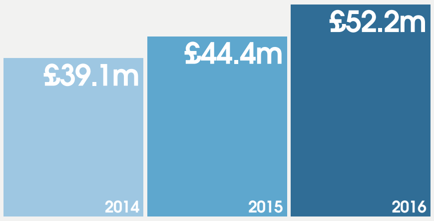
Welcome to the Redefine International P.L.C. Annual Report 2016

Redefine International is a FTSE 250 UK Real Estate Investment Trust with a primary listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange. The Company is included within the EPRA index.

The Group is focused on income driven total returns and is committed to delivering superior distributions to shareholders throughout the property cycle. The investment portfolio is diversified across the retail, commercial and hotel sectors and is geographically located in the UK and Germany.

At a glance

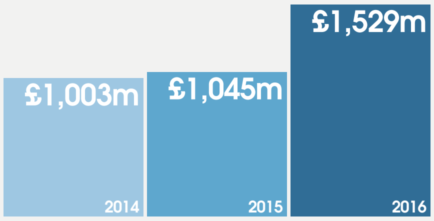
Earnings available for distribution



+£7.8m

+17.6%

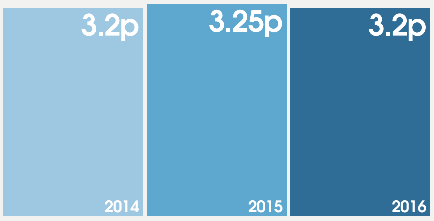
Portfolio market value



+3.4%

Like-for-like

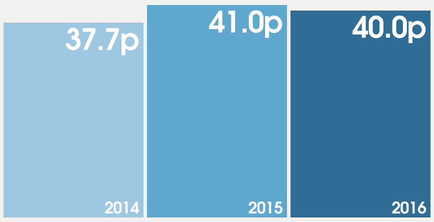
Dividend per share



8%

Yield on NAV

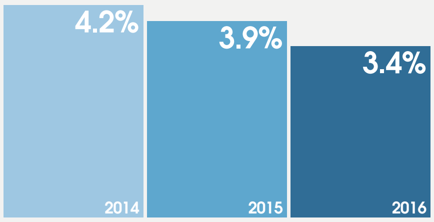
EPRA NAV per share



40.0p

-2.4%

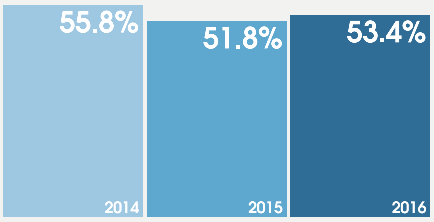
Weighted average cost of debt



3.4%

-0.5%

LTV



53.4%

+1.6%

A FTSE 250 Company

EPRA

Global property research
Solutions for customized property indices

Where we operate

Our diversified portfolio is located in Europe's two strongest economies, being the United Kingdom and Germany

Our Top 20 assets (by value)

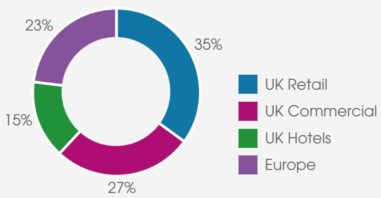
United Kingdom

£1.2bn 77%

Germany

£0.3bn 23%

Market value



£1.5bn

What's inside

Since 2006 we have transformed both the asset base and corporate structure of our business

A decade of achievement
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Corporate social responsibility
page 42

Our corporate social responsibility ("CSR") strategy is to deliver lasting value to our stakeholders. In line with the International Integrated Reporting Framework, we integrate corporate social responsibility information in this report reflecting how CSR is integral to our business, strategy and governance.

For more information visit
www.redefineinternational.com/csr

Strategic report

Directors' report

Financial statements

Other information

Market context

Demand for distribution and industrial space continues to outweigh supply in prime locations which has a positive knock-on effect on rental levels.

The UK's decision to leave the EU will result in continued uncertainty for the country, the property sector and for the occupational market.

The importance of liquidity and transparency in the property sector has recently been highlighted in the volatility caused by the EU referendum outcome and open-ended property funds closing redemptions to investors. Listed real estate, particularly REITs, are well placed to provide institutional and retail investors access to commercial real estate returns with the benefit of both liquidity and transparency. As the REIT market matures in the UK, there is a clear change in the importance being placed on income returns and the ability of REITs to efficiently convert underlying property returns into shareholder returns.

Income returns are an essential part of our investment strategy. With performance in the next phase of the property cycle likely to be more weighted towards income returns and rental growth, our approach to recycling capital into assets with strong property fundamentals and occupier demand is now increasingly important.

Macro volatility

As widely anticipated, volatility increased during the year due to fluctuating market expectations prior to the EU referendum, and further by the vote to leave the EU. Investment market activity reduced sharply due to this uncertainty, although pricing has remained robust. There has been little evidence of any negative impact on occupational markets, however, it is still too early to understand the full impact of the vote and will be closely monitored.

The Company's diversified portfolio and broad range of high quality occupiers provides significant resilience in a potentially volatile market. Combined with a focus on delivering secure income returns, this places the Company in a strong position to manage and capitalise on this volatility.

Economic growth

Economic growth forecasts in both of our markets remain well below historic highs, however economic indicators post the EU referendum have generally surprised on the upside suggesting the UK economy has performed better than many had initially feared. The consensus view is that UK growth is expected to slow in the coming quarters. This is highly dependent on political decisions surrounding the result of the referendum, economic indicators and external global market factors.

Inflation has remained at very low levels both in the UK and Germany. The recent devaluation of Sterling and its impact on producers' input costs has seen consensus inflation increasing to 2.0 per cent in 2017. Retail sales have been robust with annual sales growth of 6.2 per cent for the year to August 2016. Higher inflation from weaker Sterling and increased import costs may lower this growth rate for the remainder of the year. The Company has over 30 per cent of its leases subject to inflation-linked rent reviews. Our retail exposure is weighted towards convenience and non-discretionary consumer spending and 23 per cent of the portfolio by value is in Germany, providing exposure to the Euro.

UK unemployment rate during the three months to August 2016 was 4.9 per cent, its lowest rate in the last 11 years.

Interest rates across Europe are likely to remain low which, together with the anticipated slowdown in capital value growth, makes secure income returns an increasingly important component of total returns for the foreseeable future.

Our income focused diversified portfolio is well positioned to withstand this period of uncertainty with high occupancy on long leases, low exposure to Central London offices and financial services and reduced exposure to shopping centres.

Occupational market

There has not been any discernible slowdown in leasing activity to date, particularly in retail as occupiers generally continue with their plans. National vacancies in retail parks are at a 14 year low which is evidenced by our fully occupied portfolio with tenant demand exceeding supply. Outside the City of London office market, in which we have no exposure, leasing activity in regional office markets softened slightly but proved relatively resilient. Demand for distribution and industrial space continues to outweigh supply in prime locations which is having a positive knock-on effect on rental levels. Overall, the UK regional outlook is mixed with performance heavily dependent on the fundamentals of specific assets. Demand from retailers in Germany continued to strengthen during the year, with interest improving from both local and international brands.

The Company's ERV grew by 4.4 per cent across the portfolio with several occupier-led initiatives underway to continue to support further growth. These include pre-let expansions, reconfiguration and optimisation of existing space, improving the tenant mix, increased commercialisation activity and progress on filling regional office vacancies.

Investment and capital markets

The EU referendum had a sharp impact on investment market activity immediately before and after the vote. The reported subsequent rise in property yields were clearly impacted by the decision to exit the EU. It is likely there was already a moderate correction in values underway following a very strong investment market in the run up to the referendum.

Banks' exposure to the real estate sector is far lower than in 2008, with investment activity in recent years being driven by investors using significantly less leverage. Liquidity is expected to remain high, although banks are likely to focus on relatively low risk lending with margins for secondary assets or higher risk transactions increasing. The number of new entrants to the lending market including non-bank funds has significantly enhanced the depth and liquidity of the market. UK commercial yields were over 4.0 per cent above ten year gilt yields, significantly higher than the long term average spread of between 1.0 per cent to 2.0 per cent. This suggests property pricing remains relatively good value compared to certain other asset classes. Uncertainty in the occupier market may also be reflected in lower investment volumes, although the continuing gap between property yields and interest rates suggests that UK property will continue to appeal to certain investor groups.

In a market characterised by exceptionally low interest rates and low growth, our focus is on identifying assets with sound property fundamentals in locations that are supported by occupier demand.

Technology

Technology continues to transform the way we work, shop and travel. The internet has delivered greater access to information, providing instant information and more choice. Mobile continues to drive online shopper interaction and consumer behaviour as innovations including contactless and mobile payment become commonplace in the retail environment. Frictionless shopping continues to be an aspiration for retailers in response to the ever changing consumer demands, in both prime and secondary retail environments. Smartphones continue to provide the platform for delivery. Redefine International continues to develop its use of technology, particularly mobile, focusing on convenience and value to enhance the consumer journey. We have seen a 40 per cent increase in mobile usage across the UK retail portfolio.

Optimisation of beacon technology in retail environments will continue to grow, with the aim to create a seamless, omni-channel experience from screen to store.

Social media has dominated and will continue to dominate the shopper journey and thus video content remains a powerful component for retail brands.

Redefine International uses technology across its portfolio to stay in touch with all stakeholders. 51 per cent of all web traffic is from new visitors and there has been a 60 per cent increase of mobile device usage to access the corporate website.

Risk and viability

The Group seeks to minimise, control and monitor the impact of risks to profitability whilst maximising the opportunities they present.

Redefine International acknowledges that it faces a number of risks which could impact the achievement of its strategy.

While it is not possible to identify or anticipate every risk due to the changing business environment, the Group has an established risk management process to manage and mitigate risk. The Group's process for identifying and managing risk is set by the Board.

The Board has delegated the oversight of risk to the Audit and Risk Committee. Risks are assessed 'bottom up' throughout the business both gross and net of mitigating controls. The Audit and Risk Committee reviews the risk management plan bi-annually with the design, implementation and monitoring being the responsibility of management on a day-to-day basis. Risks are considered in terms of their impact and likelihood from both a financial and reputational perspective.

