



VUKILE

PROPERTY FUND

REAL ESTATE. REAL GROWTH.

**CONSOLIDATED FINANCIAL
STATEMENTS OF
VUKILE PROPERTY FUND LIMITED
(THE COMPANY) AND ITS SUBSIDIARIES
(TOGETHER THE GROUP)
AS AT 31 MARCH 2021
(THE CONSOLIDATED FINANCIAL
STATEMENTS)**



CONSOLIDATED FINANCIAL STATEMENTS

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CORPORATE PROFILE

Vukile Property Fund Limited (Vukile, the company or the group) is a high-quality, low-risk and retail-focused Real Estate Investment Trust (REIT), which listed on the JSE Limited on 24 June 2004 (JSE code: VKE) and on the Namibian Stock Exchange (NSX) on 11 July 2007 (NSX code: VKN).

Vukile's market capitalisation was R8.2 billion on 31 March 2021 and its direct property portfolio was valued at R32.8 billion at year-end.

There were 956 226 628 shares in issue at year-end.



DIRECTORS' responsibility statement

The audited consolidated financial statements for the year ended 31 March 2021, set out on pages 16 to 85 of these consolidated financial statements and the directors' report on pages 8 to 11, are the responsibility of the directors. The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for the safeguarding of assets, and for developing and maintaining a system of internal controls that, among other things, will ensure the preparation of financial statements that achieve fair presentation.

The directors of the company are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing integrated annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission.

After conducting appropriate procedures, the directors are satisfied that the group will be a going concern for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements. The annual financial statements were approved by the directors and are signed on their behalf by:



Nigel Payne
Chairman



Laurence Rapp
Chief Executive

Houghton Estate

9 June 2021

COMPANY SECRETARY'S certification

Declaration by the Company Secretary in respect of section 88(2)(e) of the Companies Act, 71 of 2008, as amended (Companies Act)

I declare that, to the best of my knowledge, the company has lodged with the Companies and Intellectual Property Commission all such returns as required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Johann Neethling
Group Company Secretary

Houghton Estate

9 June 2021

The annual financial statements have been audited by PricewaterhouseCoopers Inc. (PWC), in compliance with the applicable requirements of the Companies Act of South Africa, 2008 and the Johannesburg Stock Exchange Listings Requirements. The annual financial statements were compiled under the supervision of Laurence Cohen CA(SA), the Chief Financial Officer (CFO) of the company.

CEO AND CFO sign-off

The directors, whose names are stated below, hereby confirm that:

- the consolidated financial statements set out on pages 16 to 85, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the consolidated financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principles of the King Code*. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls, and any fraud that involves directors, and have taken the necessary remedial action.



Laurence Rapp
Chief Executive Officer

Houghton Estate

9 June 2021



Laurence Cohen
Chief Financial Officer

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INDEPENDENT auditor’s report

To the Shareholders of Vukile Property Fund Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Vukile Property Fund Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Vukile Property Fund Limited’s consolidated financial statements set out on pages 16 to 85 comprise:

- > the consolidated statement of financial position as at 31 March 2021;
- > the consolidated statement of profit or loss for the year then ended;
- > the consolidated statement of comprehensive income for the year then ended;
- > the consolidated statement of changes in equity for the year then ended;
- > the consolidated statement of cash flow for the year then ended; and
- > the notes to the financial statements, which include a summary of significant accounting policies.

Certain required disclosures have been presented elsewhere in the document titled “Consolidated financial statements of Vukile Property Fund Limited (the company) and its subsidiaries (together the group) as at 31 March 2021”, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors’ *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach

Overview

	<p>Overall group materiality</p> <p>Overall group materiality: R189.2 million, which represents 1% of consolidated net assets.</p>
	<p>Group audit scope</p> <p>The group consists of three components (including the company), that directly or indirectly own the group’s 78 properties.</p> <ul style="list-style-type: none"> > Full scope audits were performed at all three components.
	<p>Key audit matters</p> <p>Valuation of investment property.</p>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

INDEPENDENT auditor's report continued

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R189.2 million
How we determined it	1% of consolidated net assets.
Rationale for the materiality benchmark applied	<p>We chose consolidated net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users.</p> <p>Although the entity is profit-orientated, its strategic focus is to deliver long-term shareholder returns through the acquisition and development of investment property. As a Real Estate Investment Trust (REIT), the users are likely to be more concerned with the net assets underlying the group, rather than its profitability. In addition, the loan to value ratio (value of loans compared to the value of assets) is a key metric used to monitor position of the group.</p> <p>We chose 1% which is consistent with quantitative materiality thresholds used for entities in this sector.</p>

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The group owns 78 properties throughout South Africa, Namibia and Spain, which are managed via the three components, Vukile Property Fund Limited, Castellana Properties SOCIMI SA and Clidet No 1011 (Pty) Limited. Full scope audits were performed on all three components. The South African and Namibian operations were audited by the group engagement team, while the Spanish operations were audited by a component audit team.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, and component auditors from other PwC network firms operating under our instruction.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

INDEPENDENT auditor's report continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Valuation of investment property</p> <p>Refer to notes 3 and 21.4 to the consolidated financial statements for disclosures on investment property.</p> <p>The majority of the Group's investment property comprises retail investment properties.</p> <p>The measurement of fair value of investment properties is dependent on the valuation techniques applied and the inputs into the valuation model. The Group has applied the discounted cash flow method which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields.</p> <p>In the current year, external property valuers were engaged by management to value the Spanish portfolio. Internal valuations were performed by management on the Southern African portfolio. Management further engaged external property valuers to value 54% of the Southern African portfolio to test the robustness of their internal valuation.</p> <p>Inputs into the valuation model include estimated rental income streams, operating costs, discount rates and the capitalisation rate. The estimated rental stream takes into account current occupation levels, estimated future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the buildings.</p> <p>The most significant assumptions used in determining the fair values are the:</p> <ul style="list-style-type: none"> > reversionary capitalisation rates; and > discount rates applied by management. <p>We considered the valuation of investment properties as a matter of most significance to our current year audit due to:</p> <ul style="list-style-type: none"> > the judgements required in determining the fair values; and > the magnitude of the investment property balances at year-end. 	<p>We obtained the valuation reports prepared by management as at 31 March 2021 for the Southern African portfolio, as well as the valuation reports obtained by management from the external property valuers for the Spanish portfolio and 54% of the Southern African portfolio.</p> <p>For the Southern African portfolio, we obtained an understanding of and tested the relevant controls over the internal valuations including:</p> <ul style="list-style-type: none"> > Entering into and amending of lease contracts underlying contractual rental income; > Setting and approval of estimated rental streams, operating costs, discount rates and the capitalisation rates; > Comparison of external valuation results to management's internal valuations; and > Board approval of the valuations obtained. <p>We evaluated the objectivity, independence and expertise of the external valuers by inspecting their valuation reports for a statement of independence and compliance with generally accepted valuation standards. No exceptions were noted.</p> <p>For a sample of properties, we independently tested the calculation of the fair values in the management and external valuers' valuation reports by performing the following procedures, with no material exceptions noted:</p> <ul style="list-style-type: none"> > Utilised our internal valuation expertise to assess the appropriateness of the valuation methodology and noted it to be consistent with industry norms; > Assessed the reasonableness of the inputs, including the reversionary capitalisation rate and the discount rate applied by management against market-related data for similar investment properties; > Making use of our internal valuation expertise, we performed a high-level reasonability assessment on a risk based sample of properties based on industry benchmarks referred to above, and noted them to be within an acceptable range; > Independently recalculated the accuracy of the management valuations; > Inspected the final valuation reports and agreed the fair value to the Group's accounting records; and > Assessed the disclosures in the financial statements, which include the sensitivity analysis, using our understanding obtained from our testing.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Consolidated financial statements of Vukile Property Fund Limited (the company) and its subsidiaries (together the group) as at 31 March 2021" and the document titled "Vukile Property Fund Limited company annual financial statements for the year ended 31 March 2021", which include the Directors' Report, the Audit and Risk Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Vukile Property Fund integrated annual report 2021", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

INDEPENDENT auditor's report continued

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT auditor's report continued

- > Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- > Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

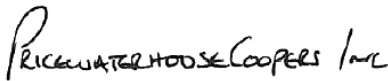
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Vukile Property Fund Limited for 3 years.



PricewaterhouseCoopers Inc.

Director: Andrew Taylor
Registered Auditor

Johannesburg, South Africa
9 June 2021

DIRECTORS' report

The directors have pleasure in submitting the 17th directors' report, which forms part of the annual financial statements of the group for the year ended 31 March 2021.

Vukile was listed on 24 June 2004 with a market capitalisation of approximately R1.03 billion. The market capitalisation of the company as at 31 March 2021 was R8.2 billion (31 March 2020: R6.8 billion).

SUMMARY OF FINANCIAL PERFORMANCE AND DIVIDENDS

The information presented for the year ended 31 March 2021 has been prepared in accordance with IFRS and the group's accounting policies. The presentation of the results also complies with the relevant section of the Companies Act and the JSE Listings Requirements. The annual financial statements have been audited by PwC.

The board declared a final dividend for the year ended 31 March 2021 of 101.04 cents per share on 9 June 2021. No interim dividend was declared of the six months ended 30 September 2020. The company's use of dividend per share as a relevant measure for results for trading statement purposes remains unchanged from prior periods.

NATURE OF BUSINESS

Vukile is a property holding and investment company, and invests in the direct and indirect ownership of investment property in Southern Africa and Spain. The group holds a portfolio of direct property assets as well as strategic shareholdings in listed Real Estate Investment Trusts (REIT). The company is listed on the JSE and the NSX in Namibia under the retail REITs sector.

CAPITAL STRUCTURE

The authorised share capital comprises 1 500 000 000 ordinary shares with no par value. There were 956 226 628 shares in issue at 31 March 2021. The company did not issue any shares during the year under review. The group has no unlisted securities in issue.

MANAGEMENT AND ADMINISTRATION

The management of Vukile is responsible for the property asset management functions of the group.

Vukile has contracted the following property managers to undertake the day-to-day property management of the group's Southern African property portfolio:

- > JHI Properties (Pty) Ltd;
- > Broll Property Group (Pty) Ltd;
- > McCormick Property Development (Pty) Ltd;
- > Spire Property Management (Pty) Ltd; and
- > Trafalgar Property Management (Pty) Ltd.

Property asset management and property management of the Spanish portfolio are internalised.

DIRECTORS

Details of the directors, providing their full names, ages, qualifications and a brief curriculum vitae, are set out in the ESG report of the integrated annual report.

DIRECTORS' report continued

In terms of the Memorandum of incorporation of the company, one-third of the non-executive and executive directors are required to retire annually by rotation. Any new directors who have been appointed during the year are also required to retire at the next annual general meeting (AGM). All retiring directors will subsequently be eligible for re-election. The composition of the board of directors and its sub-committees is detailed below:

Board of directors

Composition of board	Date of appointment	Audit and risk committee	Social, ethics and human resources committee	Nominations committee	Property and investment committee
Independent non-executive directors					
NG Payne (Chairman)	20 March 2012		Member	Chairman	
SF Booyesen	20 March 2012	Member	Chairman	Member	
RD Mokate	11 December 2013	Member	Member	Member	
PS Moyanga	17 May 2004				Member
B Ngonyama	12 February 2018	Chairman			
H Ntene	25 October 2013				Member
HM Serebro	17 May 2004				Chairman
Non-executive director					
GS Moseneke	1 August 2013				Member
Executive directors					
LG Rapp (CEO)	1 August 2011				Member
LR Cohen (CFO)	1 July 2020				
IU Mothibeli	1 July 2020				Member

DIRECTORS' INTERESTS IN MATERIAL CONTRACTS

During the year under review, the directors had no interest in material contracts or transactions, other than those directors involved in the operation of the company as set out in this report. There have been no bankruptcies or voluntary arrangements of the abovementioned persons.

The directors have not been the subject of public criticism by statutory or regulatory authorities (including professional bodies) and have not been disqualified by a court from acting as directors of a company or from acting in the management or conduct of the affairs of any company. There have been no offences involving dishonesty by the directors.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The executive directors do not have fixed-term contracts with the company. A three and six-month notice period is required of the executive directors and the CEO respectively for the termination of services. Details of remuneration and incentive bonuses are set out in the following tables:

DIRECTORS' EMOLUMENTS (AUDITED)

Non-executive directors' remuneration

Rand	Directors' fees	2021 Total remuneration	2020 Total remuneration
SF Booyesen	803 351	803 351	641 750
RD Mokate	844 326	844 326	695 750
GS Moseneke	162 167	162 167	
PS Moyanga	526 288	526 288	449 250
B Ngonyama	762 852	762 852	631 750
H Ntene	526 288	526 288	449 250
NG Payne (Chairman of the board)	871 376	871 376	760 000
HM Serebro	642 613	642 613	561 750
Total	5 139 261	5 139 261	4 189 500

DIRECTORS' report continued

Executive directors' remuneration

Rand	Salary ⁽²⁾	Short-term bonus	Distribution equivalents ⁽¹⁾	Value of LTI scheme vested	2021 Total remuneration	2020 Total remuneration
Executive directors						
LG Rapp	5 000 116	4 745 000	1 160 736	3 100 082	14 005 934	21 466 565
LR Cohen ⁽⁴⁾	3 592 946	2 830 000	261 607	—	6 684 553	3 750 043
IU Mothibeli	2 466 007	1 850 000	209 116	491 832	5 016 955	5 165 438
GS Moseneke ⁽³⁾	859 761	850 000	—	1 030 234	2 739 995	6 026 919
Total	11 918 830	10 275 000	1 631 459	4 622 148	28 447 438	36 408 965

⁽¹⁾ Amount earned in respect of dividends paid as a bonus in respect of the Conditional share plan (CSP).

⁽²⁾ Includes pension fund and life cover contributions, where applicable.

⁽³⁾ Changed designation from executive director to non-executive director on 1 September 2020

⁽⁴⁾ Appointed 1 July 2019

Directors' interests in shares

Shares ⁽²⁾	Direct beneficial	Indirect beneficial	2021 Total
Executive directors			
LG Rapp ⁽¹⁾	823 505	4 191 611	5 015 116
LR Cohen	—	2 492 123	2 492 123
IU Mothibeli	41 479	1 696 671	1 738 150
Non-executive directors			
GS Moseneke	1 338	13 074 194	13 075 532
PS Moyanga	100 000	—	100 000
Total	966 322	21 454 599	22 420 921

⁽¹⁾ Direct holdings of 562 055 shares and indirect holdings of 185 000 shares are subject to a zero-cost collar hedge with a put strike price of R15.80 and a call strike price of R24.50 expiring on 21 February 2022 and 28 February 2022 respectively.

⁽²⁾ There have been no changes in the number of shares held under this scheme between 1 April 2021 and 9 June 2021.

Movement of directors' interests in shares

Shares	Held at 1 April 2020	Acquired during the period	Disposed of during the period	Held at 31 March 2021
Executive directors				
LG Rapp	4 753 666	430 567	(169 117)	5 015 116
LR Cohen	2 492 123	—	—	2 492 123
IU Mothibeli	1 696 671	68 310	(26 831)	1 738 150
Non-executive directors				
GS Moseneke	13 084 225	157 985	(166 678)	13 075 532
PS Moyanga	—	100 000	—	100 000
Total	22 026 685	756 862	(362 626)	22 420 921

DIRECTORS' report continued

Directors' share incentive schemes

Loans extended to directors under the Share Purchase Plan (SPP)

Loans to directors under the provisions of Vukile's SPP, including shares ceded and pledged as security for these loans are set out below:

Vukile shares	Loan balance at 31 March 2020	Loan balance at 31 March 2021	Market value at 31 March 2021 R	Number of shares held under SPP
LG Rapp	75 523 530	77 692 785	34 657 185	4 006 611
LR Cohen	49 307 763	50 402 540	21 556 864	2 492 123
IU Mothibeli	32 561 217	33 358 779	14 676 204	1 696 671
GS Moseneke	27 894 019	28 603 330	12 781 846	1 477 670
Total	185 286 529	190 057 434	83 672 099	9 673 075

All shares in the table above are held by special purpose vehicles controlled by the directors and/or their associates.

The total loans awarded to date, as well as the shares that have been ceded and pledged as security for the repayment of the loan, are set out in note 11 of the annual financial statements.

There were no changes in the number of shares held under the scheme between 1 April 2021 or 9 June 2021.

