b>3 400 255</b>
Attributable to:			
– Redefine Properties Limited shareholders	4 690 515	3 490 986	3 328 995
– Non-controlling interests	33 677	37 370	71 260
<b>Other comprehensive income</b>	<b>(717 260)</b>	<b>(1 896 624)</b>	<b>(1 458 975)</b>
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Share of revaluation of property, plant and equipment of an associate	4 311	3 167	3 167
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations:			
– Subsidiaries	(66 689)	(287)	(6 938)
– Associates	(654 882)	(1 899 504)	(1 455 204)
<b>Total comprehensive income for the period/year</b>	<b>4 006 932</b>	<b>1 631 732</b>	<b>1 941 280</b>
Attributable to:			
– Redefine Properties Limited shareholders	3 982 564	1 596 312	1 876 965
– Non-controlling interests	24 368	35 420	64 315
<b>Earnings per share from continuing operations</b>			
– Basic	88.43	72.19	66.15
– Diluted	88.20	72.19	65.98

# Statement of financial position

Figures in R'000s	Unaudited 28 February 2018	Restated Unaudited 28 February 2017	Audited 31 August 2017
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>87 288 727</b>	87 872 379	87 611 269
Investment properties	65 910 557	63 649 927	63 192 093
– Fair value of investment properties	59 514 237	57 296 818	57 299 006
– Straight-line rental income accrual	1 944 111	1 983 794	1 944 218
– Properties under development	4 452 209	4 369 315	3 948 869
Listed securities	1 196 341	274 007	1 453 994
Goodwill and intangible assets	5 777 633	5 840 487	5 809 059
Investment in associates and joint ventures	11 429 435	16 329 964	15 253 726
Derivative assets	126 373	144 896	1 868
Loans receivable	2 638 095	1 606 740	1 789 395
Other financial assets	131 059	5 658	29 519
Property, plant and equipment	79 234	20 700	81 615
<b>Current assets</b>	<b>1 816 024</b>	2 124 330	1 477 586
Properties held-for-trading	122 294	–	–
Trade and other receivables	949 881	827 361	912 752
Loans receivable	41 711	238 705	55 260
Other financial assets	253 875	252 925	253 038
Derivative assets	124 822	117 784	75 875
Taxation receivable	–	3 904	–
Cash and cash equivalents	323 441	683 651	180 661
<b>Non-current assets held-for-sale</b>	<b>4 304 959</b>	1 735 694	2 403 756
<b>Total assets</b>	<b>93 409 710</b>	91 732 403	91 492 611
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>55 684 140</b>	54 927 804	53 786 185
Shareholders' interest	55 265 885	54 604 305	53 435 737
Stated capital	43 411 827	42 256 217	43 070 822
Reserves	11 854 058	12 348 088	10 364 915
Non-controlling interests	418 255	323 499	350 448
<b>Non-current liabilities</b>	<b>27 667 420</b>	29 483 328	29 052 772
Interest-bearing borrowings	24 503 385	26 746 401	25 664 659
Interest-bearing borrowings at fair value	2 079 117	1 962 679	2 253 598
Derivative liabilities	272 059	141 530	487 564
Other financial liabilities	11 638	–	4 690
Deferred taxation	801 221	632 718	642 261
<b>Current liabilities</b>	<b>10 058 150</b>	7 321 271	8 653 654
Trade and other payables	1 300 759	1 132 925	1 180 736
Interest-bearing borrowings	8 100 433	5 542 351	6 794 929
Interest accrual on interest-bearing borrowings	382 800	377 129	406 849
Derivative liabilities	19 112	5 846	11 799
Other financial liabilities	253 875	252 925	253 038
Taxation payable	1 171	10 095	6 303
<b>Total equity and liabilities</b>	<b>93 409 710</b>	91 732 403	91 492 611
Number of shares in issue ('000) <sup>^</sup>	5 321 701	5 210 985	5 288 655
Net asset value per share (excluding deferred tax and NCI) (cents)	1 053.56	1 060.01	1 022.53
Net tangible asset value per share (excluding deferred tax, NCI and goodwill and intangible assets) (cents)	944.99	947.93	912.69

<sup>^</sup> Net of 361 396 896 (HY17 and FY17: 361 396 896) treasury shares.

