



VUKILE PROPERTY FUND

REAL ESTATE. REAL GROWTH.

**UNAUDITED CONDENSED
CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2021**





HIGHLIGHTS

CONTINUED STRONG OPERATING RESULTS AND FINANCIAL POSITION LAY THE PLATFORM FOR FUTURE GROWTH

SOUTHERN AFRICA BUSINESS NOW TRADING AHEAD OF PRE-COVID-19 LEVELS

- Normalised like-for-like NOI growth of 3.7%
- Like-for-like trading density growth up by 4.3%
- Rent collection rate improved to 99%
- Strong letting activity with retail vacancies contained at 3.2%
- Retention rate improved to 94%
- Five of six malls damaged in the July unrest fully operational

RAPID RECOVERY OF SPANISH PORTFOLIO

- Positive reversions at 1.35%
- Vacancies contained at 2.9%
- Rent collection rate 95%
- Portfolio WALE of 13.4 years
- Retail sales ahead of 2019 levels in September 2021
- Footfall increased to 96.4% of 2019 levels in September 2021
- Completed redevelopment projects with 94% of GLA let

STRONG BALANCE SHEET WITH WELL DIVERSIFIED FUNDING BASE

- Interest cover ratio (ICR) of 4.4 times
- LTV maintained at 42.8%
- 97% of debt expiring in FY22 has been repaid or extended
- Undrawn debt facilities increased to R2.7 billion
- Repaid/converted €137.6 million (R2.4 billion) of Vukile EUR debt into ZAR facilities

FURTHER SIMPLIFIED BUSINESS MODEL

- Sale of non-core assets of R522 million in SA and €26.5 million in Spain
- Sale of 64% of Namibian portfolio anticipated in early 2022 and is expected to generate c.R700 million cash inflow
- Supportive of Fairvest/Arrowhead merger

RETURN TO PAYMENT OF INTERIM DIVIDENDS

- Cash dividend of 40.56 cents per share to be paid in December 2021

COMMENTARY

NATURE OF OPERATIONS

Vukile is a high-quality, low-risk, retail-focused Real Estate Investment Trust (REIT), operating in Southern Africa and Spain. Our results reflect a strong operational focus and a hands-on, proactive approach to property asset management and balance sheet risk management.

FINANCIAL PERFORMANCE

EXECUTIVE SUMMARY

As the world economy recovers from the COVID-19 pandemic, Vukile is well positioned for recovery and continued growth, following a strong operational performance in Southern Africa and Spain. Our retail property asset management expertise and conservatively managed balance sheet continue to be amongst our key strengths.

Vukile continues to simplify its business with non-core asset disposals, reduction of South African Euro debt and termination of cross-currency interest rate swaps (CCIRS). Our capital allocation and risk management strategies are guided by robust balance sheet management while we pursue growth opportunities aligned to our core strategy.

THE FOLLOWING SIGNIFICANT EVENTS AND TRANSACTIONS TOOK PLACE DURING THE SIX MONTHS ENDED 30 SEPTEMBER 2021:

- In line with Vukile's strategy of disposing of non-core assets, the group sold the following properties at or above book value:
 - Kempton Park Spartan Warehouse in April 2021, for R24 million;
 - Pretoria Rosslyn Warehouse in April 2021, for R25 million;
 - Ulundi King Senzangakona Shopping Centre in August 2021, for R309 million;
 - Letlhabile Mall in September 2021, for R164 million; and
 - Konecta office portfolio (Spain) in June 2021 for €26.5 million.
- Vukile entered into an agreement to sell 64% of the shares in MICC Properties Namibia (Pty) Ltd (MICC). Vukile will retain a 36% interest in the remaining shares in MICC. The transaction is still subject to a number of conditions precedent, including obtaining in-country asset-backed debt funding for which credit approval is in place. It is anticipated that the transaction will be implemented in the first quarter of the calendar year 2022 and is expected to generate c.R700 million cash inflow.
- Vukile extended the MEREV put option for three years to 31 July 2024. Rand Merchant Bank (RMB) provided R1.0 billion of new undrawn facilities to Vukile, which will facilitate the acquisition by Vukile of a portion of MEREV's Castellana shares, if desired.
- During June 2021, CCIRS with a nominal value of €117 million matured. These CCIRS were settled on maturity at a net mark-to-market (MtM) settlement amount of R235 million, after taking into account R100 million that was placed on deposit at inception.

The SA REIT ratios, together with comparatives, are included in a separate section at the end of this report, following the condensed financial statements.

DIVIDEND

The board approved an interim dividend of 40.55865 cents per share for the six months ended 30 September 2021. The total dividend is R387.8 million. A dividend declaration announcement in respect of the dividend, containing information relating to the salient dates and tax treatment of the dividend will be released separately on SENS.

CALCULATION OF DISTRIBUTABLE EARNINGS

	30 September 2021 Rm	30 September 2020 Rm	Variance %
Property revenue	1 304	997	30.7
Property expenses (net of recoveries)	(169)	(223)	24.1
Net profit from property operations	1 135	774	46.6
Corporate administration expenses	(152)	(154)	1.1
Investment and other income	242	131	85.7
Loss on realisation of derivative	(44)	—	(100.0)
Operating profit before finance costs	1 181	751	57.2
Finance costs	(357)	(368)	3.0
Profit before equity-accounted income	824	383	100.0
Share of income from associate and joint venture	(4)	20	(100.0)
Profit before taxation	820	403	100.0
Taxation	(10)	(5)	(100.0)
Profit for the year	810	398	100.0
Net profit attributable to non-controlling interests (NCI)	(50)	(10)	(100.0)
Attributable to Vukile group	760	388	95.9
Non-IFRS* adjustments	3	58	
Early termination of derivative	(76)	—	
Accrued dividends	76	55	
Non-cash impact of IFRS 16 – Leases	3	3	
Available for distribution	763	446	71.1
Number of shares in issue at year-end	956 226 628	956 226 628	

* International Financial Reporting Standards (IFRS).

REVENUE AND NET INCOME FROM DIRECT PROPERTY PORTFOLIO

Geographical segment	Revenue ⁽ⁱ⁾ 30 September 2021 Rm	Revenue ⁽ⁱ⁾ 30 September 2020		Net property income 30 September 2021 Rm	Net property income 30 September 2020	
		Rm	Rm	Rm	Rm	Rm
				%		%
				change		change
Southern Africa	815	690	18.1	677	534	26.8
Spain	489	307	59.3	458	240	90.8
Total	1 304	997	30.7	1 135	774	46.6
Split percentage						
Southern Africa	62.5	69.2		59.6	69.0	
Spain	37.5	30.8		40.4	31.0	

⁽ⁱ⁾ Excludes straight-lining.

The majority of the impact of COVID-19 on operations and rental income (in both Southern Africa and Spain) was felt in the preceding reporting period. As a result, net property income increased by 46.6% from R0.8 billion to R1.1 billion in the current period. Portfolio-specific measures, operational results and trading are discussed more fully in the relevant Southern African and Spanish portfolio reviews hereafter.

GROUP INVESTMENT AND OTHER INCOME

	30 September 2021 Rm	30 September 2020 Rm	Movement	
			Rm	%
Investment and other income	161.0	14.8	146.2	100.0
Interest income	14.3	23.5	(9.2)	(39.1)
Net interest received on cross-currency interest rate swaps (CCIRS) (after deducting finance costs)	67.1	92.2	(25.1)	(27.2)
Total	242.4	130.5	111.9	85.7

COMMENTARY continued

Investment and other income for the period under review include R101 million relating to the early termination of foreign exchange contracts (FECs), of which R25 million has been included in funds from operations (FFOs) for the period. Further commentary relating to investment income is provided under "listed investments". The CCIRS ratio to total international investments (on a consolidated basis) has decreased to 13.4% (31 March 2021: 37.7%) due to the settlement of €117 million in CCIRS in June 2021. The mark-to-market (MtM) settlement amount was net settled for R235 million. At 30 September 2021, the nominal value of the remaining CCIRS was €65.5 million with a MtM derivative liability included under current liabilities in the statement of financial position of R77 million.

LISTED INVESTMENTS

Entity	30 September 2021			31 March 2021	
	Carrying value Rm	Number of shares held	% held	Carrying value Rm	% held
Fairvest	567.8	270 394 812	26.3	538.1	26.6
Arrowhead – B shares	470.3	114 438 564	11.3	309.0	11.0
Total	1 038.1			847.1	

Fairvest – 26.3% shareholding

Fairvest Properties Limited (Fairvest) is a Johannesburg Securities Exchange (JSE)-listed REIT with a retail-focused portfolio, located primarily in rural and non-metropolitan areas of South Africa (SA), including convenience and community centres. The carrying value of the investment in Fairvest increased by R30 million over the period, with its share price increasing from R1.99 at 31 March 2021 to R2.10 at 30 September 2021. Dividend income from Fairvest for the six months to 30 September 2021 amounted to R60 million (30 September 2020: R30 million). Dividends from Fairvest included in distributable earnings for the six months to 30 September 2021 equates to R32 million (30 September 2020: R23 million).

Vukile is supportive of the proposed merger between Fairvest and Arrowhead expected to be concluded early in 2022. Vukile supports the view that investors generally favour larger, more liquid REITs and has confidence in Fairvest's ability to unlock value from the merged entities. Vukile's business will be further simplified by consolidating our exposure into a single shareholding.

Arrowhead – 11.3% shareholding

Arrowhead Properties Limited (Arrowhead) is a JSE-listed REIT. The carrying value of the investment in Arrowhead increased by R161 million over the six-month period, with the price of B shares increasing from R2.70 at 31 March 2021 to R4.11 at 30 September 2021. Vukile did not receive any dividends from Arrowhead during the six months to 30 September 2021. Distributable earnings include an estimated close-out dividend of R28 million (30 September 2020: Rnil) in anticipation of the proposed merger with Fairvest. The Arrowhead close-out dividend is based on guidance provided by Arrowhead.

GROUP CORPORATE EXPENDITURE

	30 September 2021	30 September 2020	Variance	Variance
	Rm	Rm	Rm	%
Southern Africa	84.5	83.6	0.9	1.1
Spain	67.5	70.1	(2.6)	(3.7)
Group total	152.0	153.7	(1.7)	(1.1)

The primary factor giving rise to an increase in corporate costs in Southern Africa resulted from a R2.2 million increase in Vukile Academy costs, primarily due to bursaries provided. This was partially offset by a reduction in rent amounting to R1.2 million, following the purchase of the Vukile head office building in Johannesburg.

The net reduction in corporate costs in Spain was in part a result of exchange rate movements.

Annualised corporate expenditure equates to 0.84% of total assets (31 March 2021: 0.79%), being 0.94% attributable to Southern Africa (31 March 2021: 0.84%) and 0.74% attributable to Spain (31 March 2021: 0.75%). Admin and other overhead costs in Southern Africa include head office costs that benefit both the Vukile and Castellana portfolios.

GROUP CASH FLOW

The major items reflected in the composition of cash generated and utilised during the period under review are set out below:

	30 September 2021 Rm	30 September 2020 Rm
Cash from operating activities	943	615
Dividends paid	(968)	(75)
Net finance costs paid	(225)	(201)
Increase in borrowings	3 781	2 099
Borrowings repaid	(3 636)	(3 531)
Net proceeds from sale of interest in Atlantic Leaf	—	1 103
Disposal of investment property	957	79
Acquisitions/improvements to investment property	(346)	(296)
Cash from settlement of derivatives	(285)	(13)
Other cash movements	12	18
Net increase/(decrease) in cash and cash equivalents⁽¹⁾	233	(202)

⁽¹⁾ Excluding foreign currency movements of R12 million profit (2020: R3 million loss).

NET ASSET VALUE (PER SHARE)

The net asset value (NAV) of the group decreased by 0.6% from R18.16 per share to R18.06 per share at 30 September 2021, as set out in the table below.

	Rand per share
NAV 1 April 2021	18.16
Net property income	1.20
Investment property disposals (net of additions)	(0.64)
Increase in borrowings	(0.15)
Change in fair value of listed equity investments	0.22
Change in fair value of investment property	0.17
Dividends paid	(1.01)
Foreign currency and other movements	0.11
NAV 30 September 2021	18.06

Vukile's share price of R12.26 per share at 30 September 2021 represents a 32.1% discount to the NAV per share of R18.06.

SHARE TRADING AND LIQUIDITY

During the six-month period to 30 September 2021, 337.8 million Vukile shares traded, equating to approximately 56.3 million shares per month. The shares traded represent 35.3% of shares in issue.

TREASURY MANAGEMENT

Balance sheet and treasury risk management remains one of Vukile's key focus areas.

At 30 September 2021, consolidated group LTV net of cash was 42.8% (31 March 2021: 42.8%), which should be viewed in the context of a very healthy group ICR of 4.4 times (31 March 2021: 3.3 times). Vukile's debt metrics are all comfortably within covenant levels at a group (consolidated) and subsidiary level. Payment of the FY2021 dividend (R0.9 billion) was offset by the sale of non-core properties (in SA and Spain), a marginal increase in property valuations (also in SA and Spain) and an increase in the fair value of listed investments, in aggregate resulting in no change in the consolidated group LTV over the interim period.

Funding, debt and treasury metrics are monitored on an ongoing basis. Extensive forecasting, stress testing and modelling of various scenarios, including sensitivities arising from the COVID-19 pandemic, are also undertaken.

Stress testing of 12-month historic earnings before interest, taxes, depreciation, and amortisation (EBITDA) (which is impacted by once-off COVID-19 relief) indicates that the portfolio would need to undergo a further 54% reduction in group EBITDA before reaching the two times bank group interest cover covenant level. Vukile and Castellana continue to benefit from very strong relationships with their diversified funding providers and have made significant progress to extend expiring debt.

Stress testing of LTV indicates that the Southern African portfolio would need to undergo a further 18% reduction in asset value to reach a 50% Southern African LTV ratio and the Spanish portfolio would need to undergo a further 31% reduction in asset value to reach a 65% Spanish LTV ratio.