Shares allocated under the CSP

Overall limit of the CSP	3.0% of issued capital
Total number of shares acquired under the CSP as at 31 March 2021	6 618 224 shares
Percentage utilisation of the CSP as at 31 March 2021	0.69% of issued capital
Total number of shares acquired under the scheme during 2021	3 215 266 shares
Percentage utilisation of the CSP during 2021	0.34% of issued capital

A detailed breakdown of directors exposure to the CSP is set out in the remuneration report, under LTIs outstanding and settled during 2021.

AUDIT and risk committee report

The summary below reflects the activities undertaken by the Vukile audit and risk committee (ARC) during the year in terms of its terms of reference and in support of the board. The key activities and relevant outcomes are as follows:

KEY ACTIVITIES	OUTCOME
Engagement with the group's external auditors	<ul style="list-style-type: none"> > Nominated and recommended to shareholders the appointment of the PwC as external auditor of Vukile, after considering and concluding that they are independent. > Determined the fees to be paid to the outgoing external auditor. > Ensured that the appointment of the auditor complies with the Companies Act, the applicable JSE Listings Requirements and any other legislation relating to the appointment of the auditor. > Pre-approved any proposed agreement with the auditor for the provision of non-audit services to the group which is of a material nature as provided for in the group's non-audit services policy. > Prepared this report in compliance with section 94(7)(f) of the Companies Act, which report has been included in the annual financial statements by reference.
Internal financial controls, internal audit and combined assurance	<ul style="list-style-type: none"> > Considered and confirmed its satisfaction with the effectiveness of the outsourced internal audit function. > Assessed internal financial controls and concluded that no material breakdowns in the functioning of the internal financial controls were noted during the year under review. The results of the audit tests conducted indicate that the internal financial controls provided a sound basis for the preparation of financial statements. > Ensured that a comprehensive combined assurance model was applied to the group's key risks to ensure a coordinated approach to all assurance activities. > Monitored the implementation of the internal audit coverage plan as approved by the ARC. > Received and reviewed the annual representation letters from the outsourced property managers of the group, citing no material control breakdowns.
Oversight of risk management	<ul style="list-style-type: none"> > Reviewed and considered the activities and reports presented to the ARC. > Considered and monitored the key financial, information technology (IT), operational and strategic risks facing the group and the various mitigating controls thereof. > Oversaw compliance with the risk management requirements in accordance with the JSE Listings Requirements in respect of REITs. > Reviewed and approved the specific risk management practices related to the use of various derivatives instruments within the business.
Integrated reporting and assurance in respect of financial expertise of the Financial Director and finance function	<ul style="list-style-type: none"> > Reviewed and recommended the group's integrated annual report and annual financial statements for approval by the board. > Confirmed the expertise and experience of the Financial Director and the group's finance function.
Compliance with Companies Act requirements and JSE Listings Requirements	<ul style="list-style-type: none"> > The ARC stands ready to receive and deal with any concerns or complaints relating to the accounting practices or the content or auditing of the group annual financial statements. > Made submissions to the board on matters concerning the group's accounting policies, financial controls, records and reporting. > The ARC confirms that the REIT risk management policy has been complied with, in all material respects, as further disclosed in the governance review included in the integrated annual report. > Considered the JSE Proactive Monitoring Report and its impact on the annual financial statements.

AUDIT and risk committee report continued

TERMS OF REFERENCE

The ARC has adopted formal terms of reference which have been approved by the board of directors. The terms of reference are reviewed as necessary. The ARC has conducted its affairs in compliance with these terms of reference and has discharged its responsibilities contained therein, as well as in the Companies Act.

MEMBERSHIP, MEETING ATTENDANCE AND EVALUATION

The ARC consists of three non-executive directors, all of whom are independent. At 31 March 2021, the ARC comprised the following members:

DIRECTOR	PERIOD SERVED
B Ngonyama (Chairman)	12 September 2018 to date
SF Booysen	20 March 2012 to date
RD Mokate	1 July 2015 to date

The curricula vitae of the members of the ARC are set out in the ESG report of the integrated annual report. The CEO, the CFO, other members of senior management and representatives from the external and internal auditors attend ARC meetings by invitation only. The internal and external auditors have unrestricted access to the Chairman and other members of the ARC. The Company Secretary is the secretary of the ARC.

In accordance with the terms of reference, the ARC meets at least four times annually, but more often if needed. Details of the ARC meeting attendance are set out in the governance review of the integrated annual report. The overall average attendance for the ARC meetings held during the year was 100%.

ROLES AND RESPONSIBILITIES

The ARC has an independent role with accountability to both the board and our shareholders. The ARC does not assume the functions of management, which remain the responsibility of the executive directors, officers and other senior members of management.

The ARC is responsible for assisting the board in discharging its duties in respect of the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of the group annual financial statements in line with the relevant financial reporting standards as applicable from time to time. The execution of the ARC's responsibilities, which comprises both statutory duties and duties delegated by the board, is detailed more fully below.

EXTERNAL AUDITOR

In accordance with paragraphs 3.84(g)(iii) and 22.15(h) of the JSE Listings Requirements, the ARC has satisfied itself that the external auditor, PwC, is independent of the group, as required by the Companies Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the IRBA. Requisite assurance was sought and provided by both auditors that internal governance processes within the audit firm support and demonstrate its claim to independence.

The ARC has also satisfied itself with the quality of the external audit work being performed by PwC in respect of the financial year-end under review.

There is a formal procedure that governs the process whereby the external auditor is considered for non-audit services. The ARC approved the terms of the service agreement for the provision of non-audit services by the external auditor and approved the nature and extent of non-audit services that the external auditor provided in terms of the agreed pre-approval policy. For the year under review, non-audit service fees paid to PwC were immaterial relative to the audit fees.

INTERNAL FINANCIAL CONTROLS

The key internal financial controls in operation for all significant business operations within the group have been formalised and are maintained and updated by management when required. The board has approved a delegation of authority to ensure good governance and an appropriate level of oversight.

Based on the results of the various reports submitted by Ernst & Young (EY) (the outsourced internal audit service provider), representations received from outsourced property managers and explanations given by management, the ARC is satisfied with the control environment with no material breakdowns noted in the functioning of the internal financial controls during the year under review.

EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND THE FINANCE FUNCTION

The ARC has considered and is satisfied with the expertise and experience of Laurence Cohen, the CFO who performs the duties of the company's Financial Director.

In addition, the ARC has considered, and has satisfied itself with the appropriateness of the expertise and adequacy of resources of the group's finance function and experience of the senior members of management responsible for the group's finance function.

AUDIT and risk committee report continued

ANNUAL FINANCIAL STATEMENTS

The ARC assists the board with all financial reporting and reviews the annual financial statements, as well as results announcements and interim financial information.

The ARC has reviewed the annual financial statements, results announcements and interim financial information of the group and is satisfied that they comply with IFRS.

The following significant matters were considered by the ARC in relation to the annual financial statements for the year ended 31 March 2021:

- > The property valuations as at 31 March 2021 for the Southern African portfolio;
- > The property valuations as at 31 March 2021 for the Spanish portfolio; and
- > Valuation of the listed property securities as at 31 March 2021.

The ARC was satisfied with adequate accounting treatment of the matters listed above.

GOING CONCERN

The ARC reviewed a documented assessment by management of the going concern premise of the group before recommending to the board that the group is a going concern and will remain so for the foreseeable future.

INTEGRATED REPORTING

The ARC fulfils an oversight role regarding the group's integrated annual report and the reporting process, including the system of internal financial controls. The ARC is satisfied that the information, as presented in the integrated annual report 2021, is reliable, consistent and fairly presented.

TAX AND TREASURY OVERSIGHT

The ARC receives regular feedback on both tax compliance and tax risk matters of the group from management. The ARC is satisfied that the group faces no material tax risks or that a material non-compliance event has occurred.

In respect of the treasury function, the ARC receives regular feedback on the group debt and interest rate hedge position, as well as the group foreign exchange rate position. The ARC is satisfied that treasury risks are adequately managed within the parameters of the group's hedging policies and in line with the risk management requirements in accordance with the JSE Listings Requirements in respect of REITs.

INTERNAL AUDIT

The ARC is responsible for overseeing the internal audit and has considered and approved the annual risk-based internal audit plan.

During the year under review, internal audit was outsourced to EY, who was appointed in the place of Deloitte during the year. EY is tasked with providing assurance on the adequacy of the internal control environment across all of the group's significant operations. The internal audit plan follows a three-year cycle and is revised regularly in accordance with the risk profiles as discussed and tabled at the ARC meetings with any changes to the internal audit plan being approved by the ARC.

Each internal audit conducted is followed up by a detailed report to management, including recommendations on aspects requiring improvement. The Engagement Partner is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the ARC at each meeting. The Engagement Partner has direct access to the ARC, primarily through its Chairman, and attends ARC meetings by invitation.

COMBINED ASSURANCE

Vukile applies a combined assurance approach to the group's key risks to validate the effectiveness of controls related to risk responses and mitigation activities and thereby corroborates management's self-assessment of the effectiveness of existing risk responses. This provides the board with a corroborated evaluation of the risk responses and mitigation controls through a combination of the following five lines of assurance:

1. Line functions of the outsourced property managers and the group that own and manage risks – first line of assurance;
2. Specialist functions that facilitate and oversee risk management and compliance (risk and compliance function) – second line of assurance;
3. Internal assurance providers (internal audit) – third line of assurance;
4. Independent external assurance providers (external audit and external property valuers) – fourth line of assurance; and
5. Board and committees – fifth line of assurance.

AUDIT and risk committee report continued

RISK GOVERNANCE

Oversight of the group's risk management function has been assigned to the ARC.

The ARC assists the board to fulfil its responsibilities with regard to risk management, including:

- > Reviewing the effectiveness of the risk management arrangements;
- > Ensuring that a risk management plan is developed and progress against it is monitored;
- > Reviewing the group risk register and the key risks emanating from group functional risk registers including any mitigating actions and emerging risks;
- > Reviewing the reports on incidents, losses and claims; and
- > Ensuring that a combined assurance plan is developed and executed.

The board of directors is responsible for the governance of risk across the group, for setting the risk appetite and for monitoring the effectiveness of our risk management processes.

The group's integrated risk management model considers strategic, operational, financial and compliance risks. Reputational risks and uncertain risks, which are inherent to our business and to the real estate industry in general, are also identified, monitored, recorded and appropriately managed.

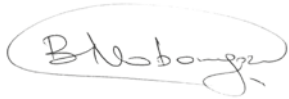
Feedback from the Castellana ARC is provided at each Vukile ARC meeting.

IT GOVERNANCE

The ARC periodically reviews the group's maturity in respect of IT governance by considering reports from the group IT and assurance as provided by the internal audit function in accordance with the approved internal audit plan.

The governance and management of IT are based on an operating model where Vukile's businesses in Southern Africa and Spain are responsible for the implementation, management and operation of IT considered appropriate to enable those businesses and functional departments.

The ARC is satisfied that it has complied with its statutory responsibilities and the responsibilities assigned to it by the board.



Babalwa Ngonyama
Chairman of the ARC

Houghton Estate

9 June 2021

CONSOLIDATED STATEMENT of financial position

as at 31 March 2021

Group	Note	31 March 2021 Rm	31 March 2020 Rm
ASSETS			
Non-current assets		33 989	38 182
Investment property	3, 4	32 073	35 317
Straight-line rental income accrual	4	341	419
Financial assets at fair value through profit or loss	5,11	340	264
Investment in associate at fair value	6	538	338
Investment in associate (equity accounted)	7	16	1 518
Investment in joint venture (equity accounted)	8	55	—
Derivative financial instruments	22	168	29
Long-term loans granted	12	254	260
Deferred taxation assets	13	3	7
Other non-current assets	10	201	30
Current assets		2 003	1 874
Trade and other receivables	14	391	314
Derivative financial instruments	22	47	1
Cash and cash equivalents	25.5	1 003	1 559
Non-current assets held for sale	40	562	—
Total assets		35 992	40 056
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent		17 361	17 542
Stated capital	15	12 838	12 838
Other components of equity	16	3 153	3 988
Retained earnings		1 370	716
Non-controlling interest	17	1 559	1 957
Non-current liabilities		13 356	17 324
Interest-bearing borrowings	18	12 622	15 958
Lease liability	19	201	196
Derivative financial instruments	22	279	1 159
Deferred taxation liabilities	13	23	11
Other non-current liabilities	10	231	—
Current liabilities		3 716	3 233
Trade and other payables	20	585	852
Short-term portion of interest-bearing borrowings	18	2 604	2 291
Short-term portion of lease liability	19	19	18
Derivative financial instruments	22	501	64
Current taxation liabilities	33	4	6
Shareholders for dividends		3	2
Total equity and liabilities		35 992	40 056

CONSOLIDATED STATEMENT of profit or loss

for the year ended 31 March 2021

Group	Note	31 March 2021 Rm	31 March 2020 Rm
Property revenue	26	3 117	3 446
Straight-line rental income accrual	4	(67)	55
Gross property revenue		3 050	3 501
Property expenses	27	(1 203)	(1 144)
Expected credit loss (ECL): tenant receivables	27	(51)	15
Net profit from property operations		1 796	2 372
Corporate and administrative expenses	28, 29	(286)	(279)
Investment and other income	30	85	177
Finance income	30	37	60
Net interest from cross-currency interest rate swaps	23.3	196	185
Fair value movement on non-designated portion of CCIRS	23.3	(32)	113
Profit before finance costs		1 796	2 628
Finance costs	31	(707)	(615)
Profit after finance costs		1 089	2 013
Profit/(loss) on sale of investment property		2	(9)
Loss on sale of equity-accounted associate	7	(32)	—
Fair value gain/(loss) on listed property securities	5, 6	303	(713)
Fair value movement on other financial instruments	11, 22	(70)	(31)
Impairments	12	(13)	(30)
Foreign exchange gain/(loss) on GBP loans	32	9	(65)
Profit before changes in fair value of investment property		1 288	1 165
Fair value adjustments:		(847)	(1 291)
Gross change in fair value of investment property	3	(920)	(1 243)
Change in fair value of right-of-use asset	3	6	7
Straight-line rental income adjustment	4	67	(55)
Profit/(loss) before equity-accounted investment		441	(126)
Share of income from associate	7	18	127
Share of loss from joint venture	8	(1)	—
Profit before taxation		458	1
Taxation	33	(40)	(40)
Profit/(loss) for the year		418	(39)
Attributable to owners of the parent		584	(103)
Attributable to non-controlling interest	17	(166)	64
Basic and diluted earnings per share (cents)	41	61.04	(10.81)

CONSOLIDATED STATEMENT of comprehensive income

for the year ended 31 March 2021

	Note	31 March 2021 Rm	31 March 2020 Rm
Profit/(loss) for the period		418	(39)
Other comprehensive income (OCI) net of tax			
Items that will be reclassified to profit or loss:			
Foreign currency translation reserve		(61)	458
Associate		(17)	181
Joint venture	8	(4)	—
Subsidiary		(40)	277
Cash flow hedges	22	(96)	(22)
Items that have been reclassified to profit or loss:			
Realisation of OCI on disposal of equity-accounted associate	7	(328)	—
Other comprehensive (loss)/profit for the period		(485)	436
Total comprehensive (loss)/ income for the year		(67)	397
Attributable to owners of the parent		238	8
Attributable to non-controlling interest	17	(305)	389

CONSOLIDATED STATEMENT of changes in equity

for the year ended 31 March 2021

Rm	Stated capital	Other components of equity ¹	Retained earnings	Shareholders' interest Total	Non-controlling interest (NCI)	Total
Balance at 31 March 2019	12 142	5 889	625	18 656	2 300	20 956
Issue of share capital	696	—	—	696	(614)	82
Dividend distribution	—	—	(1 762)	(1 762)	(107)	(1 869)
	12 838	5 889	(1 137)	17 590	1 579	19 169
Profit for the year	—	—	(103)	(103)	64	(39)
Transfer to non-distributable reserve	—	(1 956)	1 956	—	—	—
Share issue expenses of a subsidiary	—	—	—	—	(1)	(1)
Change in ownership of subsidiary recognised in equity	—	(105)	—	(105)	(13)	(118)
Equity-settled share scheme	—	49	—	49	3	52
Other comprehensive gain	—	111	—	111	325	436
Balance at 31 March 2020	12 838	3 988	716	17 542	1 957	19 499
Dividend distribution	—	—	(461)	(461)	(95)	(556)
	12 838	3 988	255	17 081	1 862	18 943
Profit for the year	—	—	584	584	(166)	418
Transfer to non-distributable reserve	—	(531)	531	—	—	—
Transactions with NCI	—	—	—	—	(3)	(3)
Change in ownership of subsidiary recognised in equity	—	(3)	—	(3)	3	—
Equity-settled share scheme	—	45	—	45	2	47
Other comprehensive loss	—	(346)	—	(346)	(139)	(485)
Balance at 31 March 2021	12 838	3 153	1 370	17 361	1 559	18 920

Note (1): Refer to note 16 Other components of equity for more information.

