

REDEFINE PROPERTIES LIMITED

# SUMMARY OF AUDITED GROUP RESULTS

FOR THE YEAR ENDED 31 AUGUST 2016

2016 A YEAR OF ALIGNMENT



We're not landlords. We're people.

## HIGHLIGHTS

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### **OPERATING MARGIN**

maintained at **80%**

### **PROPERTY ASSETS**

expanded by  
**R8,9 billion**

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### **LTV**

maintained below **40%**

### **TOP EMPLOYER**

**2017**

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### **MOST EMPOWERED**

**REIT** in the 2016 Empowerdex Survey

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# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

REDEFINE PROPERTIES  
SUMMARY OF AUDITED  
GROUP RESULTS

Figures in R'000s	2016	Restated* 2015
<b>Continuing operations</b>		
<b>Revenue</b>		
Property portfolio revenue	6 548 293	6 304 742
– Contractual rental income	6 510 127	6 141 437
– Straight-line rental income accrual	38 166	163 305
Investment income	98 355	344 229
<b>Total revenue</b>	<b>6 646 648</b>	<b>6 648 971</b>
<b>Costs</b>		
Operating costs	(2 241 032)	(2 084 709)
Administration costs	(210 241)	(228 834)
<b>Net operating profit</b>	<b>4 195 375</b>	<b>4 335 428</b>
Other gains	80 036	128 514
– Insurance proceeds received	–	119 420
– Trading income/(loss)	294	(1 946)
– Fee income	62 927	–
– Sundry income	16 815	11 040
Changes in fair values of properties, listed securities and financial instruments	168 471	2 242 360
Amortisation of intangible assets	(62 856)	(62 856)
Impairment of financial assets	(13 886)	–
Equity accounted profit (net of taxation)	1 405 932	453 053
<b>Profit before finance costs and taxation</b>	<b>5 773 072</b>	<b>7 096 499</b>
Net interest costs	(1 389 672)	(1 433 753)
– Interest income	596 418	249 311
– Interest expense	(1 986 090)	(1 683 064)
Foreign exchange gain/(loss)	309 941	(223 072)
<b>Profit before taxation</b>	<b>4 693 341</b>	<b>5 439 674</b>
Taxation	(88 298)	170 662
<b>Profit from continuing operations</b>	<b>4 605 043</b>	<b>5 610 336</b>
<b>Discontinued operations</b>		
Profit from discontinued operations (net of taxation)	5 923	–
<b>Profit for the year</b>	<b>4 610 966</b>	<b>5 610 336</b>
Attributable to:		
– Redefine Properties Limited shareholders	4 565 617	5 334 419
– Non-controlling interest	45 349	275 917
<b>Other comprehensive income</b>	<b>74 829</b>	<b>522 382</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	1 177	–
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations:		
– Subsidiaries	(12 687)	(70 491)
– Associates	86 339	592 873
<b>Total comprehensive income for the year</b>	<b>4 685 795</b>	<b>6 132 718</b>
Attributable to:		
– Redefine Properties Limited shareholders	4 640 446	5 856 801
– Non-controlling interest	45 349	275 917
Earnings and diluted earnings per share – continuing operations	101.32	142.52

\* Refer to restatement note on page 15

# STATEMENT OF FINANCIAL POSITION

Figures in R'000s

	2016	Restated* 2015
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>77 029 317</b>	<b>67 765 330</b>
Investment properties	51 728 681	49 898 869
– Fair value of investment properties	48 223 712	46 589 717
– Straight-line rental income accrual	1 474 928	1 436 762
– Properties under development	2 030 041	1 872 390
Listed securities	974 620	988 793
Goodwill and intangible assets	5 304 191	5 367 047
Interest in associates and joint ventures	17 954 385	10 434 484
Derivative assets	172 296	166 047
Loans receivable	838 692	621 825
Other financial assets	36 391	252 717
Property, plant and equipment	20 061	35 548
<b>Current assets</b>	<b>1 612 719</b>	<b>1 433 778</b>
Properties held-for-trading	–	1 080
Trade and other receivables	577 560	617 964
Loans receivable	20 799	587 440
Other financial assets	675 078	–
Derivative assets	73 286	11 002
Listed security income receivable	57 630	86 368
Cash and cash equivalents	208 366	129 924
<b>Non-current assets held-for-sale</b>	<b>1 170 172</b>	<b>1 289 612</b>
<b>Total assets</b>	<b>79 812 208</b>	<b>70 488 720</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>49 641 362</b>	<b>45 137 272</b>
Shareholders interest	49 360 062	45 137 272
Stated capital	36 526 352	33 209 605
Reserves	12 833 710	11 927 667
Non-controlling interests	281 300	–
<b>Non-current liabilities</b>	<b>21 453 096</b>	<b>21 946 950</b>
Interest-bearing borrowings	21 148 712	21 602 140
Derivative liabilities	35 066	69 891
Deferred taxation	269 318	274 919
<b>Current liabilities</b>	<b>8 532 556</b>	<b>3 404 498</b>
Trade and other payables	922 864	906 398
Interest-bearing borrowings	7 041 390	1 980 226
Interest accrual on interest-bearing borrowings	307 881	199 832
Derivative liabilities	2 978	24 496
Other financial liabilities	253 016	271 154
Taxation payable	4 427	22 392
<b>Non-current liabilities held-for-sale</b>	<b>185 194</b>	<b>–</b>
<b>Total equity and liabilities</b>	<b>79 812 208</b>	<b>70 488 720</b>
Number of shares in issue^ ('000)	4 700 911	4 393 103
Net asset value per share (excluding deferred tax and NCI) (cents)	1 055.74	1 033.72
Net tangible asset value per share (excluding deferred tax, NCI and goodwill and intangible assets) (cents)	942.91	911.55