# Statement of changes in equity

Figures in R'000s	Stated capital	Accumulated profit	Foreign currency translation reserve
<b>Balance as at 31 August 2016</b>	<b>36 526 352</b>	<b>12 231 282</b>	<b>640 820</b>
<i>Total comprehensive income for the period</i>	–	3 490 986	(1 897 841)
Profit for the period	–	3 490 986	–
Other comprehensive income for the period	–	–	(1 897 841)
<i>Transactions with owners (contributions and distributions)</i>	5 729 865	(2 082 504)	–
Issue of ordinary shares	5 733 373	–	–
Dividends	–	(2 082 504)	–
Recognition of share-based payments	(3 508)	–	–
Share of post-acquisition change in net assets of associate	–	–	–
<i>Transactions with owners (changes in ownership interests)</i>	–	–	–
Acquisitions of subsidiary with NCI	–	–	–
Disposal of subsidiary with NCI	–	–	–
<b>Balance as at 28 February 2017</b>	<b>42 256 217</b>	<b>13 639 764</b>	<b>(1 257 021)</b>
<i>Total comprehensive income for the period</i>	–	(161 991)	442 644
Profit for the period	–	(161 991)	–
Other comprehensive income for the period	–	–	442 644
<i>Transactions with owners (contributions and distributions)</i>	814 605	(2 340 180)	–
Issue of ordinary shares	811 097	–	–
Dividends	–	(2 335 562)	–
Recognition of share-based payments	3 508	(4 618)	–
Share of post-acquisition change in net assets of associate	–	–	–
<i>Transactions with owners (changes in ownership interests)</i>	–	–	–
Acquisitions of subsidiary with NCI	–	–	–
Disposal of subsidiary with NCI	–	–	–
<b>Balance as at 31 August 2017</b>	<b>43 070 822</b>	<b>11 137 593</b>	<b>(814 377)</b>
<i>Total comprehensive income for the period</i>	–	4 690 515	(712 262)
Profit for the period	–	4 690 515	–
Other comprehensive income for the period	–	–	(712 262)
<i>Transactions with owners (contributions and distributions)</i>	341 005	(2 499 370)	–
Issue of ordinary shares	341 005	–	–
Dividends	–	(2 495 166)	–
Recognition of share-based payments	–	(5 999)	–
Disposal of investment in an associate	–	1 795	–
Share of post-acquisition change in net assets of associate	–	–	–
<i>Transactions with owners (changes in ownership interests)</i>	–	(536)	–
Acquisitions of subsidiary with NCI	–	–	–
Change in ownership of subsidiary with NCI	–	(536)	–
<b>Balance as at 28 February 2018</b>	<b>43 411 827</b>	<b>13 328 202</b>	<b>(1 526 639)</b>
	<b>28 February 2018</b>	<b>28 February 2017</b>	<b>31 August 2017</b>
<b>Dividend per share (cents)</b>	47.30	44.82	92.00
Interim	47.30*	44.82	44.82
Final	–	–	47.18

\* The interim dividend is declared post the reporting period and is therefore a non-adjusting subsequent event.



	Share-based payment reserve	Share of associates' reserves	Shareholders' interest	Non- controlling interests	Total equity
	39 825	(78 217)	49 360 062	281 300	49 641 362
	–	3 167	1 596 312	35 420	1 631 732
	–	–	3 490 986	37 370	3 528 356
	–	3 167	(1 894 674)	(1 950)	(1 896 624)
	(5 538)	6 108	3 647 931	–	3 647 931
	–	–	5 733 373	–	5 733 373
	–	–	(2 082 504)	–	(2 082 504)
	(5 538)	–	(9 046)	–	(9 046)
	–	6 108	6 108	–	6 108
	–	–	–	6 779	6 779
	–	–	–	37 541	37 541
	–	–	–	(30 762)	(30 762)
	34 287	(68 942)	54 604 305	323 499	54 927 804
	–	–	280 653	28 895	309 548
	–	–	(161 991)	33 890	(128 101)
	–	–	442 644	(4 995)	437 649
	18 588	57 766	(1 449 221)	(23 998)	(1 473 219)
	–	–	811 097	–	811 097
	–	–	(2 335 562)	(23 998)	(2 359 560)
	18 588	–	17 478	–	17 478
	–	57 766	57 766	–	57 766
	–	–	–	22 052	22 052
	–	–	–	(62 810)	(62 810)
	–	–	–	84 862	84 862
	52 875	(11 176)	53 435 737	350 448	53 786 185
	–	4 311	3 982 564	24 368	4 006 932
	–	–	4 690 515	33 677	4 724 192
	–	4 311	(707 951)	(9 309)	(717 260)
	(10 971)	17 456	(2 151 880)	–	(2 151 880)
	–	–	341 005	–	341 005
	–	–	(2 495 166)	–	(2 495 166)
	(10 971)	–	(16 970)	–	(16 970)
	–	(1 795)	–	–	–
	–	19 251	19 251	–	19 251
	–	–	(536)	43 439	42 903
	–	–	–	60 689	60 689
	–	–	(536)	(17 250)	(17 786)
	41 904	10 591	55 265 885	418 255	55 684 140