CONSOLIDATED STATEMENT of cash flow

for the year ended 31 March 2021

	Note	2021 Rm	2020 Rm
Cash flow from operating activities		1 178	2 417
Profit before taxation		458	1
Adjustments	25.1	1 034	2 256
Net changes in working capital	25.2	(288)	186
Taxation paid	25.3	(26)	(26)
Cash flow from investing activities		930	(2 359)
Disposal of investment in equity-accounted associate	7	1 103	—
Acquisition of investment property		(665)	(2 920)
Proceeds on sale of investment property		211	56
Cash flow from cross-currency interest rate swaps		196	185
Investment and other income	30	127	237
Dividends received from associate	7	54	102
Acquisition of office building, furniture, fittings, computer equipment and intangible assets	10	(48)	(7)
Proceeds on sale of listed securities		40	—
Acquisition of investment in associate		(17)	—
Acquisition of investment in joint venture		(60)	—
Movement in other non-current assets		(11)	(12)
Cash flow from financing activities		(2 739)	247
Interest-bearing borrowings advanced	18	2 647	3 102
Interest-bearing borrowings repaid	18	(4 173)	(448)
Finance costs paid		(591)	(570)
Dividends paid	25.4	(556)	(1 867)
Acquisition of executive share scheme financial assets		(27)	(52)
Settlement of derivatives		(21)	21
Payment of lease liability (land leases)		(18)	(17)
Proceeds from issue of share capital		—	696
Further investment in subsidiary		—	(618)
Net (decrease)/increase in cash and cash equivalents		(631)	305
Foreign currency movement in cash		75	117
Cash and cash equivalents at the beginning of the year		1 559	1 137
Cash and cash equivalents at the end of the year	25.5	1 003	1 559

NOTES to the financial statements

for the year ended 31 March 2021

1 General accounting policies

The annual financial statements have been prepared on a going concern basis, in accordance with International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa, 2008, as amended.

1.1 Basis of preparation

The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment property and certain financial instruments at fair value and incorporate the principal accounting policies set out below and in the individual notes to the financial statements.

Except for the amendments adopted as set out below in point 1.2, all accounting policies applied by the group in the preparation of these 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 2020.

1.2 New standards and amendments

The group has adopted the following new standards or amendments to standards that were effective for the first time for the financial period commencing 1 April 2020:

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: Disclosures* relates to instances where 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 had no impact on the group. Amendments related to phase 2 result in a change to the effective date being financial periods beginning on or after 1 January 2020, which was amended to 1 January 2021.

1.2.2 The IASB published 'COVID-19-Related Rent Concessions (Amendment to IFRS 16)' amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Please refer to note 2 Judgements for COVID-19 impact on Vukile as a lessor.

These annual financial statements were compiled under the supervision of Laurence Cohen CA(SA), in his capacity as CFO of the group.

1.3 Revenue recognition

TYPES OF REVENUE	RECOGNITION
Operating lease income	Recognised as income on a straight-line basis over the lease term.
Revenue from leases with tenants: Municipal recoveries	Municipal recoveries are recognised over the period for which the services are rendered. The group acts as a principal on its own account when recovering operating costs, such as utilities, from tenants.
Contingent rents (turnover rental)	Included in revenue when the amounts can be reliably measured.
Dividends	Recognised when the group's right to receive payment is established.
Interest earned on cash invested with financial institutions	Recognised on an accrual basis using the effective interest method.

NOTES to the financial statements continued

for the year ended 31 March 2021

1 General accounting policies continued

1.4 Basis of consolidation

Control is achieved when the company:

- > has power over the investee;
- > is exposed or has a right to variable returns from its involvement with the investee; and
- > has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The group's annual financial statements include the financial statements of the company and its subsidiaries, including any entities over which the group has control. The operating results of the subsidiaries are included from the effective dates of acquisition up to the effective dates of disposal.

Intracompany balances and transactions are eliminated.

Profit or loss and OCI of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

1.5 Financial instruments

Classification and measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

The ECL model applies to financial assets measured at amortised cost, lease receivables, including municipal accruals, and debt investments at fair value through OCI, but not to investments in equity instruments measured at fair value.

At each reporting date, the group assesses whether financial assets carried at amortised cost (such as long-term loans granted detailed in note 12) have significantly increased in credit risk. The group considers a financial asset to be in default when:

- > the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or
- > the financial asset is more than 90 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive).

The group has elected to measure loss allowances for trade receivables (including lease receivables) at an amount equal to lifetime ECLs by making use of the simplified impairment model. When estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information based on the group's historical experience and includes forward-looking information.

NOTES to the financial statements continued

for the year ended 31 March 2021

1 General accounting policies continued

1.6 Impairment losses

At each reporting date, the carrying amounts of the tangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Value in use, included in the calculation of the recoverable amount, is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the recoverable amount. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for assets is adjusted to allocate the remaining carrying value, less any residual value, over the remaining useful life. Impairment losses are recognised in profit or loss.

If any impairment loss subsequently reverses, due to an indication that the impairment no longer exists and the recoverable amount increases as a result of a change in estimates used to determine the recoverable amount, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

1.7 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Except for foreign currency differences arising on a net investment in foreign operations, foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the group's presentation currency (Rand) at the reporting date. The income and expenses of foreign operations are translated to Rand at exchange rates at the dates of the transactions (an average rate per month is used). These foreign currency translations are included in OCI.

1.8 Non-current assets held for sale

The group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Additional disclosures are provided in note 40.

1.9 New and revised IFRS not yet adopted

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

All of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group financial statements is provided on the following pages. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group financial statements.

NOTES to the financial statements continued

for the year ended 31 March 2021

1 General accounting policies continued

1.9 New and revised IFRS not yet adopted continued

STANDARD	DETAILS OF AMENDMENTS	IMPACT ON THE FINANCIAL STATEMENTS
<p>IAS 1 – Presentation of Financial Statements:</p> <p>Amendments are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted</p>	<p>Deferral of the effective date of the January 2020 Classification of Liabilities as Current or Non-current (Amendments to IAS 1) by one year.</p>	<p>The amendment is not expected to have a material impact on the group.</p>
<p>IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors</p> <p>Amendments are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted.</p>	<p>In February 2021, the IASB issued the definition of accounting estimates, which amended IAS 8 – <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p> <p>The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities to distinguish between accounting policies and accounting estimates.</p>	<p>The amendment is not expected to have a material impact on the group.</p>
<p>IAS 16 – Property, Plant and Equipment</p> <p>Amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.</p>	<p>In May 2020, the International Accounting Standards Board issued Property, Plant and Equipment – Proceeds before Intended Use, which made amendments to IAS 16 – <i>Property, Plant and Equipment</i>. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.</p>	<p>The amendment is not expected to have a material impact the group.</p>
<p>IAS 37 – Provisions, Contingent Liabilities and Contingent Assets</p> <p>Amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.</p>	<p>The IASB published <i>Onerous Contracts – Cost of Fulfilling a Contract</i> (Amendments to IAS 37) amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.</p>	<p>The amendment is not expected to have a material impact on the group.</p>
<p>IFRS 1 – First-time Adoption of International Financial Reporting Standards:</p> <p>Amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.</p>	<p>The amendment to IFRS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.</p> <p>The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS.</p>	<p>The amendment will not impact the group.</p>
<p>Amendment to effective date of interest rate benchmark reform</p> <p>The amendments are effective for annual periods beginning on or after 1 January 2021</p>	<p>The IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.</p>	<p>The amendment is not expected to have a material impact the group.</p>
<p>IFRS 17 – Insurance Contracts</p> <p>defer the effective date of IFRS 17 – <i>Insurance Contracts</i> to annual periods beginning on or after 1 January 2023.</p>	<p>Deferral of the date of initial application of IFRS 17 by two years and a change the fixed expiry date for the temporary exemption in IFRS 4 – <i>Insurance Contracts</i> from applying IFRS 9 – <i>Financial Instruments</i>, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.</p>	<p>The amendment will not impact the group.</p>

NOTES to the financial statements continued

for the year ended 31 March 2021

2 Accounting estimates and judgements

Estimates and judgements are an integral part of financial reporting and, as such, have an impact on the amounts reported in the group's income, expenses, assets and liabilities.

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.

Information on the key estimations and uncertainties that have had the most significant effect on the amounts recognised in the financial statements are set out in the following notes in the financial statements:

- > Application of the following accounting policies, namely:
 - Taxation;
 - Financial instruments;
 - Revenue;
 - Impairment;
 - Furniture, fittings, computer equipment and intangible assets;
 - Borrowing costs; and
 - Share-based payments.
- > Investment property valuation – notes 3 and 21.
- > Investments – notes 5, 6, 7, 8 and 9.
- > Deferred taxation – note 13.
- > Trade and other receivables – note 14.
- > Executive share scheme financial asset – notes 11 and 21.

Given the uncertainties created by the COVID-19 pandemic, estimates and judgements were made by management in determining the fair values of investment property, expected credit losses relating to tenant receivables and loans to directors.

Investment property

The revaluation of investment property requires judgement in the determination of an appropriate discount rate and reversionary capitalisation rate. Management estimated future cash flows by taking into account the impact of rent concessions resulting from the COVID-19 pandemic. The discount rate and reversionary capitalisation rate was also adjusted to that effect. Note 21 sets out further details of the fair measurement of investment property.

Deferred tax and taxation

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date in the form of future cash flows using a suitable growth rate.

As the company has obtained REIT status effective 1 April 2013, the company and its controlled property company subsidiaries are not liable for capital gains tax on the disposal of directly held properties and local REIT securities. In addition, the following must be noted:

- > Deferred tax is not recognised on the fair value of investment property as capital gains tax on investment property is not applicable to REITs in terms of section 25BB of the Income Tax Act.
- > Deferred tax is not calculated on the straight-line rental income accrual as it affects neither the group's distributable income nor taxable profit.
- > Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.
- > Deferred tax is not recognised on goodwill that arises on initial recognition.
- > Deferred tax is not recognised on the temporary differences relating to investments in subsidiaries or jointly controlled entities to the extent that the group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- > Deferred tax may, however, be calculated on derivatives as the group excludes the gains or losses on realised derivatives when the distribution for the year is calculated. A deferred tax asset will only be recognised if it is therefore probable that taxable profit will be available against which the deductible temporary difference can be utilised relating to the same taxation authority and the same taxable entity.

NOTES to the financial statements continued

for the year ended 31 March 2021

2 Accounting estimates and judgements continued

Impairment of assets

The group tests whether assets have suffered any impairment in accordance with the accounting policy stated in note 10. The recoverable amounts of cash-generating units, intangible assets and tangible assets have been determined based on future cash flows discounted to their present value using appropriate rates. Estimates are based on interpretation of generally accepted industry-based market forecasts.

Trade receivables

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables in terms of IFRS 9's ECL model. This is achieved by converting a historic ECL into a probability-weighted forward-looking ECL. At year-end, the probability-weighted forward-looking ECL was adjusted to account for the impact of COVID-19. The state of the global economy, together with the impact of lockdown regulations on tenants' businesses resulted in an increased ECL, partially offset by the industry-wide rent concessions.

Incremental borrowing rate for land leases

In determining the lease liability in accordance with IFRS 16, the incremental borrowing rate was estimated by management using the three-year Domestic Medium Term Note (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. Uncertainty around the future economic impact as a result of the COVID-19 pandemic has also been considered. Management also applied judgement in accounting for the impact of the COVID-19-related rent concessions. Key areas of judgement are noted below:

Investments

Notes 5 and 6 set out the rationale behind management's opinion regarding the accounting for the investments in Arrowhead Properties Limited and Fairvest Property Holdings Limited.

Determining the lease term

In determining the lease term as per IFRS 16, management applies its judgement in considering all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options and periods after termination options are only included in the lease term if it is reasonably certain to be extended or not terminated.

COVID-19-related rental concessions

During the first quarter of 2020, the South African government imposed a national lockdown and declared a state of disaster in response to the COVID-19 pandemic. In line with government guidance, Vukile's malls in South Africa partially closed from 27 March 2020, with only essential tenants being allowed to trade through the "hard lockdown" period. Gradual re-opening of the stores commenced as lockdown restrictions started easing, with most of the portfolio able to trade by the second quarter of 2020, albeit under restricted trading conditions and within strict health and safety protocols.

Spain faced similar challenges as a result of a "hard lockdown" from 14 March 2020, and after the country was re-opened during June 2020, Spain was again severely impacted by a second and third wave.

Judgement has been applied in the determination of the appropriate accounting treatment of rent concessions granted in the context of the pandemic. COVID-19-related rent concessions will fall within the IFRS 16 definition of a lease modification if they result from changes to the terms of the original lease agreement. In assessing whether there has been a change in the consideration agreed upon in the original lease agreement, the group has considered the overall impact of the change in the rent payments. Both the terms and conditions of the original lease agreement and all relevant facts and circumstances were considered in the assessment of whether a lease modification exists. Accounting for the changes in lease payments over the term of the lease is an area of judgement that depends on several factors.

NOTES to the financial statements continued

for the year ended 31 March 2021

2 Accounting estimates and judgements continued

The group provided the following COVID-19-related rent concessions in South Africa:

- i. Vukile provided limited discounts on rentals due by certain tenants. In terms of IFRS 16, if the change in lease payments was part of the original terms and conditions of the lease, then the change would not be considered a lease modification. This is an area of judgement. Additional judgement and legal consideration would be needed as to whether certain provisions such as force majeure (either in the lease contract or by interpretation of common law provisions) could be enforced in response to COVID-19. At Vukile, we value partnerships and felt testing the leases legally was neither necessary nor warranted. We wanted to support our tenants to continue to trade as going concerns post the pandemic. In our judgement, the relief provided was in line with the spirit of the leases and the partnerships principle. Given the above and the fact that the rental relief and discounts provided to tenants were limited in nature (in total approximated only one month's rental) and did not in any way alter or amend the original terms and conditions and the scope of the leases, Vukile is of the view that the rental discounts provided did not constitute lease modifications. Since all Vukile's leases are operating leases, the discounts provided were recognised as a reduction in income from leases.
- ii. For certain categories of tenants such as gyms and small, medium and micro-enterprises, concessions were granted by the deferral of rent payments due. The deferred amount has not resulted in the alteration of the scope or term of the lease nor in the lease consideration. Deferrals are short-term in nature and do not include an additional interest charge. The group has also assessed the deferrals as having an immaterial impact on the fair value of lease receivables when the time value of money is considered. As such, the deferral of rent payments has also been treated as a non-modification of leases.

The group also provided COVID-19-related rent concessions in Spain:

- iii. Castellana provided discounts on rentals due by certain tenants in an effort to assist tenants that were not trading or who had limited trading during the lockdown period. In order to qualify for the discounts, in certain instances, tenants were required to extend the lease term. Since the scope of the leases was changed, it resulted in lease modifications, thus recognising rental income in accordance with the updated lease terms.

Non-current assets held for sale

Management applied judgement in assessing whether certain investment properties qualify to be classified as held for sale. In management's opinion, the following properties met all the IFRS 5 requirements and are classified as held for sale at year-end:

- > Ulundi King Senzangakhona Shopping Centre
- > Lethlabile Mall
- > Pretoria Rosslyn Warehouse
- > Kempton Park Spartan Warehouse
- > Centurion Samrand N1

Refer to note 40 for further details.

3 Investment property

Investment property, which is stated at fair value, constitute land and buildings held by the group for rental producing purposes. Investment property is initially recorded at cost, which includes transaction costs directly attributable to the acquisition thereof. In the Southern African portfolio, the directors value all the properties bi-annually to determine fair value. Approximately 50% of all properties are valued every six months on a rotational basis by qualified independent external property valuers. Any material differences between the respective valuations are reported in the notes to the financial statements. The Castellana portfolio is valued bi-annually by independent external valuers.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace, a part of a property. Tenant installation costs are capitalised on the cost of a building. All these items are included in the fair value of investment property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Letting commissions are capitalised and amortised over the lease period. The carrying value of letting commissions is included with investment property.