Although not exhaustive, the principal risks facing the Group are categorised into four broad risk types: Strategic, Financial, Operational and Legal and regulatory. The potential impact of these risks and the mitigating controls in place to manage their impact are as follows:

Strategic — Change

Risk	Impact	Link to strategy	Mitigation
Failure to execute appropriate property investment strategies and take advantage of opportunities in the current economic climate	• Declining net asset value, total property return (income and capital) or shareholder returns (dividend and share price growth)		• Annual review of investment strategy • Defined asset appraisal process • Investment Committee reviews all opportunities against pre-determined criteria • Monitoring of macroeconomic and property market trends
Significant external political or financial event, for example the UK's referendum on EU membership	• General market dislocation leading to increased volatility with potential impact on property valuations and or share price • Constrained access to debt or capital markets impacting ability to address liquidity or covenant concerns		• Good relationships with key shareholders and lenders • Monitoring loan covenants and required cash cures in event of severe but plausible scenarios • Facility headroom
Significant business interruption	• Inability to access or operate properties • Operational interruption and disruption		• Adequate insurance cover • Geographic diversity of portfolio • Disaster recovery planning including frequent replication of data and offsite storage

Financial — Change

Risk	Impact	Link to strategy	Mitigation
Decline in market conditions and structural changes in retail consumer behaviour	• Reduced availability of financing and refinancing at acceptable cost • Inability to fund property investments • Increased cost of finance • Declining valuations leading to covenant breaches		• Mix of lenders and maturities of facilities • Detailed capital planning and forecasting • Sufficient liquidity maintained to meet commitments • Early refinancing of debt • Regular assessment of market conditions including bi-annual external valuations and monitoring of covenants • Portfolio diversified across sector and geography
Adverse interest rate movements	• Increased cost of borrowing and hedging reducing financial and operational flexibility		• Interest rate hedging policy providing interest rate protection • Target staggered debt maturities • Geographic diversification

Secure income focused returns
Enhance quality of portfolio
Reduce cost of capital
Distribution growth
Reposition portfolio
Strengthen balance sheet

Financial — Change ⇧

Risk	Impact	Link to strategy	Mitigation
Adverse foreign currency movements	• Decreased asset values • Reduced operating income		• Debt facilities arranged in the currency of the related investment act as a partial hedge • Exchange rates continuously monitored • Amounts converted to Sterling at earliest opportunity
Change in investment strategy of significant shareholder	• Adverse movement in share price • Perceived loss of confidence		• Close relationships maintained with key shareholders • Dedicated investor relations resource • Income focused total return strategy maintaining upper quartile performance

Operational — Change ⇔

Risk	Impact	Link to strategy	Mitigation
Failure to anticipate changes in the property cycle	• Reduced investment demand and declining property values • Potential pressure on banking covenants		• Bi-annual external valuation of properties • Diversified portfolio • Active asset management • Regular monitoring of covenants
Reduced occupier demand for space, increased supply, or occupier defaults	• Reduced rental income and cash flow • Increased void costs • Declining property values		• Diverse tenant base • Long leases and strong tenant covenants • Open dialogue with tenants • Review consumer trends • Regular monitoring of tenants at risk
Development and construction risk including contractor solvency and availability, and planning risk including poor engagement with local communities	• Reduced development returns resulting from cost overruns, programme delays or failure to secure planning permission • Existing tenant disruption • Delayed or failed tenant installation • Failure to obtain planning permission		• Strong supply chain and professional relationships facilitate assessment and monitoring • Appropriate due diligence, procurement and consultation prior to placing contracts, including review of financial covenants

Legal and regulatory — Change ⇔

Risk	Impact	Link to strategy	Mitigation
Health, safety and environmental risk	• Loss or injury to employees, tenants or contractors • Impact on reputation, adverse publicity or financial impact		• Policies in place with audit and risk assessments undertaken • Environmental programme in place • All properties actively managed • Appointed dedicated Health & Safety Manager
Changes in or breach of regulatory or legislative requirements	• Financial or reputational impact • Reduced financial returns as a result of increased taxes across non-REIT business		• Appointment of appropriately qualified corporate advisers and administrators in all jurisdictions with active engagement • Regular review of compliance e.g. with REIT legislation • Sound governance and internal policies

Viability statement

In the context of the above principal risks, the Directors have considered a three-year time horizon in assessing longer term viability. This aligns with the Group's internal strategic plan and is underpinned by an average unexpired lease term and weighted average debt maturity comfortably exceeding three years.

In reaching its opinion, the Directors considered the Group's internal control environment together with the results of plausible but conservative scenarios. In light of recent events, the Directors paid particular attention to the risk of a deterioration in economic outlook impacting property fundamentals, including the impact on property valuations of a weakening investor and occupational market, coupled with restricted availability of finance. Key inputs included extended vacancy periods, increased finance costs and lower levels of scrip dividend take-up. In performing these tests, the Directors considered the limit at which a threat to viability may crystallise.

Having considered these factors both individually and collectively the impact on the Group's forecast cash flows and covenant compliance, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its debts as they fall due during the next three years.

Strategic report

Portfolio overview

Camino Park Distribution Centre, Crawley

Over the past year, Redefine's portfolio has been enhanced through active capital recycling and investment in high quality assets. This, combined with our strategic flexibility to invest across sectors, underpins the success of our income focused total return strategy.

The AUK acquisition has significantly enhanced the quality of the portfolio, providing exposure to a number of high quality assets in sectors and locations expected to deliver economic growth. Over 58 per cent of the portfolio is located in Greater London, the "Big 6" UK cities, southern UK and the "Big 5" cities in Germany. The remainder of the portfolio is largely made up of dominant regional shopping centres and assets presenting specific income-led asset management opportunities. In addition, we now have exposure to distribution assets and retail parks, all of which are showing evidence of strong occupier demand.

The market value of the portfolio, including our share of joint ventures, increased by 3.4 per cent on a like-for-like basis which included the effect of a 16.3 per cent increase in the value of the Euro relative to Sterling. UK valuations are down by 1.9 per cent on a like-for-like basis, driven by softer yields in the second half of the year and a one per cent increase in UK SDLT. Encouragingly, valuers supported the income outlook for our portfolio with ERV improving across all subsectors, other than our UK shopping centres, which declined 2.6 per cent over the last six months.

Key statistics

£1.5bn
Total market value of portfolio

97.7%
Occupancy by ERV

£106m
Annualised gross rental income

22

7.8yrs
WAULT

5.8%
EPRA net initial yield

174
Properties in portfolio

Portfolio overview continued

We have changed our occupancy metric to align with EPRA best practice recommendations which now reflects the vacant percentage by ERV instead of lettable space. Under this metric, occupancy increased by 20bps to 97.7 per cent. Our secure income stream is underpinned by a WAULT of 7.8 years (2015: 8.4 years).

Values as at 31 August 2016	Market value (£m)	Annualised gross rental income (£m)	ERV (£m)	EPRA NIY (%)	EPRA topped up yield (%)	Reversionary yield (%)	Weighted average lease length (yrs)	EPRA voids (by ERV) (%)	Indexed (%)
UK Retail	537.1	40.6	40.3	6.3	6.5	7.0	8.8	1.3	14.8
UK Commercial	417.5	27.5	28.6	5.4	5.9	6.4	6.1	5.4	27.9
UK Hotels	229.2	15.0	15.2	6.1	6.1	6.2	10.3	—	5.3
Total UK	**1,183.8**	**83.1**	**84.1**	**5.9**	**6.2**	**6.6**	**8.2**	**2.5**	**17.4**
Europe	345.2	22.8	22.7	5.6	5.6	6.2	6.5	1.5	97.9
Total	**1,529.0**	**105.9**	**106.8**	**5.8**	**6.1**	**6.5**	**7.8**	**2.3**	**34.7**
Wholly owned	1,388.1	94.8	97.2	5.8	6.0	6.6	7.8	2.4	28.1
Held in joint ventures (proportionate)	140.9	11.1	9.6	6.7	7.7	6.6	8.0	1.3	91.8
Portfolio (excl AUK)	1,072.4	77.2	76.7	6.1	6.2	6.7	7.9	1.3	46.2
AUK Portfolio	456.6	28.7	30.1	5.1	5.7	6.2	7.6	4.6	4.0

Resilient and secure income stream

Our portfolio provides clear visibility on future rental income. Our WAULT of 7.8 years is backed by a diversified portfolio and high quality tenant base, providing a resilient and secure income stream. Just over 20 per cent of gross rental income is subject to break options or expiries in the next five years with no more than 6.8 per cent subject to tenant break options or expiries in any single year. Our occupier mix is not overly exposed to any single tenant or sector. Within retail we have actively targeted non-discretionary food, value fashion and leisure offerings, all of which have proved to be resilient with a positive market outlook.

Lease expiries to first break as at 31 August 2016	Annualised gross rental income (£m)	FY 2017 (%)	FY 2018 (%)	FY 2019 (%)	FY 2020 (%)	FY 2021 (%)	FY 2022 (%)	FY 2023 (%)	FY 2024 (%)	FY 2025 (%)	FY 2026+ (%)
UK Retail	40.6	3.5	1.2	1.0	1.7	2.0	5.4	1.7	1.3	4.1	16.4
UK Commercial	27.5	0.9	1.2	—	1.7	1.3	2.8	4.1	3.3	0.7	10.0
UK Hotels	15.0	—	—	—	—	—	—	—	—	—	14.2
Total UK	**83.1**	**4.4**	**2.4**	**1.0**	**3.4**	**3.3**	**8.2**	**5.8**	**4.6**	**4.8**	**40.6**
Europe	22.8	0.6	0.7	0.6	3.4	0.8	2.2	3.9	2.9	2.3	4.1
Total	**105.9**	**5.0**	**3.1**	**1.6**	**6.8**	**4.1**	**10.4**	**9.7**	**7.5**	**7.1**	**44.7**

Income growth opportunities

The repositioning of the portfolio is strategically focused on continued income sustainability and growth opportunities. We aim to be more active in recycling capital from mature assets with low growth prospects into assets with clearly identified asset management initiatives and income upside.

We are making good progress in letting the remaining vacant space, particularly in regional offices. Several extensions, supported by tenant demand and pre-let agreements, are at various stages of completion across the retail portfolio. We continue to drive commercialisation activity across the portfolio to maximise revenues from advertising, promotional space and short term lettings. Additionally, 34.7 per cent of gross rental income is subject to inflationary linked reviews or fixed increases.

Driving cost efficiencies

Our EPRA cost ratio (excluding direct vacancy costs) remains one of the lowest in the UK-REIT sector at 14.9 per cent (2015: 15.3 per cent), a great result given the recent portfolio growth to over £1.5 billion.

The agreement with Kames Capital to support our asset management function across the AUK portfolio for a minimum of 18 months was terminated in September 2016 and takes effect from April 2017. The termination will result in a one-off termination fee of £1.2 million in the next financial year, however considerable savings will materialise following internalisation.

During the course of 2016 we brought the commercialisation function for our retail assets in-house. This includes revenues derived from marketing, promotions, advertising and leasing of mobile retail units. In doing so, we have enhanced both the quality of commercialisation within our centres and driven higher net commercialisation income.

Leasing activity

In the last 12 months, 75 rent reviews were agreed providing a total rent of £22.4 million, 4.9 per cent (£0.9 million) increase above the passing rent. 64 new lettings or renewals were completed providing a total rent of £4.3 million (£1.1 million increase on passing rent), 4.4 per cent ahead of ERV. Portfolio occupancy based on lettable area declined marginally to 97.1 per cent (2015: 98.1 per cent) driven largely by two units totalling 8,818 sqm (94,709 sqft) let to two tenants who went into administration during the last six months.

Since the result of the EU referendum, we have concluded 25 leases totalling £2.6 million in annualised gross rental income, 4.5 per cent ahead of ERV, with a number of further leases at various stages of negotiation or in solicitors' hands. Currently within the markets in which we operate, there is little evidence to suggest a material change in occupational demand.

Key leasing activity completed during the year:

- Banbury Cross Retail Park – a new 10 year lease for 464 sqm (4,998 sqft) with Tapi, the carpet and flooring supplier, on an agreed rent of £0.1 million which was in line with ERV. A lease renewal was also agreed with Poundstretcher at a rent of £0.2 million, 2.8 per cent ahead of ERV. Since the EU referendum result, DFS has signed a 10 year renewal on 1,863 sqm (20,056 sqft) of space at £0.3 million which is 4.9 per cent above ERV;
- Charing Cross Road, London – two rent reviews with Superdrug for 460 sqm (4,953 sqft) and 3 Monkey Communications for 700 sqm (7,571 sqft), were agreed totalling £0.8 million, £0.2 million above passing rent;
- Swindon – a new 15 year lease with Oxford Brookes University for 2,640 sqm (28,412 sqft) on an agreed rent of £0.3 million, 20.8 per cent above ERV;
- Omnibus building in Reigate – Deutsche Leasing has signed a 15 year lease, with a 7.5 year break, on 1,023 sqm (11,015 sqft) of vacant space at an annualised rent of £0.3 million, 10.1 per cent ahead of ERV. 40 per cent of the vacant space on acquisition has now been filled, saving £0.1 million in void costs;
- Camino Park, Crawley – Royal Mail has agreed a 10 year reversionary lease on 20,535 sqm (221,037 sqft) with a break option in five years; and
- Camino Park, Crawley – post the EU referendum result, DFS has signed a 10 year lease on 2,537 sqm (27,306 sqft) at £10.25 per sqft, a 15.5 per cent uplift to passing rent and 14.6 per cent above ERV.