During the period, Vukile finalised the extension of the MEREV put option for an additional three years. The extended MEREV put option expires on 31 July 2024.

COMMENTARY continued

CREDIT RATING

Global Credit Ratings Co. (GCR) reviewed Vukile's credit rating in July 2021 as part of their annual review, and all of Vukile's ratings remained unchanged at investment grade. GCR affirmed the national scale issuer rating of AA_(ZAR) and A1+_(ZAR) for the long and short term respectively, with a stable outlook. Concurrently, the ratings assigned to outstanding Senior Secured Group 1 Notes issued by Vukile have remained unchanged and affirmed at AAA_{(ZAR)(EU)}.

GROUP BORROWINGS SUMMARY

The group's funding strategy is to optimise funding costs while minimising refinance risk. Total debt at 30 September 2021 amounted to R15.6 billion (31 March 2021: R15.4 billion). A summary of funding by currency is provided below:

Funding breakdown	Number of funders	Rm	
Foreign Spanish funders (EUR)	6	8 520	Secured against Castellana's balance sheet with no recourse to Vukile
South African bank funders (EUR)	4	462	Covenant exclusive facilities ⁽¹⁾
South African bank funders (ZAR)	5	4 868	Secured against Vukile's South African balance sheet
Domestic medium-term note (DMTN) programme (ZAR)		1 744	
Total		15 594	

⁽¹⁾ Covenant exclusive facilities form part of a bank's secured debt with rights to the bank's secured security pool, however they do not form part of transactional financial covenants.

SOURCES OF FUNDING

Vukile's debt funding is well diversified across a number of funders, in line with the group's strategy to manage concentration and refinance risk.

Group debt and hedging exposure per bank (ZAR)	Debt ⁽¹⁾ Rm	Debt exposure per bank %	Hedging and fixed debt ⁽²⁾ Rm
Aarea ⁽³⁾	5 673	36.2	5 197
ABSA	2 785	17.9	1 864
DMTN – Corporate bonds	1 744	11.2	—
Caixabank ⁽³⁾	1 275	8.2	927
Banco Santander ⁽³⁾	978	6.3	294
Investec	971	6.2	760
Standard Bank	825	5.3	716
RMB	400	2.6	—
Nedbank	348	2.2	—
Liberbank ⁽³⁾	260	1.7	628
Banco Popular ⁽³⁾	196	1.3	—
Pichincha ⁽³⁾	139	0.9	137
Goldman Sachs	—	—	300
Total	15 594	100	10 823

⁽¹⁾ Foreign currency-denominated debt is converted at a EUR/ZAR spot rate of R17.42 at 30 September 2021. All amounts are nominal debt exposure and exclude amortised transaction costs and accrued interest.

⁽²⁾ Hedging exposure is represented by exposure per banking relationship.

⁽³⁾ Group exposure includes Castellana debt of €489 million (R8.520 billion equivalent), and swaps of €102.2 million (R1.780 billion equivalent).

VUKILE GROUP LOAN AND SWAP EXPIRY PROFILE AT 30 SEPTEMBER 2021

As part of the group's funding strategy, Vukile targets no more than 25% of total group debt expiring in any single financial year.

	FY22	FY23	FY24	FY25	FY26	FY27 and beyond	Total
Loan expiry profile including access facilities (%)	1.9	27.5	14.8	17.3	36.5	2.0	100.0
Term loan expiry profile (Rm)	300	3 533	2 305	2 695	5 693	318	14 844
Access facility expiry profile (Rm)	—	750	—	—	—	—	750
Hedging (swap and fixed debt) profile (Rm)	—	1 635	6 784	1 205	649	550	10 823

More than 25% of debt will mature in 2026, however, it is Vukile's practice, wherever possible, to renew debt facilities at least 12 months prior to their maturity. 97% of debt expiring in FY22 has been repaid or extended, of which 8% was finalised after 30 September 2021. In addition, 38% of FY23 expiring debt has been repaid or extended after 30 September 2021.

A summary of group debt ratios at 30 September 2021 is provided below:

	30 September 2021			31 March 2021		
	Group	Southern Africa	Spain	Group	Southern Africa	Spain
Total debt (excluding access facilities) (Rm)	14 844	6 323	8 521	15 226	6 521	8 705
Hedged portion (interest rate swaps and fixed debt) (Rm)	10 823	3 846	6 977	11 882	4 187	7 695
Interest-bearing debt fixed/hedged (%)	72.9	60.8	81.9	78.0	64.2	88.4
Hedged (swaps and fixed debt) maturity profile (years)	2.2	2.9	1.9	2.6	3.3	2.2
LTV ratio (net of cash) ⁽¹⁾ (%)	42.8	40.9	44.7	42.8	37.9	47.6
LTV covenant level (%)	50	50	65	50	50	65
LTV stress level margin (% asset value reduction to respective covenant levels)	14.0	17.5	31.3	14.1	23.8	26.7
ICR ⁽²⁾	4.4 times	5.5 times	3.1 times	3.3 times	4.7 times	2.1 times
ICR covenant level	2.0 times	2.0 times	1.15 times	2.0 times	2.0 times	1.15 times
ICR stress level margin (% EBITDA reduction to respective covenant levels)	54.1	63.5	62.9	39.8	57.3	43.9

⁽¹⁾ LTV ratio (net of cash) is calculated as a ratio of nominal interest-bearing debt less cash and cash equivalents (excluding tenant deposits and restricted cash) divided by the sum of (i) the amount of the most recent directors' valuation (external valuation in the case of the Spanish portfolio) of all the direct property portfolio on a consolidated basis; and (ii) the market value of listed investments.

⁽²⁾ ICR is based on operating profit excluding straight-line lease income plus dividends from equity-accounted investments and listed securities income (EBITDA) divided by finance costs, after deducting all finance income (net interest cost) over the respective period.

GROUP FINANCE COSTS

The group's average cost of finance (including amortisation of capitalised raising fees) for the period ended 30 September 2021 increased to 4.5% (31 March 2021: 3.9%), mainly as a result of Vukile EUR debt being converted to ZAR debt.

Interest-bearing debt (excluding access facilities) is 72.9% hedged with a 2.2-year hedged maturity profile (31 March 2021: 78.0% with a 2.6-year hedge maturity profile).

Vukile has repaid/converted €137.6 million (R2.4 billion equivalent) of Vukile EUR debt into ZAR facilities, such that the total Vukile EUR debt has been reduced to €26.5 million, an 84% reduction from total Vukile EUR debt of €164 million at 31 March 2021.

Finance costs by currency, using the historical weighted average cost of debt, is indicated below:

	HY22 historical cost of debt %	Debt at 30 September 2021 Rm	FY21 historical cost of debt %	Debt at 31 March 2021 Rm
ZAR	7.1	6 612	8.1	3 856
EUR	2.9	8 982	2.6	11 548
Total	4.5	15 594	3.9	15 404

UNDRAWN FACILITIES

Undrawn facilities at 30 September 2021 amount to R2.7 billion (31 March 2021: R1.9 billion). The ratio of cash and undrawn committed facilities to debt expiring over the next 12 months, is 1.25x, which demonstrates Vukile's strong liquidity position, with more than sufficient capacity to repay debt expiring over the next 12 months, if required.

	30 September 2021 Rm	31 March 2021 Rm
Unencumbered assets		
Property assets (external valuation)	2 354	3 795
Listed shares	3 075	2 811
Unencumbered assets	5 429	6 606
Unsecured debt	1 550	1 735
Covenant exclusive facilities ⁽¹⁾	462	459
Unsecured + covenant exclusive	2 012	2 194
Unsecured debt to unencumbered assets (%)	28.5	26.3
Unsecured debt + covenant exclusive to unencumbered assets (%)	37.1	33.2

⁽¹⁾ Covenant exclusive facilities form part of the bank's secured debt with rights to the bank's secured security pool, however, they do not form part of transactional financial covenants.

COMMENTARY continued

The reduction in unencumbered assets is primarily due to non-core property sales and securing assets for a further R1 billion facilities with RMB as part of the MEREV option extension.

MOVEMENT IN GROUP DEBT

During the period, total group debt decreased by R190 million. The most significant movements in debt were as follows:

	Nominal debt drawn/ (repaid) Rm	Foreign exchange movements Rm	Net Rm
Vukile ZAR DMTN debt	(185)	—	(185)
Vukile ZAR bank debt	2 941	—	2 941
Vukile EUR debt	(2 398)	17	(2 381)
Castellana EUR debt	(236)	51	(185)
Total	122	68	190

During the period ended 30 September 2021, Vukile repaid R685 million of unsecured corporate notes, comprising VKE12 (R150 million) and VKE13 (R535 million), in May and August 2021, respectively. An auction for R500 million of unsecured corporate bonds was held in August 2021. The auction was 4.4x oversubscribed (R2.2 billion of bids). Vukile issued a R158 million unsecured one-year note at a margin of 135bps (mid of guidance) and a R342 million unsecured three-year note was issued below guidance at 185bps.

Vukile rebalanced R515 million of ZAR interest rate swaps at no cost and executed R900 million interest rate caps at a once-off cost of R2.6 million. Vukile terminated €71.8 million of EUR interest rate swaps and €15.0 million of EUR interest rate floors at a once-off cost of R4.0 million.

The group has complied with all bank and DMTN covenants.

GROUP FOREIGN EXCHANGE CURRENCY HEDGES

Vukile has adopted a layered approach to hedging its EUR dividend exposure (in aggregate) with FECs, targeting an average hedge ratio of c.60% across a five-year period (tiered 100% hedging in year 1, 80% hedging in year 2, etc.), in line with Spanish Generally Accepted Accounting Principles (GAAP) income and anticipated dates of dividend receipts, to minimise adverse foreign exchange fluctuations and to provide stable, predictable income streams for investors.

Over the period, Vukile restructured the FECs position to reduce/increase periods where the group was over/under-hedged as a result of Castellana's dividend forecasts and payout policy being revised due to COVID-19. Assuming that in future years Castellana's dividend will be based on 100% of Spanish GAAP income, 58% of Castellana net forecast dividends are hedged over the next five years and 102% of Castellana's net forecast dividends are hedged over the current financial year.

CROSS-CURRENCY INTEREST RATE SWAPS (CCIRS)

At 30 September 2021, the following CCIRS were in place:

	EUR nominal €m	ZAR nominal Rm	EUR/ZAR initial rate	EUR fixed rate over term %	ZAR average rate over term %	Maturity	MtM Rm
Absa CCIRS July 2018	40.0	630	15.7465	3.70	11.88	13 June 2022	(48)
Investec CCIRS July 2018	25.5	401	15.7400	3.72	11.88	13 June 2022	(29)
Total	65.5	1 031					(77)

The board limits CCIRS to 45% of the total value of offshore investments. At 30 September 2021, CCIRS were 16% of total offshore investments on a consolidated basis (31 March 2021: 38%). The CCIRS ratio was reduced due to the settlement of the Nedbank CCIRS in June 2021. No new CCIRS were entered into during the period. The MtM of CCIRS at 30 September 2021 was -R77 million. The intention is to settle the remaining CCIRS at their maturity in June 2022.

PORTFOLIO REVIEW – SOUTHERN AFRICA

“The half-year results for the Southern African portfolio were delivered in a challenging trading environment impacted not only by COVID-19 but also civil unrest. The overarching goal and approach throughout this period have been to ensure the safety of our stakeholders, while fostering an environment of constructive discourse with a shared value ethos.”

The Southern African total direct property portfolio at 30 September 2021 consisted of 52 properties with a total value of R15.3 billion, and a gross lettable area (GLA) of 935 225m², with an average value of R294 million per property.

The Southern African retail portfolio, which accounts for 95% of the value of the assets, was valued at R14.5 billion and consists of 43 properties with an average value of R337 million. In total, 84% of retail space is let to national tenants. Vacancies were retained at the March 2021 level of 3.2%, with reduced vacancies in the township, rural and value centres.

OPERATING ENVIRONMENT

Portfolio overview

The Southern Africa retail portfolio has held up admirably over a sustained difficult trading environment. It has delivered a normalised, like-for-like NOI growth, excluding the impact of COVID-19 of 3.7%, compared with the preceding FY21 H1 period. Including the base effects of COVID-19 concessions, additional security and increased bad debts necessitated by last year's strict COVID-19 trading environment, NOI growth was 29.6%. Vacancies have held steady at 3.2%, with an improvement in the retention ratio to 94% (90% FY21).

There has been significant leasing activity over this period. In total, 19 101m² of vacant space (2.2% of total retail GLA) has been let, contrasted with 20 054m² of tenants who vacated. Out of the total number of tenants which have vacated over this period, c.60% of them have been small, medium, and micro-enterprises (SMMEs). Over the period under review, 383 leases were concluded (284 renewals and 99 new leases) covering 87 850m² with a R583 million contract value. This equates to 10% of portfolio's lettable area. This is ahead of what was achieved in pre-COVID-19 FY20, where the leasing activity was 14% of the GLA over the full financial year. 80% of the leasing activity was concluded with nationals and second-tier retailers.

The portfolio rent-to-sales ratio decreased by 10bps to 6.2% and the annualised trading densities increased by 4.3% (1.7% FY21) measured on a 24-month like-for-like basis. The value centres, rural and township portfolios grew by 8.6%, 6.1% and 4.6% respectively, while the urban portfolio remained flat. On average the turnover within the portfolio was 4% higher than pre-COVID-19 levels. 12 of the 14 retail categories within the portfolio showed growth, in both annualised trading densities and overall turnover. The essential service categories of groceries (7.6%) and pharmacies (7.6%) continue to grow trading densities at levels higher than inflation. Fashion, which accounts for 28% of our retail exposure has also improved, now showing positive trading density growth.