^ Net of 361 396 896 (2015: 361 396 896) treasury shares

# STATEMENT OF CHANGES IN EQUITY

REDEFINE PROPERTIES  
SUMMARY OF AUDITED  
GROUP RESULTS

Figures in R'000s	Shareholders interest	Non-controlling interests	Total Equity
<b>Balance as at 31 August 2014 (as previously reported)</b>	32 720 342	3 015 595	<b>35 735 937</b>
Restatement*	(573 562)	-	<b>(573 562)</b>
<b>Balance as at 31 August 2014 (restated*)</b>	<b>32 146 780</b>	<b>3 015 595</b>	<b>35 162 375</b>
Total comprehensive income for the year	5 856 801	275 917	<b>6 132 718</b>
Profit for the year (restated*)	5 334 419	275 917	<b>5 610 336</b>
Other comprehensive income for the year (restated*)	522 382	-	<b>522 382</b>
Transactions with owners (Contributions and distributions)	8 372 109	(264 910)	<b>8 107 199</b>
Issue of ordinary shares	11 179 971	-	<b>11 179 971</b>
Dividends (restated*)	(2 870 318)	(264 910)	<b>(3 135 228)</b>
Recognition of share-based payments	8 008	-	<b>8 008</b>
Cash adjustment on business combination (Leaf)	54 448	-	<b>54 448</b>
Changes in ownership interests	(1 238 418)	(3 026 602)	<b>(4 265 020)</b>
Transactions with non-controlling interests	(1 238 418)	(3 026 602)	<b>(4 265 020)</b>
<b>Balance as at 31 August 2015 (restated*)</b>	<b>45 137 272</b>	<b>-</b>	<b>45 137 272</b>
Total comprehensive income for the year	4 640 446	45 349	<b>4 685 795</b>
Profit for the year	4 565 617	45 349	<b>4 610 966</b>
Other comprehensive income for the year	74 829	-	<b>74 829</b>
Transactions with owners (Contributions and distributions)	(417 656)	(12 814)	<b>(430 470)</b>
Issue of ordinary shares	3 318 016	-	<b>3 318 016</b>
Dividends	(3 673 124)	(12 814)	<b>(3 685 938)</b>
Recognition of share-based payments	16 846	-	<b>16 846</b>
Share of post acquisition change in net assets of associates	(79 394)	-	<b>(79 394)</b>
Changes in ownership interests	-	248 765	<b>248 765</b>
Acquisition of subsidiary with NCI	-	248 765	<b>248 765</b>
<b>Balance as at 31 August 2016</b>	<b>49 360 062</b>	<b>281 300</b>	<b>49 641 362</b>

\* Refer to restatement note on page 15

# STATEMENT OF CASH FLOWS

REDEFINE PROPERTIES  
SUMMARY AUDITED  
GROUP RESULTS

Figures in R'000s	2016	Restated* 2015
Cash generated from operations	<b>4 494 765</b>	4 239 622
Interest received	<b>596 418</b>	306 229
Interest paid	<b>(2 125 060)</b>	(1 623 328)
Taxation paid	<b>(111 864)</b>	(97 442)
<b>Net cash inflow from operating activities</b>	<b>2 854 259</b>	2 825 081
<b>Net cash outflow from investing activities</b>	<b>(7 358 891)</b>	(6 371 977)
<b>Net cash inflow from financing activities</b>	<b>4 737 426</b>	3 459 777
<b>Net movement in cash and cash equivalents</b>	<b>232 794</b>	(87 119)
Cash and cash equivalents at beginning of year	<b>129 924</b>	350 606
Translation effects on cash and cash equivalents	<b>(154 352)</b>	(133 563)
<b>Cash and cash equivalents at end of year</b>	<b>208 366</b>	129 924