Portfolio overview continued

Acquisitions

This year's activity was dominated by the acquisition of the £489.9 million AUK portfolio and its integration into the business. The acquisition has been transformational, increasing our portfolio by approximately 50 per cent to £1.5 billion and enhancing its overall quality. Nearly 75 per cent of the assets in the AUK portfolio are located in areas expected to deliver future economic growth including London, the South East and the "Big 6" UK cities. In addition, the portfolio brought exposure to the distribution and industrial sector which are currently experiencing strong occupier demand and rental growth.

The AUK acquisition has added a significant and resilient long term rental stream with clear asset management opportunities. Despite market volatility, progress to date on asset management initiatives has exceeded management's initial expectations, with discussions and agreements ahead of the business plan for each property. The initial yield on acquisition of 5.0 per cent increased to 5.1 per cent following the early sale of 16 Grosvenor Street and successful letting activity with a further increase to 5.7 per cent anticipated following expiry of rent free periods.

ERVs across the AUK portfolio have increased by £0.9 million (3.2 per cent). Contracted rent over the same period increased by £0.4 million (1.5 per cent), which was partly offset by the single tenant at Severalls Industrial Estate, Colchester going into administration.

AUK Portfolio as at 31 August 2016	Market value (£m)	Annualised gross rental income (£m)	ERV (£m)	EPRA NIY (%)	EPRA topped up yield (%)	Reversionary yield (%)	Weighted average lease length (yrs)	EPRA voids (by ERV) (%)	Indexed (%)
Retail Parks	168.5	11.7	10.7	6.2	6.5	5.9	8.1	—	2.1
Retail – Other	31.4	2.5	2.3	7.2	7.2	6.8	16.7	1.0	—
Retail Portfolio	**199.9**	**14.2**	**13.0**	**6.3**	**6.6**	**6.1**	**9.6**	**0.2**	**1.7**
Offices – Greater London	49.0	1.8	2.3	2.6	3.4	4.4	5.2	—	32.3
Offices – Regional	82.7	5.2	6.7	3.9	5.2	7.6	4.3	16.2	6.2
Offices – Total	**131.7**	**7.0**	**9.0**	**3.4**	**4.5**	**6.4**	**4.5**	**12.1**	**12.9**
Distribution and Industrial	100.3	6.2	7.0	5.5	5.8	6.5	6.0	4.0	—
Automotive	24.7	1.3	1.1	5.2	5.2	4.2	8.6	—	—
Other – Total	**125.0**	**7.5**	**8.1**	**5.4**	**5.7**	**6.1**	**6.5**	**3.5**	**—**
Commercial Portfolio	**256.7**	**14.5**	**17.1**	**4.4**	**5.1**	**6.3**	**5.6**	**8.0**	**6.1**
Total Portfolio	**456.6**	**28.7**	**30.1**	**5.1**	**5.7**	**6.2**	**7.6**	**4.6**	**4.0**
Tranche I	245.7	17.2	16.8	6.2	6.5	6.4	8.1	1.8	1.4
Tranche II	210.9	11.5	13.3	4.1	4.9	5.9	6.8	8.2	7.8

We remain confident in our ability to successfully execute the asset management opportunities we have identified. A further six leases totalling 5,874 sqm (63,226 sqft) in the AUK portfolio are in solicitors' hands, with most expected to be signed with high quality national tenants for terms of at least 10 years. Following the completion of these leases, an additional £0.4 million of annualised gross rental income will be generated, with a further 377 sqm (4,062 sqft) being made available to let at Banbury Cross Retail Park. We now have the welcome challenge of creating additional space in our portfolio to meet occupier demand, which is being addressed by progressing planning permission on five additional pre-let units to be built across the retail park portfolio.

Disposals

As a result of the prevailing low interest rate environment, assets with defensive but low growth income streams are being priced relatively aggressively. We plan to recycle out of mature and low growth investments into assets with stronger real estate fundamentals backed by sustainable occupier demand.

Ten petrol filling stations were sold during the period for £12.0 million at a 6.0 per cent premium to book value. The Group's remaining petrol filling stations are let to BP with an average lease length of 16.1 years and subject to fixed five yearly rental uplifts.

16 Grosvenor Street, which formed part of the second tranche of the AUK portfolio, was sold prior to the transaction's completion for £35.6 million, 22.8 per cent above the purchase price.

The Hague office building, our last remaining asset outside our core markets, was sold together with associated debt of £15.0 million for a nominal consideration. The sale has no material impact on key metrics.

Development and capital expenditure

Development activity is focused on refurbishing existing assets and adding incremental space and income to meet additional occupier demand.

Scheme	Description	Capital expenditure (£m)	Start	Completion	Yield on cost (%)
City Arcaden, Ingolstadt	Primark development	12.0	Q1 2016	Q2 2017	6.1(1)
Holiday Inn Express, Southwark	12 room extension and refurbishment	3.1	Q4 2016	Q3 2017	6.6
Albion Street, Derby	Redevelopment (pre-let)	2.3	Q1 2016	Q3 2017	10.2(1)
Retail Parks	Five additional units	3.0	Q4 2016	2017	12.7
Foodstore extensions, Germany	Six extensions	5.5	various	various	8.3
Total		**25.9**			**9.6**

(1) Yield on cost reflects the overall scheme yield.
See also development and construction risk disclosures on page 15.

City Arcaden, Ingolstadt

The scheme, which incorporates a complete redevelopment of the existing shopping centre, is anticipated to complete during the first half of 2017.

The introduction of Primark will significantly strengthen the retail offering in the town and surrounding areas and encourage additional footfall. Once complete, the Primark lease will deliver an additional €1.5 million of rental income per annum. The 2,687 sqm (28,923 sqft) H&M unit has been enhanced and refurbished with the lease being extended until May 2026. H&M has continued trading during the development period.

The overall scheme, once complete, is anticipated to generate €2.1 million in annual rental income. Over 95 per cent of the scheme by rental income is either let or subject to pre-let agreements.

Holiday Inn Express, Southwark

In July 2016 we commenced work at the Holiday Inn Express, Southwark to build 12 new bedrooms, improve 18 under-sized existing bedrooms and refurbish the front and rear façade of the existing hotel. Total capex is expected to be £3.1 million. The extension is planned to complete by the third quarter of 2017.

Albion Street, Derby

Heads of terms have been agreed with an international discount fashion retailer to take up a large floor plate in a newly configured high street retail block. Planning permission has been submitted and we are actively engaging with the local council. The introduction of such a strong international discount fashion retailer will transform the high street in Derby and support letting activity at our neighbouring units. This reconfiguration is expected to yield in excess of 10 per cent on cost.

Retail Parks

Planning applications have been submitted to develop three additional units at Banbury Cross Retail Park, one unit at The Arches Retail Park, Watford and one unit in Priory Retail Park, Merton totalling 1,308 sqm (14,075 sqft). The new units are in advanced stages of negotiation with national operators and are expected to generate £0.4 million of additional rental income providing an approximate yield on cost of 12.7 per cent.

With national retail park vacancy at a 14 year low, we have seen positive occupier demand across the majority of our recently acquired retail park portfolio.

Foodstore extensions, Germany

A number of extensions to standalone foodstore units are agreed or at advanced stages of negotiation with Edeka, Lidl and Netto. Extensions totalling in excess of 1,000 sqm (10,764 sqft) are planned which will deliver a return on cost of approximately 8.3 per cent. As part of the negotiations, the existing leases are typically being extended by 12 to 15 years.

Business segments

The Group's diversified portfolio is focused on investing in large well-developed economies with established and transparent real estate markets.

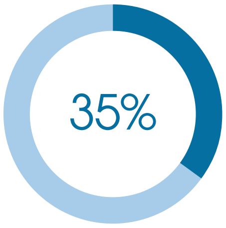
UK Retail


St. George's Shopping Centre, Harrow

The UK Retail portfolio consists of six wholly-owned regionally dominant shopping centres and five retail parks, in thriving communities throughout the UK. Key properties include St. George's Harrow, Weston Favell Northampton, West Orchards Coventry, Birchwood Warrington, Grand Arcade Wigan, Banbury Cross Retail Park Banbury, The Arches Retail Park Watford and Priory Retail Park Merton. The portfolio is tenanted by leading retailers including Asda, Tesco, Wilko, TK Maxx, B&Q, DFS, Boots, H&M, Next, Mothercare, House of Fraser and Currys.

Occupancy (%)	98.7
Lettable area (m^2)	237,694
Annualised gross rental income (£m)	40.6
Properties	14

Market value



£537.1m

Read more on pages 24-27

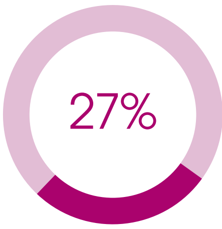
UK Commercial


Sytner Car Dealership, High Wycombe

The UK Commercial portfolio is diversified across the Office, Automotive and Industrial and Distribution sectors. Geographically spread throughout the UK, the portfolio includes 127 Charing Cross Road London, Camino Park Distribution Centre Crawley, Bridgwater Express Park Distribution Centre Bridgwater and 201 Deansgate Manchester. The portfolio is tenanted by local and international brands such as BP, Starbucks, Superdrug, DFS, Exel, Toolstation, Royal Mail, Evans Cycles and certain UK Government let tenancies.

Occupancy (%)	94.6
Lettable area (m^2)	216,829
Annualised gross rental income (£m)	27.5
Properties	64

Market value



£417.5m

Read more on pages 28-31

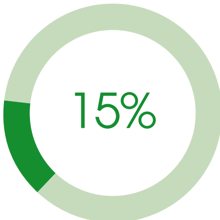
UK Hotels

Holiday Inn Express, Earls Court

The UK Hotels portfolio comprises eight hotels in Greater London and the South East. These are branded Holiday Inn, Holiday Inn Express, Crowne Plaza and Travelodge. The portfolio also includes the DoubleTree by Hilton in Edinburgh. The Group has a 25.3 per cent shareholding in RedefineBDL, the UK's largest independent hotel manager, which leases and manages all of the Group's hotel properties with the exception of the Travelodge, Enfield. The Group also holds a 15.5 per cent shareholding in International Hotel Properties Limited.

Occupancy (%)	100
Lettable area (m²)	41,323
Annualised gross rental income (£m)	15.0
Properties	9

Market value



£229.2m

Read more on pages 32-33

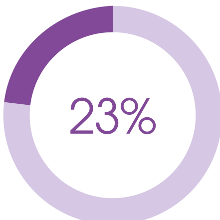
Europe

Bahnhof Centre, Altona, Hamburg

The European portfolio is located in Germany and includes three shopping centres; Schloss-Strassen Center located in Berlin, Bahnhof Center in Hamburg and City Arcaden in Ingolstadt. Other assets include retail parks, discount supermarkets and government-let offices.