# Statement of cash flows

Figures in R'000s	Unaudited 28 February 2018	Restated Unaudited 28 February 2017	Restated Audited 31 August 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	2 662 365	2 579 154	4 671 340
Interest received	414 351	276 196	621 524
Interest paid	(1 201 611)	(1 064 363)	(2 643 655)
Taxation paid	(46 005)	(33 650)	(66 825)
Dividends and interest received from associates and joint ventures	597 794	536 144	1 075 056
<b>Net cash inflow from operating activities</b>	<b>2 426 894</b>	<b>2 293 481</b>	<b>3 657 440</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition and development of investment properties	(2 146 115)	(2 072 569)	(3 615 750)
Acquisition of property, plant and equipment	(8 202)	(4 792)	(80 368)
Acquisition of other financial assets	(137 211)	–	(3 100)
Cash balances acquired on acquisition of subsidiaries	–	103 740	103 740
Investments in associates and joint ventures	(175 055)	(107 121)	(1 031 243)
Proceeds on disposal of investment properties	2 293 983	696 017	1 688 413
Proceeds on disposal of listed securities	–	1 047 748	1 047 639
Proceeds on the disposal of subsidiaries with the exclusive view to resell	–	–	190 697
Proceeds on the disposal/decrease in investments in associates and joint ventures	165 730	54 324	698 134
Proceeds on disposal of other financial assets	–	452 795	399 999
Loan to joint venture repaid	–	7 828	8 741
Loans receivables repaid	30 732	631 485	901 387
Loans receivables advanced	(927 377)	(120 181)	(309 992)
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(903 515)</b>	<b>689 274</b>	<b>(1 703)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shares issued	341 005	522 667	1 337 272
Dividends paid	(2 495 166)	(2 082 504)	(4 418 066)
Shares issued to non-controlling interests	60 689	–	54 100
Disposal of non-controlling interests	(17 784)	–	(25 269)
Dividends paid to non-controlling interests	–	–	(23 998)
Interest-bearing borrowings at fair value raised	–	–	2 396 220
Interest-bearing borrowings raised	3 569 782	5 971 539	8 088 968
Interest-bearing borrowings repaid	(2 817 054)	(6 950 240)	(11 191 223)
<b>Net cash outflow from financing activities</b>	<b>(1 358 528)</b>	<b>(2 538 538)</b>	<b>(3 781 996)</b>
Net increase/(decrease) in cash and cash equivalents	164 851	444 217	(126 259)
Cash and cash equivalents at the beginning of the period/year	180 661	208 366	208 366
Effect of foreign currency exchange fluctuations	(22 071)	31 068	98 554
<b>Cash and cash equivalents at end of period/year</b>	<b>323 441</b>	<b>683 651</b>	<b>180 661</b>

# Earnings and headline earnings

Figures in R'000s	Unaudited February 2018	Unaudited February 2017	Audited August 2017
<b>Reconciliation of basic earnings to headline earnings</b>			
Profit for the period/year attributable to Redefine shareholders	4 690 515	3 490 986	3 328 995
Changes in fair value of properties	(1 289 607)	(127 125)	(99 497)
– Changes in fair value of properties	(1 313 449)	(156 201)	(151 361)
– Non-controlling interest effect on other fair value adjustments	23 842	29 076	51 864
Bargain purchase on acquisition of associate	(11 595)	–	–
Profit on dilution of ownership investment in associates	(43 515)	(107 507)	273 793
Loss on disposal of subsidiary	–	13 864	–
Loss on disposal of interest in associate	52 514	–	–
Adjustment of remeasurements, included in equity-accounted earnings of associates (net of taxation)	(1 099 970)	(42 480)	(507 669)
– Adjustment of remeasurements, included in equity-accounted earnings of associates	(1 401 382)	(53 569)	(653 371)
– Tax adjustment	301 412	11 089	145 702
Impairment of investments in associates and other	494 395	–	1 215 209
<b>Headline earnings attributable to Redefine shareholders</b>	<b>2 792 737</b>	<b>3 227 738</b>	<b>4 210 831</b>
Actual number of shares in issue (000)^	5 321 701	5 210 982	5 288 655
Weighted average number of shares in issue (000)^	5 304 452	4 855 398	5 053 451
Diluted weighted average number of shares in issue (000)^	5 318 597	4 855 398	5 066 217
<b>Basic earnings per share (cents)</b>	<b>88.43</b>	<b>71.90</b>	<b>65.88</b>
– Continuing operations	88.43	72.19	66.15
– Discontinued operations	–	(0.29)	(0.27)
<b>Diluted earnings per share (cents)</b>	<b>88.20</b>	<b>71.90</b>	<b>65.71</b>
– Continuing operations	88.20	72.19	65.98
– Discontinued operations	–	(0.29)	(0.27)
<b>Headline earnings per share (cents)</b>	<b>52.65</b>	<b>66.48</b>	<b>83.33</b>
– Continuing operations	52.65	66.48	83.60
– Discontinued operations	–	–	(0.27)
<b>Diluted headline earnings per share (cents)</b>	<b>52.52</b>	<b>66.48</b>	<b>83.12</b>
– Continuing operations	52.52	66.48	83.39
– Discontinued operations	–	–	(0.27)