## DISTRIBUTABLE INCOME ANALYSIS

Figures in R'000s

	South Africa	International	Total
Contractual rental income (excluding straight-line rental accrual)	6 510 127	-	6 510 127
Investment income	98 355	-	98 355
<b>Total revenue</b>	6 608 482	-	6 608 482
Operating costs	(2 241 032)	-	(2 241 032)
Administration costs	(180 573)	(29 668)	(210 241)
<b>Net operating profit</b>	4 186 877	(29 668)	4 157 209
Other gains	22 576	57 460	80 036
Distributable equity income	61 076	962 580	1 023 656
<b>Net distributable profit before finance costs and taxation</b>	4 270 529	990 372	5 260 901
Net interest costs	(1 426 791)	37 119	(1 389 672)
- Interest income	296 310	300 108	596 418
- Interest expense	(1 723 101)	(262 989)	(1 986 090)
Realised foreign exchange gains	-	66 615	66 615
<b>Net distributable profit before taxation and NCI</b>	2 843 738	1 094 106	3 937 844
Current taxation and withholding taxation	1 931	(95 830)	(93 899)
<b>Net income from operations before distributable adjustments</b>	2 845 669	998 276	3 843 945
NCI's share of distributable income	(15 724)	-	(15 724)
<b>Distributable income before distributable income adjustments</b>	2 829 945	998 276	3 828 221
<i>Below the line-distributable income adjustments:</i>			
- Antecedant distribution	83 088	-	83 088
- Accrual for listed security income	3 250	-	3 250
- Transaction costs relating to business acquisitions	4 187	-	4 187
- Other	10 028	25 681	35 709
<b>Distributable income</b>	2 930 498	1 023 957	3 954 455

# RECONCILIATION OF HEADLINE AND DISTRIBUTABLE EARNINGS

REDEFINE PROPERTIES  
SUMMARY OF AUDITED  
GROUP RESULTS

Figures in R'000s	2016	Restated* 2015
Profit for the year attributable to Redefine shareholders	4 565 617	5 334 419
Changes in fair value of properties	(827 689)	(2 111 739)
Bargain purchase on acquisition of associate	(288 548)	-
Profit on dilution of ownership interest in an associate	(11 610)	-
Impairment of interest in an associate	4 639	-
Non-controlling interest portion of changes in fair value of properties	28 848	-
Insurance proceeds received	-	(119 420)
<b>Headline earnings attributable to Redefine shareholders</b>	<b>3 471 257</b>	<b>3 103 260</b>
Changes in fair values of listed securities and financial instruments (net of deferred taxation)	162 488	(532 016)
Amortisation of intangible assets (net of deferred taxation)	45 256	45 256
Impairment of loan to joint venture	9 247	-
Transactions costs relating to business acquisitions	4 187	4 874
Antecedent distribution	83 088	209 474
REIT distributable income declared post year-end	3 250	13 751
Straight-line rental income accrual	(38 166)	(163 305)
Unrealised foreign exchange (gain)/loss	(243 326)	233 848
Fair value adjustments and other non-distributable items of associates and NCI (other than investment property)	421 465	160 558
NCI portion of Fountainhead's distributable income for the period 1 March 2015 to 3 August 2015	-	101 917
Other distributable income	35 709	46 262
Pre-acquisition distribution received	-	21 520
<b>Distributable income for the year</b>	<b>3 954 455</b>	<b>3 245 399</b>
Six months ended February	1 871 951	1 444 227
Six months ended August	2 082 504	1 801 172
<b>Total distributions</b>	<b>3 954 455</b>	<b>3 245 399</b>
Actual number of shares in issue (000)^	4 700 911	4 393 103
Weighted average number of shares in issue (000)^	4 500 281	3 743 055
Diluted weighted average number of shares in issue (000)^	4 500 281	3 743 055
<b>Basic and diluted earnings per share (cents)</b>	<b>101.45</b>	<b>142.52</b>
- Continuing operations	101.32	142.52
- Discontinued operations	0.13	-
<b>Headline earnings per share (cents)</b>	<b>77.13</b>	<b>82.91</b>
<b>Diluted headline earnings per share (cents)#</b>	<b>77.13</b>	<b>82.91</b>
<b>Distribution per share (cents)</b>	<b>86.00</b>	<b>80.00</b>

^ Excludes 361 396 896 (2015: 361 396 896) treasury shares

# There were no dilutive shares in issue

## SEGMENTAL ANALYSIS

Figures in R'000s	Office	Retail	Industrial	Specialised	Total
<b>Year ended 31 August 2016</b>					
Contractual rental income <sup>‡</sup>	2 449 801	2 751 315	1 170 058	138 953	6 510 127
Operating costs	(783 123)	(1 075 576)	(341 362)	(40 971)	(2 241 032)
<b>Net property income</b>	<b>1 666 678</b>	<b>1 675 739</b>	<b>828 696</b>	<b>97 982</b>	<b>4 269 095</b>
<b>Investment property portfolio<sup>#</sup></b>	<b>18 033 797</b>	<b>21 344 930</b>	<b>10 163 302</b>	<b>1 326 783</b>	<b>50 868 812</b>
<b>Year ended 31 August 2015</b>					
Contractual rental income <sup>‡</sup>	2 257 374	2 820 293	1 021 436	42 334	6 141 437
Operating costs <sup>^</sup>	(740 678)	(1 078 539)	(265 233)	(259)	(2 084 709)
<b>Net property income<sup>^</sup></b>	<b>1 516 696</b>	<b>1 741 754</b>	<b>756 203</b>	<b>42 075</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>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.