The first half of the year was characterised by varying levels of lockdown restrictions, with the strictest running from 27 June 2021 to 25 July 2021, where the country experienced its most pronounced COVID-19 wave yet. The lockdowns were accompanied by various restrictions in trade for tenants. Over these months, footfall trended down to 83% compared to pre-COVID-19 levels. However, it was pleasing to observe that once cases were contained and lockdown levels relaxed, malls quickly attained increasing levels of footfall, now at 94% compared to pre-COVID-19 levels. Township (100%) and rural (100%) malls' footfall is back to pre-COVID-19 levels, while commuter (82%) and urban (78%) malls continue to lag with regards to a recovery in footfall. Although footfall was affected over the COVID-19 lockdown period, spend per head was sustained, indicating that shoppers spent more per visit than in the past. The township and rural portfolios, which make up a majority of the portfolio, are back to pre-COVID-19 levels, both in terms of turnover and footfall.

Over the duration of this reporting period, further concessions to the value of R6.8 million were granted to tenants, assisting those primarily in the hospitality, gyms, bottle stores and restaurants categories. The concessions granted in FY22 H1 were significantly lower than the R133 million granted in the previous reporting period. We have taken a stance only to entertain concession discussions where there has been a government-imposed prohibition on trade.

In the second weekend of July, the country experienced unrest and damage to property at a scale not seen since the dawn of our democracy, concentrated primarily in Gauteng and KwaZulu-Natal. Six malls in the portfolio were impacted. These were Pine Crest, Dobsonville Mall, Daveyton Mall, Hammarsdale Junction, The Workshop and KwaMashu. The malls incurred varying degrees of damage, with only KwaMashu experiencing significant structural damage, which will see it reopen for trade in Q1 next year. The balance of the properties are all now fully operational. The expected reinstatement claim for damages is R138 million, with 473 shops affected. Also quantified is the loss of rental as a result of the unrest which equates to R53 million. The full claim submitted has been approved by Sasria for the period July to October. The amount submitted thus far is R48 million (90%) in loss of rent and R36 million (26%) for the material damages.

As previously communicated, community engagement has come into tighter focus. The team has always endeavoured to be part of the communities in which we operate. This is now an even bigger imperative when micro-economies are challenged. To this end, community forums have been launched at numerous malls to drive a social compact agenda. We will look to build alignment, commitment and loyalty through collaboration with social partners, civic organisations and religious leaders in the areas we operate in. These forums will enable community leaders to share issues and will open avenues for better engagement across the value chain.

The portfolio has a strong, settled team and continues to have desirable assets that are appropriately priced, providing retail access to areas where large numbers of South Africans live. Due to this level of positioning, we are certain that we will endure and thrive as a preferred retail property partner.

Although the operational results for the past six months are encouraging, we remain cautious in our optimism, as there are still significant structural changes needed to ensure

COMMENTARY continued

that our economy regains a sustainable growth trajectory. Fixed investment and job absorption remain a significant concern. The peaceful local and municipal elections have been encouraging, and the overall tone of our body politic has left a sense of optimism. We have a competitive electoral democracy, which should be a source of hope and pride for all South Africans.

Our sustained operating metrics, focus on continuous operational improvements, symbiotic tenant relationships and forward-looking investment into sustainable energy and customer-centric technology will be the bedrock off which we will position the business for ongoing and sustainable growth.

Operational highlights

- Footfall is trending towards pre-COVID-19 levels, with rural and township centres leading the recovery. Commuter and urban centres are slower to recover at 82% and 78% of pre-COVID-19 levels.
- Retail vacancies remained at 3.2%;
 - 13 malls fully let;
 - 21 malls with vacancies less than 1 000m²; and
 - Rural vacancies decreased to 1.9%, the lowest in four years.
- Retail reversions are in line with prior period at a negative 3.4%. Reversions excluding East Rand Mall are at a positive 1.1%. It remains encouraging to note that out of the 284 leases renewed, 61% were positive, 11% flat, and only 28% were negative. An average lease term of 3.6 years has been attained on recent transactions.
- Strong rebound in rental collections following the lockdown; now sitting at 99% of billings.
- In-contract escalations of 6.6% are still ahead of inflation.
- An improvement in the retail retention ratio to 94% with the majority (60%) of vacated tenants falling in the SMME category
- WALE contained at 3.3 years.

Footfall and turnover

Compared to the corresponding period in the prior year, footfall is trending towards pre-COVID-19 levels, with strong recovery in rural and township shopping centres.

	Footfall during and post-lockdown – compared to corresponding period in the prior year								
	Level 5	Level 4	Level 3	Level 2	Level 1	Adjusted lockdown levels			
	26 Mar 20	1 May 20	1 Jun 20	18 Aug 20	21 Sep 20	Festive	Jan to Mar	Apr to Jun	Jul to
	to	to	to	to	to	season	2021	2021	Sep
30 Apr 20	31 May 20	17 Aug 20	20 Sep 20	31 Oct 20	2020	2021	2021	2021	
	%	%	%	%	%	%	%	%	%
Rural	46	68	81	86	90	86	100	133	118
Township	43	58	79	85	88	89	96	152	103
Urban	29	62	80	84	88	85	93	151	97
Commuter	16	41	66	71	78	85	76	200	100
Total portfolio	33	58	77	82	86	87	92	154	105

Annual turnover increased by 4.6% when comparing the 12 months ended 30 September 2021 to 30 September 2020.

Operational efficiencies

Our inwardly focused operational strategy has yielded positive results. We have focused on low capital-intensive interventions that return sustainable savings into the future. Below are some of the positive outcomes:

- 8.0% of the electricity is now generated through 20 Photovoltaic (PV) projects.
- The integrated service delivery model for soft services was successfully implemented. The major thrust going forward is to maintain the model, continuously drive financial benefits, entrench best practice service delivery based on technology, ensure compliance and develop SMMEs.
- The integrated service delivery model also proved to be invaluable during the lockdown period. Precautionary action steps were seamlessly and coherently implemented, involving three service providers and web-enabled platforms.

Continuous investment in high-yielding PV projects

- Total installed PV plant capacity to date is 14.2MW (20 PV plants installed).
- New PV projects completed at Gugulethu Square (837kWp), Atlantis Phase 2 (500kWp) and Ermelo Game (250kWp), with Bedworth Phase 2 (300kWp) to be completed in November 2021.

Continued energy management spend

- Billing and metering optimisation through remote metering remains a key focus area. Bulk conversions resulting in lower municipal charges are in progress in two properties, resulting in annual savings of R1.4 million.
- Water outages in rural areas have been addressed, by linking boreholes and water treatment plants to the centres, providing 85 000kl (3 400 swimming pools) of water, resulting in annual savings of R1.4 million.

	Movement in annual turnover %	Portfolio exposure based on turnover %
Total	4.6	100.0
Grocery and food	7.8	43.9
Fashion, department and home	0.9	37.5
Other categories	4.8	18.6
Grocery and food		
Grocery/supermarket	7.6	34.2
Food	8.6	9.7
Fashion, department and home		
Fashion	0.7	24.5
Department stores	(4.8)	6.9
Home furnishings/art/antiques/décor	8.8	6.1
Other categories		
Pharmacies	8.2	5.5
Accessories	7.3	0.8
Restaurants and coffee shops	5.8	1.4
Cell phones	4.9	1.7
Sports utilities/gyms/outdoor goods and wear	3.1	2.5
Bottle stores	2.4	1.9
Electronics	2.1	0.8
Health and beauty	2.1	0.3
Other	2.3	3.7

Annualised trading densities (annualised turnover per m² of occupied space) increased by 4.3%, with groceries, food and pharmacies showing consistent growth prior to and during the pandemic.

	Rural %	Township %	Urban %	Value Centre %	Commuter %	Total %
Total	6.1	4.6	(0.1)	8.6	1.7	4.3
Grocery and food	9.2	9.0	2.7	6.9	0.8	7.8
Fashion, department and home	2.8	(4.1)	(2.3)	11.5	1.0	0.5
Other	5.9	4.0	2.7	9.0	4.3	4.7

	Annualised trading density growth %
Total	4.3
Food	8.3
Grocery/supermarket	7.6
Pharmacies	7.6
Restaurants and coffee shops	7.5
Home furnishings/art/antiques/décor	5.6
Bottle stores	5.1
Electronics	5.1
Cell phones	4.6
Sports utilities/gyms/outdoor goods and wear	4.1
Other	1.1
Health and beauty	1.1
Fashion	0.9
Accessories	(1.5)
Department stores	(5.2)

COMMENTARY continued

Short-term focus areas

The key focus areas for the portfolio in the short term will be on strengthening tenant and community relationships, further understanding customer behaviour and continuing our pursuit of operational excellence.

Tenant relationships

- Continue to be a partner of choice through providing well managed and a safe shopping environment for our retailers to thrive
- Be the home of innovation, allowing low barriers to entry for innovative game-changing retail offerings
- Execute on renewal programme without changing the key tenets of current lease covenants and agreements
- Continue to incubate new entrants and SMMEs into the portfolio via our retailer academy programme.

Customer insights

- Utilise accumulated data on consumers to improve shopper journey in a tangible and meaningful way
- Integration will include current portfolio metrics, psychographic information, nodal dynamics and individualised customer data from the Wi-Fi database
- This will enable the business to respond in real time to consumer behaviour changes
- It will open other avenues for alternative revenue sources.

Operational excellence

- Continue exploring sustainable solutions to manage costs through integration, efficiency of operations, and cash flow management.
- This will be across soft services, hard services, marketing and promotions, property, utility and alternative income management.

People and communities

- Empower community-based service providers to become partners in mall operations
- Continue to invest in corporate social investment (CSI) initiatives that make a difference in communities in which we operate.

Key risks

Utility supply

Water scarcity remains a risk across the portfolio with interruptions in most cases linked to either local municipal capacity challenges or regional droughts. To protect our assets, fire and domestic water backup tanks have been constructed in high-risk areas. Boreholes have been drilled at shopping centres with constant water outages. This will ensure that the centres will be able to trade should there be water outages. We identified centres with high water consumption, with a focus on common areas and cooling systems and installed smart water meters, enabling us to quickly detect abnormal consumption and take remedial action where necessary.

Tenant arrears

Tenant arrears (net of provisions) amounted to R90.6 million at 30 September 2021 compared to R75.8 million at 31 March 2021. Excluding provisions, the balance at 30 September 2021 amounted to R134.4 million compared to R118.1 million at 31 March 2021.

In Southern Africa, due to difficult trading conditions having persisted through the COVID-19 lockdown period and tenants being affected by the unrest during the period, our tenants continue to experience headwinds as can be seen in the macro-trends to which our portfolio is exposed. Management remains critically focused on arrears, demonstrated further in the collection statistics provided.

The allowance for the impairment of tenant receivables at 30 September 2021 increased to R43.8 million from R42.3 million at 31 March 2021. The increase is partly attributable to a provision for the Post Office, as well as increased credit risk on other tenants.

Bad debts written off for the period ended 30 September 2021 amounted to R8.1 million (31 March 2021: R18 million). Total tenant deposits held amount to R69 million (31 March 2021: R60 million).

Sales

Four properties were transferred at a total sales price of R521.7 million during FY21 H1:

• Ulundi King Senzangakona Shopping Centre	R308.7 million
• Letlhabile Mall	R164.2 million
• Pretoria Rosslyn Warehouse	R25.0 million
• Kempton Park Spartan Warehouse	R23.8 million

One property was transferred post-half-year-end:

• Soshanguve Batho Plaza	R160.0 million
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Two properties are in the process of being transferred at a total sales price of R116.2 million:

• Makhado Nzhelele Valley Shopping Centre	R70.0 million
• Centurion Samrand N1	R46.2 million

In aggregate, all these sales represent a total value of R797.9 million, at a combined aggregate yield of 9.8% and collectively sold at book value.

Details in respect of the pending sale of an interest in our Namibian portfolio are included under subsequent events towards the end of this commentary.

Valuation of Southern African portfolio

The Southern African portfolio consists of 52 properties with a total GLA of 935 225m².

The accounting policies of the group require that the directors value the entire portfolio every six months at fair value. Using a discounted cash flow (DCF) methodology, approximately half of the portfolio is valued every six months, on a rotational basis, by registered independent external valuers. The directors have valued the Southern African property portfolio at R15.3 billion⁽ⁱ⁾ with a forward yield of 8.9% at 30 September 2021. This is R276.8 million or 1.8% less than the valuation as at 31 March 2021. The value of the stable portfolio (excluding sales) is R238.9 million or 1.6% higher than the March 2021 value.

The external valuations by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd are in line with the directors' valuations.

⁽ⁱ⁾ The Southern African property portfolio value takes into account Moruleng Mall at 80%, whereas in the summarised consolidated interim financial statements the group property value reflects 100% of Clidet No 1011 (Pty) Ltd, which owns Moruleng Mall.

Top 15 properties by value

Vukile's top 15 properties are all retail assets. They are 84% exposed to national, listed and franchised tenants. These properties comprise 62.8% of the total portfolio value and 48.4% of the total portfolio GLA.

Property	Location	GLA m ²	Value Rm	% of total portfolio	Valuation R/m ²
Pinetown Pine Crest	KwaZulu-Natal	43 334	1 181.6	7.7	27 267
Boksburg East Rand Mall ⁽ⁱ⁾	Gauteng	34 284	1 151.7	7.5	33 593
Durban Phoenix Plaza	KwaZulu-Natal	24 072	876.7	5.7	36 420
Phuthaditjhaba Maluti Crescent	Free State	35 733	803.4	5.3	22 483
Pretoria Kolonnade Retail Park	Gauteng	39 665	621.5	4.1	15 669
Soweto Dobsonville Mall	Gauteng	26 438	621.2	4.1	23 496
Gugulethu Square	Western Cape	25 699	590.4	3.9	22 974
Queenstown Nonesi Mall	Eastern Cape	27 922	549.1	3.6	19 665
Mdantsane City Shopping Centre	Eastern Cape	36 308	541.7	3.5	14 920
Germiston Meadowdale Mall ⁽ⁱⁱ⁾	Gauteng	33 156	466.6	3.1	14 073
Thohoyandou Thavhani Mall ⁽ⁱⁱⁱ⁾	Limpopo	17 779	452.9	3.0	25 474
Moruleng Mall ^(iv)	North West	25 246	448.2	2.9	17 753
Daveyton Shopping Centre	Gauteng	17 612	443.0	2.9	25 153
Bloemfontein Plaza	Free State	43 771	421.6	2.8	9 632
Atlantis City Shopping Centre	Western Cape	21 984	419.9	2.7	19 100
Total top 15 properties		453 003	9 589.5	62.8	21 169
% of total portfolio		48.4	62.8		
% of retail portfolio		53.1	66.2		

⁽ⁱ⁾ 50% undivided share in this property.