^ Excludes 361 396 896 (HY17 and FY17: 361 396 896) treasury shares

# Segmental analysis

for the six months ended 28 February 2018

Figures in R'000s	Office	Retail
<b>STATEMENT OF FINANCIAL POSITION</b>		
Investment properties	22 307 903	25 948 577
Properties under development	1 088 276	758 270
Listed securities	-	-
Goodwill and intangible assets	1 913 810	2 883 662
Investment in associates and joint ventures	-	-
Loans receivable	-	-
Properties held-for-trading	-	-
Non-current assets held-for-sale	498 000	-
Other assets	-	-
<b>Total assets</b>	<b>25 807 989</b>	<b>29 590 509</b>
Interest-bearing borrowings	-	-
Interest-bearing borrowings at fair value	-	-
Other liabilities	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
Contractual rental income	1 423 920	1 656 213
Straight-line rental income accrual	(36 681)	7 806
Investment income	-	-
<b>Total revenue</b>	<b>1 387 239</b>	<b>1 664 019</b>
Operating costs	(447 094)	(633 416)
Administration costs	-	-
<b>Net operating profit</b>	<b>940 145</b>	<b>1 030 603</b>
Other gains	-	-
Loss on disposal of interest in associate	-	-
Changes in fair values of properties, listed securities and financial instruments	286 925	1 102 642
Amortisation of intangible assets	-	-
Impairments	-	-
Equity-accounted profit (net of taxation)	-	-
<b>Profit before finance costs and taxation</b>	<b>1 227 070</b>	<b>2 133 245</b>
Interest income	-	-
Interest expense	-	-
Foreign exchange gains	-	-
<b>Profit before taxation</b>	<b>1 227 070</b>	<b>2 133 245</b>
Taxation	-	-
<b>Profit for the period</b>	<b>1 227 070</b>	<b>2 133 245</b>
Non-controlling interests	-	-
Profit for the period attributable to Redefine Properties Limited shareholders	<b>1 227 070</b>	<b>2 133 245</b>

Industrial	Specialised	Head office	Local	International	Group total
11 049 015	2 152 853	–	61 458 348	–	61 458 348
1 457 795	372 482	–	3 676 823	775 386	4 452 209
–	–	972 259	972 259	224 082	1 196 341
510 710	60 888	408 563	5 777 633	–	5 777 633
–	–	–	–	11 429 435	11 429 435
–	–	1 843 503	1 843 503	836 303	2 679 806
122 294	–	–	122 294	–	122 294
32 000	–	–	530 000	3 774 959	4 304 959
–	–	1 781 390	1 781 390	207 295	1 988 685
13 171 814	2 586 223	5 005 715	76 162 250	17 247 460	93 409 710
–	–	24 836 992	24 836 992	7 766 826	32 603 818
–	–	–	–	2 079 117	2 079 117
–	–	3 042 635	3 042 635	–	3 042 635
–	–	27 879 627	27 879 627	9 845 943	37 725 570
663 873	108 112	–	3 852 118	3 351	3 855 469
37 277	(8 509)	–	(107)	–	(107)
–	–	75 188	75 188	2 575	77 763
701 150	99 603	75 188	3 927 199	5 926	3 933 125
(179 866)	(44 078)	–	(1 304 454)	(1 783)	(1 306 237)
–	–	(113 683)	(113 683)	(11 115)	(124 798)
521 284	55 525	(38 495)	2 509 062	(6 972)	2 502 090
–	–	11 350	11 350	8 551	19 901
–	–	–	–	(52 514)	(52 514)
(54 644)	17 353	(41 141)	1 311 135	347 967	1 659 102
–	–	(31 428)	(31 428)	–	(31 428)
–	–	–	–	(494 395)	(494 395)
–	–	–	–	1 548 314	1 548 314
466 640	72 878	(99 714)	3 800 119	1 350 951	5 151 070
–	–	409 650	409 650	58 309	467 959
–	–	(1 083 116)	(1 083 116)	(164 595)	(1 247 711)
–	–	–	–	552 024	552 024
466 640	72 878	(773 180)	3 126 653	1 796 689	4 923 342
–	–	(10 812)	(10 812)	(188 338)	(199 150)
466 640	72 878	(783 992)	3 115 841	1 608 351	4 724 192
–	–	(34 047)	(34 047)	370	(33 677)
466 640	72 878	(818 039)	3 081 794	1 608 721	4 690 515

# Segmental analysis

for the six months ended 28 February 2017

Figures in R'000s	Office	Retail
<b>STATEMENT OF FINANCIAL POSITION</b>		
Investment properties	22 110 552	25 192 727
Properties under development	2 028 348	555 492
Listed securities	–	–
Goodwill and intangible assets	1 607 239	2 656 572
Investment in associates and joint ventures	–	–
Loans receivable	–	–
Non-current assets held-for-sale	320 703	486 858
Other assets	–	–
<b>Total assets</b>	<b>26 066 842</b>	<b>28 891 649</b>
Interest-bearing borrowings	–	–
Interest-bearing borrowings at fair value	–	–
Other liabilities	–	–
<b>Total liabilities</b>	<b>–</b>	<b>–</b>
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
Contractual rental income	1 231 850	1 493 094
Straight-line rental income accrual	52 630	34 458
Investment income	–	–
<b>Total revenue</b>	<b>1 284 480</b>	<b>1 527 552</b>
Operating costs	(400 997)	(579 888)
Administration costs	–	–
<b>Net operating profit</b>	<b>883 483</b>	<b>947 664</b>
Other gains	–	–
Changes in fair values of properties, listed securities and financial instruments	(223 976)	417 104
Amortisation of intangible assets	–	–
Equity-accounted profit (net of taxation)	–	–
<b>Profit before finance costs and taxation</b>	<b>659 507</b>	<b>1 364 768</b>
Interest income	–	–
Interest expense	–	–
Foreign exchange gains	–	–
<b>Profit before taxation</b>	<b>659 507</b>	<b>1 364 768</b>
Taxation	–	–
<b>Profit from continuing operations</b>	<b>659 507</b>	<b>1 364 768</b>
Loss from discontinued operations (net of taxation)	–	–
<b>Profit for the period</b>	<b>659 507</b>	<b>1 364 768</b>
Non-controlling interests	–	–
<b>Profit for the period attributable to Redefine Properties Limited shareholders</b>	<b>659 507</b>	<b>1 364 768</b>