<sup>^</sup> The Fountainhead reporting segment disclosed in the prior year has been allocated to the underlying segments.



## 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 R58,1 billion and is included in the JSE Top 40 index. Redefine manages a diversified property asset platform with a value of R72,7 billion (2015: R63,8 billion), comprising local and international property investments. Redefine's shares are among the most actively traded on the JSE, 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 31 August 2016, Redefine's diversified, local property portfolio was valued at R54,7 billion (2015: R52,8 billion). The group's international real estate investments, valued at R18,0 billion (2015: R11,0 billion) represent 24.8% (2015: 17.2%) of total property assets and provide geographic diversification into the UK, German, Polish and Australian property markets. Redefine has a 30.1% (2015: 30.1%) equity interest, with a value of R5,0 billion (2015: R4,8 billion), in Redefine International PLC (RI PLC) which is listed on both the London Stock Exchange (LSE) and the JSE. Redefine and RI PLC co-own a German retail portfolio valued at R799 million (2015: R653 million). In addition, Redefine has a R6,3 billion (2015: R5,0 billion) presence in the Australian property market through a direct 50% (2015: 50%) interest in North Sydney's landmark tower, Northpoint, as well as a holding of 25.5% (2015: 25.6%) in Cromwell Property Group (Cromwell), one of the leading property groups listed on the Australian Stock Exchange (ASX). On 1 June 2016, Redefine acquired a 44.9% share in Echo Polska Properties (EPP) valued at R3,9 billion. EPP owns a portfolio of prime retail and office real estate assets throughout Poland. EPP listed on both the Luxembourg Stock Exchange (LuxSE) and the JSE during September 2016.

## FINANCIAL RESULTS

Redefine's Board has declared a distribution of 44,3 (2015: 41.0) cents per share for the six months ended 31 August 2016, an increase of 8.0% (2015: 7.5%) on the comparable period, which is in line with market guidance. This brings the full year distribution to 86,0 (2015: 80.0) cents per share resulting in year-on-year growth of 7.5% (2015: 7.3%). Gross distributable income for the year increased by 21.8% (2015: 36.3%) benefiting from a number of substantial quality acquisitions made in recent years.

Property portfolio revenue for the year contributed 98.5% (2015: 94.8%) of total revenue, income from listed securities represented 1.5% (2015: 5.2%).

Operating costs were 34.4% (2015: 33.9%) of contractual rental income (excluding straight-line rental income accruals) – the increase resulting mainly from higher municipal costs. Net of electricity and utility recoveries, operating costs were 17.9% (2015: 18.0%) of contractual rental income. Redefine's international property investments contributed 25.9% (2015: 17.0%) of distributable income.

## CHANGES IN FAIR VALUES

The group's property portfolio was independently valued at 31 August 2016 producing a net increase in value of R307,4 million (2015: R1,9 billion). 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 R275,4 million (2015: increase of R160,8 million) during the year. The balance of R136,5 million (2015: R146,4 million) mainly relates to the increase in the mark-to-market of the group's derivatives, which protect the group against adverse movements in interest and foreign exchange rates, these were valued using the swap curve and forward pricing methods respectively. In terms of IAS 39 and IFRS 13, Redefine's listed securities and derivatives 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

The portfolio vacancy rate declined during the year by 0.5% (2015: 0.1%) to 4.9% (2015: 5.4%). Leases covering 492 126m<sup>2</sup> (2015: 510 649m<sup>2</sup>) were renewed during the year at an average rental increase of 3.3% (2015: 3.0%) with the tenant retention rate a pleasing 92.0% (2015: 87.0%). A further 401 128m<sup>2</sup> (2015: 338 294m<sup>2</sup>) was let across the portfolio. Net arrears improved to R39,8 million (2015: 41,8 million). Net arrears represent 6.3% (2015: 8.3%) of gross monthly rental.

PORTFOLIO SPLIT  
BY TENANT



Multi tenants 67.6%  
Single tenants 32.4%

SECTORAL SPREAD  
BY GLA



Office 28.5%  
Retail 28.0%  
Industrial 42.9%  
Specialised 0.6%

GEOGRAPHIC SPREAD  
BY GLA



Gauteng 65.6%  
Cape 18.9%  
KwaZulu-Natal 8.0%  
Other 7.5%

LEASE EXPIRY PROFILE BY GLA

m<sup>2</sup>

1 000 000

800 000

600 000

400 000

200 000

0

Monthly

2017

2018

2019

2020

2021

Beyond 2021

Office Retail Industrial Specialised

## SECTORAL VACANCY BY GLA

	31 August 2016 vacancy before strategic vacancy (%)	Strategic vacancy* 31 August 2016 (%)	31 August 2016 (%)	31 August 2015 (%)
Office	14.1	5.4	8.7	8.5
Retail	5.1	1.5	3.6	4.3
Industrial	4.4	1.0	3.4	3.8
Specialised	–	–	–	–
	7.4	2.4	4.9	5.4

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

## 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 year, management's primary domestic portfolio focus was on protecting, expanding and improving existing well-located properties.