⁽ⁱⁱ⁾ 67% undivided share in this property.

⁽ⁱⁱⁱ⁾ 33.33% undivided share in this property.

^(iv) 80% share in the company.

SUMMARY OF PORTFOLIO CHANGES

GLA reconciliation

	GLA m ²
Balance at 31 March 2021	987 768
GLA adjustments	(176)
Disposals	(52 367)
Acquisitions and extensions	—
Balance at 30 September 2021	935 225

Vacancy reconciliation

	GLA m ²	%
Balance at 31 March 2021	38 123	3.9
Less: Properties sold since 31 March 2021	(2 238)	4.3
Remaining portfolio balance at 31 March 2021	35 885	3.8
Leases expired	140 833	
Tenants vacated or relocated	26 735	
Renewal of expired leases	(69 845)	
Leases to be renewed	(60 476)	
New letting of vacant space	(40 224)	
Balance at 30 September 2021	32 908	3.5

COMMENTARY continued**PORTFOLIO PROFILES****Geographic profile**

Vukile's portfolio is well represented in most South African provinces and in Namibia. At the same time, it is focused on high-growth nodes and some 72% of the gross income comes from Gauteng, KwaZulu-Natal, Limpopo and Free State.

	% of gross income	% of GLA
Gauteng	37	42
KwaZulu-Natal	19	14
Limpopo	8	7
Free State	8	8
Western Cape	8	6
Eastern Cape	7	7
Namibia	6	7
Mpumalanga	4	5
North West	3	4

Sectoral profile

Based on value, 95% of the Southern African portfolio is in the retail sector, followed by 2% in the office, 1% in the industrial, 1% in the motor-related sector and 0.4% in the residential sector.

Tenant profile

Large national and listed tenants and major franchises account for 81% of our tenants by rentable area. In the retail portfolio this is even higher, with 84% exposure to national, listed and franchised tenants.

	% of rent		% of GLA	
	Retail	Total portfolio	Retail	Total portfolio
A – Large national and listed tenants and major franchises	72	70	75	73
B – National and listed tenants, franchised and medium to large professional firms	9	9	9	8
C – Other (1 131 tenants)	19	21	16	19

Lease expiry profile

Vukile's Southern African lease expiry profile shows that 22% of the leases based on rentals are due for renewal in 2022. Some 33% of leases are due to expire in 2025 and beyond.

	March 2022	March 2023	March 2024	March 2025	Beyond March 2025
% of contractual rent	22	21	24	13	20
Cumulative	22	43	67	80	100

	Vacant	March 2022	March 2023	March 2024	March 2025	Beyond March 2025
% of GLA	3.5	19	16	22	12	27
Cumulative	3.5	23	39	61	73	100

Vacancy profile

The total portfolio's vacancy (based on GLA) decreased from 3.9% in March 2021 to 3.5%. The focused in-house leasing drive to fill vacancies resulted in retaining retail vacancies at 3.2% amid turbulent times during the July 2021 unrest and the lagging impact of the COVID-19 pandemic. Industrial, office and residential markets remain under pressure, but significant traction was made to reduce vacancies.

	30 September 2021	31 March 2021
Vacancies (% of GLA)	%	%
Retail	3.2	3.2
Offices	5.5	7.5
Industrial	6.3	9.3
Motor related	—	—
Residential	19.5	30.9
Total	3.5	3.9

Including development vacancy, the 30 September 2021 vacant GLA is 3.8%.

	30 September 2021	31 March 2021
Vacancies (% of gross rental)	%	%
Retail	3.2	3.5
Offices	8.1	6.5
Industrial	7.4	12.2
Motor related	—	—
Residential	26.6	15.5
Total	3.5	3.8

Including development vacancy, the 30 September 2021 vacant rent is 3.7%.

Individual property vacancy profile

The properties with the highest vacancies as a percentage of GLA, where each had a vacancy higher than 1 000m² during the period (excluding development vacancy), are:

	Vacancy				
	30 September 2021		31 March 2021		Movement
	m ²	%	m ²	%	m ²
Windhoek 269 Independence Avenue	5 323	41	3 817	30	1 506
Bloemfontein Plaza	1 129	3	597	1	532
Boksburg East Rand Mall	1 567	5	1 194	3	373
Randburg Square	2 836	7	2 476	6	360
Roodepoort Ruimsig Shopping Centre	1 041	9	710	6	331
Oshikango Shopping Centre	1 551	17	1 645	18	(94)
Midrand Allandale Industrial Park	2 467	12	2 575	12	(108)
Jhb Houghton 1 West Street	1 190	27	1 375	31	(185)
Mbombela Shoprite Centre	3 005	21	3 688	26	(683)
Randburg Square Apartments	1 465	20	2 318	31	(853)
Centurion Samrand N1	—	—	2 235	20	(2 235)
Roodepoort Hillfox Power Centre	1 119	3	3 743	10	(2 624)

Leasing profile

Vukile concluded new leases and renewals in excess of 103 000m² with a contract value of R608.1 million. Tenant retention on the total portfolio was 93%, with retail retention at 94%.

Rental profile

There were negative reversions of 3.4% on the retail portfolio. Excluding East Rand Mall, reversions were positive 1.1%. Although transactions were limited in the industrial and office sectors, reversions were concluded at flat or marginally negative to retain tenants.

The weighted average base rental rates (excluding recoveries) increased by 2.0% from R141.26/m² to R144.13/m² during the year.

	30 September 2021	31 March 2021	Escalation
Base rental rates (excluding recoveries)	R/m ²	R/m ²	%
Retail	148.52	146.40	1.4
Offices	112.76	110.23	2.3
Industrial	64.33	60.05	7.1
Motor related	189.71	183.90	3.2
Residential	134.58	140.48	(4.2)
Portfolio weighted average base rentals	144.13	141.26	2.0

The higher average rental rate growth on industrial properties is due to the sale of Pretoria Rosslyn Warehouse and Kempton Park Spartan Warehouse. Excluding the sold properties, average rental growth on the industrial portfolio is negative 3.0%.

Retail escalations of an average 6.6% are easing with national tenants demanding lower in-contract escalations. Escalations, however, remain ahead of inflation rates.

COMMENTARY continued

	30 September 2021	31 March 2021
	%	%
Retail	6.6	6.7
Offices	7.5	7.5
Industrial	7.7	7.7
Motor related	7.0	7.0
Total	6.6	6.7

Retail tenant profile and exposure

Vukile's tenant exposure is well diversified and low risk, with national tenants representing c.81% of retail rental income.

Our top 10 tenants account for 45% of total rent and 53% of GLA. Pepkor and Foschini are our two single largest tenants, accounting for 8.0% and 7.1% of total rent respectively.

Our data-driven asset management enables us to identify risk early. It is our strategy to mitigate the risk of overexposure to a single retail group or brand, and we have strategies in place where there is a potential risk. In this way, we mitigate risk but can also respond quickly to opportunities to introduce new retail brands to our portfolio.

Weighted average lease expiry (WALE)

Vukile has a retail tenant expiry profile based on rent of 2.7 years, with 33% of contractual rental expiring in 2025 and beyond.

Costs

The largest expense categories contribute 82% to the total expenses. These are government services (48%), rates and taxes (17%), cleaning and security (11%) and property management (6%).

We continuously evaluate methods of containing costs in the portfolio and urge our property managers to implement innovative solutions to achieve this.

The cost-to-income ratio increased materially as a result of delayed occupancy, concessions granted to tenants and additional expenses brought upon by the COVID-19 environment.

Net cost-to-income ratio: remaining portfolio	2016	2017	2018	2019	2020	2021	2022
	%	%	%	%	%	%	%
All expenses	17.7	15.0	14.8	16.0	15.5	18.5	17.5
All expenses excluding rates and taxes and electricity	16.6	14.7	14.9	15.1	15.4	18.2	17.7

Like-for-like net operating income growth

Although most of the COVID-19 impact was felt in FY21, delayed effect is still visible in FY22 due to deferred occupancy of new stores, lower turnover rental, increased bad debt and marginal rental concessions. The stable portfolio delivered 28.6% net operating income growth versus the comparable period in FY21. Excluding the effect of COVID-19, growth of 3.2% was achieved.

Like-for-like growth (stable portfolio) – including COVID-19 impact	30 September 2021	30 September 2020	%
			change
Property revenue (Rm)	780.8	648.5	20.4
Net property expenses (Rm)	140.3	150.5	(6.8)
Net property income (Rm)	640.5	498.0	28.6
Net cost-to-income ratio (%)	18.0	23.2	

Like-for-like growth (stable portfolio) – excluding COVID-19 impact	30 September 2021	30 September 2020	%
			change
Property revenue (Rm)	801.5	771.7	3.9
Net property expenses (Rm)	139.6	130.5	7.0
Net property income (Rm)	661.9	641.2	3.2
Net cost-to-income ratio (%)	17.4	16.9	

PORTFOLIO REVIEW – SPAIN

“The Spanish portfolio has demonstrated its high quality through its rapid recovery and return to business as usual. With over 93% of our tenants comprising international and national tenants, the business continues to show its strength and longevity.”

At 30 September 2021 the Spanish portfolio consisted of 16 properties externally valued at €976 million, and a GLA of 350 271m², with an average value of €61 million per property.

In total, 93.0% of retail space is let to international and national tenants with vacancies limited to 2.9%. The portfolio mandatory period (WAULT) is currently three years to the first break and 13.4 years to expiry.

OPERATING ENVIRONMENT

Operational highlights

Asset management in action

Castellana has continued to demonstrate the importance of having specialist retail management, with the portfolio continuing to show its strength and reliability despite the ongoing challenges posed by the pandemic. Castellana has strengthened its relationships with its key tenants over the period, which has enabled it to continue to open new stores and to keep vacancies low across the portfolio.

Highlights for the period include the following:

- Disposal of Konecta office portfolio for an 18% premium to original purchase price and 101% of book value
- Castellana becomes a 100% retail-focused SOCIMI
- Portfolio occupancy is 97.1% (vacancy limited to 2.9%). The market considers an occupancy rate above 97% as a fully let portfolio
- Keeping portfolio WALE stable at 13.4 years, and WALE to break has decreased to 2.7 years
- Reversions have been achieved 1.35% above previous rentals during the period at an average rent/m² of €19.5/m² for renewals, relocations and replacements
- Maintaining average base rentals at €14.54/m², despite tough trading conditions
- A strong rebound in footfall and sales was evident as soon as customers were able to return to centres
- Letting activity has kept pace despite the pandemic. In total 94 leases amounting to 20.529m² of GLA have been leased and renewed during the period, with an incremental annualised net operating income of €1.4 million
- The redevelopment projects were completed with 94.5% tenants in place (by GLA)
- Opening of new anchor units such as Primark in Bahía Sur (4 100m² – opening estimated by end of November), Lefties (2 700m²) in Los Arcos, Aldi (1 352m²) in Parque Oeste and Massimo Dutti (718m²) in El Faro.

TENANT ARREARS

Tenant arrears (including tenant recharge accruals) amounted to €3.07 million (R53 million) at 30 September 2021 (31 March 2021: €3.3 million). Castellana’s in-house property administration team collected 95.6% of monthly rental invoices during the year.

The allowance for the impairment of tenant receivables at 30 September 2021 decreased to €1.3 million (R22.9 million) (31 March 2021: €1.5 million).

PROJECTS

Castellana has secured 94.5% of the leases on its value-added redevelopment projects in Los Arcos, Bahía Sur and El Faro. The projects aim to strengthen the existing offerings and dominance of the centres by adding new and exciting retailers, creating of pedestrianised open space, and introducing attractive fashion, food and beverage and leisure operators in the centres. These projects have already demonstrated their potential to enhance the customer experience and improve the number and quality of retailers in the centres, with a number of store openings that have already been completed.

In Los Arcos, 91.3% of the GLA has been signed and committed. There have been 16 new openings in Los Arcos due to the refurbishment project. Since April new tenants such as Juguettos, Mary Paz, Miniso, Jolfer and Game have opened their stores. The centre has reinforced its position in the city as the best, most extensive tenant offering and most convenient shopping centre in the area.

El Faro has 97.1% of the project GLA secured with signed leases. There has been significant progress made and the project is essentially complete. The shopping centre has reinforced notably its tenant mix since April with Max Colchón, Ginos, Taco Bell, La Casa de las Paellas and Don G.

Bahía Sur has 95.2% of tenants signed and committed. Primark unit has already been delivered and will open at the end of November. Another new brand, Inside, opened during September.

All refurbishment works in common areas will be finalised by the end of November, prior to Primark opening.

KONECTA DISPOSAL

With a selling price above the current valuation, and at a significant premium of 18% to the original purchase price, the sale of the Konecta office portfolio has increased available cash in Castellana, offering flexibility in respect of balance sheet management and the pursuit of new opportunities.

COVID-19 IN SPAIN

The COVID-19 vaccination campaign in Spain has surpassed its goal of immunising 70% of the adult population and is now targeting 90%. To date, there are more than 37.2 million people – 78.3% of the population – who are fully vaccinated. Moreover, 465 000 people have already received the booster shot for vulnerable people. The resultant reduction in cases has significantly reduced the pressure in intensive care units, where COVID-19-related occupancy remains at 4.8% (considered to be very low risk).

Most of the country is now “back to normal”, and masks are only mandatory indoors. Few municipalities are still limiting capacity and trading hours at night clubs and mass events, where business owners are required to prepare a contingency plan.

COMMENTARY continued

ECONOMIC OVERVIEW

The progressive “normalisation” of economic activity has resulted in a strong rebound of the Spanish economy. As a consequence, the European Central Bank (ECB) has positively reviewed Spain’s expected gross domestic product (GDP) growth to +6.3% in 2021 and +5.9% in 2022.