Industrial	Specialised	Head office	SA total	International	Group total
10 612 381	1 364 952	–	59 280 612	–	59 280 612
1 434 601	–	–	4 018 441	350 874	4 369 315
–	–	–	–	274 007	274 007
476 647	60 888	1 039 141	5 840 487	–	5 840 487
–	–	1 629 497	1 629 497	14 700 467	16 329 964
–	–	1 797 694	1 797 694	47 751	1 845 445
131 386	–	–	938 947	796 747	1 735 694
–	–	1 876 219	1 876 219	180 660	2 056 879
<b>12 655 015</b>	<b>1 425 840</b>	<b>6 342 551</b>	<b>75 381 897</b>	<b>16 350 506</b>	<b>91 732 403</b>
–	–	29 154 541	29 154 541	3 134 211	32 288 752
–	–	–	–	1 962 679	1 962 679
–	–	2 553 168	2 553 168	–	2 553 168
<b>–</b>	<b>–</b>	<b>31 707 709</b>	<b>31 707 709</b>	<b>5 096 890</b>	<b>36 804 599</b>
611 571	86 971	–	3 423 486	–	3 423 486
66 914	[4 867]	–	149 135	–	149 135
–	–	5 076	5 076	10 481	15 557
<b>678 485</b>	<b>82 104</b>	<b>5 076</b>	<b>3 577 697</b>	<b>10 481</b>	<b>3 588 178</b>
(154 520)	(26 648)	–	(1 162 053)	–	(1 162 053)
–	–	(88 665)	(88 665)	(3 931)	(92 596)
<b>523 965</b>	<b>55 456</b>	<b>(83 589)</b>	<b>2 326 979</b>	<b>6 550</b>	<b>2 333 529</b>
–	–	6 730	6 730	20 507	27 237
77 218	18 397	(133 508)	155 235	640 600	795 835
–	–	(31 428)	(31 428)	–	(31 428)
–	–	92 720	92 720	732 526	825 246
<b>601 183</b>	<b>73 853</b>	<b>(149 075)</b>	<b>2 550 236</b>	<b>1 400 183</b>	<b>3 950 419</b>
–	–	253 222	253 222	31 673	284 895
–	–	(967 111)	(967 111)	(142 667)	(1 109 778)
–	–	–	–	613 700	613 700
<b>601 183</b>	<b>73 853</b>	<b>(862 964)</b>	<b>1 836 347</b>	<b>1 902 889</b>	<b>3 739 236</b>
–	–	(25 626)	(25 626)	(171 390)	(197 016)
<b>601 183</b>	<b>73 853</b>	<b>(888 590)</b>	<b>1 810 721</b>	<b>1 731 499</b>	<b>3 542 220</b>
–	–	–	–	(13 864)	(13 864)
<b>601 183</b>	<b>73 853</b>	<b>(888 590)</b>	<b>1 810 721</b>	<b>1 717 635</b>	<b>3 528 356</b>
–	–	(36 696)	(36 696)	(674)	(37 370)
<b>601 183</b>	<b>73 853</b>	<b>(925 286)</b>	<b>1 774 025</b>	<b>1 716 961</b>	<b>3 490 986</b>