**Acquisitions:** Redefine acquired and transferred four properties, with a GLA of 21 547m<sup>2</sup>, during the year, for an aggregate consideration of R228,3 million, at an initial yield of 9.4%. In addition, Redefine acquired three development properties for an aggregate consideration of R285,7 million with a developable area of 369 285m<sup>2</sup> (Redefine's share: 153 104m<sup>2</sup>). Subsequent to the reporting period, Redefine acquired a further two development properties, for an aggregate consideration of R250,5 million with a developable area of 493 265m<sup>2</sup> (Redefine's share: 268 715m<sup>2</sup>).

**Developments:** Redevelopment projects are in progress in the existing portfolio with an approved value of R1,1 billion at an average yield of 6.4%. New development projects covering 156 876m<sup>2</sup> of GLA with an approved value of R2,5 billion at an average yield of 9.2%, are presently in progress. Projects totalling R2,2 billion were completed during the year.

**Disposals:** 16 properties with a GLA of 177 189m<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 R1,4 billion, at an average yield of 8.5%. In addition, agreements, subject to the usual conditions precedent, were concluded for the disposal of properties for an aggregate consideration of R431,5 million, with a GLA of 82 067m<sup>2</sup> at an average yield of 7.2%.

**Government-tenanted offices:** In line with its strategy to dispose of its government tenanted portfolio, Redefine concluded an agreement with Delta Property Fund Limited (Delta) to dispose of 15 office 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:** During the year, Redefine acquired a 51% equity interest in Respublica Student Living Proprietary Limited (RSL) for R438,6 million at an initial yield of 10.6%. RSL owns and manages student accommodation facilities with a current capacity of 3 687 beds. Yale Village (Parktown) and Hatfield Square, two of Redefine's secondary office assets, are being converted into student accommodation with a bed capacity of 332 and 2 200 beds respectively.

**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 (photo voltaic) and smart metering of electricity and water. To protect income, Redefine has taken steps to ensure that there is uninterrupted electricity supply at its key retail properties.

## LISTED SECURITIES

Redefine currently owns the following listed securities:

	2016		2015	
	Market value R000	(%) held	Market value R000	(%) held
Emira Property Fund	784 321	11.5	988 793	11.5
Arrowhead Properties Limited	190 299	2.4	-	-
	974 620		988 793	

## INTERESTS IN ASSOCIATES

Redefine currently holds the following equity-accounted investments in associates:

	Stock exchange	2016		2015	
		Carrying value R000	(%) held	Carrying value R000	(%) held
Cromwell Property Group	ASX	5 511 449	25.5	4 349 773	25.6
Redefine International P.L.C.	LSE and JSE	4 972 179	30.1	4 751 602	30.1
Echo Polska Properties N.V.	LuxSE and JSE	3 918 640	44.9	-	-
Delta Property Fund Limited	JSE	1 597 967	22.8	-	-
International Hotel Properties Limited	LuxSE and JSE	332 767	27.5	-	-
		16 333 002		9 101 375	

**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 year, Redefine also participated in RI PLC's dividend re-investment schemes and elected to receive 14,9 million shares.

**EPP:** Redefine's international strategy is centred on geographic diversification and exploiting attractive initial yield spread. On 1 June 2016, Redefine significantly extended the scope of its international interests via a 44.9% investment into EPP, a high-yielding commercial platform comprising 21 properties in the Polish market valued at EUR1.2 billion (R19,4 billion). The transaction represented a unique opportunity to create the leading commercial real estate platform in Poland and to build instant critical mass by acquiring a high quality retail-based portfolio with a strong local partner also providing a substantial development pipeline which will generate additional growth. Redefine's purchase consideration was funded by an offshore 12-month bridge facility of EUR250 million (R4,04 billion). Subsequent to year-end, Redefine successfully placed secured bonds with a principal amount of EUR150 million (R2,4 billion) bearing a coupon of 1.5%, exchangeable in five years into ordinary shares of RI PLC, the proceeds of which were used to partially refinance the bridge facility. The balance of the bridge facility will be refinanced through a combination of secured offshore bank funding and cross currency swaps.

## OFFER TO ACQUIRE THE PIVOTAL FUND LIMITED (PIVOTAL)

On 30 August 2016, Redefine announced an offer to acquire all of the Pivotal shares from Pivotal shareholders by scheme of arrangement. Following implementation of the scheme, Pivotal shareholders will receive approximately 138,54 Redefine shares and 9,38 EPP shares for every 100 Pivotal shares held. The Pivotal acquisition is in line with Redefine's strategy to diversify, grow and improve the quality of its portfolio and recycle its capital through disposing of non-core assets and replacing them with prime assets. The acquisition positions Redefine even more competitively in the commercial property sector in line with its strategic intent to become the landlord of choice in A-grade office space in sought after areas in South Africa. The transaction is subject to Pivotal shareholder, senior lender and the usual regulatory approvals which are expected by 30 November 2016.