Consumer price index (CPI) in September increased to 4% (+0.7% versus August), the highest since September 2008, driven by increased energy prices. As a result, the average household electricity bill rose to c.€100, 75% more than that of last year. While CPI is higher than expected, market consensus is that it is due to temporary factors. The expectation is for inflation to remain at moderate levels in the medium term.

A strong stimulus package from the European Union (EU) and the ECB has allowed the Spanish government to continuously access the debt capital markets at historically low yields. In this context, the Spanish government expects a public deficit of c.8% in 2021, increasing government debt (as % of GDP) to 120%. Looking forward, the government has made the commitment to the EU of reducing its public debt to 112% by 2024.

In September, +500 000 jobs were added across all sectors of the economy compared to September 2020. Year on year the services segment added the most jobs (+350 900), followed by the construction (+40 000), industrial (+40 000) and agricultural (+29 000) sectors. The unemployment rate in September stands at 14%. As the economy has recovered, people in ERTE (Temporary Employment Regulation Filings) have reduced to 330 000 people as at 30 September 2021, 700 000 lower versus the peak of the pandemic in 2020.

Consumer confidence increased by c.7% in September 2021 versus August 2021, reaching 98.3 points, according to the latest data published by the Centre for Sociological Research (CIS). In 2020, average spending per household dropped by 10.7% to €27 000, the lowest level in the last 15 years, bringing the savings rate to an all-time high of 31.5%. As confidence grows and saving rate decreases (18% in Q2 2021), we can expect a rapid conversion of household savings (€68 billion estimated by BBVA Research) into consumption as we get “back to normal”.

In September, overnight stays in hotels exceeded 25.6 million, 212.1% more than in the same month of 2020 (YoY), but still 31.7% lower than the same month in 2019. National tourism increased by 2.4% versus a drop of 47.2% for international tourists.

In July 2020, the European Council agreed on an exceptional temporary recovery instrument known as Next Generation EU endowed with €750 billion for all Member States. Of the €750 billion, Spain is entitled to receive €140 billion in grants (€72.7 billion) and loans (€67.3 billion). In June 2021, the European Commission approved Spain’s recovery plan and will be disbursing the first €27 billion by December 2021. To have access to the rest of funds, Spain will need to keep making reforms aimed at improving its productivity, social and “green” transformation, education, innovation, digitalisation and competitiveness.

CASTELLANA COVID-19 RESPONSE PLAN

Castellana’s portfolio is fully open and trading well, following some regional restrictions on shopping centres implemented over the course of the past six months. Sales and footfall continue to grow, even surpassing pre-pandemic levels over the last month, with customers returning to their previous shopping habits. In addition, Castellana’s portfolio performance is above the benchmark compared to 2020 and 2019, which reinforces the dominance and resilience of the portfolio.

Business review

Castellana remains well capitalised and continues to operate from a position of strength due to the quality of its retail portfolio. Early engagement with tenants, banks and others at the start of the state of alarm in March 2020 supported forward-looking strategic decisions, with the business having now recovered the levels of footfall and sales compared to pre-COVID-19 levels. The business is well positioned and Castellana has ensured a “business as usual” environment across the vast majority of its portfolio.

Tenant and industry engagement

After overcoming the fifth wave of the pandemic, alongside a recovery in footfall and sales in our shopping centres and retail parks, it was clear that the impact was significantly lower than in previous waves, despite the large number of diagnosed cases during the wave. This undoubtedly shows that vaccination, already well advanced in Spain, is having a positive effect on business.

In addition, the strength of our portfolio has allowed for a progressive recovery of the footfall levels since the start of the summer, reaching 97% of 2019 visits in September. In sales, the recovery is even greater, with a 99.5% recovery in August and a +1.1% growth in September compared to the same period in 2019. We have hence already recovered to pre-pandemic levels with Black Friday and Christmas campaigns looking very promising.

With regard to rental discounts, the first few months of FY22 were affected by new restrictions due to the fifth wave and the sharp increase in infections, impacting mainly the leisure and restaurant sectors. In order to assist these tenants, we have agreed to temporary rental discounts. In aggregate, the rental discounts were €1.1 million. This initiative has allowed us to maintain almost full occupancy in the portfolio and has improved the collection rate month by month. The relationship between Castellana and its tenants is stronger than ever, after having gone through the worst part of the crisis together, helping those tenants who really needed the assistance. Focusing on the future, and after conversations with all of the retailers, we forecast a strong recovery for the restaurant sector, hoping to reach pre-pandemic sales levels by December, and positive expectations for 2022. Restaurant chains have restarted their expansion plans. It is also well known that new international operators are entering the Spanish market with ambitious expansion plans, a signal of a promising growth path ahead.

Debt provider engagement

Castellana continues to engage with its debt providers. The response has been positive, and they are satisfied with Castellana's balance sheet strength and cash position. We remain confident of Castellana's ability to remain well within its LTV and ICR covenant levels. Aareal and Allianz have agreed to waive Project West covenant testing until 31 December 2021 and have committed to continue financing the "El Corte Ingles value-add projects". The syndicated loan banks (Santander and Caixabank) have agreed to defer the amortisation schedule on the main facility of the syndicated loan, rolling the maturity for 12 months. While this deferral was not mandatory to undertake, these actions ensure that Castellana continues to be in a strong position to navigate the effects of the pandemic. Castellana is in the process of refinancing the syndicated loan from the first quarter of calendar year 2022 by extending the loan for five years with a further option to extend for a further two years. This will improve the Castellana debt expiry profile.

Footfall, sales and collections performance (April 2021 to September 2021)

Footfall and sales

	2021					
	Apr 2021 %	May 2021 %	Jun 2021 %	Jul 2021 %	Aug 2021 %	Sep 2021 %
Change in footfall April 2021 to September 2021 (versus corresponding month of 2019)	(28.3)	(15.9)	(10.2)	(16.8)	(14.3)	(3.6)

Castellana has seen a continuous improvement in footfall and sales since reopening centres after the COVID-19 second and the third waves. By 30 September 2021 year to date (YTD) footfall was at 78.2% of levels seen in 2019.

	2021					
	Apr 2021 %	May 2021 %	Jun 2021 %	Jul 2021 %	Aug 2021 %	Sep 2021 %
Change in sales April 2021 to September 2021 (versus corresponding month of 2019)	(19.3)	(7.6)	0.4	(7.5)	(0.5)	1.1

Retail parks and Shopping centres are currently performing better than pre-COVID-19 levels. Leisure, food and beverage, fashion and accessories are recovering well after restrictions were ended. Pets and DIY have shown the strongest performance during this year in comparison with 2019 numbers. Portfolio YTD sales in September were at 86.3% of levels seen in 2019.

93% of Castellana's rentable area is let to tenants that are national and international brands.

Collections

During September 2021, discount agreements and payment plans were agreed upon with Inditex, Yelmo and other tenants. As a result, a large part of outstanding amounts have subsequently been paid and normalised in October, increasing the collection rate from April 2021 to October 2021 to 97%.

Collections April 2021 to October 2021	April 2021	May 2021	June 2021	July 2021	August 2021	September 2021	October 2021
Total net invoiced amount (€m)*	5.4	6.0	5.3	5.8	5.5	5.6	5.8
Total collected (%)	97.9	98.3	98.4	98.2	97.1	95.9	95.2
Total outstanding (%)	2.1	1.7	1.9	1.8	2.9	4.1	4.9

* Not considering net turnover rent, €1 million invoiced in June 2021.

COMMENTARY continued**VALUATION OF SPANISH PORTFOLIO**

The Spanish portfolio has been independently valued by Colliers at €976.0 million (R17.0 billion) at 30 September 2021 (31 March 2021: €987.0 million or R17.1 billion), representing a 1.6% like-for-like increase in value over the last financial year, (excluding Konecta Offices, which were sold in June 2021 for €26.5 million).

Overall, the portfolio has declined in value by 2.6% since 30 September 2019 if capital expenditure spend per annum is included.

The fair value of the portfolio is estimated using a DCF approach, which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. The estimated rental stream takes into account current occupancy levels, estimates of future vacancy levels, the terms of contractual leases and expectations of rentals from future leases over the remaining economic life of the buildings.

Real estate market in Spain

Spanish Real estate direct investment in H1 2021 amounted c.€5.5 billion, driven by logistics and residential asset classes. International investment funds continue to play a leading role in investment activity with 60% of the total in H1 2021 versus 74% in FY20. Private equity leads with 26% of the volume, followed closely by real estate companies with 21%. Within this group, REITs have been relatively less active, with 7% of the volume.

In the retail sector, investors are targeting prime core assets with long-term leases that have performed well during the pandemic, namely supermarket portfolios and high-quality retail parks. The level of retail investment in 2021 is expected to amount to around €1 billion.

Portfolio overview**Top 10 properties by value**

All of our top 10 properties are retail assets. Cumulatively, 96% of tenants are international and national tenants. These properties comprise 91% of the total portfolio value, 88% of the total portfolio rent and 84% of the total portfolio GLA.

Property	Location	GLA m ²	Value €m	% of total portfolio	Valuation €/m ²
El Faro	Extremadura	40 318	160.0	16.4	3 968
Bahía Sur	Andalucía	35 333	143.0	14.7	4 047
Los Arcos	Andalucía	26 680	133.0	13.6	4 985
Granaita Retail Park	Andalucía	54 807	104.0	10.7	1 898
Vallsur	Castilla Leon	35 212	89.0	9.1	2 528
Habaneras	Com. Valenciana	25 021	85.0	8.7	3 397
Puerta Europa	Andalucía	29 783	66.0	6.8	2 216
Parque Oeste	Madrid	13 604	50.0	5.1	3 675
Parque Principado	Asturias	16 090	35.0	3.6	2 175
Marismas del Polvorín	Andalucía	18 220	28.0	2.9	1 537
Total top 10 properties		295 068	893.0	91.6	3 026
% of total portfolio		84	91		

SUMMARY OF PORTFOLIO CHANGES

GLA reconciliation	GLA m ²	
Balance as at 31 March 2021	367 015	
GLA adjustment	(16 744)	
Balance as at 30 September 2021	350 271	
Areas under development	—	
Non-lettable area	—	
GLA excluding areas under development	350 271	
Vacancy reconciliation	GLA m ²	%
Balance as at 31 March 2021	6 186	1.7
Vacancy movement	4 037	
Balance as at 30 September 2021	10 223	2.9

PORTFOLIO PROFILES

Geographic profile

The geographic distribution of the Spanish portfolio is indicated in the table below. Some 89% of the gross income comes from Andalusia, Extremadura, Com. Valenciana and Castilla Leon.

Geographic portfolio	% of rental income	% of GLA
Andalusia	50	49
Extremadura	21	21
Com. Valenciana	9	8
Castilla Leon	9	10
Madrid	5	4
Asturias	4	5
Murcia	2	3

Sectoral profile

Based on value, 100% of the Spanish portfolio is in the retail sector.

Tenant profile

Large national and international tenants account for 94% of tenants by rent.

	% of rental income	% of GLA
Large national and international tenants	94	93
Local tenants (93 tenants)	6	7

Expiry profile

Castellana has a 13-year retail tenant expiry profile and 3.0 years to break with 57% of contractual rental expiring in 2031 and beyond.

The expiry profile as a percentage of contractual rent is shown below:

Total portfolio

	March 2022	March 2023	March 2024	March 2025	March 2026	March 2027	March 2028	March 2029	March 2030	March 2031	Beyond 2031
	%	%	%	%	%	%	%	%	%	%	%
% of contractual rent	3	6	5	7	6	3	5	5	3	4	53
Cumulative	3	9	14	21	27	30	35	40	43	47	100

	March 2022	March 2023	March 2024	March 2025	March 2026	March 2027	March 2028	March 2029	March 2030	March 2031	Beyond 2031
	%	%	%	%	%	%	%	%	%	%	%
% of GLA	2	3	3	2	5	3	2	4	4	3	66
Cumulative	2	5	8	10	15	18	20	24	28	31	100

Break profile

The break profile (the date upon which the tenant has an option to terminate the lease prior to the expiry date) as a percentage of contractual rent is shown below.

Total portfolio

	March 2022	March 2023	March 2024	March 2025	March 2026	March 2027	March 2028	March 2029	March 2030	March 2031	Beyond 2031
	%	%	%	%	%	%	%	%	%	%	%
% of contractual rent	12	28	17	15	13	4	5	2	1	2	1
Cumulative	12	40	57	72	85	89	94	96	97	99	100

COMMENTARY continued**Vacancy profile**

The portfolio's vacancy rate at 30 September 2021 was 2.9%.

	30 September 2021	31 March 2021
Vacancies (% of GLA)	%	%31
Shopping centres	2.5	2.2
Retail parks	3.4	1.3
Offices	—	—
Total	2.9	1.7

Rental profile

The Castellana portfolio's weighted average rental is €14.54/m². We believe that a significant portion of the portfolio is at below-market rentals. We anticipate rental growth to come through over the medium term.

	30 September 2021	31 March 2021	Escalation %
	€/m ²	€/m ²	
Shopping centres	18.60	18.58	0.1
Retail parks	9.58	9.56	0.2
Offices	—	9.89	(100.0)
Portfolio weighted average base rentals	14.54	14.22	2.3

COSTS

Service charges are the most significant expense and represent 76.21% of total property expenses. Service charges mainly include utilities, cleaning, marketing, security and management. Property tax is another significant expense and represents 14.18% of the total property expenses.

LIKE-FOR-LIKE NET OPERATING INCOME GROWTH (WITHOUT RENT CONCESSIONS)

Like-for-like growth (stable portfolio)	30 September 2021	30 September 2020	%
			change
Property revenue (€m)	28.3	14.71	92.66
Net property expenses (€m)	(2.5)	(1.36)	83.82
Net property income (€m)	25.8	13.35	93.56
Net cost-to-income ratio (%)	8.82	9.3	(4.59)

THE VUKILE ACADEMY

The Vukile Academy (www.vukileacademy.co.za) is a key component of Vukile's skills development, mentorship and transformation initiatives.