Occupancy (%)	98.5
Lettable area (m²)	186,061
Annualised gross rental income (£m)	22.8
Properties	87

Market value



£345.2m

Read more on pages 34-35

Performance review

UK Retail

St. George's Shopping Centre, Harrow

The UK retail landscape continues to undergo significant structural change.

Internet retailing is now estimated to capture 14 per cent of total retail sales and is forecast to reach 17 per cent by 2020. At the same time, established retailers and previously pure play internet retailers have recognised the importance of having both a physical and an online retail presence. As a result, larger retailers are targeting fewer stores but which are strategically located.

Our portfolio of shopping centres and retail parks is predominantly focused on value and convenience retailers serving local communities, an element of the market which has proved relatively resilient. However, we are cautious in our outlook for certain shopping centre assets, particularly fashion anchored schemes which do not dominate their catchment areas and/or have a successful leisure element. The UK shopping centre portfolio now represents 22 per cent of the total portfolio compared to 33 per cent at the end of the 2015 financial year.

Occupancy across the retail portfolio increased to 98.7 per cent (2015: 98.3 per cent) with three of the shopping centres and all of the retail parks now fully let. Exposure to the BHS administration was limited to one store at Grand Arcade, Wigan of 3,838 sqm (41,315 sqft) resulting in a net income loss of £0.6 million including void costs. Plans are in place to reconfigure the unit to support re-letting options and early stage discussions are in progress with potential retailers.

The internalised commercialisation function, branded as CentreStage Leasing, has delivered a marked improvement in the quality of commercialisation activity within our retail assets and delivered a 20.4 per cent increase in net commercialisation income to £1.0 million per annum.

In the year ahead we see opportunities for reconfiguration and optimisation of space, further development and expansion activities as well as a drive to increase income from advertising and promotional space.

UK Retail as at 31 August 2016	Market value (£m)	Annualised gross rental income (£m)	ERV (£m)	EPRA NIY (%)	EPRA topped up yield (%)	Reversionary yield (%)	Weighted average lease length (yrs)	EPRA voids (by ERV) (%)	Indexed (%)
UK Shopping Centres	337.2	26.4	27.3	6.3	6.5	7.6	8.4	1.9	21.9
UK Retail Parks	168.5	11.7	10.7	6.2	6.5	5.9	8.1	—	2.1
UK Retail – Other	31.4	2.5	2.3	7.2	7.2	6.8	16.7	1.0	—
UK Retail	**537.1**	**40.6**	**40.3**	**6.3**	**6.5**	**7.0**	**8.8**	**1.3**	**14.8**

Key statistics

£40.6m
Annualised gross rental income

Opportunity for modest rental growth, reconfiguration of existing space and further development activity

98.7%
Occupancy by ERV

Shopping centres nearly fully occupied at 98.1%

22

8.8yrs
WAULT

Good quality tenants weighted towards non-discretionary food retailers, discounters and leisure

Strategic report

Performance review

UK Retail continued

Shopping Centres

We have seen improved confidence from national operators willing to take additional space or renew leases in the majority of our shopping centres. Occupancy improved to 98.1 per cent (2015: 97.9 per cent). Contracted rental income at year end was higher in four of our shopping centres but offset by the BHS administration at Grand Arcade, Wigan and challenging trading at West Orchards, Coventry. To counteract these challenges, asset management activity is focused on introducing improved food and leisure offerings at both Grand Arcade and West Orchards.

Retail Parks

The retail park portfolio remains fully occupied with positive leasing activity during the year. Over the last 12 months, ERVs have grown by 1.1 per cent across the portfolio, providing evidence and supporting our view that the implied negative reversion of £1.0 million can be closed significantly once higher rents are proven.

Asset management is focused on the creation of new units and additional revenue streams from advertising and ancillary income. Demand from national fast food and coffee operators has been strong with five units planned at Banbury Cross Retail Park, Priory Retail Park, Merton and The Arches Retail Park, Watford. Pre-let agreements have been secured for £0.4 million of additional rental income.

Key statistics

237,694
Square metres

Supply demand imbalance and with long leases presents an opportunity to eliminate retail park over-rent

14
Total number of assets

Including six regionally dominant shopping centres, one in greater London and five well located retail parks

6.3%
EPRA net initial yield

6.5% EPRA topped up yield and 7.0% reversionary yield

Case study
Commercialisation

CENTRESTAGE WITH REDEFINE

Following an internal review of UK Retail commercialisation in 2015, Redefine International recognised an opportunity to drive revenue and improve the quality of ancillary income activity across its UK shopping centre portfolio.

In September 2015 CentreStage Leasing, Redefine International's in house commercialisation function, was launched to enhance the Group's focus to effectively execute our commercialisation strategy with two clear objectives; maximise income opportunities across the portfolio and to deliver greater control on quality, added-value experiential activities – essential in thriving retail environments.

Recognising the opportunity between consumer marketing and ancillary income activity, CentreStage Leasing operates as part of the marketing team function, overseen by the Group Head of Marketing, supported by a national Commercialisation Manager and a regional Commercialisation Assistant. This approach enables the team to maximise commercialisation opportunities in line with planned consumer marketing campaigns, matching potential operators to specific events and activities.

The new approach and strategy focuses not just on mall space but extends the income potential across the UK Retail Portfolio by encompassing media space, air space and online space. It creates new income streams from areas including poster sites, lift and escalator branding, floor graphics, websites and social media platforms.

CentreStage Leasing launched a marketing campaign targeting national brands and regional and local businesses, promoting the assets and opportunities to the sector, generating interest and bookings. This was supported with the development of an online booking platform which enables potential partners to view key information as well as the opportunities available at each scheme.

This approach has enabled Redefine International to attract new operators on new long term leases, which ensure greater investment in retail delivery by the tenant and secure income for the asset, and shorter term licences for seasonal/specialist operators that continue to deliver variety and key trading activity at specific times such as Christmas and Easter. The team has also worked to retain successful existing operators, aiming to improve quality and increase rental levels.

During its first year of operation, CentreStage Leasing has delivered 19 new long term leases across the portfolio, to both national and international operators including Sky, Auntie Anne's and Kono Pizza, as well as local and regional operators. Short-term licences were also granted to 56 new operators, in addition to the circa 120 operators already taking space across the UK Retail portfolio.

Our increased focus on commercialisation has resulted in income growing by 20 per cent compared to the previous year, with a corresponding reduction of 66 per cent in operating costs. Overall, it has been a hugely successful first year for CentreStage Leasing and we expect this trend to continue with further opportunities already identified.

Grand Arcade Shopping Centre, Wigan

Strategic report
Performance review

UK Commercial

Camino Park Distribution Centre, Crawley – newly refurbished unit pre-let to DFS, 14% ahead of ERV

Overall, we believe our office portfolio is relatively well insulated from short term concerns surrounding the EU referendum.

Our office exposure in London is concentrated around Charing Cross Road and Southbank with both areas currently undergoing regeneration. Charing Cross Road is due to benefit from the planned opening of the Tottenham Court Road Crossrail station in Spring 2017 while London's Southbank is witnessing significant change with many occupiers being priced out of Central London or the West End. Outside London, regional markets have experienced strong rental growth for most of 2016, however this appears to have slowed recently with supply shortages easing in key markets and demand moderating. Overall, we believe our office portfolio is relatively well insulated from short term concerns surrounding the EU referendum and the potential impact on key financial areas in the City of London and Canary Wharf.

The distribution and industrial sectors present opportunities for rental growth potential. Demand from occupiers is being supported by retailers' requirements to create efficient distribution networks with increasingly diverse occupational demand. The sector is also starting to show signs of supply shortages in certain parts of the market. This has been experienced in our own portfolio, in particular Camino Park, Crawley where letting has been competitive and rents are showing clear signs of growth.

UK Commercial as at 31 August 2016	Market value (£m)	Annualised gross rental income (£m)	ERV (£m)	EPRA NIY (%)	EPRA topped up yield (%)	Reversionary yield (%)	Weighted average lease length (yrs)	EPRA voids (by ERV) (%)	Indexed (%)
UK Offices – Greater London	91.4	4.3	5.0	3.8	4.3	5.1	6.3	—	36.6
UK Offices – Regional	158.5	12.7	13.2	6.1	7.0	7.8	4.2	9.5	25.3
UK Offices	**249.9**	**17.0**	**18.2**	**5.3**	**6.0**	**6.8**	**4.7**	**6.9**	**28.2**
UK Distribution and Industrial	100.3	6.2	7.0	5.5	5.8	6.5	6.0	4.0	—
UK Automotive	67.3	4.3	3.4	5.9	5.9	4.8	11.8	—	67.2
UK Commercial	**417.5**	**27.5**	**28.6**	**5.4**	**5.9**	**6.4**	**6.1**	**5.4**	**27.8**

Key statistics

£27.5m
Annualised gross rental income

Increased by 2.3% on previous passing rents

94.6%
Occupancy by ERV

Progress in filling voids in regional offices to 90.5% occupancy (+500bps)

22

6.1yrs
WAULT

Since acquisition, the UK Distribution and Industrial WAULT increased by 30%

Strategic report
Directors' report
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Other information

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UK Commercial
continued

Office Portfolio

Leasing activity and rent reviews, particularly within the AUK portfolio, have been encouraging. Two rent reviews at Charing Cross Road, London, were agreed at more than 29 per cent above passing rents.

The four regional offices acquired as part of the AUK portfolio had over 6,500 sqm (69,966 sqft), 19.9 per cent of vacant space on acquisition in October 2015. Since then, 1,040 sqm (11,195 sqft) have been let at Lochside View, Edinburgh at two per cent above ERV. A further 1,022 sqm (11,001 sqft) was let to Deutsche Leasing at the Omnibus Building in Reigate and we continue to make good progress on the remainder of the vacant regional office space.

A pre-planning application has been submitted for a significant development scheme at Charing Cross Road in London to add an additional seven floors, in line with surrounding schemes. This has the potential to add significant value to the asset in the medium term.

Distribution and Industrial Portfolio

Four lettings have been agreed which have increased the portfolio WAULT by over 30 per cent to 6.0 years. At Camino Park, Crawley, DFS has signed a 10 year lease on 2,537 sqm (27,306 sqft) at £10.25 per sqft, a 15.5 per cent uplift to passing rent and 14.6 per cent above ERV. At Express Park, Bridgwater, Exel has agreed a lease extension until 2019 on 12,407 sqm (133,550 sqft) at £5.70 per sqft, 8.6 per cent above ERV. This reversionary portfolio is continuing to benefit from strong tenant enquiries which are expected to drive future rental growth in the short to medium term.