Investment property is maintained, upgraded and refurbished, where necessary, in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are charged against profit or loss.

NOTES to the financial statements continued

for the year ended 31 March 2021

3 Investment property continued

Fair value is the open market value, which, in the opinion of the directors, is the fair market price at which the property would have been sold unconditionally on a willing buyer/willing seller basis for a cash consideration on the date of the valuation. Gains and losses arising from changes in the fair value of investment property are recognised in net profit or loss for the period in which they arise. Such gains or losses are transferred to a non-distributable reserve in the statement of changes in equity and excluded from the calculation of distributable earnings.

The straight-lining of lease income is deducted from investment property as the discounted value of future rental cash flows forms part of the valuation methodology of investment property.

Gains or losses on the disposal of investment property are recognised as a fair value adjustment in profit or loss, and are calculated as the difference between the net selling price and the fair value of the property as valued in the most recent annual financial statements. Such gains or losses are excluded from the calculation of distributable earnings.

Land leases are initially recognised as a right-of-use-asset in the group's statement of financial position, at the same measurement as the corresponding lease liability. The right-of-use asset is subsequently measured at fair value. Changes in fair value are transferred to a non-distributable reserve in the statement of changes in equity and excluded from the calculation of distributable earnings.

Investment property held for sale

Investment property held for sale are properties that will be recovered principally through a sale transaction rather than continuing use. These properties are measured at their fair values. IFRS 5 measurement does not apply to IAS 40 – *Investment Property* carried at fair value. Refer to note 40 for further details on investment properties held for sale.

Movement in investment property

	2021 Rm	2020 Rm
Investment property at 1 April	35 736	30 682
Capital expenditure and tenant installations	507	663
Acquisition and development costs	188	2 038
Foreign currency translation	(2 311)	3 446
Change in right-of-use asset	6	214
Changes in fair value	(920)	(1 243)
Disposals	(225)	(66)
Movement in lease commissions	(5)	2
Investment property at 31 March	32 976	35 736
Straight-line rental income adjustment	(341)	(419)
Total investment property	32 635	35 317
Reflected on the statement of financial position under:		
Non-current assets	32 073	35 317
Non-current assets held for sale	562	—
Total	32 635	35 317

Note 21.4 sets out how the fair value of investment property has been determined.

The group's properties are mortgaged to the value of R32.8 billion as security for bank loans and for the DMTN debt programme (2020: R27.0 billion) – refer to note 18.

NOTES to the financial statements continued
for the year ended 31 March 2021

4 Straight-line rental income adjustment

	2021 Rm	2020 Rm
Balance at 1 April	419	364
Current year movement	(67)	55
Balance at 31 March	352	419
Reflected on the statement of financial position under:		
Non-current assets	341	419
Non-current assets held for sale	11	—
Total	352	419

5 Equity investment at fair value through profit or loss

	2021 Rm	2020 Rm
Investment in Arrowhead Properties Limited (Arrowhead)	309	246
Number of shares held – “A” shares	—	4 691 084
Number of shares held – “B” shares	114 438 564	114 438 564
% holding	11.01	11.83
Price at year-end (cents per share) – “A” shares	1 100	850
Price at year-end (cents per share) – “B” shares	270	180
	Rm	Rm
Opening balance at fair value	246	729
Disposal of “A” shares	(40)	—
Fair value adjustment	103	(483)
Closing balance at fair value	309	246

The investment in Arrowhead is held by Vukile’s investment division, being a separate medium-term investment that is not part of Vukile’s long-term strategy. The investment division actively monitors the total return to shareholders and the fair value of the investment on an ongoing basis, which includes an appropriate medium-term exit strategy which resulted in Vukile disposing of all its “A” shares, reducing the shareholding in Arrowhead to 11.0%.

Vukile’s investment division has elected to measure the investment at fair value through profit or loss, in accordance with IFRS 9.

NOTES to the financial statements continued

for the year ended 31 March 2021

6 Investment in associate at fair value

	2021 Rm	2020 Rm
Investment in Fairvest Property Holdings Limited (Fairvest)	538	338
	538	338
Investment in Fairvest		
Number of shares held	270 394 812	270 394 812
% holding	26.6	26.6
Price at year-end (cents per share)	199	125
	Rm	Rm
Opening balance at fair value	338	568
Fair value adjustment	200	(230)
Closing balance at fair value	538	338

The investment in Fairvest is held in Vukile's investment division. The group regards the investment in Fairvest as a separate medium-term investment that is not part of Vukile's long-term strategy. The investment division actively monitors the total return to shareholders and the fair value of the investment on an ongoing basis, which includes an appropriate medium-term exit strategy.

Vukile's investment division has elected to measure the investment in Fairvest at fair value through profit or loss, in accordance with IFRS 9 and in line with the exemption in IAS 28. Vukile does not have board representation on the Fairvest board, nor has there been an exchange of managerial personnel. Vukile has not provided any guarantees of indebtedness, nor extended any credit to the company.

The summarised financial information of Fairvest is set out below. The information for the six months ended 31 December 2020 represents the latest available financial information:

Statement of comprehensive income

	Six months Unaudited at 31 December 2020 Rm	Six months Unaudited at 31 December 2019 Rm
Revenue	274	268
Profit before tax	196	165
Total comprehensive income	196	165

Statement of financial position

	Six months Unaudited at 31 December 2020 Rm	Six months Unaudited at 31 December 2019 Rm
Assets	3 843	3 923
Non-current assets	3 701	3 825
Current assets	142	98
Total assets	3 843	3 923
Equity	2 391	2 462
Liabilities	1 452	1 461
Non-current liabilities	1 171	1 055
Current liabilities	281	406
Total equity and liabilities	3 843	3 923

NOTES to the financial statements continued

for the year ended 31 March 2021

7 Investment in associate (equity accounted)

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over these policies.

On acquisition of the investment in an associate, any excess of the cost of the investment over the investor's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the investor's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. Any dividends received are utilised to reduce the carrying value of the investment.

The results and assets and liabilities of associates are incorporated into these financial statements using the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the investor's share of the profit or loss and OCI of the associate. When the investor's share of losses of an associate exceeds the investor's interest in that associate, the investor discontinues recognising its share of further losses.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale.

7.1 Atlantic Leaf Properties Limited (Atlantic Leaf)

The company was established with the objective of investing in high-quality, investment-grade real estate assets and companies which deliver solid returns for investors through both income and capital growth. The company focuses on investments in the United Kingdom.

Vukile disposed of its interest in Atlantic Leaf to South Downs Investments LP during August 2020 for an amount of R1.1 billion. The investment was held for sale effectively from 1 June 2020, at which date equity accounting ceased.

Name of associate	Principal activity	Place of incorporation	Place of operation	March 2021	March 2020
Atlantic Leaf	Investment in commercial property	Mauritius	United Kingdom	—	34.9%
				March 2021 Rm	March 2020 Rm
				1 518	1 303
				20	127
				(54)	(102)
				(3)	(14)
				(17)	204
				1 464	1 518
				(314)	—
				(1 150)	—
				—	1 518

NOTES to the financial statements continued

for the year ended 31 March 2021

7 Investment in associate (equity accounted) continued

Further details in respect of loss on the sale of investment in Atlantic Leaf:

	March 2021 Rm
Proceeds on sale	1 108
Selling costs	(4)
Transfer from non-current assets held for sale	(1 150)
IFRS 5 impairment loss	(314)
Realisation of OCI – prior years	348
Realisation of OCI – current year	(20)
Total loss on sale of Atlantic Leaf as per statement of comprehensive income	(32)

7.2 Fetch Analytics

Vukile acquired a 31% interest in Bodlero Limited (known as Fetch Analytics) in June 2020 for an initial amount of R10.7 million. Fetch Analytics, incorporated in Cyprus is the holding company of Fetch Analytics UK Limited, a company that specialises in data analytics using artificial intelligence that provides insight into shopper behaviour.

The ability to track customer behaviour, when combined with other initiatives such as mall analytics, provides the Vukile group with the ability to significantly enhance the customer and tenant experience, and allow meaningful research into customer data and trends.

Apart from its 31% equity interest Vukile also participates in the financial and operating policy of Fetch. Accordingly, Vukile exercises significant influence over Fetch and the investment in Fetch is accounted for as an equity-accounted associate.

Name of associate	Principal activity	Place of incorporation	Place of operation	March 2021
Fetch Analytics	Customer analytics	Cyprus	United Kingdom	31.0%

	March 2021 Rm
Opening balance at carrying value	–
Investment in associate	17
Share of loss	(2)
Foreign currency translation profit	1
Carrying value of investment	16

The summarised financial information of Fetch Analytics is set out below:

Statement of comprehensive income

The statement of comprehensive income has not been disclosed since the numbers are below R1 million.

Statement of financial position

	Unaudited 31 December 2020 €m
ASSETS	
Non-current assets	1
Current assets	1
Total assets	2
EQUITY	2
Total equity and liabilities	2

NOTES to the financial statements continued

for the year ended 31 March 2021

7 Investment in associate (equity accounted) continued

Reconciliation to carrying amounts

	€m
Opening net assets	–
Investment in Fetch – Vukile Group	1
Investment in Fetch – other shareholders	1
Net asset value	2
Vukile's share in net assets	1
	Rm
Equity-accounted Rand value at 31 March 2021	16
Carrying amount as at 31 March 2021	16

The information was extracted from Fetch Analytic's summarised financial statements for the year ended 31 December 2020, and the first quarter management accounts ending 31 March 2021, being the latest available results.

	2021	
	Rm	€m
Vukile's share of net assets at March		
Share of equity acquired	17	1
Share of loss	(2)	–
Foreign currency translation reserve through OCI/(accumulated losses)	1	–
	16	1
Rand/Euro exchange rate at 31 March 2021	17.32	

NOTES to the financial statements continued

for the year ended 31 March 2021

8 Investment in joint venture (equity accounted)

A joint venture is a joint arrangement whereby the group has joint control of an arrangement and has rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Upon becoming a party to the joint arrangement, the investment in the joint venture is recognised, with any excess of the cost of the investment over the joint venturer's share of the net fair value of the identifiable assets and liabilities of the joint venture being recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the joint venturer's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. Any dividends received are utilised to reduce the carrying value of the investment.

The joint venture is equity accounted from the date on which the group becomes a party to the joint arrangement. Under the equity method, the joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the joint venture's share of the profit or loss and OCI of the joint venture. When the joint venturer's share of losses of the joint venture exceeds the investment, the joint venturer discontinues recognising its share of further losses.

The group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale.

Diversified Real Estate Asset Management S.L. (DREAM)

In December 2020 Vukile elected to exercise 50% of the share warrant (refer to note 22 Derivative financial instruments) resulting in a 25.09% shareholding in DREAM.

DREAM is a Spanish real estate-focused property asset management business and is currently considering a number of real estate opportunities in Spain, which may result in value creation for its shareholders.

Name of joint venture	Principal activity	Place of incorporation	Place of operation	March 2021
DREAM	Real estate property asset management	Spain	Spain	25.09%
				March 2021 Rm
Opening balance at carrying value				—
Investment in joint venture				59
Share of losses				(1)
Capitalised costs				1
Foreign currency translation loss				(4)
Carrying value of investment				55

NOTES to the financial statements continued
for the year ended 31 March 2021

8 Investment in joint venture (equity accounted) continued

The summarised financial information of DREAM is set out below:

Statement of comprehensive income

	12 months unaudited as at 31 December 2020 €m
Rental revenue	1
Other operating expenditure	(2)
Profit for the year	(1)

Statement of financial position

	Unaudited 31 December 2020 €m
ASSETS	
Non-current assets	7
Current assets	3
Total assets	10
EQUITY	
Total equity and liabilities	10

The information was extracted from DREAM's summarised unaudited financial statements for the year ended 31 December 2020, being the latest available financial statements.

NOTES to the financial statements continued

for the year ended 31 March 2021

8 Investment in joint venture (equity accounted) continued

Reconciliation to carrying amounts

	€m	
Opening net assets		7
Investment in DREAM		3
Net asset value		10
Vukile's share in net assets		3
		Rm
Equity-accounted Rand value as at 31 March		54
Capitalised costs		1
Carrying amount as at 31 March 2021		55
	2021	
	Rm	€m
Vukile's share of net assets at March		
Cost of investment in DREAM (25.09%)	59	3
Share of profits	(1)	—
Foreign currency translation reserve through OCI(accumulated losses)	(4)	—
Capitalised costs	1	—
	55	3
Rand/Euro exchange rate at 31 March	17.32	

NOTES to the financial statements continued

for the year ended 31 March 2021

9 Joint operations

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement and have joint rights to the assets and obligations relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists when decisions about the relevant activities require unanimous consent of the parties sharing control. When a group entity transacts with its joint operation, profits and losses resulting from the transactions with the joint operation are recognised in the group's consolidated annual financial statements only to the extent of interests in the joint operation that are not related to the group.

When a group entity undertakes its activities under joint operations, the group, as a joint operator, recognises in relation to its interest in a joint operation:

- > its assets, including its share of any assets held jointly;
- > its liabilities, including its share of any liabilities incurred jointly;
- > its share of the revenue from the joint operation; and
- > its expenses, including its share of any expenses incurred jointly.

The group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

	2020 % ownership	2019 % ownership
Joint operations comprise the following properties:		
Boksburg East Rand Mall	50.0	50.0
Meadowdale Mall	67.0	67.0
Monsterlus Moratiwa Crossing	94.5	94.5
Thavhani Mall	33.3	33.3
Tzaneen Maake Plaza	70.0	70.0
Ga-Kgapane Modjadji Plaza	30.0	30.0
Springs Mall	27.0	27.0

The above operations are classified as joint operations, whereby the group recognises its share of the assets, liabilities, income and expenses of the joint operation.

NOTES to the financial statements continued

for the year ended 31 March 2021

9 Joint operations continued

The following reflects the sum of Vukile's proportionate share of its interests in jointly controlled operations:

	2021 Rm	2020 Rm
Vukile's share of profit or loss and net assets		
Statement of profit or loss and OCI		
Revenue	315	284
Property expenses	(111)	(95)
Property operating profit	204	189
Straight-line lease income adjustment	(11)	8
Fair value adjustments	(154)	(66)
Operating profit	39	131
Statement of financial position		
Opening fair value of property assets	2 840	2 887
Capital expenditure	14	19
Net fair value adjustments	(154)	(66)
Straight-line lease income adjustment	(11)	8
Fair value of investment property for accounting purposes	2 689	2 848
Straight-line lease income adjustment	11	(8)
Closing fair value of property assets	2 700	2 840
Current assets	33	35
Total assets	2 733	2 875
Owners' equity	1 693	1 608
Other non-current liabilities	981	1 219
Current liabilities	59	48
Total equity and liabilities	2 733	2 875

10 Other non-current assets and liabilities

	2021 Rm
Other non-current assets comprise of:	
Property, plant and equipment	70
Intangible assets	3
Tenant deposits	128
	201
Other non-current liabilities comprise of:	
Tenant deposits	231
	231

Tenant deposits relate to non-current deposits to be reimbursed at the expiry of respective lease terms.

Property, plant, equipment and intangible assets are stated at cost less accumulated depreciation/amortisation and any impairment losses.

Depreciation/amortisation is charged so as to write off the cost less residual value of assets over their estimated useful lives, using the straight-line basis.

NOTES to the financial statements continued

for the year ended 31 March 2021

10 Other non-current assets and liabilities continued

The principal useful lives used for this purpose are:

Owner-occupied property	30 years
Furniture and equipment	6 years
Motor vehicles	5 years
Developed software	5 years
Computer equipment	3 years
Other software	2 years

The residual value and useful life of an asset are reviewed at each financial year-end.

10.1 Property, plant and equipment

	2021 Rm	2020 Rm
Property, plant and equipment		
Cost	77	29
Accumulated depreciation	(7)	(4)
Carrying value	70	25
Movement for the year		
Net carrying value at 1 April	25	19
Additions	48	4
Construction-in-progress ⁽¹⁾	—	4
Depreciation	(3)	(2)
Net carrying value at 31 March	70	25

⁽¹⁾ Construction-in-progress (prior year) related to the group's new office building in Johannesburg.