The Academy's focus is to contribute highly skilled, motivated and passionate young black professionals and entrepreneurs to the South African property sector each year. It is a platform that facilitates access to quality tertiary education in the property sector and by creating access to job opportunities for young black property professionals, provides education, work experience and career development.

The Vukile Academy is proudly a Vukile Property Fund initiative that continues to give back to our communities and SA as a whole. We endeavour to uplift the lives of our people and create a better environment for all.

The Vukile Academy focuses on the following areas:

- **The Vukile Bursary Fund**

The Vukile Bursary Fund, in partnership with South African Property Owners Association (SAPOA), Women's Property Network (WPN), South African Institute of Black Property Practitioners (SAIBPP), as well as the University of the Witwatersrand, the University of Pretoria (UP), the University of KwaZulu-Natal and the University of Johannesburg, together contributed more than R6.5 million towards tertiary education tuition for 65 students through bursaries for studies in property/real estate-related fields. The students were primarily in their third or honours year of studies.

- **The Vukile Internship and Mentorship Programme**

Our internship programme welcomed eight young, passionate and driven candidates. Vukile undertook a rigorous and transparent selection process to identify and award deserving candidates a position in the Vukile Internship and Mentorship Programme. We received well over 70 applications. Our programme is designed as an integration platform into the real professional world for graduates who, in the main, are selected from our bursary recipients. The industry-leading programme is designed by curriculum experts and professionals from the industry and tertiary institutions like the Gordon Institute of Business Science and the UP. It delivers over 10 modules, including a personal mastery programme, which forms a crucial element of the programme. The essence of the internship programme is to impart the Vukile Brand DNA to our candidates. They are each offered a fixed-term employment contract for one year. This past year, the programme was extended to two years, due to the impact of the remote working environment brought about by the COVID-19 pandemic. Each intern is allocated a mentor and receives 12 mentorship sessions and two life coaching block sessions during the year. This year, even prior to conclusion of the programme, 75% of the interns have received permanent placement positions in the property industry.

- **Training programmes for aspiring, young developers**

The Vukile Academy has partnered with uMastandi, a training programme for aspiring township developers. The main aim of this programme is to impart financial feasibility training to the participants. The programme currently has four participants, who have developed 58 backroom units in the township in Vosloorus and Soweto. The Vukile Academy will continue to transfer project management skills to these participants, an exciting initiative in a fast-developing area in SA's townships.

- **Tradesmen training programme**

We have partnered with Black Suppliers, a business that recruits emerging local contractors and conducts a focused training programme that enables these contractors to thrive. It is run over a period of two months and comprises 12 modules. The programme is conducted by industry leaders and opens networking opportunities to the participants. We have recently concluded the programme with 10 participants, whom we aim to use in our mall value chain in the future.

VUKILE BEE CERTIFICATION

Vukile Property Fund is a level 4 broad-based black economic empowerment (B-BBEE) entity with a 100% recognition level.

CHANGES TO BOARD OF DIRECTORS

Effective 6 August 2021, Ms Tshidi Mokgabudi was appointed to the board as an independent non-executive director. Tshidi also joined the audit and risk committee where she replaced Dr Steve Booysen, who stepped down from the audit and risk committee and joined the property and investment committee.

Mervyn Serebro and Peter Moyanga retired from the board on 31 August 2021.

We would like to take the opportunity to thank Mervyn and Peter for their immense contribution to the board and Vukile's success over the years.

COMMENTARY continued

PROSPECTS FOR THE GROUP

We are encouraged by the strong trading performances from both the South African and Spanish portfolios, which have shown their resilience throughout the COVID-19 environment and additionally in South Africa through the period of civil unrest. The recovery to pre-pandemic levels is well on track and the fundamentals in both businesses remain positive.

The balance sheet remains strong and our ability to readily refinance debt is testament thereto. With valuations now showing some positive momentum, the LTV has stabilised to the lower 40% levels.

We believe our inward focus on operational excellence and strategy to preserve cash through the crisis has been correct. Now, with the recovery seemingly well underway, we believe that the time has come to resume our growth path as a retail-focused fund both in SA and abroad.

Castellana has built up significant cash balances and we will be looking to deploy those funds into value accretive acquisitions and upgrades to existing assets. Similarly, proceeds from sales in Southern Africa will be used to pursue value-enhancing transactions.

Assuming no material adverse change in trading conditions, large corporate failures and no impact on rental income from further COVID-19 lockdowns or enforced closures of shopping centres in Southern Africa and Spain, Vukile expects to pay dividends totalling at least 80 cps for the full year ending 31 March 2022.

This would represent a payout ratio of between 60% and 65%, based on anticipated total group FFO per share for the year of at least 125 cps. The pay-out ratio is based on JSE SA REIT requirements and will still be at or above the required 75% JSE SA REIT required pay-out ratio.

Forecast rental income is based on contractual escalations, market-related renewals and on the conclusion of certain transactions currently in progress. The forecast may be impacted by the closing, timing and successful implementation of these transactions. The forecast also assumes that the exchange rate of the Rand to the Euro will in the short-term remain at or reasonably close to current levels. This forecast has not been audited, reviewed or reported on by the group's auditors.

Management is of the view that for so long as the Vukile share price continues to trade at a significant discount to NAV, the most efficient and value-enhancing way to fund future growth is through the retention and deployment of cash into our core strategies.

SUBSEQUENT EVENTS

I. DECLARATION OF DIVIDEND

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

The board approved an interim dividend on 25 November 2021 of 40.56 cents for the six months ended 30 September 2021 amounting to R388 million. The dividend represents a payout ratio of 51% of total group FFO and 75% of the minimum JSE required SA REIT distribution.

II. SALE OF INVESTMENT PROPERTY

On 6 October 2021, Shoshanguve Batho Plaza was transferred at a selling price of R160 million. The property transferred after the reporting period and meets the definition of a non-adjusting post-balance sheet event as per IAS 10 – *Events after the Reporting Period*.

BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2021, and comparative information, have been prepared in accordance with, and containing the information required by, International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Announcements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, IAS 34, and relevant sections of the Companies Act, 71 of 2008, as amended (Companies Act). All accounting policies applied by the group in the preparation of these condensed consolidated financial statements are consistent with those applied by the group in its consolidated financial statements as at and for the year ended 31 March 2021, except where new standards have been introduced as disclosed in the note 1.2.

Preparation of the unaudited condensed consolidated interim financial statements was supervised by Laurence Cohen CA(SA) in his capacity as chief financial officer. These unaudited condensed consolidated interim financial statements have not been reviewed or reported on by Vukile's independent external auditors.

On behalf of the board

NG Payne

Chairman

LG Rapp

Chief executive officer

Houghton Estate

30 November 2021

VUKILE PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number: 2002/027194/06)
 JSE share code: VKE ISIN: ZAE000056370
 Debt company code: VKEI
 Namibian Stock Exchange (NSX) share code: VKN
 (Granted REIT status with the JSE)
 (Vukile or the group or the company)

JSE sponsor: Java Capital

NSX sponsor: IJG Group, Windhoek, Namibia

Executive directors: LG Rapp (chief executive), LR Cohen (chief financial officer), IU Mothibeli (managing director: Southern Africa)

Non-executive directors: NG Payne (chairman)*, SF Booysen*, RD Mokate*, H Ntene*, GS Moseneke, B Ngonyama*, AMSS Mokgabudi*

* *Independent*

Registered office: 4th Floor, 11 Ninth Street, Houghton Estate, 2198

Company secretary: J Neethling

Transfer secretaries: Link Market Services South Africa (Pty) Ltd, Braamfontein, Johannesburg

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www.vukile.co.za

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2021

Group	Unaudited 30 September 2021 Rm	Unaudited 30 September 2020 Rm	Audited 31 March 2021 Rm
ASSETS			
Non-current assets	33 232	36 381	33 989
Investment property	31 172	35 004	32 073
Straight-line rental income accrual	350	390	341
Financial assets at fair value through profit or loss	525	171	340
Investment in associate at fair value	568	425	538
Investment in associate (equity accounted)	13	14	16
Investment in joint venture (equity accounted)	54	—	55
Derivative financial instruments	132	27	168
Long-term loans granted	246	259	254
Deferred taxation assets	—	13	3
Other non-current assets	172	78	201
Current assets	2 825	1 750	2 003
Trade and other receivables	464	395	391
Derivative financial instruments	—	1	47
Current taxation assets	3	—	—
Short-term investments	22	—	—
Cash and cash equivalents	1 248	1 354	1 003
Non-current assets held for sale	1 088	—	562
Investment property	1 088	—	551
Other assets	43	—	11
Other liabilities	(43)	—	—
Total assets	36 057	38 131	35 992
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	17 265	16 485	17 361
Stated capital	12 838	12 838	12 838
Other components of equity	3 233	3 003	3 153
Retained earnings	1 194	644	1 370
Non-controlling interest	1 629	1 814	1 559
Non-current liabilities	13 230	15 900	13 356
Interest-bearing borrowings	12 245	15 160	12 622
Lease liability	180	199	201
Derivative financial instruments	597	529	279
Deferred taxation liabilities	32	12	23
Other non-current liabilities	176	—	231
Current liabilities	3 933	3 932	3 716
Trade and other payables	641	938	585
Short-term portion of interest-bearing borrowings	3 193	1 631	2 604
Short-term portion of lease liability	17	18	19
Derivative financial instruments	80	879	501
Current taxation liabilities	—	4	4
Shareholders for dividends	2	462	3
Total equity and liabilities	36 057	38 131	35 992

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2021

Group	Unaudited 30 September 2021 Rm	Unaudited 30 September 2020 Rm	Audited 31 March 2021 Rm
Property revenue	1 742	1 420	3 117
Straight-line rental income accrual	12	(29)	(67)
Gross property revenue	1 754	1 391	3 050
Property expenses	(608)	(610)	(1 203)
Expected credit loss (ECL): tenant receivables	1	(36)	(51)
Net profit from property operations	1 147	745	1 796
Corporate and administrative expenses	(152)	(154)	(286)
Total investment and other income	242	131	318
Fair value movement on non-designated portion of CCIRS	(52)	9	(32)
Profit before finance costs	1 185	731	1 796
Finance costs	(357)	(368)	(707)
Profit after finance costs	828	363	1 089
Profit/(loss) on sale of investment property	1	(6)	2
Loss on sale of equity-accounted associate	—	(32)	(32)
Loss on realisation of derivative	(44)	—	—
Fair value (loss)/gain on financial instruments	(12)	(133)	233
Impairments	—	(9)	(13)
Foreign exchange gain/(loss) on GBP loans	—	9	9
Profit before changes in fair value of investment property	773	192	1 288
Fair value adjustments:	156	(479)	(847)
Gross change in fair value of investment property	165	(511)	(920)
Change in fair value of right-of-use asset	3	3	6
Straight-line rental income adjustment	(12)	29	67
Profit/(loss) before equity-accounted investment	929	(287)	441
Share of (loss)/income from associate	(3)	20	18
Share of loss from joint venture	(1)	—	(1)
Profit/(loss) before taxation	925	(267)	458
Taxation	(24)	(5)	(40)
Profit/(loss) for the year	901	(272)	418
Attributable to owners of the parent	843	(206)	584
Attributable to non-controlling interest	58	(66)	(166)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2021

	Unaudited 30 September 2021 Rm	Unaudited 30 September 2020 Rm	Audited 31 March 2021 Rm
Profit/(loss) for the period	901	(272)	418
Other comprehensive income (OCI) net of tax			
Items that will be reclassified to profit or loss:			
Foreign currency translation reserve	(35)	141	(61)
Associate	(2)	2	(17)
Joint venture	—	—	(4)
Subsidiary	(33)	139	(40)
Cash flow hedges	51	(213)	(96)
Items that have been reclassified to profit or loss:			
Realisation of OCI on disposal of equity-accounted associate	—	—	(328)
Other comprehensive income/(loss) for the period	16	(72)	(485)
Total comprehensive income/(loss) for the period	917	(344)	(67)
Attributable to owners of the parent	846	(271)	238
Attributable to non-controlling interest	71	(73)	(305)

RECONCILIATION OF EARNINGS TO HEADLINE EARNINGS

for the six months ended 30 September 2021

	Unaudited 30 September 2021		Unaudited 30 September 2020		Audited 31 March 2021	
	Rm	Cents per share	Rm	Cents per share	Rm	Cents per share
Profit/(loss) attributable to owners of the parent	843	88.15	(206)	(21.52)	584	61.04
Earnings and diluted earnings	843	88.15	(206)	(21.52)	584	61.04
Change in fair value of investment property (net of allocation to non-controlling interest)	(158)	(16.47)	436	45.55	705	73.72
Remeasurement of right-of-use asset (Profit)/loss on sale of investment property	(3)	(0.29)	—	—	(6)	(0.60)
Loss on sale of investments	(1)	(0.08)	6	0.66	(2)	(0.20)
	—	—	32	3.30	32	3.30
Headline and diluted headline earnings	681	71.31	268	27.99	1313	137.26
Number of shares in issue	956 226 628		956 226 628		956 226 628	
Weighted average number of shares	956 226 628		956 226 628		956 226 628	

There are no dilutionary shares in issue.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2021

Rm	Stated capital	Other components of equity	Retained earnings	Shareholders' interest Total	NCI	Total
Balance at 30 September 2020	12 838	3 003	644	16 485	1 814	18 299
Issue of share capital	—	—	—	—	2	2
Dividend	—	—	—	—	(21)	(21)
	12 838	3 003	644	16 485	1 795	18 280
Profit for the period	—	—	790	790	(100)	690
Transfer to non-distributable reserve	—	64	(64)	—	—	—
Realisation of OCI on disposal of equity-accounted associate	—	347	—	347	—	347
Transactions with NCI	—	—	—	—	(3)	(3)
Change in ownership of a subsidiary recognised in equity	—	1	—	1	(1)	—
Equity-settled share scheme	—	19	—	19	—	19
Other comprehensive loss	—	(281)	—	(281)	(132)	(413)
Balance at 31 March 2021	12 838	3 153	1 370	17 361	1 559	18 920
Dividend	—	—	(966)	(966)	(2)	(968)
	12 838	3 153	404	16 395	1 557	17 952
Profit for the period	—	—	843	843	58	901
Transfer to non-distributable reserve	—	53	(53)	—	—	—
Change in ownership of a subsidiary recognised in equity	—	1	—	1	(1)	—
Equity-settled share scheme	—	23	—	23	2	25
Other comprehensive income	—	3	—	3	13	16
Balance at 30 September 2021	12 838	3 233	1 194	17 265	1 629	18 894