## FUNDING AND EQUITY RAISES

Redefine's debt represented 38.5% (2015: 36.7%) of the value of its property assets as at 31 August 2016. The average cost of local funding is 8.8% (2015: 8.4%) – interest rates are fixed on 82.1% (2015: 81.3%) of local borrowings for an average period of 2,2 years (2015: 2,8 years). The interest cover ratio (which includes equity-accounted profit and listed security income) is 4.3x (2015: 3.4x). Redefine has unutilised committed bank facilities of R3,4 billion (2015: R2,9 billion) as at 31 August 2016 which provides assurance that Redefine will be able to meet its short-term commitments. The majority of the short-term portion of interest-bearing borrowings is being refinanced.

On 20 July 2016, Redefine issued 137 million shares through an accelerated bookbuild for R1,5 billion in cash. In addition, Redefine conserved R1,8 billion in cash through the issue of 170,9 million shares under the dividend re-investment alternative, which was taken up by 47% of shareholders.

### Moody's credit rating:

On 11 May 2016, Moody's repositioned the national scale rating. As a result of the recalibration, Redefine's national credit rating has improved and has been adjusted to the following:

Global long-term Baa3

Global short-term P-3

National long-term Aa2.za

National short-term P-1.za

The rating was refreshed during July 2016 and remains unchanged.

## COMMITMENTS

Capital development commitments outstanding amount to R2,4 billion (2015: R2,2 billion) and committed property acquisitions totalled R250,5 million (2015: R415 million). Future commitments will be funded by undrawn banking facilities.

## 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

The general overview of the demand side of the domestic economy suggests a tight economic situation for all corporates, consumers, investors and the public sector. The most pressing factor in the present situation is the lack of investor confidence. Productive investment remains the panacea for future economic growth and job creation. It is therefore imperative that all facets of South Africa should aim to advance the wellbeing of the economic and business environment. Business confidence and trust remain key variables to improved economic performance.

On the international front, low interest rates, volatile exchange rate movements and tepid growth are set to continue.

Redefine's diversified asset platform has been structured to sustain the creation of value at low risk, and combined with a motivated and aligned management team, focused on disciplined execution of what matters most, to realise Redefine's vision to be the best South African REIT. Prospects for 2017 are subject to numerous factors which remain uncertain, including volatile financial markets, the continuing possibility of a sovereign credit downgrade and the outcome of the offer to acquire Pivotal. Growth in distributable income per share for 2017 is anticipated to range between 7.5% to 8.5%.

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

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

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

The directors of Redefine have declared a final cash dividend of 44,30000 cents per share, for the six months ended 31 August 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 44,30000 cents per share that will be paid to those shareholders not electing to participate in the share reinvestment alternative.

A circular providing further information in respect of the cash dividend and share reinvestment alternative will be posted to Redefine shareholders on 4 November 2016.

The right to elect shares in jurisdictions other than the Republic of South Africa ("SA") may be restricted by law, and failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdictions. Shareholders' rights to elect shares are not being offered, directly or indirectly, in the United Kingdom, European Economic Area or EEA, Canada, United States of America, Japan or Australia unless certain exemptions from the requirements of those jurisdictions are applicable.

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.

2016

Circular and form of election posted to shareholders and announcement on SENS	<b>Friday, 4 November</b>
Finalisation information including the share ratio and price per share published on SENS	<b>Tuesday, 15 November</b>
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)	<b>Tuesday, 22 November</b>
Shares trade <i>ex dividend</i>	<b>Wednesday, 23 November</b>
Listing of maximum possible number of shares under the share reinvestment alternative	<b>Friday, 25 November</b>
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)	<b>Friday, 25 November</b>
Record date for the election to receive shares in terms of the share reinvestment alternative or to receive a cash dividend (record date)	<b>Friday, 25 November</b>
Announcement of results of cash dividend and share reinvestment alternative released on SENS	<b>Monday, 28 November</b>
Cash dividend paid to certificated shareholders on or about	<b>Monday, 28 November</b>
Accounts credited by CSDP or broker to dematerialised shareholders with the cash dividend payment	<b>Monday, 28 November</b>
Share certificates posted to certificated shareholders on or about	<b>Wednesday, 30 November</b>
Accounts updated with the new shares (if applicable) by CSDP or broker to dematerialised shareholders	<b>Wednesday, 30 November</b>
Adjustment to shares listed on or about	<b>Friday, 2 December</b>

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 Wednesday, 23 November 2016 and Friday, 25 November 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 44,30000 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. 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 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 37,65500 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 44,30000 cents per share.

## OTHER INFORMATION

- The ordinary issued share capital of Redefine is 5 062 307 743 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.