10.2 Intangible assets

	2021 Rm	2020 Rm
Intangible assets (computer software)		
Cost	12	12
Accumulated amortisation	(9)	(7)
Carrying value	3	5
Movement for the year		
Net carrying value at 1 April	5	7
Amortisation	(2)	(2)
Net carrying value of intangible assets	3	5

NOTES to the financial statements continued

for the year ended 31 March 2021

11 Executive share scheme financial asset

The executive share scheme financial asset comprises a reimbursement right that is measured at fair value through profit or loss in terms of IFRS 9. The reimbursement asset of R57 million (2020: R36 million) is based on the number of shares held by Sanlam Capital Markets (SCM), who has assumed all of Vukile's obligations in respect of Vukile's executive share scheme, valued at the closing share price at year-end (level 1 financial instrument – note 21.2).

In determining the fair value of the reimbursement right, an amount of R26 million (2020: R18 million) is deducted, which is determined by the number of shares expected to vest in future, valued at the year-end share price, weighted for the probability of fulfilment of performance conditions, and based on the number of days to vesting (level 2 financial instrument).

	2021 Rm	2020 Rm
Reimbursement right		
Balance at 1 April	18	28
Performance and retention long-term incentive scheme awards	27	53
Fair value adjustment of reimbursement right	(6)	(90)
	39	(9)
Movements of executive rights	(8)	27
Total reimbursement right	31	18

The terms and conditions of the CSP were approved by shareholders at a general meeting held on 25 April 2013.

SCM has assumed the obligation to discharge Vukile's conditional obligations towards its executives and management as follows:

	Rm	Vesting dates
Based on 27.8% to 100% CPA ⁽²⁾ targets and 72.2% to 0% of group performance	23	31 May 2021
Based on 27.8% to 100% CPA targets and 72.2% to 0% of group performance	27	31 May 2022
Special award – retention based	4	31 May 2022
Based on 25% CPA targets, 25% strategic targets and 50% performance targets for Castellana and Vukile ⁽¹⁾	22	31 May 2024
Based on 27.5% to 100% CPA targets and 72.5% to 0% of group performance	27	31 May 2023
Special award – retention based	1	31 May 2023

⁽¹⁾ The allocation has a 10-year vesting period with potential early vesting after five years, provided that all the vesting conditions are met within five years. In line with prudent accounting principles the allocation will be amortised over a five-year period.

⁽²⁾ Critical performance areas (CPA).

The executive directors have been allocated the following percentages of the schemes:

Scheme	LG Rapp	LR Cohen	IU Mothibeli
i	23.9%	—%	6.0%
ii	20.9%	11.3%	7.1%
iii	39.3%	—%	—%
iv	100.0%	—%	—%
v	22.2%	11.9%	8.4%

Refer to the directors' report for details in respect of directors' interests in shares via the CSP.

NOTES to the financial statements continued

for the year ended 31 March 2021

12 Long-term loans granted

Long-term loans are granted to directors and senior management to acquire Vukile shares. The loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, the loans are measured at amortised cost using the effective interest method, less allowances for impairment. During the current reporting period, the ECL increased by R13 million to R26 million due to a reduction in the Vukile share price at year-end and the resulting impact on the loan security. The ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument and assessing the probably of default (PD) and the loss given default (LGD) by applying three economic scenarios, being a V-shaped recovery, U-shaped recovery, and L-shaped recovery.

	2021 Rm	2020 Rm
Loans to acquire Vukile shares	280	273
ECL	(26)	(13)
Carrying value at 31 March	254	260

The loans bear interest at the official SARS interest rate of 4.5% (2020: between 4.9% and 8.5%). The loans are secured by 14 342 072 Vukile shares (2020: 14 342 072) with a level 1 fair value of R124 million (2020: R102 million). The loans are repayable on the 10th anniversary of the loans being granted or date of retirement, death or resignation, if earlier unless otherwise determined by the social, ethics and human resources committee.

Since the approval by shareholders of the share purchase plan (SPP), the board, after considering the provisions of sections 44 and 45 of the Companies Act, has provided financial assistance in the form of loans to executive directors and other members of the executive committee eligible for participation under the scheme.

Refer to the directors' report for further details.

NOTES to the financial statements continued

for the year ended 31 March 2021

13 Deferred taxation

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the tax rates and tax laws in the expected manner of realisation or settlement of the carrying amount of assets and liabilities that have been enacted at the reporting date.

A deferred taxation liability is recognised for all taxable temporary differences.

A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The effect on deferred taxation of any changes in tax rates is recognised in the profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to OCI or equity. Where permissible, deferred taxation assets are offset against deferred taxation liabilities.

Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred taxation assets and liabilities comprise the following:

	2021 Rm	2020 Rm
Amounts received in advance	14	13
Allowance for bad debt	12	3
Wear and tear on developments	(48)	(21)
Wear and tear on office building	2	—
Allowance for future expenditure	(5)	(5)
Prepayments	(3)	(1)
Leave pay and other accruals	8	7
	(20)	(4)
Movement		
Balance at 1 April	(4)	7
Overprovision in prior year	2	—
Tax loss utilised	—	(1)
Other temporary differences ⁽¹⁾	(18)	(10)
Balance at 31 March	(20)	(4)
Reflected on the statement of financial position under:		
Deferred taxation assets	3	7
Deferred taxation liabilities	(23)	(11)
	(20)	(4)

⁽¹⁾ Includes wear and tear on developments and provision for bad debts.

14 Trade and other receivables

Trade and other receivables are non-derivative financial assets that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less expected credit losses.

Discounting is omitted where the effect of discounting is immaterial.

	2021 Rm	2020 Rm
Gross lease receivables	182	121
Municipal accruals	120	108
Expected credit losses	(70)	(19)
Prepaid expenses	41	25
Municipal deposits	66	25
VAT and sundry debtors	52	54
Total	391	314

All amounts are short term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value. Further information on the credit risk of lease receivables is set out in note 24.2.

NOTES to the financial statements continued

for the year ended 31 March 2021

15 Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

	2021	2020
Authorised ordinary shares of no par value (000)	1 500 000	1 500 000
Issued ordinary shares of no par value (000)		
Opening balance of issued shares	956 227	920 962
Shares issued during the year	—	35 265
Closing balance of issued shares	956 227	956 227
Reconciliation of movement of issued shares		
	Rm	Rm
In issue at the beginning of the year	12 838	12 142
Shares issued during the year	—	696
Total	12 838	12 838

Shares under control of the directors

At the AGM held on 2 October 2020, shareholders approved a resolution in terms of which 95 622 663 unissued shares of the company were placed under the control of the directors. At 9 June 2021, all of the shares under this authority were still under the control of the directors.

16 Other components of equity

The non-distributable reserves (NDR) within equity, as disclosed below, comprise gains and losses due to the revaluation of investment property, foreign exchange gains and losses, and other capital items. Share-based payments comprising the payments made by the group in respect of long-term incentive and retention scheme awards are included in NDR. Retained earnings include all current and prior period retained profits and losses. Transfers from retained earnings to NDR relate to amounts not included in distributable income as per management's discretion and SA REIT best practice.

	Non-distributable reserves Rm	Foreign currency translation reserve Rm	Cash flow hedges Rm	Total Rm
Balance at 31 March 2019	6 298	(310)	(99)	5 889
Transfers to non-distributable reserves	(1 956)	—	—	(1 956)
Change in ownership of a subsidiary recognised in equity	(105)	—	—	(105)
Equity-settled share scheme	49	—	—	49
OCI	—	132	(21)	111
Balance at 31 March 2020	4 286	(178)	(120)	3 988
Transfers to non-distributable reserves	(531)	—	—	(531)
Change in ownership of a subsidiary recognised in equity	(3)	—	—	(3)
Equity-settled share scheme	45	—	—	45
OCI	—	(250)	(96)	(346)
Balance at 31 March 2021	3 797	(428)	(216)	3 153

NOTES to the financial statements continued

for the year ended 31 March 2021

17 Non-controlling interest**2021**

The non-controlling interest of R1.6 billion represents 17.5% of the net asset value of Castellana and 20.0% of the net asset value of Clidet No. 1011 (Clidet) at 31 March 2021. Clidet owns 20% of Moruleng Mall. The following reflects summarised financial information for Castellana and Clidet, prepared in accordance with IFRS, adjusted for fair value adjustments on acquisition and differences in group accounting policies. The information is before intercompany eliminations with other companies in the group.

	Castellana Rm	Clidet Rm	March 2021 Rm
Extracts from statement of profit or loss and other OCI			
Revenue, excluding straight-line lease income adjustment	1 018	58	1 076
Loss after taxation	(606)	60	(546)
Attributable to owners of the parent	(428)	48	(380)
Attributable to non-controlling interest	(178)	12	(166)
Total comprehensive income	(745)	60	(685)
Attributable to owners of the parent	(428)	48	(380)
Attributable to non-controlling interest	(317)	12	(305)
Dividends paid to non-controlling interest during the year	92	3	95
Extracts from statement of financial position			
Non-current assets	17 227	534	17 761
Current assets	720	31	751
Non-current liabilities	(7 956)	(283)	(8 239)
Current liabilities	(1 363)	(15)	(1 378)
Net assets	8 628	267	8 895
Net assets attributable to non-controlling interest	1 506	53	1 559
Extracts from statement of cash flows			
Cash flows from operating activities	424	4	428
Cash flows from investing activities	(490)	(2)	(492)
Cash flows from financing activities	(204)	(4)	(208)
Net cash outflow	(270)	(2)	(272)

NOTES to the financial statements continued
for the year ended 31 March 2021

17 Non-controlling interest continued
2020

	Castellana Rm	Clidet Rm	March 2020 Rm
Extracts from statement of profit or loss and OCI			
Revenue, excluding straight-line lease income adjustment	1 310	62	1 372
Profit after taxation	665	11	677
Attributable to owners of the parent	602	11	613
Attributable to non-controlling interest	64	—	64
Total comprehensive income	1 487	(9)	1 478
Attributable to owners of the parent	1 098	(9)	1 088
Attributable to non-controlling interest	389	—	389
Dividends paid to non-controlling interest during the year	103	4	107
Extracts from statement of financial position			
Non-current assets	19 908	492	20 400
Current assets	1 027	33	1 060
Non-current liabilities	(9 723)	(286)	(10 009)
Current liabilities	(256)	(20)	(276)
Net assets	10 956	219	11 175
Net assets attributable to non-controlling interest	1 913	44	1 957
Extracts from statement of cash flows			
Cash flows from operating activities	1 126	2	1 128
Cash flows from investing activities	(218)	(4)	(222)
Cash flows from financing activities	1 431	2	1 433
Net cash inflow	2 339	—	2 339

NOTES to the financial statements continued

for the year ended 31 March 2021

18 Interest-bearing borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets.

Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. Where applicable, investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are expensed in the period in which they are incurred.

Reconciliation of interest-bearing borrowings:

	2021	2020
	Rm	Rm
Balance at 1 April	18 249	12 979
Proceeds from additional borrowings raised	2 647	3 102
Transaction costs paid	(12)	(76)
Transaction costs amortised (non-cash)	82	56
Repayment of debt	(4 161)	(448)
Foreign exchange differences (non-cash)	(425)	930
Foreign currency translation reserve (non-cash)	(1 154)	1 706
Balance at 31 March 2021	15 226	18 249
Current portion	2 604	2 291
Non-current portion	12 622	15 958

NOTES to the financial statements continued

for the year ended 31 March 2021

18 Interest-bearing borrowings continued**Details of borrowings**

	2021			
	Group total facilities available Rm	Group issuances/drawdowns Rm	Interest rate ⁽¹⁾ %	Repayment dates
Interest-bearing borrowings		15 226		
Interest-bearing borrowings: Non-current		12 622		
Interest-bearing borrowings: Current		2 604		
DMTN programme	1 929			
Variable rate bonds⁽²⁾		1 929	5.1 – 5.4	February 2025
Secured		194		
Unsecured		1 735		
Less: Net debt raising fees offset against borrowings		(1)		
Total DMTN debt		1 928		
Variable rate bank loans⁽²⁾	8 105	4 423	1.2 – 6.8	September 2024
Secured		4 311		
Unsecured		113		
Less: Net debt raising fees offset against borrowings		(9)		
Fixed rate bank loans	346	346	3	July 2023
Secured		–		
Unsecured		346		
		4 760		
Foreign debt – Spain				
Secured fixed rate loans	5 877	5 166	1.8 – 1.9	September 2025
Less: Net debt raising fees offset against borrowings		(156)		
Secured variable rate loans⁽²⁾	4 422	3 539	1.3 – 1.8	June 2031
Less: Net debt raising fees offset against borrowings		(10)		
		8 538		

⁽¹⁾ Interest rates incorporate swap rates, where applicable.⁽²⁾ Variable rate loans have been fixed/hedged by way of interest rate swaps. Refer to notes 22, 23 and 24.3.

NOTES to the financial statements continued

for the year ended 31 March 2021

18 Interest-bearing borrowings continued**Details of borrowings** continued

	2020			
	Group total facilities available Rm	Group issuances/drawdowns Rm	Interest rate ⁽¹⁾ %	Repayment dates
Interest-bearing borrowings		18 249		
Interest-bearing borrowings: Non-current		2 291		
Interest-bearing borrowings: Current		15 958		
DMTN programme	5 000			
Variable rate bonds⁽²⁾		2 507	7.0 – 7.4	February 2025
Secured		772		
Unsecured		1 735		
	—			
Less: Net debt raising fees offset against borrowings		(1)		
		—		
Total DMTN debt		2 506		
Variable rate bank loans⁽²⁾	6 839	6 287	7.1 – 7.6	March 2023
Secured		5 942		
Unsecured		345		
Less: Net debt raising fees offset against borrowings		(14)		
		6 273		
Foreign debt – Spain				
Secured fixed rate loans	5 877	5 877	1.8 – 1.9	September 2025
Less: Net debt raising fees offset against borrowings		(234)		
Secured variable rate loans⁽²⁾	4 422	3 851	1.8 – 2.3	September 2025
Less: Net debt raising fees offset against borrowings		(24)		
		9 470		

NOTES to the financial statements continued

for the year ended 31 March 2021

19 Lease liability

The lease liability applies to the group's Southern African portfolio where Vukile is the lessee for land leases.

The incremental borrowing rate applied to the lease liabilities for the year ranged from 10.35% to 15.50%, depending on the lease terms. The average lease term is 31 years. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Refer to note 24.4 for a maturity analysis of the lease liability.

	2021	2020
	Rm	Rm
Lease liability recognised at 1 April	214	207
Finance costs	24	24
Lease payments	(18)	(17)
	220	214
Current portion	19	18
Non-current portion	201	196
Lease liability at 31 March	220	214

20 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest method.

	2021	2020
	Rm	Rm
Trade creditors	277	291
Accrued municipal expenses	152	124
Accrued capital expenditure	43	45
Accrued trade expenses	47	56
Tenant deposits	66	336
	585	852

All amounts are short term. The carrying value of trade and other payables is considered to be a reasonable approximation of fair value.

NOTES to the financial statements continued

for the year ended 31 March 2021

21 Fair value measurement

21.1 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

21.2 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	2021				2020			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets								
Investments in associates at fair value	538	—	—	538	338	—	—	338
Equity investments at fair value	309	—	—	309	246	—	—	246
Executive share scheme financial asset	57	—	—	57	36	—	—	36
Derivative financial instruments	—	214	1	215	—	12	18	30
Total	904	214	1	1 119	620	12	18	650
Liabilities								
Executive share scheme financial liability	—	(26)	—	(26)	—	(18)	—	(18)
Derivative financial instruments	—	(578)	(202)	(780)	—	(1 060)	(163)	(1 223)
Total	—	(604)	(202)	(806)	—	(1 078)	(163)	(1 241)
Net fair value	904	(390)	(201)	313	620	(1 066)	(145)	(591)

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. Refer to note 11 for further details.

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. Please refer to notes 22.1 and 22.2.