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the six months ended 30 September 2021

	Unaudited 30 September 2021 Rm	Unaudited 30 September 2020 Rm	Audited 31 March 2021 Rm
Cash flow from operating activities	943	615	1 178
Cash flow from investing activities	733	1 059	930
Cash flow from financing activities	(1 443)	(1 876)	(2 739)
Net increase in cash and cash equivalents	233	(202)	(631)
Foreign currency movements in cash	12	(3)	75
Cash and cash equivalents at the beginning of the period	1 003	1 559	1 559
Cash and cash equivalents at the end of the period	1 248	1 354	1 003
Major items included in the above:			
Cash flow from operating activities	943	615	1 178
Profit/(loss) before tax	925	(267)	458
Adjustments ⁽ⁱ⁾	87	917	1 034
Working capital adjustments	(51)	(23)	(288)
Taxation paid	(18)	—	(26)
Other	—	(12)	—
Cash flow from investing activities	733	1 059	930
Disposal of investment in equity-accounted associate	—	1 103	1 103
Proceeds on sale of investment property	957	79	211
Acquisition of investment property and development costs	(346)	(296)	(665)
Investment and other income	119	146	323
Other	3	27	(42)
Cash flow from financing activities	(1 443)	(1 876)	(2 739)
Interest-bearing borrowings advanced	3 781	2 099	2 647
Interest-bearing borrowings repaid	(3 636)	(3 531)	(4 173)
Finance costs paid	(307)	(317)	(591)
Dividends paid	(968)	(75)	(556)
Cash from settlement of derivatives	(285)	(13)	(21)
Other	(28)	(39)	(45)

⁽ⁱ⁾ Adjustments to cash flows from operating activities for 30 September 2021 include fair value gain on investment property of R165 million, finance costs of R357 million and fair value gain on equity investments of R191 million.

SUMMARISED OPERATING SEGMENT REPORT

for the six months ended 30 September 2021

	Southern Africa			Spain			Total group Rm
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	
Group income for the period ended 30 September 2021							
Revenue ⁽ⁱ⁾	780	35	815	440	49	489	1 304
Property expenses ⁽ⁱ⁾	(133)	(5)	(138)	(25)	(6)	(31)	(169)
Net distributable income from property operations	647	30	677	415	43	458	1 135
Corporate and administrative expenses	(81)	(4)	(85)	(88)	21	(67)	(152)
Investment and other income	154	7	161	—	—	—	161
Finance income	2	12	14	—	—	—	14
Net interest CCIRS	64	3	67	—	—	—	67
Loss on realisation of derivative financial instrument	—	(44)	(44)	—	—	—	(44)
Distributable income before finance costs	786	4	790	327	64	391	1 181
Finance costs	(34)	(210)	(244)	(107)	(6)	(113)	(357)
Distributable income before equity-accounted income	752	(206)	546	220	58	278	824
Share of income from associate	—	(3)	(3)	—	—	—	(3)
Share of income from joint venture	—	(1)	(1)	—	—	—	(1)
Distributable income before taxation	752	(210)	542	220	58	278	820
Taxation	(24)	14	(10)	—	—	—	(10)
Distribution income	728	(196)	532	220	58	278	810
Net distributable income attributable to NCI	—	(2)	(2)	—	(48)	(48)	(50)
Attributable to Vukile Group	728	(198)	530	220	10	230	760
Non-IFRS adjustments	—	3	3	—	—	—	3
Early termination of derivative	—	(76)	(76)	—	—	—	(76)
Accrued dividends	—	76	76	—	—	—	76
Non-cash impact of IFRS 16 – Leases	—	3	3	—	—	—	3
Available for distribution	728	(195)	533	220	10	230	763

⁽ⁱ⁾ The revenue and property expense have been reflected net of recoveries. The summarised consolidated statements of profit or loss and OCI reflect the gross property revenue and gross property expenses.

	Southern Africa			Spain			Total group Rm
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	
Group income for the period ended 30 September 2020							
Revenue ⁽ⁱ⁾	652	38	690	263	44	307	997
Property expenses ⁽ⁱ⁾	(148)	(8)	(156)	(60)	(7)	(67)	(223)
Net distributable income from property operations							
Corporate and administrative expenses	(79)	(5)	(84)	(32)	(38)	(70)	(154)
Investment and other income	14	1	15	—	—	—	15
Finance income	4	20	24	—	—	—	24
Net interest from cross-currency interest rate swaps	92	—	92	—	—	—	92
Distributable income before finance costs	535	46	581	171	(1)	170	751
Finance costs	(26)	(217)	(243)	(119)	(6)	(125)	(368)
Distributable income before equity-accounted income							
Share of income from associate (Atlantic Leaf)	—	20	20	—	—	—	20
Distributable Income before taxation	509	(151)	358	52	(7)	45	403
Taxation	(5)	—	(5)	—	—	—	(5)
Distribution income	504	(151)	353	52	(7)	45	398
Net distributable income attributable to non-controlling interests		(2)	(2)	—	(8)	(8)	(10)
Attributable to Vukile Group	504	(153)	351	52	(15)	37	388
Non-IFRS adjustments	—	58	58	—	—	—	58
Antecedent dividend	—	—	—	—	—	—	—
Accrued dividends	—	55	55	—	—	—	55
Non-cash impact of IFRS 16 – Leases	—	3	3	—	—	—	3
Available for distribution	504	(95)	409	52	(15)	37	446

⁽ⁱ⁾ The revenue and property expense have been reflected net of recoveries. The summarised consolidated statement of profit or loss and other comprehensive income reflects gross property revenue and gross property expenses.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 September 2021

1 GENERAL ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

Estimates

Management discusses with the audit committee the development, selection and disclosure of the group's critical accounting policies and estimates and the application of these policies and estimates. Actual results may differ from these estimates.

The revaluation of investment property requires judgement in determining discount rates and an appropriate reversionary capitalisation rate. Note 2.3 sets out further details of the fair value measurement of investment property.

In determining the lease liability in accordance with IFRS 16, the incremental borrowing rate was estimated by management using the three-year DMTN margin as a starting point. The rate was adjusted to reflect an estimated spread for a tenure of 10 years, 25 years and 50 years.

Judgements

Judgement is applied in certain areas based on historical experience and reasonable expectations relating to future events. Management applied judgement in assessing whether certain assets qualify to be classified as held for sale. In management's opinion, the following assets met all the IFRS 5 requirements and are classified as held for sale:

- Centurion Samrand N1
- Shoshanguve Batho Plaza
- Makhado Nzhelele Valley Shopping Centre
- The five shopping centres indirectly owned by MICC Properties Namibia (Pty) Ltd

1.2 NEW STANDARDS AND AMENDMENTS

The group has adopted the following new standards, or amendments to standards which were effective for the first time for the financial period commencing 1 April 2021:

- 1.2.1** Management has assessed the changes to IFRS 7 relating to the interest rate benchmark reform which is to result in amendments to the following standards:
- Amendments to IFRS 7 – *Financial Instruments: Disclosures*;
 - Amendments to IFRS 9 – *Financial Instruments*; and
 - IFRS 16 – *Leases*.

IFRS 7 – *Financial Instruments: Disclosure* relates to instances where interbank offered rates (IBORs) are expected to be replaced by an alternative benchmark. This amendment permits the continuation of hedge accounting for such hedge relationships for phase 1. This will have no impact on the group.

- 1.2.2** Management has assessed the changes to IFRS 16 – *Leases* in respect of COVID-19-related rent concessions providing lessees with an exemption from assessing whether a COVID-19-related rent concession was a lease modification. The amendment had no impact on the group.

2 FAIR VALUE MEASUREMENT

2.1 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

for the six months ended 30 September 2021

2.2 FAIR VALUE HIERARCHY

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value.

Group	30 September 2021			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets				
Investment in associate at fair value	470	—	—	470
Equity investment at fair value	568	—	—	568
Executive share scheme financial asset	95	—	—	95
Derivative financial instruments	—	132	—	132
Total	1 133	132	—	1 265
Liabilities				
Executive share scheme financial liability	—	(40)	—	(40)
Derivative financial instruments	—	(268)	(409)	(677)
Total	—	(308)	(409)	(717)
Net fair value	1 133	(176)	(409)	548

Group	30 September 2020				31 March 2021			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets								
Investment in associate at fair value	149	—	—	149	538	—	—	538
Equity investment at fair value	425	—	—	425	309	—	—	309
Executive share scheme financial asset	32	—	—	32	57	—	—	57
Derivative financial instruments	—	14	14	28	—	214	1	215
Total	606	14	14	634	904	214	1	1 119
Liabilities								
Executive share scheme financial liability	—	(10)	—	(10)	—	(26)	—	(26)
Derivative financial instruments	—	(1 112)	(296)	(1 408)	—	(578)	(202)	(780)
Total	—	(1 122)	(296)	(1 418)	—	(604)	(202)	(806)
Net fair value	606	(1 108)	(282)	(784)	904	(390)	(201)	313

There have been no significant transfers between levels 1, 2 and 3 in the reporting period under review.

Investment in associate at fair value

This comprises shares held in a listed property company (Fairvest) at fair value, which is determined by reference to the quoted closing price at the reporting date.

Equity investment at fair value

Listed equity investment: The fair value of shares held in listed property securities (Arrowhead) is determined by reference to the quoted closing price at the reporting date.

Executive share scheme financial assets and liabilities

This comprises equity-settled share-based long-term incentive reimbursement rights stated at fair value. The level 1 asset is determined with reference to Vukile's share price.

Derivative financial instruments

Level 2 derivatives consist of interest rate swap contracts, cross-currency interest rate swaps and forward exchange contracts. The fair values of these derivative instruments are determined by Vukile's and Castellana's bank funders, using a valuation technique that maximises the use of observable market inputs. Level 3 derivatives consist of net settled derivatives and share warrants that have been valued using the Black Scholes option pricing model.

Measurement of fair value

The methods and valuation techniques used to measure fair value are unchanged compared to the previous reporting period.

2.3 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (INVESTMENT PROPERTY)

At 30 September 2021, the directors valued the Southern African property portfolio at R15.3 billion (31 March 2021: R15.6 billion), and an external valuer valued the Spanish portfolio at R17.0 billion (31 March 2021: R17.1 billion).

The external valuations performed by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd at 30 September 2021 on 44% of the Southern African portfolio were in line with the directors' valuations. The Spanish portfolio was valued by Colliers International.

The fair values of commercial buildings are estimated using a DCF method, which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. The estimated rental stream takes into account current occupancy levels, estimates of future vacancy levels, the terms of in-place leases, and expectations of rentals from future leases over the remaining economic life of the buildings.

The estimated fair value would increase/(decrease) if the expected market rental growth was higher/(lower), expected expense growth was lower/(higher), the vacant periods were shorter/(longer), the occupancy rate was higher/(lower), the rent-free periods were shorter/(longer), the discount rate was lower/(higher), and/or the reversionary capitalisation rate was lower/(higher).

The most significant inputs are the discount rate and the reversionary capitalisation rate. The inputs used in the valuations were:

	Unaudited 30 September 2021				Audited 31 March 2021			
	Discount rate %		Reversionary capitalisation rate %		Discount rate %		Reversionary capitalisation rate %	
	Range	Weighted average	Range	Weighted average	Range	Weighted average	Range	Weighted average
	Southern Africa	12.7 to 19.6	13.7	7.8 to 15.3	9.2	12.7 to 19.6	13.8	7.7 to 15.3
Spain	7.3 to 9.3	8.2	5.0 to 7.0	6.2	7.3 to 9.0	8.2	5.0 to 9.3	6.2

Pending normalisation post the global COVID-19 pandemic and the recent unrest in SA, assumptions regarding cash flows, expected growth rates, and discount rates are consistent with the previous reporting period.

SOUTHERN AFRICA

The discount rate and reversionary capitalisation rate have been disaggregated based on geography. The table below also illustrates the impact on valuations resulting from changes in net operating income (NOI).