Key statistics

216,829
Square metres

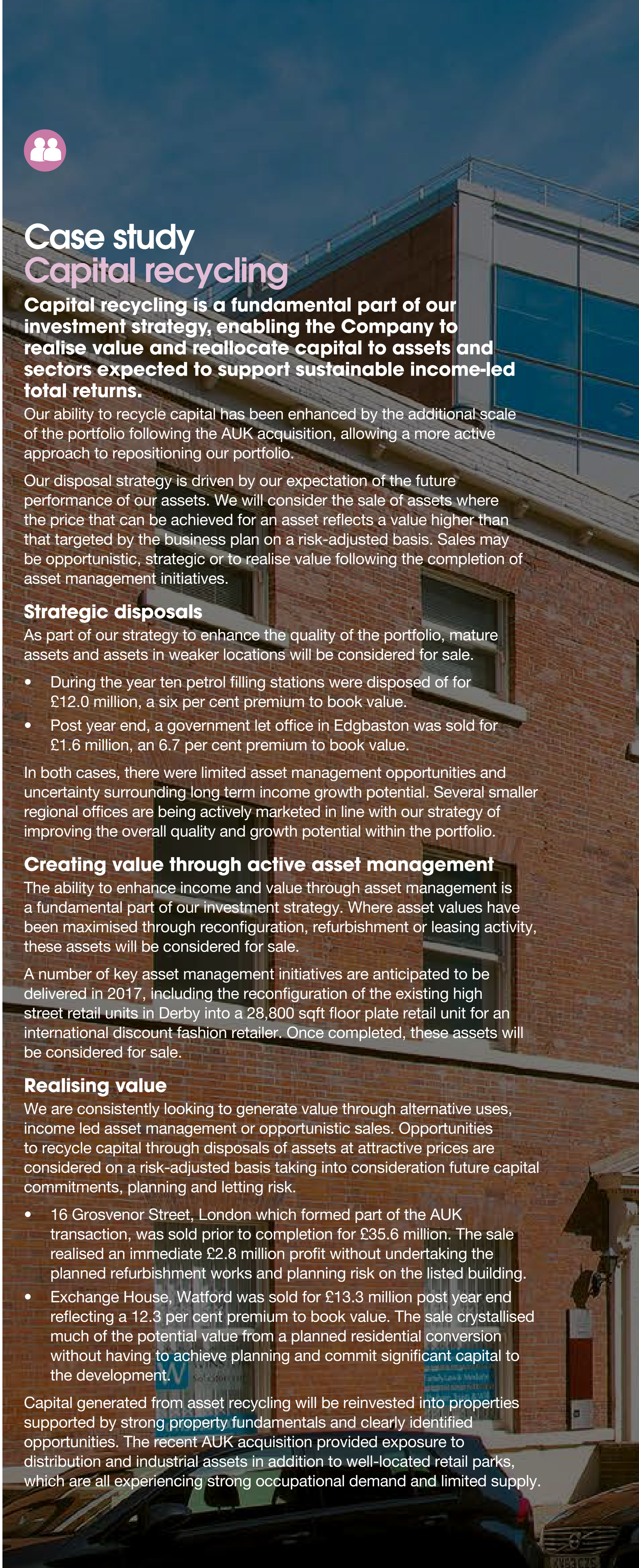
Market evidence suggests rental uplifts of over 20% at Camino Park, Crawley

64
Total number of assets

Over 68% by market value in Greater London, Big 6 UK cities and UK South East

5.4%
EPRA net initial yield

5.9% EPRA topped up yield and 6.4% reversionary yield



Case study
Capital recycling

Capital recycling is a fundamental part of our investment strategy, enabling the Company to realise value and reallocate capital to assets and sectors expected to support sustainable income-led total returns.

Our ability to recycle capital has been enhanced by the additional scale of the portfolio following the AUK acquisition, allowing a more active approach to repositioning our portfolio.

Our disposal strategy is driven by our expectation of the future performance of our assets. We will consider the sale of assets where the price that can be achieved for an asset reflects a value higher than that targeted by the business plan on a risk-adjusted basis. Sales may be opportunistic, strategic or to realise value following the completion of asset management initiatives.

Strategic disposals

As part of our strategy to enhance the quality of the portfolio, mature assets and assets in weaker locations will be considered for sale.

- During the year ten petrol filling stations were disposed of for £12.0 million, a six per cent premium to book value.
- Post year end, a government let office in Edgbaston was sold for £1.6 million, an 6.7 per cent premium to book value.

In both cases, there were limited asset management opportunities and uncertainty surrounding long term income growth potential. Several smaller regional offices are being actively marketed in line with our strategy of improving the overall quality and growth potential within the portfolio.

Creating value through active asset management

The ability to enhance income and value through asset management is a fundamental part of our investment strategy. Where asset values have been maximised through reconfiguration, refurbishment or leasing activity, these assets will be considered for sale.

A number of key asset management initiatives are anticipated to be delivered in 2017, including the reconfiguration of the existing high street retail units in Derby into a 28,800 sqft floor plate retail unit for an international discount fashion retailer. Once completed, these assets will be considered for sale.

Realising value

We are consistently looking to generate value through alternative uses, income led asset management or opportunistic sales. Opportunities to recycle capital through disposals of assets at attractive prices are considered on a risk-adjusted basis taking into consideration future capital commitments, planning and letting risk.

- 16 Grosvenor Street, London which formed part of the AUK transaction, was sold prior to completion for £35.6 million. The sale realised an immediate £2.8 million profit without undertaking the planned refurbishment works and planning risk on the listed building.
- Exchange House, Watford was sold for £13.3 million post year end reflecting a 12.3 per cent premium to book value. The sale crystallised much of the potential value from a planned residential conversion without having to achieve planning and commit significant capital to the development.

Capital generated from asset recycling will be reinvested into properties supported by strong property fundamentals and clearly identified opportunities. The recent AUK acquisition provided exposure to distribution and industrial assets in addition to well-located retail parks, which are all experiencing strong occupational demand and limited supply.

City Point, Leeds

Strategic report
Performance review

UK Hotels

Travelodge, Enfield

Demand continues to outperform supply despite certain locations coming under short-term supply led pressure.

London witnessed a strong increase in supply during 2016 with approximately 7,000 rooms forecast to open by the end of the year with more than half of these within the limited service sector. Despite this, aggregate demand has outperformed supply albeit certain locations and segments have come under pressure as they adjust to new room openings.

Underlying trading performance within the RedefineBDL managed portfolio was mixed. A number of the London based hotels experienced a strong start to the financial year which moderated during the second half, possibly as a result of weaker tourism following terrorist attacks in Paris and Brussels and the impact on business travel in the immediate period post the EU referendum result. Conversely, underlying trading performance at the Crowne Plaza, Reading and DoubleTree by Hilton, Edinburgh delivered strong growth. The RedefineBDL managed portfolio delivered EBITDA growth of 2.2 per cent on last year, highlighting the resilience of the portfolio and the London budget hotel market.

There has been a significant depreciation in Sterling which is expected to support tourism. Recent economic indicators also suggest that the UK economy has performed ahead of expectations immediately after the EU referendum which should support improved trading. We believe that the outlook for limited service branded hotels remains supportive of income growth. Average daily rates and revenue per available room ("RevPAR") in London are forecast, by PwC, to increase 2.2 per cent per annum and 2.3 per cent respectively by the end of 2016.

The Enfield Travelodge extension was completed during the first half of the year adding 632 sqm (6,800 sqft) to the existing hotel. The extension increased the annual rent by £0.1 million to £0.7 million for the term of the lease until 2047 and will include RPI escalations. Extension works at the Holiday Inn Express, Southwark commenced in July 2016 and further extensions to other hotels are currently under consideration.

The Company's 25.3 per cent stake in RedefineBDL, the largest independent hotel management company in the UK, produced distributable earnings of £1.7 million during the period, an increase of 183 per cent since last year, following the receipt of a non-recurring termination fee of £1.1 million (our share).

The Company's 15.5 per cent investment in International Hotel Properties Limited ("IHL") had a market value of £7.9 million at year end. Our investment strategy in respect of IHL is to support the establishment of a focused hotel investment company with a wide investment remit that can leverage the RedefineBDL management platform.

Key statistics

£15.0m
Annualised gross rental income

Over 1,000 rooms with further development opportunities

9
Total number of assets

Eight in Greater London and one in Edinburgh

22

10.3yrs
WAULT

UK Hotels as at 31 August 2016	Market value (£m)	Annualised gross rental income (£m)	ERV (£m)	EPRA NIY (%)	EPRA topped up yield (%)	Reversionary yield (%)	Weighted average lease length (yrs)	EPRA voids (by ERV) (%)	Indexed (%)
Greater London RBDL Portfolio	183.9	12.3	12.0	6.2	6.2	6.1	9.3	–	–
Edinburgh, DoubleTree by Hilton	31.1	2.0	2.5	6.0	6.0	7.4	9.5	–	4.4
RBDL Managed Hotels	**215.0**	**14.3(1)**	**14.5**	**6.2**	**6.2**	**6.3**	**9.3**	**–**	**0.6**
London, Enfield Travelodge	14.2	0.7	0.7	4.8	4.8	4.8	30.9	–	100.0
UK Hotels	**229.2**	**15.0**	**15.2**	**6.1**	**6.1**	**6.2**	**10.3**	**–**	**5.3**

(1) Subject to annual review with reference to forecast EBITDA of the RBDL managed portfolio.

Strategic report

Performance review

Europe

Schloss Strassen Center, Berlin

Economic recovery in Germany is expected to continue in 2017, albeit slowly.

Growth is forecast to exceed that of the wider Eurozone supported by improving employment figures and rising incomes. This trend is being reflected in improved year-on-year retail sales growth which stood at 2.6 per cent in June 2016. Demand from international retailers remained robust with the food and beverage sector also showing positive demand from operators. Investment market activity has remained strong, supported by a significant amount of investment capital and a relatively limited supply of good quality assets. Similar trends to those witnessed in the UK are becoming apparent including increased investment activity outside of the traditional “Big 5” German cities as well as increased investment into logistics and alternative sectors.

Occupancy, excluding space under development, remains high at 98.5 per cent (2015: 98.9 per cent). Post year end the only vacant unit in the Schloss Strassen Center, Berlin has been let to a national food operator which is strategically aimed at strengthening the food court and footfall through increased commuter traffic.

The new 5,200 sqm (55,973 sqft) development at Ingolstadt is subject to a €1.5 million pre-let agreement with Primark and is expected to complete in the first half of 2017. Asset management activity is focused on attracting improved footfall to the shopping centres, by improving the tenant mix and optimisation of space. Additionally, a number of smaller foodstore extensions are underway, providing attractive incremental returns with development yields averaging 8.3 per cent. These extensions are often accompanied by extensions to the lease term over the whole store providing enhanced income security.

The potential redevelopment of Bahnhof Center, Altona, Hamburg, remains a significant long term opportunity to drive value and income growth from a strategic location undergoing extensive regeneration. In the area, several significant development schemes are underway to deliver approximately 10,000 new residential units. We are actively engaging with the local authority on redevelopment opportunities in support of the area’s regeneration.

Europe as at 31 August 2016	Market value (£m)	Annualised gross rental income (£m)	ERV (£m)	EPRA NIY (%)	EPRA topped up yield (%)	Reversionary yield (%)	Weighted average lease length (yrs)	EPRA voids (by ERV) (%)	Indexed (%)
Shopping Centres	160.2	8.7	9.9	4.5	4.5	5.8	5.0	0.6	98.1
Supermarkets and Retail Parks	144.4	10.7	10.6	6.2	6.2	6.9	7.5	2.1	97.0
German Retail	**304.6**	**19.4**	**20.5**	**5.3**	**5.3**	**6.3**	**6.4**	**1.4**	**97.5**
German Offices	40.6	3.4	2.2	7.4	7.4	5.1	6.9	2.7	99.9
Europe	**345.2**	**22.8**	**22.7**	**5.6**	**5.6**	**6.2**	**6.5**	**1.5**	**97.9**

Key statistics

£22.8m
Annualised gross rental income

98.5%
Occupancy by ERV

German shopping centres nearly fully occupied at 99.4%

22

6.5yrs
WAULT

Significant development opportunity in Hamburg over the medium term

186,061
Square metres

87
Total number of assets

Including three shopping centres in Berlin, Hamburg and Ingolstadt

5.6%
EPRA net initial yield

Corporate social responsibility

As local property owners, we understand that our responsibility to our communities extends beyond our employees and investments. We value our relationships with all our stakeholders including customers, communities, partners, employees and shareholders. Recognition of our success includes winning two prestigious industry CSR awards, a fantastic achievement and a testament to the importance our team places on CSR.