## RESTATEMENTS

### Investments in associates and joint ventures

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 associates 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.

### Loans receivables – Ma Afrika Tikkun Endowment Trust

In the financial year ended 31 August 2013, Redefine granted Ma Afrika Tikkun Endowment Trust (Ma Afrika) a loan to acquire Redefine shares. The loan is secured by 55 520 130 Redefine shares and will be repaid using the dividends on the shares and the proceeds generated by the future sale of shares. As the loan only has recourse to the shares and no other assets, the issue of the shares on loan account should have, for accounting purposes, been treated as an option grant which vested on the date when the loan was granted.

In prior years, Redefine accounted for the shares as issued and recognised a loan receivable. The comparatives for the 2016 financial statements have been restated to account for the issue of a share option, instead of the issue of Redefine shares and related loan. The guarantee fee receivable related to this loan has also been derecognised and is included in the valuation of the option.

### Dipula BEE Trust

In 2012, Redefine sold 50 million Dipula Income Fund Limited B shares (Dipula B shares) to the Dipula BEE Trust for a consideration of R270 million and a 33.3% beneficiary interest in the Dipula BEE Trust. The Dipula BEE Trust obtained bank funding for the purchase of the shares. Redefine in turn provided a guarantee of R180 million and agreed to a put option of R90 million (minimum) as security for the bank loan. The Dipula BEE Trust cannot dispose of the 50 million Dipula B shares without Redefine's approval. Redefine has assessed that it neither retained nor transferred substantially all the risks and rewards of ownership of the 50 million Dipula B shares and Redefine retained control of the 50 million Dipula B shares. Therefore, Redefine should have continued to recognise the 50 million Dipula B shares to the extent of its continuing involvement. Redefine should also have recognised an associated liability for the amount it could be required to pay in terms of the guarantee and put option. In 2012, Redefine derecognised the 50 million Dipula B shares and recognised a financial guarantee receivable and disclosed the related financial guarantee liability. Accordingly, this transaction has been restated retrospectively to reflect Redefine's continuing involvement in the 50 million Dipula B shares and associated liability.

## RECLASSIFICATION

### **Derivative assets and liabilities**

In the prior year, the interest rate swaps presented as derivative assets and liabilities were offset. Accordingly, the derivative assets/liabilities have been reclassified 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.

### **Interest accrual on interest-bearing borrowings**

In the prior years, the interest accrual on interest-bearing borrowings was presented together with trade and other payables. The interest accrual on interest-bearing borrowings has been reclassified to a separate line on the Statement of Financial Position 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. 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 year ended 31 August 2015.

### **Cash flow – Dividends paid**

In the prior years, the dividends paid and dividends paid to non-controlling interests were presented as cash flows from operating activities. Dividends paid and dividends paid to non-controlling interests have been reclassified to cash flows from financing activities with the change applied retrospectively to be in line with how Redefine manages its cash.

## PRIOR YEAR RESTATEMENT

Figures in R'000s	2015		
	As previously reported	Restatement/ Reclassification	As restated
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>Non-current assets</b>	<b>67 465 410</b>	<b>299 920</b>	<b>67 765 330</b>
Interest in associates and joint ventures	9 823 319	611 165	10 434 484
Derivative assets	93 150	72 897	166 047
Loans receivable	1 184 924	(563 099)	621 825
Other financial assets	–	252 717	252 717
Guarantee fees receivable	73 760	(73 760)	–
<b>Current assets</b>	<b>1 422 776</b>	<b>11 002</b>	<b>1 433 778</b>
Derivative assets	–	11 002	11 002
<b>Total assets</b>	<b>70 177 798</b>	<b>310 922</b>	<b>70 488 720</b>
<b>Equity</b>	<b>45 145 459</b>	<b>(8 187)</b>	<b>45 137 272</b>
Stated capital	33 738 010	(528 405)	33 209 605
Reserves	11 407 449	520 218	11 927 667
<b>Non-current liabilities</b>	<b>21 894 566</b>	<b>52 384</b>	<b>21 946 950</b>
Derivative liabilities	–	69 891	69 891
Other financial liabilities	17 507	(17 507)	–
<b>Current liabilities</b>	<b>3 137 773</b>	<b>266 725</b>	<b>3 404 498</b>
Trade and other payables	1 106 230	(199 832)	906 398
Interest accrual on interest-bearing borrowings	–	199 832	199 832
Derivative liabilities	10 488	14 008	24 496
Other financial liabilities	18 437	252 717	271 154
<b>Total equity and liabilities</b>	<b>70 177 798</b>	<b>310 922</b>	<b>70 488 720</b>
Number of shares in issue ('000)	4 448 623	(55 520)	4 393 103
Net asset value per share (cents)	1 021.00	12.72	1 033.72
Net tangible asset value per share (cents)	900.35	11.20	911.55
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>			
<b>Other gains</b>	<b>162 274</b>	<b>(33 760)</b>	<b>128 514</b>
– Fee income	33 760	(33 760)	–
<b>Profit before finance costs and taxation</b>	<b>7 130 259</b>	<b>(33 760)</b>	<b>7 096 499</b>
<b>Net interest costs</b>	<b>(1 376 835)</b>	<b>(56 918)</b>	<b>(1 433 753)</b>
– Interest income	306 229	(56 918)	249 311
<b>Profit for the year</b>	<b>5 701 014</b>	<b>(90 678)</b>	<b>5 610 336</b>
<b>Other comprehensive (loss)/income</b>	<b>(90 397)</b>	<b>612 779</b>	<b>522 382</b>
Exchange differences on translation of foreign operations: – Associates and joint ventures	(19 906)	612 779	592 873
<b>Total comprehensive income for the year</b>	<b>5 610 617</b>	<b>522 101</b>	<b>6 132 718</b>
<b>Total comprehensive income for the year – attributable to Redefine Properties Limited shareholders</b>	<b>5 334 700</b>	<b>522 101</b>	<b>5 856 801</b>
Earnings per share (basic and diluted)	142.82	(0.30)	142.52