# Segmental analysis

for the year ended 31 August 2017

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



Industrial	Specialised	Head office	SA total	International	Group total
11 021 088	1 405 085	–	59 243 224	–	59 243 224
1 311 752	727 214	–	3 461 483	487 386	3 948 869
–	–	1 215 323	1 215 323	238 671	1 453 994
510 710	60 888	439 989	5 809 059	–	5 809 059
–	–	–	–	15 253 726	15 253 726
–	–	1 748 501	1 748 501	96 154	1 844 655
196 051	–	–	2 315 845	87 911	2 403 756
–	–	1 535 328	1 535 328	–	1 535 328
13 039 601	2 193 187	4 939 141	75 328 763	16 163 848	91 492 611
–	–	29 622 915	29 622 915	2 836 673	32 459 588
–	–	–	–	2 253 598	2 253 598
–	–	2 861 899	2 861 899	131 341	2 993 240
–	–	32 484 814	32 484 814	5 221 612	37 706 426
1 240 932	200 640	–	7 300 821	–	7 300 821
140 991	[9 188]	–	469 290	–	469 290
–	–	5 076	5 076	18 652	23 728
1 381 923	191 452	5 076	7 775 187	18 652	7 793 839
[345 826]	[69 026]	–	[2 497 688]	–	[2 497 688]
–	–	[251 444]	[251 444]	[8 197]	[259 641]
1 036 097	122 426	[246 368]	5 026 055	10 455	5 036 510
–	–	14 874	14 874	78 321	93 195
319 967	[32 996]	[646 955]	[453 995]	[87 952]	[541 947]
–	–	[62 856]	[62 856]	–	[62 856]
–	–	[11 146]	[11 146]	[1 204 063]	[1 215 209]
–	–	130 191	130 191	1 463 196	1 593 387
1 356 064	89 430	[822 260]	4 643 123	259 957	4 903 080
–	–	581 377	581 377	68 905	650 282
–	–	[2 083 458]	[2 083 458]	[294 600]	[2 378 058]
–	–	–	–	478 670	478 670
1 356 064	89 430	[2 324 341]	3 141 042	512 932	3 653 974
–	–	[174 076]	[174 076]	[65 766]	[239 842]
1 356 064	89 430	[2 498 417]	2 966 966	447 166	3 414 132
–	–	–	–	[13 877]	[13 877]
1 356 064	89 430	[2 498 417]	2 966 966	433 289	3 400 255
–	–	[71 180]	[71 180]	[80]	[71 260]
1 356 064	89 430	[2 569 597]	2 895 786	433 209	3 328 995

# Segmental analysis

## Reconciliation of profit for the period/year to distributable earnings

Figures in R'000s	Unaudited February 2018	Unaudited February 2017	Audited August 2017
Profit for the period/year attributable to Redefine shareholders	4 690 515	3 490 986	3 328 995
Change in fair value (net of non-controlling interest)	(1 635 260)	(766 759)	593 811
– Change in fair value	(1 659 102)	(795 835)	541 947
– Non-controlling interest	23 842	29 076	51 864
Straight-line rental income accrual	107	(149 135)	(469 290)
Loss on disposal of interest in associate	52 514	–	–
Amortisation of intangible assets	31 428	31 428	62 856
Impairments	494 395	–	1 215 209
Deferred taxation	158 960	166 896	176 439
Unrealised foreign exchange gain and realised foreign currency translations reserve	(462 153)	(616 463)	(99 042)
Non-distributable items of associates	(860 269)	(109 966)	(332 701)
Transactions costs relating to business acquisitions	–	7 131	19 892
Antecedent distribution	27 170	11 159	30 677
Accrual for listed security income (REIT distribution declared post year end)	8 680	43 459	42 884
Adjustment to distributable profit from discontinued operations	–	24 544	24 557
Cornwall interest	15 328	–	31 216
Other distributable income	14 671	13 246	16 210
Pivotal pre-acquisition distribution	–	189 037	189 037
<b>Distributable income for the period/year</b>	<b>2 536 086</b>	<b>2 335 563</b>	<b>4 830 750</b>
– Interim	2 536 086	2 335 563	2 335 563
– Final	–	–	2 495 187
Actual number of shares in issue ('000)^			
– Interim	5 361 701	5 210 982	5 210 982
– Final	–	–	5 288 655
Distribution per share (cents)	47.30	44.82	92.00
– Interim	47.30	44.82	44.82
– Final	–	–	47.18

^ Excludes 361 396 896 (28 February and 31 August 2017: 361 396 896) treasury shares. Includes 40 million shares issued on 22 March 2018 (HY17 and FY17: nil), that rank for the 2018 interim distribution.

## Distributable income analysis

Figures in R'000s	South Africa	International	Total
Contractual rental income (excluding straight-line rental accrual)	3 852 118	3 351	3 855 469
Investment income	75 188	2 575	77 763
<b>Total revenue</b>	<b>3 927 306</b>	<b>5 926</b>	<b>3 933 232</b>
Operating costs	(1 304 454)	(1 783)	(1 306 237)
Administration costs	(113 683)	(11 115)	(124 798)
<b>Net operating profit</b>	<b>2 509 169</b>	<b>(6 972)</b>	<b>2 502 197</b>
Other gains	11 350	8 551	19 901
Distributable equity income	–	688 045	688 045
<b>Net distributable profit before finance costs and taxation</b>	<b>2 520 519</b>	<b>689 624</b>	<b>3 210 143</b>
Net interest costs	(673 466)	(106 286)	(779 752)
– Interest income	409 650	58 309	467 959
– Interest expense	(1 083 116)	(164 595)	(1 247 711)
Distributable foreign exchange gain	–	89 871	89 871
<b>Net distributable profit before taxation</b>	<b>1 847 053</b>	<b>673 209</b>	<b>2 520 262</b>
Current taxation and withholding taxation	–	(40 190)	(40 190)
<b>Net income from operations before non-controlling interest share</b>	<b>1 847 053</b>	<b>633 019</b>	<b>2 480 072</b>
Non-controlling interest share of distributable income	(10 205)	370	(9 835)
<b>Net income before distributable adjustments</b>	<b>1 836 848</b>	<b>633 389</b>	<b>2 470 237</b>
<i>Below the line distributable income adjustments:</i>			
– Antecedent distribution	27 170	–	27 170
– Accrual for listed security income	–	8 680	8 680
– Cornwall interest income	15 328	–	15 328
– Other distributable income	14 671	–	14 671
<b>Distributable income</b>	<b>1 894 017</b>	<b>642 069</b>	<b>2 536 086</b>