Mike Watters
Chief Executive Officer and Chairman of the CSR Committee

Key achievements in the year

100% RISK FREE EPC STRATEGY
Following Phase one Minimum Energy Efficiency Standards review

Read more on page 46

96% of our staff are either satisfied or very satisfied with their role at Redefine International

Read more on page 45

Redefine International's Weston Favell shopping centre wins CSR award at the BCSC Purple Apple Marketing Awards

Read more on page 46

50% of our Shopping Centres now on Green Energy Tariffs

100%
of waste was diverted from landfill from 1 September 2015 to 31 August 2016

Read more on page 47

↓4%
Absolute portfolio carbon footprint reduced by 4%

Read more on page 44

Year-on-year UK electricity reduction of 1% with further savings likely from continued investment in LED lighting across our retail portfolio

Read more on page 47

+65%
Overall GRESB score improvement compared to previous year and Two Star GRESB rating

Weston Favell's Movie Hub picks up its second CSR award at the ICSC Solal Marketing Awards in Berlin

Read more on page 46

Redefine International participated fully in GRESB for the first time in 2016, completing a full disclosure of actions relating to sustainability activities undertaken for the period April 2015 to March 2016. The Global Real Estate Sustainability Benchmark ("GRESB") assessment is used to review the performance of real estate asset management against a wide range of corporate and social responsibility ("CSR") issues and demonstrates Redefine International's forward looking approach to CSR.

The Company was awarded a two star GRESB rating for the period, with the overall GRESB score improving by an impressive 65% compared to the trial period of 2015. This is a significant achievement and a testament to the business's corporate social responsibility initiatives implemented in the past 12 months.

Going forward, the Company will remain committed to maintaining its participation in GRESB, which has become a key tool for benchmarking and assists in planning for continued sustainability performance improvement.

Key objectives and initiatives have been set for 2017 to deliver continued growth in sustainability, in line with the Company's CSR strategic framework.

Corporate social responsibility continued

Resilient governance

We will uphold the highest standards in ethical behaviour and support our workforce. We seek to operate in a manner that fosters open stakeholder engagement and demonstrates best practice in social and environmental risk management.

Resilient investment

We undertake to realise the full potential of our investments for both our shareholders and the communities in which we operate.

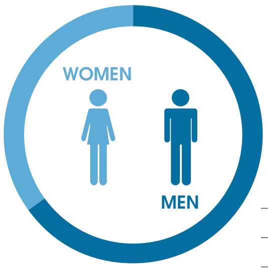
Resilient assets

We are mindful of our wider role as placemakers and we aim to contribute to the long-term prosperity of the communities in which we invest. In doing so, we will undertake asset management which minimises risk and maximises asset value whilst providing the best experience possible for occupiers and visitors alike.

Gender split across the Group

221

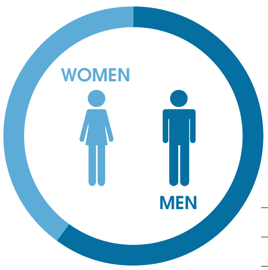
Employees



Men 65%
Women 35%

9

Senior management



Men 56%
Women 44%

CSR strategy

At Redefine International, CSR means understanding and actively managing the social and environmental risks and opportunities that can impact on income growth and net asset value, whilst also taking account of the Company's responsibilities towards stakeholders, in particular investors and shareholders, employees, the businesses with which we work and the communities in which we operate.

The CSR Committee, which comprises three of the four Executive Directors and is attended by our CSR advisers, asset managers and the Company Secretary, was formed in 2014 to establish and implement a formal CSR strategy for the Company.

The strategy seeks to ensure that our governance and risk management framework, together with our investment and asset strategy, continue to be resilient to the ever-changing economic, social and environmental landscape and sets out a series of actions in the form of a CSR roadmap targeting both short and medium term strategic objectives.

The CSR Committee implements the strategy using targets and carefully selected KPIs to measure progress, with various individuals within the business responsible for the day-to-day management of those targets. The CSR Committee meets regularly to review progress against the CSR roadmap, review environmental performance data and receive updates on UK and German CSR related legislation.

During 2016 the Company has made several achievements, the most notable being:

- a significant increase in score, up 65 per cent on prior year trial period results, from our participation in the Global Real Estate Sustainability Benchmark ('GRESB') survey;
- a four per cent absolute reduction in carbon emissions within the overall portfolio year-on-year, a significant achievement;
- a one per cent reduction in year-on-year electricity consumption at 18 of our UK based properties;
- systematic capture and reporting of environmental performance data for the UK and Germany; and
- appointment of a dedicated Group Health & Safety Manager.

Resilient governance

Approach

Redefine International seeks to operate efficient processes and procedures that demonstrate social and environmental risk management, and foster open stakeholder engagement. The Group will also continue to uphold the highest standards of ethical behaviour and actively support our workforce.

The Group's approach to maintaining these commitments include:

- complying with all applicable regulation and preparing for anticipated future regulation, and its implications;
- providing confidence to stakeholders of our sound management of CSR risks through our ongoing participation in the most prominent industry benchmark survey, the Global Real Estate Sustainability Benchmark ("GRESB");
- ensuring employees receive appropriate training on social and environmental issues, and providing bespoke training on sustainability topics to those that require it;
- maintaining best practice in health and safety management to the benefit of tenants, contractors, customers and employees;
- appointing first-class sustainability advisers to provide leadership and guidance on sustainability across the business;
- operating a robust data management system to ensure our disclosure and reporting is accurate; and
- fostering a culture of openness.

With respect to our employees, the Group will:

- ensure that no applicant or employee is discriminated against either directly or indirectly;
- treat all employees, prospective employees, agents, contractors, tenants, and suppliers fairly and equally, regardless of their gender, age, race, sexuality or disability;
- promote staff training and development with a focus on fostering innovation;
- seek to diversify our workforce to support the nature of the Company's operations or the communities in which we operate, whilst maintaining our responsibility to select the best candidate;
- recognise our social and moral duty to offer opportunities to people with disabilities and doing all that is practicable to meet their needs;
- uphold our commitments under our Code of Ethics which promotes honesty and integrity in business dealings and conduct commensurate with an organisation of our size. Any breaches will lead to disciplinary proceedings and, if appropriate, disciplinary action; and
- all employees are provided with a handbook outlining the Company's key policies, which are designed to encourage a pleasant working environment, free from discrimination, undue stress or bullying. The Company recognises, respects and upholds all UK employment rights and human rights.

Performance

Solid progress was made during 2016 in relation to CSR governance.

We recognise the importance of staying ahead of regulatory changes. The Company has therefore spent considerable time during 2016 compiling EPC data ahead of the Minimum Energy Efficiency Standards ("MEES") regulations to identify and address those units where ratings had not been collected together with addressing those with F and G ratings. We have also conducted the Group's Energy Savings Opportunity Scheme ("ESOS") assessment.

Redefine International submitted its first fully participating response to the GRESB survey in 2016. We're extremely pleased to report a 65 per cent increase in the overall score achieved. Notwithstanding the work that still needs to be completed, this is a great result and demonstrates our commitment to sustainability in what we do and positions the Company well for the future.

All employees and Directors received training on CSR issues during 2015 with training in 2016 being limited to new employees at our Shopping Centres. Training for all staff is scheduled to occur again during 2017.

Redefine International is pleased to have appointed a Group Health & Safety Manager during the year whose role it is to provide guidance and support to tenants, contractors, customers and employees alike.

During the year the Group changed its CSR advisers from Jones Lang LaSalle to Savills. Savills are the dominant property manager assigned to the Group's UK portfolio therefore it made sound commercial sense to combine the two from the perspective of efficient data management and reporting. The CSR Committee were extremely impressed with the high level of competency demonstrated by the Savills sustainability team who were appointed in March.

The Committee extends its sincere thanks to Jones Lang LaSalle for their support in development of the Group's CSR strategy and framework.

The Group continues to reap the benefits of an environmental data reporting system which is able to collect and analyse quarterly performance data from a growing portfolio. The Company has met our obligations under the CRC Energy Efficiency Scheme with allowances purchased to cover 2016 emissions of 8,590 tonnes of CO_2 at a cost of £145,171.

Redefine International is committed to maintaining its culture of openness and transparency. Team spirit is fostered through regular meetings and team building days to encourage the different departments to work together and for staff to discuss matters with the executives on an informal basis. As the Company expands, and the number of employees and responsibilities increase, the Board committees have ensured that the necessary internal controls have been implemented, and that executives and employees remain well rewarded. The Board recognises the importance of culture and providing a good working environment to attract and retain high calibre staff. To this end, a survey was undertaken during the year to ascertain whether employees felt valued and motivated. The Board was pleased that there was a positive response to the survey and it was noted that analysts regard Redefine International to have a high-quality management team, that boasts one of the best net cost per head rates in the sector.

The Company has sought to extend diversity within the Group. Board diversity is unchanged during the year and is being considered by the Nominations Committee. Diversity at senior management level has improved with the appointment of a female Head of Investor Relations during the year.

Employee turnover has remained relatively high as in the previous year but in line with the pace of change the Group continues to experience.

All employees are based in the UK or Germany, where there are few human rights issues. No human rights concerns or whistle-blowing reports were received from employees during the year.

Employees and diversity

	Total(1)	Men	%(1)	Women	%(1)
Board non-executives	**7 (7)**	6	86 (86)	1	14 (14)
Board executives	**4 (4)**	4	100 (100)	—	— (—)
Senior management	**9 (8)**	5	62 (62)	4	40 (38)
Other employees	**207 (200)**	134	65 (65)	73	35 (35)
Total	**227 (219)**	149	66 (67)	78	34 (33)
All employees working part time(2)	**43 (45)**	14	44	29	56
All employee leavers (total)(2)	**33 (24)**				

(1) Figures for 2015 are shown in brackets.
(2) All employees excludes Board non-executives.

Corporate social responsibility continued

Resilient investment

Approach

Redefine International seeks to implement an effective investment strategy that realises the full potential of our investments for both our shareholders and the communities in which we operate throughout the investment life cycle.

The Group will achieve this by:

- identifying investment risks during acquisition due diligence and identifying opportunities to add value;
- considering the social and environmental performance of our assets; and
- monitoring and measuring our resource consumption to identify efficiencies, particularly relating to energy and reduce our carbon footprint and the operational costs for our tenants.

Performance

We have continued to take important steps in the deployment of our resilient investment strategy.

Asset managers and agents have been given guidance to ensure social and environmental credentials are incorporated into sales and letting materials where available.

The Group continues to progress the development and implementation of formalised jurisdiction specific acquisition checklists that include environmental and social criteria such as liabilities related to carbon and energy regulations and costs, energy labels and ratings, building certifications and flood risk.

The Group continues to implement its phased roll out of LED lighting across our UK Retail portfolios. To date this has enabled an approximate 65 per cent reduction of power consumption and we will soon be able to calculate the further impact of this programme in terms of energy efficiency improvements and carbon emission reductions during 2017.