## PRIOR YEAR RESTATEMENT continued

Figures in R'000s	2015		
	As previously reported	Restatement/ Reclassification	As restated
<b>STATEMENT OF CASH FLOW</b>			
<b>Cash flows from operating activities</b>			
Cash generated from operations	4 299 358	(59 736)	4 239 622
Interest paid	(1 683 064)	59 736	(1 623 328)
Dividends paid	(2 859 144)	2 859 144	-
Dividends paid to non-controlling interests	(264 910)	264 910	-
<b>Net cash inflow from operating activities</b>	<b>(298 973)</b>	<b>3 124 054</b>	<b>2 825 081</b>
<b>Cash flows from financing activities</b>			
Dividends paid	-	(2 859 144)	(2 859 144)
Dividends paid to non-controlling interests	-	(264 910)	(264 910)
<b>Net cash inflow from financing activities</b>	<b>6 583 831</b>	<b>(3 124 054)</b>	<b>3 459 777</b>
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>Non-current assets</b>			
Interest in associates and joint ventures	55 007 339	(272 715)	54 734 624
Derivative assets	4 173 173	(1 614)	4 171 559
Loans receivable	-	75 746	75 746
Other financial assets	1 727 212	(549 455)	1 177 757
Guarantee fees receivable	23 510	252 608	276 118
<b>Current assets</b>	<b>992 697</b>	<b>1 927</b>	<b>994 624</b>
Derivative assets	50 000	(50 000)	-
<b>Total assets</b>	<b>57 490 164</b>	<b>(270 788)</b>	<b>57 219 376</b>
<b>Equity</b>			
Stated capital	35 735 937	(573 562)	35 162 375
Reserves	22 558 039	(528 405)	22 029 634
<b>Non-current liabilities</b>	<b>14 997 245</b>	<b>32 073</b>	<b>15 029 318</b>
Derivative liabilities	10 162 303	(45 157)	10 117 146
Other financial liabilities	95 192	59 580	154 772
<b>Current liabilities</b>	<b>6 756 982</b>	<b>270 701</b>	<b>7 027 683</b>
Trade and other payables	36 731	(27 507)	9 224
Interest accrual on interest-bearing borrowings	6 756 982	270 701	7 027 683
Derivative liabilities	1 294 307	(140 096)	1 154 211
Other financial liabilities	-	140 096	140 096
<b>Total equity and liabilities</b>	<b>57 490 164</b>	<b>(270 788)</b>	<b>57 219 376</b>
Number of shares in issue ('000)	3 404 630	(55 520)	3 349 110
Net asset value per share (cents)	976,03	(0,94)	975,09
Net tangible asset value per share (cents)	819,52	(3,54)	815,98

## 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 summary consolidated financial statements are prepared in accordance with the JSE Listings Requirements for provisional reports and the requirements of the Companies Act applicable to summary financial statements. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary financial statements are derived are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements.

This summarised report is extracted from the audited information, but is not itself audited. The consolidated financial statements are audited by KPMG Inc., who expressed an unmodified opinion thereon. The auditor's report does not necessarily report on all the information contained in these summary consolidated financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying audited consolidated financial statements, both of which are available for inspection at the company's registered office. The directors of Redefine Properties Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying consolidated financial statements.

By order of the Board

**Redefine Properties Limited**

3 November 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 (Executive Chairman)

A J König (CEO)

L C Kok (FD)

D H Rice<sup>†</sup> (COO)

M J Ruttell<sup>ⓐ</sup>

## Non-executive directors:

M Barkhuysen\*

N B Langa-Royds\*

H K Mehta\*

P Langen<sup>†</sup>\*

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, Arnold Road, Rosebank, 2196

(PO Box 1731, Parklands, 2121)

## Transfer secretaries:

Computershare Investor Services Proprietary Limited

## Sponsor:

Java Capital

## Company secretary:

B Baker



2016 A YEAR OF  
ALIGNMENT