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

NOTES to the financial statements continued

for the year ended 31 March 2021

21 Fair value measurement continued**21.3 Financial instruments by category**

	2021		2020	
	Financial assets at amortised cost Rm	Fair value through profit or loss Rm	Financial assets at amortised cost Rm	Fair value through profit or loss Rm
Assets per statement of financial position				
Cash and cash equivalents	1 003	—	1 559	—
Investments in associate – fair value	—	538	—	338
Equity investments at fair value through profit or loss	—	309	—	246
Executive share scheme financial asset	—	31	—	18
Derivative financial instruments	—	215	—	30
Long-term loans granted	254	—	260	—
Trade and other receivables (excluding prepayments)	350	—	289	—
Liabilities per statement of financial position				
Non-current portion of borrowings	12 622	—	15 958	—
Derivative financial instruments	—	782	—	1 223
Lease liability	220	—	214	—
Trade and other payables (excluding IFRS 9 liabilities)	585	—	852	—
Current portion of borrowings	2 604	—	2 291	—

21.4 Fair value measurement of non-financial assets (investment property)

At 31 March 2021, the directors valued the Southern African property portfolio at R15.55 billion (31 March 2020: R15.62 billion) (excluding the non-controlling interest in Clidet, which owns Moruleng Mall), and an external valuer valued the Spanish portfolio at R17.1 billion (31 March 2020: R19.8 billion).

The external valuations performed by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd at 31 March 2021 on 54% 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 discounted cash flow 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).

NOTES to the financial statements continued

for the year ended 31 March 2021

21 Fair value measurement continued**21.4 Fair value measurement of non-financial assets (investment property)** continued

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

	2021				2020			
	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	13.8	7.7 to 15.3	9.2	12.7 to 19.6	13.8	7.7 to 15.5	9.1
Spain	7.3 to 9.0	8.2	5.0 to 9.3	6.2	7.3 to 9.0	8.0	5.0 to 9.3	6.1

The impact of the COVID-19 pandemic and the government-imposed lockdowns on the economies in Southern Africa and Spain has resulted in a decrease in cash flows and expected growth rates. Given the fact that markets have stabilised following short-term volatility, the average base discount rate in the Southern African portfolio remained unchanged. The exit capitalisation rate was increased for FY21, largely due to lower future growth assumptions.

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).

	2021						
	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	100.0	13.7	9.2	(5.2)	(4.2)	(3.4)	(5.1)
Retail	95.0	13.7	9.1	(5.2)	(4.2)	(3.5)	(5.1)
Other	5.0	14.1	10.7	(4.9)	(4.6)	(2.7)	(5.2)
Gauteng	38.0	13.6	9.1	(5.5)	(4.1)	(3.5)	(5.1)
KwaZulu-Natal	21.0	13.5	8.9	(4.8)	(4.2)	(3.3)	(5.1)
Western Cape	7.0	13.2	9.1	(5.4)	(4.1)	(3.4)	(5.1)
Free State	8.0	13.2	8.6	(5.7)	(3.9)	(3.6)	(5.0)
Limpopo	7.0	14.2	9.5	(4.9)	(4.6)	(3.2)	(5.0)
Eastern Cape	7.0	13.6	8.9	(5.5)	(4.0)	(3.6)	(5.1)
Namibia	5.0	15.9	11.5	(4.2)	(4.9)	(2.8)	(5.2)
North West	4.0	14.3	9.5	(4.1)	(4.3)	(3.4)	(5.0)
Mpumalanga	3.0	14.9	10.5	(4.8)	(4.7)	(3.4)	(5.1)

NOTES to the financial statements continued

for the year ended 31 March 2021

21 Fair value measurement continued**21.4 Fair value measurement of non-financial assets (investment property)** continued

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

Discount rate below 14%	2021						
	Portfolio exposure %	Average discount rate %	Average exit capitali- sation 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 capitali- sation year %	Valuation impact of 5% NOI reduction in cash flow in capitali- sation year %
Total portfolio	59.0	13.0	8.4	(5.7)	(3.9)	(3.5)	(5.1)
Retail	56.0	13.0	8.4	(5.7)	(3.8)	(3.6)	(5.1)
Other	3.0	13.1	9.2	(5.6)	(4.2)	(2.4)	(5.3)
Gauteng	25.0	13.0	8.5	(5.8)	(3.8)	(3.6)	(5.1)
KwaZulu-Natal	15.0	13.2	8.5	(5.4)	(4.0)	(3.2)	(5.1)
Western Cape	4.0	12.7	8.7	(5.7)	(3.9)	(3.4)	(5.1)
Free State	5.0	12.7	7.9	(6.1)	(3.6)	(3.7)	(5.0)
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)	(5.1)
North West	3.0	13.2	8.3	(5.8)	(3.9)	(3.7)	(5.0)

Discount rate between 14% and 16%	2021						
	Portfolio exposure %	Average discount rate %	Average exit capitali- sation 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 capitali- sation year %	Valuation impact of 5% NOI reduction in cash flow in capitali- sation year %
Total portfolio	34.0	14.4	9.9	(4.5)	(4.5)	(3.4)	(5.1)
Retail	33.0	14.4	9.8	(4.5)	(4.5)	(3.4)	(5.1)
Other	1.0	14.4	12.4	(4.1)	(4.8)	(3.2)	(5.1)
Gauteng	9.0	14.2	9.6	(5.1)	(4.2)	(3.5)	(5.1)
KwaZulu-Natal	6.0	14.5	9.9	(3.4)	(4.6)	(3.5)	(5.1)
Western Cape	3.0	14.0	9.8	(5.0)	(4.6)	(3.5)	(5.1)
Free State	3.0	14.0	10.0	(4.9)	(4.5)	(3.5)	(5.0)
Limpopo	3.0	14.9	10.3	(4.2)	(5.2)	(2.9)	(5.0)
Eastern Cape	3.0	14.0	9.5	(5.2)	(4.2)	(3.6)	(5.1)
Namibia	4.0	15.2	10.3	(4.4)	(4.7)	(2.7)	(5.1)
North West	1.0	15.0	10.2		(4.5)	(3.4)	(5.1)
Mpumalanga	2.0	14.3	9.6	(5.1)	(4.3)	(3.5)	(5.1)

NOTES to the financial statements continued

for the year ended 31 March 2021

21 Fair value measurement continued

21.4 Fair value measurement of non-financial assets (investment property) continued

2021							
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	16.8	12.8	(4.0)	(5.5)	(3.1)	(5.2)
Retail	6.0	17.0	12.7	(4.0)	(5.5)	(3.1)	(5.2)
Other	1.0	16.3	13.2	(3.9)	(5.6)	(3.3)	(5.2)
Gauteng	4.0	16.3	12.2	(4.1)	(5.3)	(3.3)	(5.2)
Limpopo	1.0	16.3	11.9	(4.1)	(5.4)	(3.2)	(5.0)
Namibia	1.0	18.1	14.1	(3.6)	(5.4)	(3.1)	(5.2)
North West		19.6	15.3	(3.4)	(7.0)	(1.4)	(5.2)
Mpumalanga	1.0	16.3	12.6	(4.1)	(5.8)	(3.1)	(5.3)

The table below also illustrates the impact on valuations resulting from changes in NOI for the year ended 31 March 2020:

2020							
Southern African directly held property portfolio	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 and capitalisation year %
Total portfolio	100.0	13.8	9.1	(5.5)	(3.6)	(3.5)	(5.1)
Retail	93.0	13.8	9.0	(5.5)	(3.6)	(3.5)	(5.1)
Other	7.0	14.0	10.4	(5.0)	(4.1)	(2.9)	(5.2)
Gauteng	38.0	13.5	8.9	(5.7)	(3.5)	(3.6)	(5.1)
KwaZulu-Natal	21.0	13.5	8.7	(5.4)	(3.5)	(3.3)	(5.1)
Western Cape	8.0	13.2	8.8	(5.7)	(3.5)	(3.5)	(5.1)
Free State	7.0	13.5	8.7	(5.7)	(3.3)	(3.7)	(5.1)
Limpopo	7.0	14.2	9.3	(5.1)	(4.0)	(3.3)	(5.0)
Eastern Cape	6.0	13.6	8.8	(5.8)	(3.6)	(3.8)	(5.2)
Namibia	6.0	16.1	11.5	(4.3)	(4.4)	(2.8)	(5.1)
North West	4.0	14.4	9.5	(5.4)	(3.7)	(3.4)	(5.1)
Mpumalanga	3.0	14.9	10.3	(5.1)	(4.2)	(3.5)	(5.2)

NOTES to the financial statements continued

for the year ended 31 March 2021

21 Fair value measurement continued**21.4 Fair value measurement of non-financial assets (investment property)** continued

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

2020							
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 and capitalisation year %
Total portfolio	59.0	13.0	8.3	(5.9)	(3.3)	(3.6)	(5.1)
Retail	55.0	13.0	8.2	(5.9)	(3.3)	(3.6)	(5.1)
Other	4.0	13.1	9.2	(5.6)	(3.7)	(2.6)	(5.2)
Gauteng	26.0	13.0	8.3	(6.0)	(3.3)	(3.7)	(5.1)
KwaZulu-Natal	15.0	13.2	8.3	(5.5)	(3.4)	(3.2)	(5.1)
Western Cape	5.0	12.7	8.2	(6.2)	(3.2)	(3.5)	(5.2)
Free State	4.0	13.2	8.2	(6.0)	(3.1)	(3.7)	(5.0)
Limpopo	3.0	12.7	8.0	(6.1)	(3.2)	(3.7)	(5.0)
Eastern Cape	3.0	13.2	8.2	(6.2)	(3.4)	(3.9)	(5.2)
North West	3.0	13.2	8.3	(5.9)	(3.3)	(3.7)	(5.0)

2020							
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 and capitalisation year %
Total portfolio	35.0	14.4	9.7	(5.1)	(3.9)	(3.4)	(5.1)
Retail	33.0	14.4	9.6	(5.1)	(3.9)	(3.4)	(5.1)
Other	2.0	14.7	11.6	(4.3)	(4.4)	(3.2)	(5.1)
Gauteng	10.0	14.2	9.8	(5.2)	(3.8)	(3.6)	(5.1)
KwaZulu-Natal	6.0	14.5	9.6	(5.1)	(3.7)	(3.6)	(5.0)
Western Cape	3.0	14.0	9.8	(5.1)	(3.9)	(3.5)	(5.1)
Free State	3.0	14.0	9.4	(5.3)	(3.6)	(3.6)	(5.1)
Limpopo	3.0	14.9	10.0	(4.4)	(4.5)	(2.9)	(5.1)
Eastern Cape	3.0	14.0	9.3	(5.4)	(3.8)	(3.7)	(5.2)
Namibia	4.0	15.2	10.2	(4.5)	(4.1)	(2.7)	(5.0)
North West	1.0	15.0	10.0	(5.0)	(4.0)	(3.5)	(5.1)
Mpumalanga	2.0	14.3	9.4	(5.5)	(3.9)	(3.8)	(5.3)

NOTES to the financial statements continued

for the year ended 31 March 2021

21 Fair value measurement continued**21.4 Fair value measurement of non-financial assets (investment property)** continued

Discount rate above 16%	2020						
	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 and capitalisation year %
Total portfolio	6.0	17.0	12.6	(4.0)	(5.0)	(3.1)	(5.1)
Retail	5.0	17.1	12.6	(4.1)	(4.9)	(3.1)	(5.1)
Other	1.0	16.3	12.8	(4.0)	(5.0)	(2.9)	(5.2)
Gauteng	2.0	16.3	11.9	(4.2)	(4.9)	(3.2)	(5.1)
Limpopo	1.0	16.3	11.3	(4.5)	(4.4)	(3.4)	(5.2)
Namibia	2.0	18.1	13.7	(3.7)	(5.3)	(3.1)	(5.1)
North West		19.6	15.5	(3.4)	(5.5)	(1.5)	(5.1)
Mpumalanga	1.0	16.3	12.1	(4.2)	(4.8)	(3.1)	(5.2)

Spain

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

	2021	
	Change in discount rate	
	25bps decrease €'000	25bps increase €'000
Retail	17	(17)
Office	410	(410)
Land and purchase option	330	(320)
Theoretical result	18	(18)
	2020	
	Change in discount rate	
	25bps decrease €'000	25bps increase €'000
Retail	18	(18)
Office	430	(410)
Land and purchase option	350	(325)
Theoretical result	19	(19)

NOTES to the financial statements continued

for the year ended 31 March 2021

21 Fair value measurement continued

21.4 Fair value measurement of non-financial assets (investment property) continued

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 Rm	Decreased fair value Rm	Decrease Rm	% decrease	Increased fair value Rm	Increase Rm	% increase
Southern Africa ⁽¹⁾							
2021	15 554	15 143	(411)	(2.6)	15 991	437	2.8
2020	15 621	15 182	(439)	(2.8)	16 105	484	3.1

	25bps increase				25bps decrease		
	Fair value €m	Decreased fair value €m	Decrease Rm	% decrease	Increased fair value €m	Increase Rm	% increase
Spain ⁽²⁾							
2021	987	969	(306)	(1.8)	1 005	313	1.8
2020	1 003	985	(306)	(1.8)	1 023	316	1.9

⁽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 at 31 March:

	31 March 2021 Recurring fair value measurements Level 3 Rm	31 March 2020 Recurring fair value measurements Level 3 Rm
Investment property	32 193	35 522
Right-of-use asset	220	214

	31 March 2021 Non-recurring fair value measurements Level 3 Rm	31 March 2020 Non-recurring fair value measurements Level 3 Rm
Investment property held for sale	562	—

NOTES to the financial statements continued

for the year ended 31 March 2021

22 Derivative financial instruments

The group uses derivative financial instruments including interest rate swaps, forward exchange contracts and cross-currency interest rate swaps to hedge its exposure to interest rates and currency risk. It is the policy of the group not to trade in derivative financial instruments for speculative purposes. Derivative financial instruments are initially and subsequently recognised at fair value.

In terms of IFRS 9, the group enters into net investment hedges and cash flow hedges. Any ineffective portion of the hedge is recognised in profit or loss for the period.

	Note	2021 Assets/ (liabilities) Rm	2020 Assets/ (liabilities) Rm
Derivative assets are disclosed as follows:			
Non-current portion		168	29
FEC	23	167	—
CCIRS	23	—	—
IRS	23	1	10
Share warrant	22.2	—	19
Current portion		47	1
FEC	23	45	—
IRS	23	1	1
Share warrant	23	1	—
Total		215	30
Derivative liabilities are disclosed as follows:			
Non-current portion		(279)	(1 159)
FEC	23	—	(118)
CCIRS	23	(40)	(724)
IRS	23	(239)	(154)
Net settled derivative	22.1	—	(163)
Current portion		(501)	(64)
FEC	23	—	(46)
CCIRS	23	(297)	(16)
IRS	23	(2)	(2)
Net settled derivative	22.1	(202)	—
Total		(780)	(1 223)

Refer to note 24.4 for the maturity analysis of the group's derivatives.

Current period movements in derivative instruments were as follows:

	CCIRS Rm	FEC Rm	IRS Rm	Other derivatives Rm
Balance at 1 April 2020	(740)	(163)	(145)	(144)
Cash flow	196	(21)	83	—
OCI	435	376	(96)	—
Realised gains and losses (profit or loss)	(196)	21	—	—
Other (profit or loss)	(32)	—	(83)	(57) ⁽¹⁾
FCTR	—	(1)	1	—
Balance at 31 March 2021	(337)	212	(240)	(201)

⁽¹⁾ Fair value movement on other financial instruments of -R70 million in the statement of comprehensive income comprise of other derivatives: net settled derivative -R39 million and share warrant -R18 million (refer to notes 22.1 and 22.2 respectively), as well as the fair value movement of the executive share scheme -R14 million (refer to note 11).

Changes to Vukile or the counterparty's credit risk is a potential source of hedge ineffectiveness. As all critical terms match, the economic relationships and hedge ratios are 100% effective.

Refer to note 23 for nominal values and further details on hedging instruments.

NOTES to the financial statements continued

for the year ended 31 March 2021

22 Derivative financial instruments continued**22.1 Net settled derivative**

Derivative financial liabilities include a net settled derivative of R202 million (31 March 2020: R163 million) in respect of the Morzal acquisition.

Two co-investors participated in the acquisition of four shopping centres from Unibail-Rodamco together with Vukile, which resulted in these co-investors holding 25.6% shareholding in Castellana. The shareholder agreements concluded in terms of this transaction provide for an exit for the two co-investors on 31 July 2019 and 31 July 2021 respectively. On 31 July 2019, Vukile purchased 5.8 million additional shares in Castellana from one of the co-investors, Westbrooke Yield Plus, which resulted in a decrease to the co-investor shareholding in Castellana to 17.5%.