The Group has completed the process of identifying metrics for each asset type that can be used to track and communicate improvements to rental income or capital value achieved because of environmental or social improvement measures. Asset-specific examples of situations where CSR initiatives have resulted in both financial and social and environmental benefits, such as:

- St. George's Shopping Centre, Harrow: replaced all lighting in the common parts of the Mall from PL-C compact fluorescent lighting to LED achieving a saving of 45,450kWh per year cutting maintenance costs on tube and lamp replacement by 90 per cent and reducing CO_2 emissions by 18,728kg per year. The planned car park LED replacement programme incorporating dimming functionality to 20 per cent when car bays are not in use should reduce the overall consumption by a further 5 per cent; and
- Grand Arcade Shopping Centre, Wigan: implemented an LED lighting retrofit programme which reduces energy consumption and has enabled cost savings of around £20,000 per year with a payback of less than 12 months. This is 85 per cent complete.

Resilient assets

Approach

Redefine International will undertake asset management which maximises net asset value whilst providing the best experience possible for occupiers and visitors alike.

Redefine International will uphold this commitment by:

- engaging with and contributing to charitable and community initiatives on an ongoing basis;
- engaging with local authorities and supporting their community campaigns;
- collaborating with tenants to conceive and promote joint community projects;
- understanding, enhancing and promoting the Group's role as a placemaker, with a focus on creating and maintaining prosperous communities in the local areas where we invest;
- ensuring key environmental and social risks are well managed when the Group is undertaking development activities and throughout the management of our portfolio; and
- engaging with tenants to better respond to their needs and position ourselves to anticipate future requirements.

Performance

Redefine International has continued to refine its procedures to manage environmental risks, reduce cost and future-proof its assets across the portfolio. Specifically:

- the creation of an asset management working group; to ensure lessons learnt were discussed and best practice disseminated amongst the growing team.
- continued participation in the GRESB assessment process;
- completed an EPC risk review of the UK portfolio (see below);
- active participation in the CSR event 'Green Fest' (see case study which follows);
- in each of our Shopping Centres, our customers have nominated a local charity of their choice which will benefit from all charitable activities undertaken at each Centre fostering a great community spirit;
- through the BCSC (now REVO, formerly the British Council for Shopping Centres); Redefine International won the Purple Apple award for marketing in relation to its CSR strategy and progress made;
- Weston Favell Shopping Centre's movie hub initiative won gold at the International Council of Shopping Centres European Marketing Awards. The Movie Hub initiative gave 400 local kids the opportunity to work on the preproduction of a feature film at the first operational film studio located in a UK shopping centre; and
- our tenant satisfaction survey, which incorporates sustainability and social responsibility issues, has been developed and will be carried out during 2017.

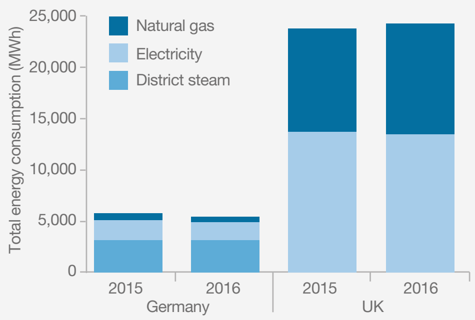
Energy Performance Certification (EPC) risk

Redefine International's exposure to risk from the forthcoming MEES legislation has been thoroughly reviewed for the UK portfolio with a view to identifying and integrating applicable EPC improvement measures into asset business plans ahead of legislative deadlines. Addressing the MEES risk is viewed as a necessary pro-active step to take, and balances sustainability with regulation and stakeholders' interests alike.

Performance data

Since November 2014, Redefine International has been completing a formal property level environmental performance data collection and reporting process. This year's results are shown below.

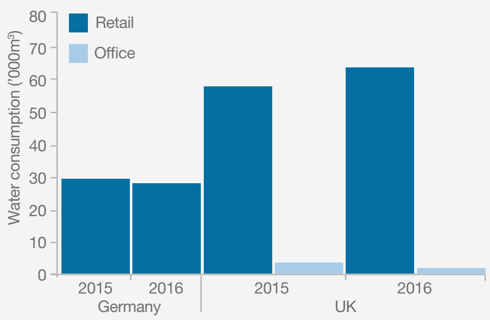
Energy consumption 2015 v 2016



During the year, the18 UK based properties which we are able to include in the like-for-like portfolio analysis led to a two per cent increase in energy consumption. Electricity consumption was found to have decreased in the UK portfolio by one per cent, with a rise in gas consumption being the main contributor to the overall increase.

From 2015 to 2016, German based properties collectively achieved a five per cent reduction in energy use. Energy consumption was found to have decreased at three out of the six properties that we can report data from within our German portfolio. At these properties, electricity consumption in particular decreased by 14 per cent, while use of district steam decreased by one per cent.

Total water consumption 2015 v 2016

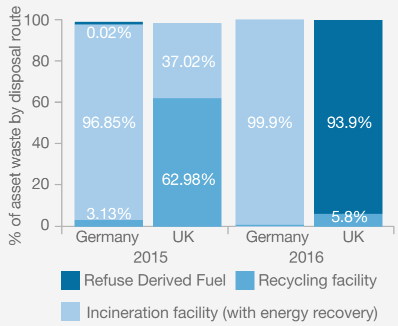


During the year, two German based properties and seven UK based properties, which are included in the like-for-like portfolio analysis are collectively responsible for a three per cent increase in water consumption.

However, at asset level, water usage was found to have decreased at three of the nine sites reporting data, with the most significant reduction (1,506m^3, representing a circa 40 per cent decrease) achieved at our UK Office in Chatham, The Observatory.

The German based properties collectively achieved a five per cent reduction in water consumption, while UK based properties were collectively responsible for a ten per cent increase.

Total waste arising 2015 v 2016



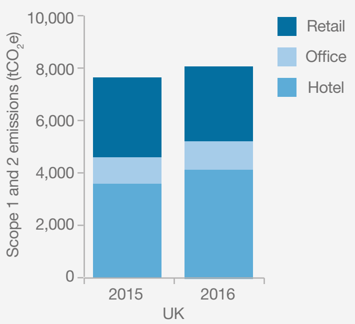
Comparative analysis undertaken on available waste data for our German assets has shown that 99.9% of waste has been incinerated at a waste to energy facility, whilst the small remainder is processed separately as either compost or recycled waste.

The seven UK assets reporting waste data, achieved a rate of 93.9 per cent for waste recycled to 'Refuse Derived Fuel'. Of the remainder, 5.8 per cent of the waste was sent to a recycling facility with the balance split between waste sent to an Incineration Facility (with energy recovery) and waste sent to an 'Off-site Materials Recovery Facility'.

Across the board 100% of waste was diverted from landfill between 1 September 2015 and 31 August 2016.

Waste data on the portfolio is limited, but improving and over the coming year, we target an increase in portfolio coverage.

UK carbon footprint 2015 v 2016



During the year, total carbon emissions generated from UK assets in the like-for-like portfolio rose by five per cent to 8,055 tonnes of CO_2e on an absolute basis.

The largest increase occurred in the hotel sector where properties collectively increased emissions by 538 tonnes of CO_2e, representing a 15 per cent increase.

The UK retail sector has however achieved a healthy carbon emissions reduction against the prior year.

Corporate social responsibility
continued

Case study – Green Fest

In June 2016, Redefine International's UK shopping centres hosted Green Fest, a festival of green-themed activities and the very first group-wide CSR campaign.

The objective of Green Fest was to showcase the efforts taken by the centres and their teams to positively impact the communities in which Redefine International invests both environmentally and socially and to encourage shoppers to be more aware of the environmental repercussions of their actions, both locally and globally.

The six shopping centres, Birchwood, Byron Place, Grand Arcade, St. George's, West Orchards and Weston Favell, launched Green Fest with the unveiling of their Green Walls, dedicated areas in each centre promoting the environmental and community focused achievements of each centre. The Green Walls included interesting facts and figures regarding energy usage, waste management and water consumption relating to each centre and case studies from local initiatives.

Green Fest activities varied from centre to centre throughout the four-day festival and included 'Green Heroes' engaging with shoppers to explain the concept of Green Fest and to encourage them to be more environmentally friendly in their day-to-day lives. Other activities included pledge boards, where shoppers signed up to make small changes with a big impact on the environment; a plastic bag amnesty where shoppers were asked to swap their carrier bags for reusable cotton shopping bags; recycling bins were transformed with basketball hoops and targets to encourage shoppers to use them; and creative workshops were held where children were shown how to 'upcycle' materials into fun crafts.

Shoppers were encouraged to generate electricity by using specially adapted exercise equipment in order to charge their mobile phones and make delicious fruit smoothies – a great way to demonstrate how much energy is needed to undertake simple tasks.

All non-essential lighting, heating and automatic doors were switched off for the duration of Green Fest. Escalators were turned off in some locations with shoppers encouraged to take the stairs, which was surprisingly well supported. These actions alone achieved a great result with a 4.1 per cent energy saving across the portfolio compared to an average four-day period, with two centres achieving an impressive 15 per cent reduction in consumption.

Green Fest attracted over £10,000 of PR coverage and resulted in almost 5,000 shoppers making an environmental pledge during the festival and 88 per cent of participants stating that they would make an extra effort to be more 'green' after attending the event.

The Green Walls received such a positive response from both shoppers and retailers that they will remain a permanent feature within each centre and will be updated regularly.

Green Fest was considered a huge success by all involved, and has provided a solid platform for the UK Retail portfolio to continue in its quest to lead Redefine International's resilient assets strategy going forward.

Young shopper making an environmental pledge at Birchwood Shopping Centre, Warrington

Local school children with personalised reusable shopping bags at Byron Place shopping centre


Shoppers create their own energy through pedal power at Weston Favell Shopping Centre


GREEN
FEST

Corporate social responsibility continued

Mandatory GHG emissions reporting table

		2016	2015
Direct greenhouse gas emissions in tonnes of CO_2e (combustion of fuel and operation of facilities)	Scope 1	**2,089**	1,904
Indirect greenhouse gas emissions in tonnes of CO_2e (purchased electricity, heat, steam and cooling)	Scope 2	**7,422**	8,074
Total carbon footprint in tonnes of CO_2e		**9,511**	9,978
Scope 1 and 2 intensity (tCO_2e/£m net operating income)		**132**	158

Methodology

We have used the main requirements of ISO 14064 Part 1 and the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) for our methodology, using energy consumption data from our owned properties and emissions factors from the UK Government's conversion factors for Company Reporting.

In alignment with UK DEFRA Environmental Reporting Guidelines, we have used the conversion factor for the year the emissions took place. Note that different DEFRA factors have been used for UK and German based assets, as we have used the GHG Protocol's location based methodology for conversion factors for Scope 2 emissions.

Data qualifying notes

We have reported on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. We have chosen to report greenhouse gas emissions data under our operational control. These sources fall within our consolidated statement. We do not have responsibility for any emissions sources that are not included in our consolidated statement. Emissions figures for 2015 are based on 30 properties (14 per cent estimated data), from a total portfolio of 36 properties. Emissions figures for 2016 are based on 24 properties (four per cent estimated data), from a total portfolio of 30 properties. We are not responsible for the purchase of the energy supplied to our head office in London.

For 2015 and 2016, there have been no reported fugitive emissions from air-conditioning refrigerant leaks, and there has been no top-up of refrigerant volume. For the same period, onsite energy generation has contributed to Scope 1 emissions of 3 tCO_2e each year, which has been included in the GHG emissions table above.