# Financial instruments and investment property fair value disclosure

## CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets Figures in R'000s	Unaudited 28 February 2018		
	Loans and receivables	At fair value through profit or loss	Total
Listed securities	–	1 196 341	1 196 341
Derivative assets <sup>#</sup>	–	251 195	251 195
Loans receivable	2 679 806	–	2 679 806
Other financial assets	–	384 934	384 934
Trade and other receivables	752 099	–	752 099
Cash and cash equivalents	323 441	–	323 441
	3 755 346	1 832 470	5 587 816

Financial liabilities Figures in R'000s	Unaudited 28 February 2018		
	Other financial liabilities	At fair value through profit or loss	Total
Interest-bearing borrowings	32 603 818	–	32 603 818
Interest-bearing borrowings at fair value	–	2 079 117	2 079 117
Interest accrual on interest-bearing borrowings	382 800	–	382 800
Derivative liabilities <sup>#</sup>	–	291 171	291 171
Other financial liabilities	253 875	–	253 875
Trade and other payables	1 095 835	–	1 095 835
	34 336 328	2 370 288	36 706 616

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

<sup>#</sup> The derivatives are classified as held-for-trading in terms of IAS 39.

Unaudited 28 February 2017			Audited 31 August 2017		
Loans and receivables	At fair value through profit or loss	Total	Loans and receivables	At fair value through profit or loss	Total
–	274 007	274 007	–	1 453 994	1 453 994
–	262 680	262 680	–	77 743	77 743
1 845 445	–	1 845 445	1 844 655	–	1 844 655
–	258 583	258 583	29 519	253 038	282 557
611 261	–	611 261	711 498	–	711 498
683 651	–	683 651	180 661	–	180 661
3 140 357	795 270	3 935 627	2 766 333	1 784 775	4 551 108

Unaudited 28 February 2017			Audited 31 August 2017		
Other financial liabilities	At fair value through profit or loss	Total	Other financial liabilities	At fair value through profit or loss	Total
32 288 752	–	32 288 752	32 459 588	–	32 459 588
–	1 962 679	1 962 679	–	2 253 598	2 253 598
377 129	–	377 129	406 849	–	406 849
–	147 376	147 376	–	499 363	499 363
252 925	–	252 925	257 728	–	257 728
1 017 978	–	1 017 978	996 644	–	996 644
33 936 784	2 110 055	36 046 839	34 120 809	2 752 961	36 873 770

# Financial instruments and investment property fair value disclosure

## Fair value hierarchy for financial instruments and investment property

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

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

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

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

The fair value hierarchy has the following levels:

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

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

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

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

## FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

Figures in R'000s	Unaudited 28 February 2018			
	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>				
Investment property*	66 507 567	–	–	66 507 567
Listed securities	1 196 341	1 196 341	–	–
Derivative assets	251 195	–	251 195	–
Other financial assets	384 934	253 875	–	131 059
	68 340 037	1 450 216	251 195	66 638 626
<b>Liabilities</b>				
Interest-bearing borrowings at fair value	2 079 117	2 079 117	–	–
Derivative liabilities	291 171	–	291 171	–
	2 370 288	2 079 117	291 171	–

Figures in R'000s	Unaudited 28 February 2017			
	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>				
Investment property*	64 713 119	–	–	64 713 119
Listed securities	274 007	274 007	–	–
Derivative assets	262 680	–	262 680	–
Other financial assets	258 583	258 583	–	–
	65 808 389	532 590	262 680	64 713 119
<b>Liabilities</b>				
Interest-bearing borrowings at fair value	1 962 679	1 962 679	–	–
Derivative liabilities	147 376	–	147 376	–
	2 110 055	1 962 679	147 376	–

Figures in R'000s	Audited 31 August 2017			
	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>				
Investment property*	65 595 849	–	–	65 595 849
Listed securities	1 453 994	1 453 994	–	–
Derivative assets	77 743	–	77 743	–
Other financial assets	253 038	253 038	–	–
	67 380 624	1 707 032	77 743	65 595 849
<b>Liabilities</b>				
Interest-bearing borrowings at fair value	2 253 598	2 253 598	–	–
Derivative liabilities	499 363	–	499 363	–
	2 752 961	2 253 598	499 363	–

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

# Financial instruments and investment property

## fair value disclosure (continued)

### LEVEL 3 RECONCILIATION

	Unaudited 28 February 2018			
	Balance at beginning of year	Gain/(loss) in profit or loss for the period	Acquisition/ (disposal)	Balance at end of period
Investment property	59 243 224	1 239 003	976 121	61 458 348
Properties under development	3 948 869	(129 329)	632 669	4 452 209
Investment property held-for-sale	2 403 756	72 668	(1 879 414)	597 010
Other financial assets	–	(11 810)	142 869	131 059
	65 595 849	1 170 532	(127 755)	66 638 626