Castellana is required to act as agent to sell the shareholding in Castellana of the remaining co-investor to a third party, at a predetermined price. In the event that Castellana does not successfully place the shares at the predetermined price, Vukile will be required to make good the difference between the selling price and the predetermined price (Vukile will be required to net settle any shortfall).

The valuation of the derivative has been calculated using a Black Scholes option pricing model, which assumes the efficient market hypothesis, requiring that markets react to perfect information and that share price movements are normally distributed. Although Castellana shares are listed, they are illiquid. The Black Scholes model still provides the best estimate of the value of this derivative.

The following inputs were used in the Black Scholes option pricing model at 31 March 2021:

Description	Put	
Number of shares (options)	As specified in legal agreements	13 332 833
Strike price	As specified in legal agreements	6.50
Exchange rate	Closing rate	17.3
Expiry date	As specified in legal agreements	31 July 2021
Discount rate	Three-year Euribor (Euro Interbank Offered Rate) swap (%)	(0.5)
Volatility of the index price	In terms of an index based on the largest 10 Spanish REITs (%)	11.02
Share price	Fair value of Castellana	5.64

Sensitivity analysis

If the discount rate of 0.45% was increased to 0.55%, the valuation would decrease by EUR29 999. If the discount rate was decreased to 0.35%, the valuation would increase by EUR28 984.

If the volatility of the index price of 11.02% was increased to 12.5%, the valuation would increase by EUR29 695. If the volatility was decreased to 10%, the valuation would decrease by EUR11 621.

The following inputs were used in the Black Scholes option pricing model at 31 March 2020:

Description	Put	
Number of shares (options)	As specified in legal agreements	13 332 833
Strike price	As specified in legal agreements	6.50
Exchange rate	Closing rate	19.7
Expiry date	As specified in legal agreements	31 July 2021
Discount rate	Three-year Euribor swap (%)	(0.3)
Volatility of the index price	In terms of an index based on the largest 10 Spanish REITs (%)	16.74
Share price	Fair value of Castellana	6.26

The table below details the movement in the derivative balance:

	2021 Rm	2020 Rm
Opening balance	(163)	(208)
Fair value movement	(39)	45
Closing balance	(202)	(163)

NOTES to the financial statements continued

for the year ended 31 March 2021

22 Derivative financial instruments continued

22.2 Share warrant

During October 2018, Vukile entered into an agreement with DREAM, in terms of which Vukile has the right to instruct the shareholders of DREAM, at any time up to 7 December 2021, to issue sufficient share capital in DREAM to Vukile, resulting in Vukile owning 50% of the shares in DREAM.

During the year to 31 March 2021, Vukile elected to exercise 50% of the right, resulting in Vukile obtaining 25.09% of the issued share capital in DREAM. Derivative financial assets include an amount of R910 432 (31 March 2020: R19 million), relating to the fair value of the remaining share warrant. The derivative has been valued using a Black Scholes option pricing model, which assumes the efficient market hypothesis, where share price movements follow a normal distribution. Although DREAM shares are not actively traded, the Black Scholes model still provides the best estimate of the value of the share warrant. Although Black Scholes is generally used to price European style options (which include dividends in the cash flow), academic research suggests that Black Scholes can be used to value American style options, where there are no dividends.

Refer to note 8 for further details on the investment in DREAM.

The following inputs were used in the Black Scholes option pricing model at 31 March 2021:

Number of shares (options)		1 001
Description		Call warrant
Strike price	Net asset value at time of valuation	3 160.00
Exchange rate	Closing rate	17.3
Expiry date	As specified in legal agreements	7 December 2021
Fair value of DREAM shares	Price-earnings ratio	1 206.95
Discount rate	Three-year Euribor swap (%)	(0.5)
Volatility of the index price	In terms of an index based on the largest 10 Spanish REITs (%)	11.02

Sensitivity analysis

If the discount rate of 0.45% was increased to 0.55%, the valuation would decrease by EUR607. If the discount rate was decreased to 0.35%, the valuation would increase by EUR612.

If the volatility of the index price of 11.02% was increased to 12.5%, the valuation would increase by EUR 13 345. If the volatility was decreased to 10%, the valuation would decrease by EUR8 871.

The following inputs were used in the Black Scholes option pricing model at 31 March 2020:

Number of shares (options)		1 500
Description		Call warrant
Strike price	Net asset value at time of valuation	2 380.81
Exchange rate	Closing rate	19.7
Expiry date	As specified in legal agreements	44 537
Fair value of DREAM shares	Price-earnings ratio	1 194.20
Discount rate	Three-year Euribor swap (%)	(0.3)
Volatility of the index price	In terms of an index based on the largest 10 Spanish REITs (%)	16.17

NOTES to the financial statements continued

for the year ended 31 March 2021

23 Hedge accounting

IFRS 9 requires that the group's hedge accounting relationships are aligned with risk management objectives and strategies and applies a more qualitative and forward-looking approach in assessing hedge effectiveness. The group designated the following hedging relationships:

> Cash flow hedge

Interest rate swaps are used to hedge floating rate debt. Refer to note 23.1.

> Net investment hedge – subsidiary

The group's Euro investment in Castellana, together with Euro cash held by Vukile, is hedged with Vukile's Euro denominated loans. Forward exchange contracts and the nominal amount of cross-currency interest rate swaps have also been designated as hedging instruments. Refer to notes 23.2 and 23.3 respectively.

23.1 Interest rate swaps

The group's policy is to minimise interest rate cash flow risk exposures on interest-bearing debt by hedging at least 75% of interest-bearing debt through fixed rate loans or by way of interest rate swaps. In terms of the group's hedging strategy, access facilities are not hedged.

At 31 March 2021 the group had interest-bearing borrowings of R15.4 billion (31 March 2020: R16.7 billion). Interest rates equating to 78% of interest-bearing debt (31 March 2020: 81%) have been fixed. The percentage has reduced relative to the prior year, in part due to a larger proportion of SA Euro funding that was not fixed, since the underlying facilities are linked to Euribor, but with a zero floor. As long as Euribor is below zero, the zero floor acts as a natural hedge.

The group has entered into interest rate swaps whereby the variable rate loans have been converted to fixed rate debt as follows:

	2021 Group nominal value Rm	2020 Group nominal value Rm
Rand denominated swaps	2 484	2 484
Foreign currency denominated swaps	9 398	11 925
Total interest rate swaps	11 882	14 409
Weighted average maturity (years)	2.55	3.4

NOTES to the financial statements continued

for the year ended 31 March 2021

23 Hedge accounting continued

23.2 Forward exchange contracts

A foreign currency exposure arises from net investments in group entities whose functional currency differs from the parent's functional currency. The risk is defined as the risk of fluctuation in spot exchange rates between the functional currency of the net investments and the parent's functional currency. This will cause the amount of the net investment to vary. Such a risk may have a significant impact on the group's financial statements.

The group is exposed to currency risk to the extent that there is a mismatch between the currencies in which dividends and borrowings are denominated and the functional currencies used by the group companies. The primary functional currencies used by the group are the Rand and the Euro. Forward exchange contracts are entered into to limit exposure to currency fluctuations on net investments in offshore associates and subsidiaries.

Vukile has adopted a strategy of hedging its foreign currency dividends received from Castellana (Euro). Vukile enters into hedges to cover approximately 75% of the dividend cash flow over a three-year period. Vukile no longer hedges using GBP FECs due to the sale of Atlantic Leaf during the year.

Euro foreign exchange currency hedges

Maturity date	Jun 2021 €m	Dec 2021 €m	Jun 2022 €m	Dec 2022 €m	June 2023 €m	Dec 2023 €m	June 2024 €m	Dec 2024 €m
FEC hedge – nominal value	11	11	12	12	12	12	13	13
Fixed EUR/R rate	19.3	20.2	21.0	21.8	22.7	23.1	24.0	24.3

23.3 Cross-currency interest rate swaps

Rand denominated loans obtained for certain foreign acquisitions together with cash raised from property sales and equity raises are utilised to enter into cross-currency interest rate derivatives to swap the Rand for a foreign currency. The interest receipt on the hedge of R196 million is recognised in profit or loss. As only the nominal amount of the CCIRS is designated in a hedge relationship, an amount of R32 million is recognised directly in profit or loss as the fair value movement on the non-designated portion of the derivative.

Maturity of existing CCIRS	June 2021	June 2021	June 2022	June 2022
Nominal value: Euro	€93.2 million	€23.8 million	€40.0 million	€25.5 million
Nominal value: ZAR	R1 346 million	R360.4 million	R629.9 million	R401.4 million
Weighted average ZAR rate	7.7%	7.7%	12.9%	12.9%
Foreign rate	1.9%	1.3%	3.7%	3.7%

NOTES to the financial statements continued

for the year ended 31 March 2021

24 Financial instruments risk

24.1 Financial risk management objectives and policies

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The ARC is responsible for developing and monitoring the group's risk management policies. The ARC reports regularly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The ARC oversees management compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group operates an outsourced internal audit function. For the period under review, EY fulfilled the function of outsourced internal audit service provider. Internal audit is responsible for assisting the board and management in maintaining an effective internal control environment by evaluating those controls continuously, to determine whether they are adequately designed and operating efficiently and effectively and to recommend improvements.

The group's financial instruments consist mainly of derivatives, financial assets, loan receivables, deposits with banks, accounts receivable and payable, long-term borrowings, and loans to and from subsidiaries. The group purchases or issues financial instruments to finance operations and to manage interest rate and foreign currency risks that may arise from time to time. The group does not engage in the trading of financial assets or entering into derivative transactions for speculative purposes.

24.2 Credit risk analysis

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The group has no significant concentration of credit risk, as exposure is spread over a large number of counterparties.

Potential areas of credit risk comprise mainly cash, money market funds, trade receivables, derivative financial instruments and long-term loans granted. In order to minimise any possible risks relating to cash, derivatives and money market funds, the group only uses reputable banks and AA rated money market funds, up to predetermined levels.

While cash and cash equivalents and tenant deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. The risks regarding long-term loans granted to directors and senior management are minimised by a cession of Vukile listed shares, held by directors and senior management, and personal suretyship provided by the borrowers in favour of the company. At 31 March 2021, Vukile did however raise an ECL of R26 million (2020: R13 million), due to the impact of COVID-19 on Vukile's share price and the broader economy. Forecasted Vukile share price and dividends are used as inputs to the ECL calculation. The provision was calculated using three scenarios – a baseline, an optimistic, and a pessimistic scenario. The probability of default was applied against the LGD at the date of maturity for each of the three scenarios.

Trade receivables consist of a large, widespread tenant base. Management has established a credit policy in terms of which each new tenant is analysed individually for creditworthiness before the group's standard payment terms and conditions are offered which include, in the majority of cases, the provision of a deposit of at least one month's rental. When available, the group's credit review includes external ratings. The group monitors the financial position of its tenants on an ongoing basis. The group's lease receivables are subject to an the ECL model, and amounted to approximately R69.9 million (2020: R19.0 million), net of tenant deposits held as security. The group held tenant cash deposits amounting to R189.4 million at 31 March 2021 (2020: R198.9 million), as collateral for the rental commitments of tenants.

The expected loss rates are based on the payment profiles of the tenants, and the historical credit losses experienced within the period. A default was considered to be at the point where a tenant passes 90 days. Once an amount passes the default point for the purposes of calculating the ECL, the recoveries, write-offs and timing is tracked to determine loss rates. The group performed the calculation of ECL rates separately for national tenants, government entities, and other tenants. Exposures within each group were segmented based on common credit risk characteristics. The weighted average loss rate was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the group's view of economic conditions over the expected lives of the receivables, taking into consideration the pressure facing smaller tenants due to lockdown regulations and possible increase in probability of default, offset by the industry-wide rent concessions. Uncertainty brought about by COVID-19 and the financial impact on tenants have been incorporated in the ECL of tenant receivables.

NOTES to the financial statements continued

for the year ended 31 March 2021

24 Financial instruments risk continued

24.2 Credit risk analysis continued

Analysis of credit quality of financial assets is as follows:

	2021 Rm	2020 Rm
Gross lease receivables	182	121
Municipal accruals	120	108
Less: ECL	(70)	(19)
Net balance	232	210

Movements on the allowance for impairment of trade receivables are as follows:

	2021 Rm	2020 Rm
Opening balance at 1 April	19	34
Change in ECL ⁽¹⁾	51	(15)
At 31 March	70	19

⁽¹⁾ Bad debts written off during the year amounted to R19 million (2020: R45 million).

Expected credit losses and receivables written off have been included in "property expenses" in note 27 to the annual financial statements.

The impairment provision at 31 March 2021 was determined as follows:

Group	Gross carrying amount Rm	Weighted average loss rate %	Impairment loss allowance Rm
Gross tenant receivables			
Southern Africa National tenants			
Current	10	10.0	1
30 days past due	4	—	—
60 days past due	2	—	—
90+ days past due	22	36.4	8
Namibian government			
Current	—	—	—
30 days past due	1	—	—
60 days past due	1	—	—
90+ days past due	5	20.0	1
Southern Africa regular tenants			
Current	16	18.8	3
30 days past due	11	36.4	4
60 days past due	7	42.9	3
90+ days past due	40	55.0	22
Spanish tenants			
Current	2	—	—
30 days past due	12	—	—
60 days past due	6	—	—
90+ days past due	43	60.5	26
Municipal accruals	119	1.7	2
Total	301	23.3	70

NOTES to the financial statements continued

for the year ended 31 March 2021

24 Financial instruments risk continued**24.2 Credit risk analysis** continued

The impairment provision at 31 March 2020 was determined as follows:

Group	Gross carrying amount Rm	Weighted average loss rate %	Impairment loss allowance Rm
Southern Africa National tenants			
Current	12	1.6	—
30 days past due	4	3.0	—
60 days past due	2	6.5	—
90+ days past due	16	8.3	—
Namibian government			
Current	1	68.6	1
30 days past due	1	75.5	1
60 days past due	1	80.2	1
90+ days past due	2	33.8	1
Southern Africa regular tenants			
Current	10	9.5	1
30 days past due	4	14.0	1
60 days past due	3	15.7	—
90+ days past due	19	31.4	6
Spanish tenants			
Current	—	—	—
30 days past due	—	—	—
60 days past due	28	—	—
90+ days past due	18	38.9	7
Total	121	15.7	19

Southern African tenants account for majority of the provision and gross carrying amount. "Southern African regular tenants" are the biggest contributor to the group ECL, since smaller entities are more likely to experience the financial impact of the COVID-19 pandemic. Although Spanish tenants have historically achieved a 99% collection rate, a provision of 41% (2020: 15%) of the tenant arrears has been recognised due to a slightly lower collection rate at 31 March 2021 (compared to the prior year).

NOTES to the financial statements continued

for the year ended 31 March 2021

24 Financial instruments risk continued

24.3 Market risk

The group is exposed to market risk through interest rate risk, price risk and currency risk.

Interest rate risk management

The group is exposed to market risk through its use of financial instruments, specifically interest rate risk.

The group's interest rate risk management position and maturity profile of interest-bearing borrowings are summarised below:

Group total debt⁽¹⁾ and swap expiry profile

	2022	2023	2024	2025	2026	>2027	Total
Loan expiry profile (Rm)	2 604	3 347	2 783	517	5 660	315	15 226
Access facility expiry profile (Rm)	—	178	—	—	—	—	178
Hedging (swap and fixed debt) profile (Rm)	932	818	7 728	1 205	649	550	11 882
Loan expiry profile (%)	17	22	18	3	37	3	100
Access facility expiry profile (%)	—	100	—	—	—	—	100
Hedging (swap and fixed debt) profile (%)	8	7	65	10	5	5	100

⁽¹⁾ Total debt includes corporate bonds and excludes capitalised fees.

Interest rate sensitivity

It is estimated that for the year ended 31 March 2021 a 1.0% change in interest rates would have affected the group's profit before taxation by approximately R7.1 million (31 March 2020: R10.1 million).

Details of the group's interest rate swap contracts are set out in note 20 of the annual financial statements. The exposure to interest rates for the group's money market funds on deposit is considered immaterial.

Price risk

The group is exposed to price risk in respect of its listed property securities. The group limits its exposure to equity price risk by only investing in securities that are listed on a recognised stock exchange and where the directors are satisfied with the overall strategies implemented by such companies.

The investments in listed property securities are considered medium-term investments that are not part of Vukile's long-term strategy. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the group's favour.