CSR adviser's statement

As Redefine International's strategic adviser on corporate social responsibility ("CSR"), Savills would like to acknowledge the positive steps that have been taken by Redefine International to implement, maintain and improve its CSR strategy. The continuation of robust data collection supported by core reporting systems provides a strong basis on which to focus environmental efficiency improvements and strengthen reporting against best practice standards and benchmarks, whilst the prompt initiation of an EPC risk review across the UK portfolio has put the Company in a good position to prepare for the upcoming MEES ('Minimum Energy Efficiency Standards') legislation across England and Wales and Section 63 in Scotland.

Redefine International is a dynamic company that takes the CSR agenda seriously. Our engagement with the Company has shown that staff have a very positive attitude to the CSR initiatives and are well equipped to proceed with their implementation and, by ensuring that sufficient time and resources are made available, Redefine International will effectively tackle both the straightforward and the more challenging targets which have been approved within the CSR roadmap for the 2017 financial year. We confirm that environmental data published in this report provides a true representation of the Company's current performance.

Savills will continue to support Redefine International over the coming year to deliver their CSR programme and anticipate providing a more extensive report on progress within next year's Annual Report and corresponding updates to their website.

Jonathan Hale
Associate Director
Savills

27 October 2016

CSR target roadmap

Progress against targets set for 31 August 2016

Resilient governance	Resilient investment	Resilient assets
▲▲▲ Proud owners of an accurate environmental performance data set, collected on a quarterly basis for all managed assets throughout the year.	▲▲▲ Two asset specific case studies are presented to illustrate practices where sustainability initiatives have created both financial and social/ environmental benefit.	▲▲▲ A baseline for energy, water and waste data has been identified and is subject to third party approval in 2017.
▲▲▲ Redefine International participated fully for the first time in the annual Global Real Estate Sustainability Benchmark (GRESB) survey and are pleased to disclose an improvement in score of 65 per cent on base data.	▲▲ Key sustainability credentials are now incorporated into sales and marketing materials.	▲▲▲ A thorough EPC risk review has been conducted and improvement measures integrated into business plans, to meet legislative deadlines.
▲▲ Induction pack developed for all new employees covering Redefine International's CSR strategy.	▲ Although developed, the implementation of formalised acquisition checklists that include sustainability criteria will be implemented during 2017.	▲▲ The setting of energy and water reduction and waste recycling targets for the managed portfolio has commenced under the leadership of the CSR Committee.
▲ Bespoke training on specific sustainability-related procedures has been provided to relevant staff.	▲ For UK shopping centres metrics are used to track and communicate improvements to profitability through sustainability improvement measures.	▲ Although developed, the tenant satisfaction survey will be conducted during 2017.

▲▲▲ Good progress
▲▲ Sound progress
▲ Some progress

Targets for 2017

Resilient governance	Resilient investment	Resilient assets
Further improve GRESB score targeting three Green Stars for 2017. We will do this by a) broadening the available dataset to obtain greater coverage; b) setting corporate targets for example emissions and energy consumption; and c) implement green building certifications.	Pro-actively invest in sustainability measures within our portfolio and abide by EPRA guidelines. Conduct energy audits where appropriate for new investments.	Maintain compliance and improve Health, Safety and Environmental audit scores.
We target 100 per cent compliance with Energy Performance Certifications ('EPCs') ensuring all F and G ratings have ongoing action plans in place. The assessment will include FRIs and E or D rated EPCs if completed prior to 2011.	Ensure full data picture is available for all operational sites.	Improve tenant awareness and seek feedback for improvements through engagement in a satisfaction survey which will include sustainability and health and wellbeing aspects.
Complete staff training for all staff on CSR and sustainability issues.	Paying it back: 2016 was Redefine International's tenth anniversary so to celebrate we intend to run a community project we will call 'Ten for 10'. Across our portfolio of shopping centres and at the Company's head office, we will invest ten days into initiatives designed to support the communities in which we operate.	Undertake fit-out projects to SKA Assessment Bronze level as a minimum across all suitable properties.

Chairman's statement

With the expansion of the portfolio, the Board has been particularly mindful that governance standards throughout the Company remain robust.

Greg Clarke
Chairman of the Board

This has been a milestone year for Redefine International, with assets under management increasing by 50 per cent to £1.5 billion following the acquisition of the Aegon ("AUK") portfolio and, with the expansion of the Company, the Board has been particularly mindful that governance standards throughout the Company remain robust. This is the first year that Redefine International will be reporting under the 2014 UK Corporate Governance Code (the "Code"), and the Board has focused on the requirements to strengthen its operations.

If the Company is to progress, strong leadership and Board effectiveness are foremost and thus an external Board evaluation has been undertaken for the first time to assess Board performance. The current Board comprises the Chairman, four executives, four independent non-executives and two non-executives (representing the Company's largest shareholder Redefine Properties). This evaluation has identified a strong Board with the necessary skills and cohesion to serve our shareholders interests.

As the Company continues to grow, the importance of succession planning, both at Board and senior management level, is recognised and has been a focus during the year. The welfare of our employees has been monitored to ensure that staff feel valued, remain motivated and our culture of openness remains intact. The Company has also continued to raise its commitment to the welfare of its stakeholders and corporate social responsibility by participating fully in the GRESB survey for the first time this year. The Company will look to steadily build on its GRESB results each year.

A larger portfolio brings a corresponding increase in risk and this has been a major focus for the Audit and Risk Committee during the year. Grant Thornton UK LLP has been appointed as the internal auditor and enhanced internal controls and risk management have been thoroughly reviewed by the committee. Their full report can be found on page 64 and the three year viability statement can be found on page 15.

2016 has seen the third anniversary of the Long Term Incentive Plan which was implemented following the internalisation of management in 2013. The performance conditions produced a result of nil vesting for the CEO and deputy CEO which, given the evolution of the Company over the last three years, was clearly not a reflection of the executives' performance nor in line with shareholder returns achieved for the same period. Although the use of discretion was considered by the Remuneration Committee, it was recommended that the result be upheld but the current policy be amended so as to better reflect underlying performance going forward. A resolution to approve the new remuneration policy will be proposed at the AGM on 23 January 2017.

Investor engagement has been at the forefront of our actions during the year, and we wish to thank our shareholders for their continuing support and feedback. At the EGM in September 2015, an overwhelming vote in favour for the AUK acquisition was received, placing the business in a much stronger position from which to drive shareholder value.

In March a successful £115 million equity placement was completed. There was strong demand from both existing shareholders and new investors, comfortably exceeding the £100 million target initially set by the Board.

With the completion of the AUK acquisition, I am pleased to report that the Company has been able to deliver on every aspect of its strategy by providing sustainable income returns, recycling capital, delivering asset management opportunities and reducing its cost of capital. Investors on the whole have been complimentary of the Company's performance. With the portfolio now predominantly focused on the UK, it is clear that investors' opinions are mixed as to whether further investment in Germany, or indeed Europe, should be pursued or reduced and this has been a major consideration of the Board, especially following the EU referendum.

After the UK voted to leave the European Union in June, a surprise for many both at home and abroad, major shareholders were contacted. The current leverage position was considered to be the Company's greatest risk foremost among shareholders' concerns. Management has re-iterated the Company's commitment to reduce leverage to within a target range of 40 to 50 per cent in the medium term through a combination of capital recycling and refinancing at lower leverage. Since the referendum, the Company's performance, relative to the market and its peers, is reflective of the market's confidence in Redefine International to provide secure income, underpinned by a diversified, well-located portfolio of assets with attractive property fundamentals. Year-end property values as a whole have remained broadly flat across the portfolio and, although the Company's UK asset values are down circa 1.9 per cent, the Company is well positioned to withstand a material reduction in values in terms of general covenant headroom and liquidity.

In September 2016, our largest shareholder, Redefine Properties, issued EUR 150 million secured bonds exchangeable into Redefine International shares. Redefine International took steps to assure the market that the exchangeable bonds would have no impact on its capital structure, business plan or strategy.

In light of current market conditions, the Board is pleased that the management team has continued to deliver a solid performance, to create a much stronger Company, portfolio and earnings performance. We are looking forward to building on these achievements as we enter our next decade as a public company.

The Board has reviewed the Annual Report and Accounts, and considers them to be fair, balanced and understandable and provides shareholders with the necessary information with which to assess the Company's position and performance, business model and strategy. The Board recommends that shareholders vote to adopt the Annual Report and Accounts and support the re-election of their Board at the AGM to be held on 23 January 2017, where Directors will be available to answer any questions shareholders may have regarding the operation of their Company.

Greg Clarke
Chairman of the Board
27 October 2016

Corporate governance statement
Compliance with the UK Corporate Governance Code 2014 (the "Code")

Redefine International is a UK-REIT with a premium listing on the Main Market of the LSE and a secondary listing on the "Real Estate – Real Estate Holding and Development" sector of the Main Board of the JSE. The Company was incorporated in the Isle of Man with registered number 111198C in 2004 and was re-registered under the Isle of Man Companies Act 2006 in December 2013, with registered number 010534V. The Company's home state is the United Kingdom.

Further to the secondary listing of the Company in South Africa on 28 October 2013, the JSE accepted that Redefine International will primarily comply with the Code as issued by the Financial Reporting Council in September 2014 (www.frc.org.uk) as opposed to the provisions of the King III Report on Governance for South Africa 2009. The Company has substantially complied with the Code requirements for the reporting year ended 31 August 2016 and up to the date of this document. The only areas of non-compliance are as follows:

a. Code B.1.2: Half of the Board should comprise independent Non-executive directors.

   Explanation: The Board currently comprises four Executives, four Independent Non-executives and two Non-executives who represent the major shareholder, Redefine Properties. A recruitment agency was appointed in order to assist with the search for a new independent director at the beginning of the financial year. Due to the pending requirement for a prospectus to support the February 2016 capital raise, for which a new director would have taken full responsibility, and due to the economic conditions at the time, it was considered in everyone's best interests that this matter be put on hold until after the conclusion of the Board evaluation.

   Although the current composition does not comply with the Code requirement, it does work well, with no block of individuals dominating the decision making process. To ensure there is enough independent oversight of related party transactions, a committee comprising solely of independent directors has been established to review such matters before deciding whether a transaction can progress to the Board for final consideration.

b. Code B.2.3: Non-executive Directors should be appointed for a specified term.

   Explanation: Directors are appointed for a term which expires when either the Director (i) is not re-appointed following retirement, (ii) is removed or vacates office, (iii) resigns or does not offer themselves for re-election, or (iv) terminates their appointment on three months' notice. It should be noted that the re-appointment of any independent Non-Executive Director who has served more than six years will be subject to a rigorous review when being considered for re-election.

Compliance with the Listing Rules

During the reporting year, Redefine Properties had a 30.07 per cent shareholding in the Company and was regarded as a controlling shareholder as defined in LR 6.1.2A. As a Chapter 6 Company with a controlling shareholder, Redefine International has complied with LR 9.8.4 (14):

1. The Company entered into a relationship agreement with Redefine Properties on 17 November 2014 (the "Agreement") and the Board confirms that during the year under review:
   a. the Company has complied with the independence provisions included in the Agreement;
   b. as far as the Company is aware, Redefine Properties has complied with the independence provisions included in the Agreement; and
   c. the election and re-election of independent shareholders at the AGM held on 26 January 2016 was conducted in accordance with the election provisions of LR 9.2.2.E and LR 9.2.2F and approved by:
      i. the shareholders of the Company; and
      ii. the independent shareholders of the Company (all shareholders other than Redefine Properties and its associates).
2. No independent Director has declined to support the statements in (1) above.

Compliance with the Disclosure and Transparency Rules

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report.