	Unaudited 28 February 2017			
	Balance at beginning of year	Gain/(loss) in profit or loss for the period	Acquisition/ (disposal)	Balance at end of period
Investment property	49 698 640	421 280	9 160 692	59 280 612
Properties under development	2 030 041	(128 910)	2 468 184	4 369 315
Investment property held-for-sale	1 170 172	–	(106 980)	1 063 192
	52 898 853	292 370	11 521 896	64 713 119

	Audited 31 August 2017			
	Balance at beginning of year	Gain/(loss) in profit or loss for the year	Acquisition/ (disposal)	Balance at end of year
Investment property	49 698 640	1 258 324	8 286 260	59 243 224
Properties under development	2 030 041	(748 134)	2 666 962	3 948 869
Investment property held-for-sale	1 170 172	(7 973)	1 241 557	2 403 756
	52 898 853	502 217	12 194 779	65 595 849

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



## Details of valuation techniques

The valuation techniques used in measuring fair values at 28 February 2018 for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used is disclosed below. There have been no significant changes in valuation techniques and inputs since 31 August 2017.

## Listed securities

Closing market price on the relevant exchange.

## DERIVATIVE ASSETS AND LIABILITIES

### FOREIGN EXCHANGE OPTIONS

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

### INTEREST RATE SWAPS

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

### OTHER FINANCIAL ASSETS

#### Dipula Income Fund Limited B shares

Closing market price on the JSE (Johannesburg Stock Exchange) limited to the outstanding loan balance guaranteed in the Dipula BEE Trust.

#### 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.

### CROSS-CURRENCY INTEREST RATE SWAPS

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

## INTEREST-BEARING BORROWINGS AT FAIR VALUE

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

## INVESTMENT PROPERTIES

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

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

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

## Financial instruments and investment property fair value disclosure (continued)

Unobservable inputs (% unless otherwise stated)	Unaudited 28 February 2018	Unaudited 28 February 2017	Audited 31 August 2017
Expected market rental growth	4.00 – 6.00	4.00 – 8.00	4.00 – 6.00
Expected expense growth	7.00 – 9.00	7.00 – 10.00	7.00 – 9.00
Occupancy rate	95.05	93.30	94.10
Vacancy periods	0 – 12 months	0 – 12 months	0 – 12 months
Rent-free periods	0 – 3 months	0 – 3 months	0 – 3 months
<b>Office sector</b>			
Discount rate	9.98 – 18.00	12.50 – 18.00	11.50 – 18.50
Exit capitalisation rate	7.50 – 13.00	7.25 – 13.00	7.50 – 13.00
Bulk rate	R1 750 – R5 400 p/m <sup>2</sup>	R1 750 – R5 400 p/m <sup>2</sup>	R1 750 – R5 400 p/m <sup>2</sup>
<b>Retail sector</b>			
Discount rate	11.04 – 18.00	12.25 – 19.25	11.00 – 18.00
Exit capitalisation rate	7.00 – 12.00	7.00 – 12.50	7.25 – 12.50
Bulk rate	R1 200 – R3 000 p/m <sup>2</sup>	R1 200 – R3 000 p/m <sup>2</sup>	R1 200 – R3 000 p/m <sup>2</sup>
<b>Industrial sector</b>			
Discount rate	13.25 – 18.00	13.00 – 18.50	13.50 – 17.00
Exit capitalisation rate	8.00 – 13.00	8.00 – 14.00	8.00 – 12.50
Bulk rate	R643 – R2 500 p/m <sup>2</sup>	R643 – R2 500 p/m <sup>2</sup>	R643 – R2 500 p/m <sup>2</sup>
<b>Specialised sector</b>			
Discount rate	14.00 – 16.50	15.00	14.00 – 16.25
Exit capitalisation rate	8.00 – 10.50	9.00	8.00 – 10.25

## Measurement of fair value

### VALUATION TECHNIQUES

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

### INVESTMENT PROPERTIES – DISCOUNTED CASH FLOW METHOD

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

### PROPERTIES UNDER DEVELOPMENT – COMPARABLE SALES METHOD

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

### INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENTS

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

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

# Redefine Properties Limited

(Incorporated in the Republic of South Africa)

Registration number: 1999/018591/06

JSE share code: RDF ISIN: ZAE000190252

(Redefine or the Company or the Group)

(Approved as a REIT by the JSE)

## Executive directors:

M Wainer (Executive chairman)

AJ König (Chief executive officer)

LC Kok (Financial director)

## Non-executive directors:

B Mathews (Deputy Chairperson and lead independent)\*

B Nackan \*

DA Nathan\*

HK Mehta

M Barkhuysen\*

NB Langa-Royds\*

P Langeni\*

\* Independent

## Registered office:

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

(PO Box 1731, Parklands 2121)

## Transfer secretaries:

Computershare Investor Services Proprietary Limited

## Sponsor:

Java Capital

## Company secretary:

B Baker

## Independent auditors:

KPMG Inc

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