	Portfolio exposure %	Average discount rate %	Average exit capitalisation rate %	Valuation impact if base discount rate is increased by 50bps %	Valuation impact of 50% NOI reduction in year one %	Valuation impact of 5% NOI reduction in capitalisation year %	Valuation impact of 5% NOI reduction in cash flow in capitalisation year %
Southern African directly held property portfolio							
Total portfolio	100.0	13.7	9.2	(5.3)	(4.2)	(3.4)	(5.1)
Retail	95.0	13.7	9.1	(5.3)	(4.1)	(3.5)	(5.1)
Other	5.0	14.2	10.8	(4.9)	(4.6)	(2.7)	(5.2)
Gauteng	39.0	13.6	9.1	(5.4)	(4.1)	(3.5)	(5.1)
KwaZulu-Natal	19.0	13.4	8.7	(5.3)	(4.0)	(3.3)	(5.0)
Free State	8.0	13.2	8.6	(5.7)	(3.9)	(3.6)	(5.0)
Western Cape	8.0	13.2	9.1	(5.4)	(4.1)	(3.4)	(5.1)
Limpopo	7.0	14.2	9.5	(4.9)	(4.6)	(3.3)	(5.0)
Eastern Cape	7.0	13.6	8.9	(5.5)	(4.0)	(3.6)	(5.0)
Namibia	5.0	15.9	11.5	(4.2)	(4.9)	(2.8)	(5.2)
Mpumalanga	4.0	15.1	10.7	(4.8)	(4.7)	(3.4)	(5.1)
North West	3.0	14.0	9.1	(5.5)	(4.2)	(3.4)	(5.0)

The above information has been further disaggregated based on risk (discount rates). Refer to the following three tables:

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

for the six months ended 30 September 2021

Discount rate below 14%	Portfolio exposure %	Average discount rate %	Average exit capitalisation rate %	Valuation impact if base discount rate is increased by 50bps %	Valuation impact of 50% NOI reduction in year one %	Valuation impact of 5% NOI reduction in capitalisation year %	Valuation impact of 5% NOI reduction in cash flow in capitalisation year %
Total portfolio	60.0	13.0	8.4	(5.7)	(3.9)	(3.5)	(5.1)
Retail	57.0	13.0	8.4	(5.7)	(3.9)	(3.5)	(5.0)
Other	3.0	13.0	9.4	(5.5)	(4.3)	(2.4)	(5.3)
Gauteng	25.0	13.0	8.5	(5.7)	(3.9)	(3.6)	(5.1)
KwaZulu-Natal	15.0	13.2	8.5	(5.3)	(4.0)	(3.2)	(5.0)
Free State	5.0	12.7	7.9	(6.1)	(3.6)	(3.7)	(5.0)
Western Cape	5.0	12.7	8.8	(5.6)	(4.0)	(3.3)	(5.1)
Limpopo	3.0	12.7	8.1	(5.9)	(3.7)	(3.7)	(5.0)
Eastern Cape	4.0	13.2	8.3	(5.9)	(3.7)	(3.7)	(5.0)
North West	3.0	13.2	8.3	(5.8)	(3.8)	(3.7)	(5.0)

Discount rate between 14% and 16%	Portfolio exposure %	Average discount rate %	Average exit capitalisation rate %	Valuation impact if base discount rate is increased by 50bps %	Valuation impact of 50% NOI reduction in year one %	Valuation impact of 5% NOI reduction in capitalisation year %	Valuation impact of 5% NOI reduction in cash flow in capitalisation year %
Total portfolio	33.0	14.3	9.8	(4.9)	(4.4)	(3.3)	(5.1)
Retail	32.0	14.3	9.7	(4.9)	(4.4)	(3.4)	(5.1)
Other	1.0	14.2	11.1	(4.7)	(4.3)	(2.8)	(5.1)
Gauteng	10.0	14.2	9.6	(5.1)	(4.1)	(3.5)	(5.1)
KwaZulu-Natal	4.0	14.2	9.6	(5.1)	(4.1)	(3.5)	(5.0)
Free State	3.0	14.0	9.9	(4.9)	(4.4)	(3.5)	(5.0)
Western Cape	3.0	14.0	9.7	(5.1)	(4.3)	(3.5)	(5.1)
Limpopo	3.0	14.9	10.2	(4.3)	(5.2)	(2.9)	(5.0)
Eastern Cape	3.0	14.0	9.5	(5.1)	(4.3)	(3.5)	(5.0)
Namibia	4.0	15.2	10.3	(4.4)	(4.7)	(2.7)	(5.1)
Mpumalanga	3.0	14.3	9.6	(5.1)	(4.1)	(3.5)	(5.1)

Discount rate above 16%	Portfolio exposure %	Average discount rate %	Average exit capitalisation rate %	Valuation impact if base discount rate is increased by 50bps %	Valuation impact of 50% NOI reduction in year one %	Valuation impact of 5% NOI reduction in capitalisation year %	Valuation impact of 5% NOI reduction in cash flow in capitalisation year %
Total portfolio	7.0	16.9	12.9	(3.9)	(5.5)	(3.1)	(5.2)
Retail	6.0	17.1	12.8	(3.9)	(5.5)	(3.0)	(5.1)
Other	1.0	16.3	13.3	(3.9)	(5.3)	(3.2)	(5.2)
Gauteng	4.0	16.3	12.3	(4.1)	(5.2)	(3.3)	(5.1)
Limpopo	1.0	16.3	11.8	(4.1)	(5.2)	(3.2)	(5.0)
Namibia	1.0	18.1	14.1	(3.6)	(5.5)	(3.1)	(5.2)
Mpumalanga	1.0	17.0	13.3	(3.9)	(6.1)	(3.0)	(5.3)
North West		19.6	15.3	(3.4)	(7.0)	(1.5)	(5.2)

SPAIN

The tables below show the impact on the fair value of investment property, per property type, for a 25bps change in discount rate:

	30 September 2021	
	Variation of discount rate	
	25bps decrease €'000	25bps increase €'000
Retail	17 410	(16 980)
Land and purchase option	330	(320)
Theoretical result	17 740	(17 300)

	31 March 2021	
	Variation of discount rate	
	25bps decrease €'000	25bps increase €'000
Retail	17 360	(16 960)
Office	410	(410)
Land and purchase option	330	(320)
Theoretical result	18 100	(17 690)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

for the six months ended 30 September 2021

The effect of a 25bps change to the base discount rate will have the following impact on the valuation of the portfolio:

	25bps increase				25bps decrease		
	Fair value	Decreased fair value	Decrease	%	Increased fair value	Increase	%
Southern Africa ⁽¹⁾	Rm	Rm	Rm	decrease	Rm	Rm	increase
30 September 2021	15 277	14 861	(416)	(2.7)	15 719	442	2.9
31 March 2021	15 554	15 143	(411)	(2.6)	15 991	437	2.8

	25bps increase				25bps decrease		
	Fair value	Decreased fair value	Decrease	%	Increased fair value	Increase	%
Spain ⁽²⁾	€m	€m	Rm	decrease	€m	Rm	increase
30 September 2021	976	959	(301)	(1.8)	994	309	1.8
31 March 2021	987	969	(306)	(1.8)	1 005	313	1.8

⁽¹⁾ Fair value excludes non-controlling interest in Clidet.

⁽²⁾ Fair value sensitivity analysis at 25bps increase/decrease for standing investments and c.100bps increase/decrease for land and related options.

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value:

	Unaudited 30 September 2021 Recurring fair value measurements Level 3 Rm	Unaudited 30 September 2020 Recurring fair value measurements Level 3 Rm	Audited 31 March 2021 Recurring fair value measurements Level 3 Rm
Investment property	31 325	35 177	32 193
Right-of-use asset	197	217	220

	Unaudited 30 September 2021 Non-recurring fair value measurements Level 3 Rm	Unaudited 30 September 2020 Non-recurring fair value measurements Level 3 Rm	Audited 31 March 2021 Non-recurring fair value measurements Level 3 Rm
Investment property held for sale	1 076	—	562
Right-of-use asset held for sale	25	—	—

SA REIT RATIOS

for the six months ended 30 September 2021

SA REIT FUNDS FROM OPERATIONS (SA REIT FFO)

Group	30 September 2021 Rm	30 September 2020 Rm	31 March 2021 Rm
Profit/(loss) per IFRS statement of comprehensive income attributable to the parent	843	(206)	584
Adjusted for:			
Accounting/specific:			
Fair value adjustments to:	(270)	889	1 079
Investment property	(154)	482	854
Debt and equity instruments held at fair value through profit or loss	(197)	—	(289)
Depreciation and amortisation of intangible assets	3	2	4
Asset impairments (excluding goodwill) and reversals of impairment	—	9	13
Impact of asset reclassifications and asset transfers on profit or loss	—	314	314
Deferred tax movement recognised in profit or loss	14	(1)	18
Straight-lining operating lease adjustment	(12)	29	67
Adjustments to dividends from equity interests held	76	54	98
Adjustments arising from investing:			
Gains or losses on disposal of:	(1)	54	46
Investment property and property, plant and equipment	(1)	6	(2)
Debt and equity instruments	—	48	48
Foreign exchange and hedging items:	186	(215)	(251)
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	54	(9)	49
Reclassified foreign currency translation reserve upon disposal of a foreign operation	—	(330)	(330)
Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	132	133	39
Foreign exchange gains or losses relating to capital items – realised and unrealised	—	(9)	(9)
Other adjustments:	8	(75)	(216)
Non-controlling interests in respect of the above adjustments	8	(75)	(216)
SA REIT FFO	766	447	1 242
Number of shares outstanding (net of treasury shares)	956 226 628	956 226 628	956 226 628
SA REIT FFO cents per share	80.11	46.75	129.89
Company-specific adjustments	(3)	(1)	(22)
Depreciation	(3)	(2)	(4)
Deferred tax	—	1	(18)
Distributable income	763	446	1 220
Distributable income per share (cents)	79.79	46.63	127.58

SA REIT RATIOS continued

for the six months ended 30 September 2021

SA REIT NAV

	30 September 2021 Rm	30 September 2020 Rm	31 March 2021 Rm
Reported NAV attributable to the parent	17 265	16 485	17 361
Adjustments:			
Dividend declared	—	—	(966)
Fair value of derivative financial instruments	58	381	28
Goodwill and intangible assets	(2)	(4)	(3)
SA REIT NAV	17 321	16 862	16 420
Shares outstanding			
Number of shares in issue (net of treasury shares)	956 226 628	956 226 628	956 226 628
SA REIT NAV per share	18.11	17.63	17.17

SA REIT COST-TO-INCOME RATIO

	30 September 2021 Rm	30 September 2020 Rm	31 March 2021 Rm
Southern Africa portfolio			
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	450	434	870
Administrative expenses per IFRS income statement	85	84	154
Excluding:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(3)	(2)	(5)
Operating costs	532	516	1 019
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	815	690	1 501
Utility and operating recoveries per IFRS income statement	312	278	598
Gross rental income	1 127	968	2 099
SA REIT cost-to-income ratio⁽¹⁾ (%)	47.2	53.3	48.5

	30 September 2021 Rm	30 September 2020 Rm	31 March 2021 Rm
Spain portfolio			
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	157	212	384
Administrative expenses per IFRS income statement	67	70	132
Operating costs	224	282	516
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	489	307	740
Utility and operating recoveries per IFRS income statement	126	145	278
Gross rental income	615	452	1 018
SA REIT cost-to-income ratio⁽¹⁾ (%)	36.4	62.4	50.7

⁽¹⁾ The SA REIT cost-to-income ratio includes the impact of rent concessions granted to tenants (in Southern Africa and Spain) primarily impacting the September 2020 and March 2021 ratios.

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

	30 September 2021 Rm	30 September 2020 Rm	31 March 2021 Rm
Southern Africa portfolio			
Administrative costs			
Administrative expenses as per IFRS income statement	85	84	154
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	815	690	1 501
Utility and operating recoveries per IFRS income statement	312	278	598
Gross rental income	1 127	968	2 099
SA REIT administrative cost-to-income ratio (%)	7.5	8.7	7.3

	30 September 2021 Rm	30 September 2020 Rm	31 March 2021 Rm
Spain portfolio			
Administrative costs			
Administrative expenses as per IFRS income statement	67	70	132
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	489	307	740
Utility and operating recoveries per IFRS income statement	126	145	278
Gross rental income	615	452	1 018
SA REIT administrative cost-to-income ratio (%)	10.9	15.5	13.0

SA REIT GLA VACANCY – SOUTHERN AFRICA

	30 September 2021 m²	30 September 2020 m ²	31 March 2021 m ²
GLA of vacant space	32 908	34 704	38 123
GLA of total property portfolio	917 613	1 010 662	958 001
SA REIT GLA vacancy rate (%)	3.6	3.4	4.0

SA REIT GLA VACANCY – SPAIN

	30 September 2021 m²	30 September 2020 m ²	31 March 2021 m ²
GLA of vacant space	10 223	5 286	6 186
GLA of total property portfolio	350 271	328 501	329 118
SA REIT GLA vacancy rate (%)	2.9	1.6	1.9

SA REIT COST OF DEBT

30 September 2021	ZAR %	EUR %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	5.6	0.5
Fixed interest rate borrowings		
Weighted average fixed rate	—	1.2
Pre-adjusted weighted average cost of debt	5.6	1.7
Adjustments:		
Impact of interest rate derivatives	1.5	0.2
Amortised transaction costs imputed into the effective interest rate	0.1	0.4
SA REIT all-in weighted average cost of debt	7.2	2.3

SA REIT RATIOS continued

for the six months ended 30 September 2021

	ZAR %	EUR %
30 September 2020		
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	5.3	0.8
Fixed interest rate borrowings		
Weighted average fixed rate	—	0.9
Pre-adjusted weighted average cost of debt	5.3	1.7
Adjustments:		
Impact of interest rate derivatives	2.6	0.2
Amortised transaction costs imputed into the effective interest rate	0.3	0.2
SA REIT all-in weighted average cost of debt	8.2	2.1

	ZAR %	EUR %
31 March 2021		
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	5.6	0.8
Fixed interest rate borrowings		
Weighted average fixed rate	—	0.9
Pre-adjusted weighted average cost of debt	5.6	1.7
Adjustments:		
Impact of interest rate derivatives	2.6	0.2
Amortised transaction costs imputed into the effective interest rate	0.1	0.4
SA REIT all-in weighted average cost of debt	8.3	2.3

Excludes impact of CCIRS.

SA REIT LTV

	30 September 2021 Rm	30 September 2020 Rm	31 March 2021 Rm
Gross debt	15 594	17 019	15 404
Less:			
Cash and cash equivalents	(1 254)	(1 354)	(987)
Cash and cash equivalents balance sheet	(1 254)	(1 354)	(1 003)
Less restricted cash	—	—	16
Add/less:			
Net derivative financial instruments liability/(asset)	113	1 051	365
Forward exchange contracts	(129)	27	(212)
CCIRS	80	718	337
Interest rate swaps	162	306	240
Net debt	14 453	16 716	14 782
Total assets – per statement of financial position	36 057	38 131	35 992
Less:			
Cash and cash equivalents	(1 254)	(1 354)	(1 003)
Derivative financial assets:	(184)	(13)	(214)
Forward exchange contracts	(181)	(3)	(212)
Interest rate swaps	(3)	(10)	(2)
Goodwill and intangible assets	(2)	(4)	(3)
Trade and other receivables	(485)	(395)	(391)
Carrying amount of property-related assets	34 132	36 365	34 381
SA REIT LTV %	42.3	46.0	43.0