The effect of a one percentage point change to the share price of the listed investments will have the following impact on the 31 March 2021 statement of profit or loss:

	1% decrease in share price		1% increase in share price		
	Fair value Rm	Decreased fair value Rm	Decrease Rm	Increased fair value Rm	Increase Rm
Arrowhead ("B")	309	306	(3)	312	3
Fairvest	538	533	(5)	543	5

The effect of a one percentage point change to the share price of the listed investments had the following impact on the 31 March 2020 statement of profit or loss:

	1% decrease in share price		1% increase in share price		
	Fair value Rm	Decreased fair value Rm	Decrease Rm	Increased fair value Rm	Increase Rm
Arrowhead ("A")	40	39	—	40	—
Arrowhead ("B")	206	204	(2)	208	2
Fairvest	338	335	(3)	341	3

NOTES to the financial statements continued

for the year ended 31 March 2021

24 Financial instruments risk continued**24.3 Market risk** continued

Foreign currency risk

The summary quantitative data in respect of the group's exposure to currency risk is as follows:

	March 2021		March 2020	
	€m	£m	€m	£m
Financial liabilities	(667)	—	(765)	(29)

Currency risk sensitivity analysis

A strengthening/(weakening) of the Euro and Pound Sterling against the Rand at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	March 2021 Change versus R	March 2020 Change versus R	March 2021			March 2020		
			Profit before tax		Exposure	Profit before tax		Exposure
			Strength- ening Rm	Weakening Rm	Rm	Strength- ening Rm	Weakening Rm	Rm
GBP	15%	15%	—	—	—	45	(45)	(318)
EUR	15%	15%	144	(144)	11 896	398	(398)	(14 753)

The risk is reduced by ensuring that foreign assets are funded with foreign loans in the same currency. On average, 75% of foreign dividends are hedged by way of forward exchange contracts over a three-year period.

24.4 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's policy is to limit its exposure to liquidity risk by ensuring that the group has a material amount of undrawn access facilities at any given time. In addition, refinancing risk is limited by ensuring that all maturing facilities are refinanced or repaid well ahead of the maturity date of the facility.

In effect, the group seeks to borrow for as long as possible at the lowest acceptable cost. The group regularly reviews the maturity profile of its interest-bearing debt and other financial liabilities and seeks to avoid concentration of maturities through the regular replacement of facilities well in advance of maturity dates. The group's strategy in this regard is to ensure that no more than 25% of debt matures in any one year. The group's objective in managing liquidity risk is to ensure that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Forecast cash flows based on anticipated rentals net of operating expenses, finance costs, other income, corporate expenditure and capital expenditure are reviewed on a regular basis.

Although the group's current liabilities temporarily exceed current assets at 31 March 2021, the group's liquidity is adequately managed by means of undrawn facilities at 31 March 2021 amounting to R1.9 billion (31 March 2020: R1.1 billion), which increased by a further R1.6 billion to R3.5 billion after year-end. Subsequent to year end, R150 million of corporate bonds were repaid, whilst €43.8 million of Castellana debt and €44.3 million of Vukile debt was extended (converted to R750 million). As such the short-term portion of interest-bearing borrowings have reduced to c. R927 million compared to R2.6 billion at year-end. Subsequent to year-end, Vukile extended the MEREV put option (R202 million at 31 March 2021) for another three years, which was classified as a "current liability" at year-end.

NOTES to the financial statements continued

for the year ended 31 March 2021

24 Financial instruments risk continued

24.4 Liquidity risk management continued

The tables below set out the maturity analysis of the group's non-derivative financial liabilities based on the undiscounted contractual cash flows.

Group	Current		Non-current		
	12 months maturity analysis Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 5 years Rm	>5 years Rm
2021					
Maturity analysis					
Borrowings	2 604	3 525	2 783	6 177	315
Interest component of borrowings	536	428	269	333	35
Lease liability	19	18	17	43	123
Trade and other payables (excluding non-IFRS 9 liabilities)	521	—	—	—	—
2020					
Maturity analysis					
Borrowings	2 291	3 843	3 497	2 268	6 623
Interest component of borrowings	578	470	352	470	108
Lease liability	18	17	16	40	123
Trade and other payables (excluding non-IFRS 9 liabilities)	517	—	—	—	—

In those instances where the loans are not repaid on maturity, new long-term loans are entered into with banks funders on the expiry of existing bank debt facilities. Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet funding requirements.

In terms of the LTV covenants with bank funders and the DMTN programme, the nominal value of long-term interest-bearing bank debt may not exceed 50% of the external value of investment property together with the market value of listed property securities. In addition to complying with all bank and DMTN covenants, the group LTV has also decreased from the prior year. Based on the DMTN and bank LTV loan covenants of 50%, the group has the following unutilised borrowing capacity:

	2021 Rm	2020 Rm
External value of property assets and value of listed property securities	33 556	37 374
50% thereof	16 778	18 687
Nominal value of borrowings utilised at year-end	(15 404)	(18 522)
Unutilised borrowing capacity	1 374	165

NOTES to the financial statements continued
for the year ended 31 March 2021

24 Financial instruments risk continued

24.4 Liquidity risk management continued

The table below sets out the maturity profile of the group's derivatives:

Group	Current		Non-current		
	12 months maturity analysis Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 5 years Rm	>5 years Rm
2021					
Derivative assets					
Forward exchange contracts	45	56	59	52	—
Interest rate swaps	1	1	—	—	—
Share warrant	1	—	—	—	—
Derivative liabilities					
Cross-currency interest rate swaps	(297)	(40)	—	—	—
Interest rate swaps	(2)	(11)	(31)	(101)	(96)
Net settled derivative	(202)	—	—	—	—
2020					
Derivative assets					
Interest rate swaps	1	2	1	7	—
Share warrant	—	19	—	—	—
Derivative liabilities					
Forward exchange contracts	(46)	(27)	(24)	(66)	—
Cross-currency interest rate swaps	(16)	(570)	(154)	—	—
Interest rate swaps	(2)	(3)	(12)	(109)	(30)
Net settled derivative	—	(163)	—	—	—

NOTES to the financial statements continued

for the year ended 31 March 2021

25 Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group.

25.1 Adjustments

The following convention applies to figures under “adjustments” below: inflows of cash are represented by figures in brackets while outflows of cash are represented by figures without brackets.

	2021 Rm	2020 Rm
Adjustments for non-cash items:		
Fair value adjustments	920	1 243
Fair value gain or loss on listed property securities	(303)	728
Share-based remuneration	48	52
Loss on sale of listed investments	32	—
Profit share on equity-accounted investments	(18)	(127)
Impairments	13	30
Right-of-use asset at fair value	(6)	(7)
Depreciation on furniture, fittings and equipment and amortisation of intangible assets	4	5
Foreign exchange loss	(9)	227
Other non-cash items	(31)	(88)
Items disclosed separately on statement of cash flows:		
Net cash flow from cross-currency interest rate swaps	(196)	(185)
Investment and other income	(127)	(237)
Finance costs	707	615
	1 034	2 256
	2021 Rm	2020 Rm
25.2 Net changes in working capital		
Movement in working capital		
Increase/(decrease) in trade and other receivables	(98)	9
(Decrease)/increase in trade and other payables	(199)	196
Foreign currency translation	11	(19)
	(288)	186
25.3 Taxation paid		
Amount owing at the beginning of the year	6	(1)
Foreign currency translation	2	3
Current taxation	15	15
Non-resident shareholders' tax	7	15
	30	32
Net amount owing at the end of the year	(4)	(6)
Tax paid during year	26	26
25.4 Distribution to shareholders		
Distribution to shareholders owing at the beginning of the year	(2)	—
Dividends declared	461	1 762
NCl portion of distribution	95	107
Distribution to shareholders owing at the end of the year	2	(2)
Distribution paid during the year	556	1 867
25.5 Cash and cash equivalents		
Held on deposit for tenants	60	199
Held on short-term interest-bearing deposits	120	129
Cash on hand	823	1 231
Cash and cash equivalents	1 003	1 559

NOTES to the financial statements continued

for the year ended 31 March 2021

26 Revenue

“Property revenue” is generated from rental income from investment property in accordance with IFRS 16.

“Revenue from contracts with customers” arises from transactions not associated with financial instruments or investment property. Due to the nature of the group’s business, all revenue from customers is considered to be recognised “over time” in accordance with IFRS 15.

	2021 Rm	2020 Rm
Property revenue	3 117	3 446
Included in property revenue: Turnover rental	22	27
Included in property revenue: Revenue from contracts with customers (recoveries)	876	811

27 Property expenses

	2021 Rm	2020 Rm
Municipal fixed charges	199	156
Municipal consumption costs	413	391
Operating costs	499	458
Repairs and maintenance	35	38
Property management fees	57	56
ECL movement	51	30
Total	1 254	1 129

NOTES to the financial statements continued

for the year ended 31 March 2021

28 Corporate and administrative expenses

	2021 Rm	2020 Rm
Administration expenses include:		
Corporate staff and related costs	140	131
Administration costs	54	59
Share-based remuneration	53	52
Directors' remuneration	13	11
Short-term lease: premises	9	11
Depreciation of fixed assets and amortisation of intangible assets	5	5
Internal audit fee	3	1

Share-based remuneration

Services received or acquired in a share-based payment transaction are recognised as the services are received. A corresponding increase in equity is recognised if the services were received in an equity-settled share-based payment transaction.

For equity-settled share-based payment transactions, the goods or services received, and the corresponding increase in equity, are measured directly at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity are measured indirectly by reference to the fair value, at grant date, of the equity instruments granted.

When the services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

As the share-based payments granted do not vest until the counterparty completes a specified period of service and also meets various performance hurdles, the group accounts for those services on a straight-line basis over the vesting period.

If the share-based payments vest immediately, the services received are recognised immediately in full.

As reported previously, shareholders have approved a long-term retention and incentive scheme which is based on individual performance relative to personal critical performance area targets, the group's performance relative to industry benchmarks and relative to an inflation-linked target.

Refer to note 11 in this regard.

As the above are equity-settled share-based payments, the accounting treatment is to recognise the share-based payments on a straight-line basis over the vesting periods.

Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognised in profit or loss in the period in which the service is rendered and are not discounted.

29 Auditor's remuneration

	2021 Rm	2020 Rm
External audit fees		
Current year	6	7
Non-audit services ⁽¹⁾	—	—
	6	7

⁽¹⁾ Less than R1 million.

NOTES to the financial statements continued
for the year ended 31 March 2021

30 Investment and other income

	2021 Rm	2020 Rm
Dividend income ⁽¹⁾	95	146
FEC realised	(12)	31
Other income	2	—
	85	177
Interest on deposits, receivables and cross-currency interest rate swaps	233	245
	318	422

⁽¹⁾ Dividend income comprises the following: R57 million Fairvest and R38 million Arrowhead.

31 Finance costs

	2021 Rm	2020 Rm
Interest-bearing borrowings	615	535
Less: Capitalised interest on developments	—	(4)
Lease liability	24	23
Unsecured loans	2	6
Amortisation of debt raising fees	66	55
	707	615

Refer note 23.3 for hedging details.

32 Foreign exchange profit / (loss)

	2021 Rm	2020 Rm
Foreign currency translation of Pound Sterling (GBP) denominated loans ⁽¹⁾	9	(65)

⁽¹⁾ The GBP loans were re-paid during the year, following the sale of Vukile's interest in Atlantic Leaf, in August 2020.

NOTES to the financial statements continued

for the year ended 31 March 2021

33 Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-taxable or disallowable and any adjustment for tax payable or receivable in previous years.

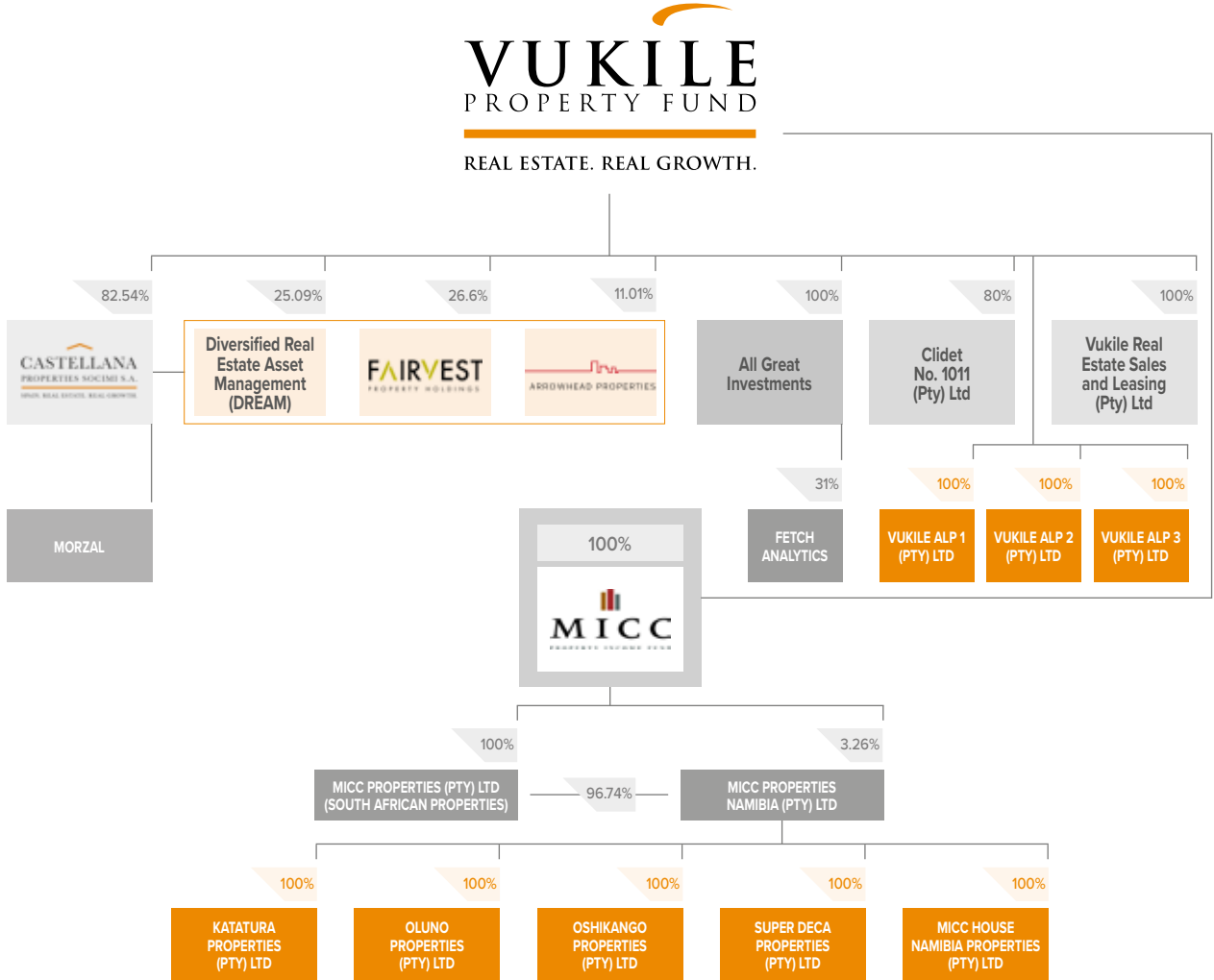
Current tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

	2021 Rm	2020 Rm
Normal taxation (Namibia)	(15)	(15)
Non-resident shareholders' tax (Namibia)	(7)	(15)
Total current taxation	(22)	(30)
Deferred taxation overprovision in prior year	2	—
Deferred taxation on other temporary differences – refer to note 13 for the detailed composition	(20)	(10)
	(40)	(40)
Reconciliation of tax rate	%	%
Standard tax rate	28.0	28.0
Permanent differences	(10.6)	14 177.3
Fair value adjustment – investment property	56.2	57 052.4
Fair value adjustment – listed property securities	(14.3)	32 738.1
Fair value adjustment – executive share scheme	0.9	2 882.9
Profit share of associate	(1.1)	(5 750.5)
NRST	1.6	2 551.1
Overprovision of prior year normal taxation	(0.8)	(37.2)
Namibian rate differential	0.4	105.9
Spanish rate differential	—	(12 767.7)
Deferred taxation asset not recognised	1.5	53.2
Other differences	(0.4)	—
REIT distribution	(52.6)	(84 625.0)
Effective tax rate	8.8	6 408.5

NOTES to the financial statements continued
for the year ended 31 March 2021

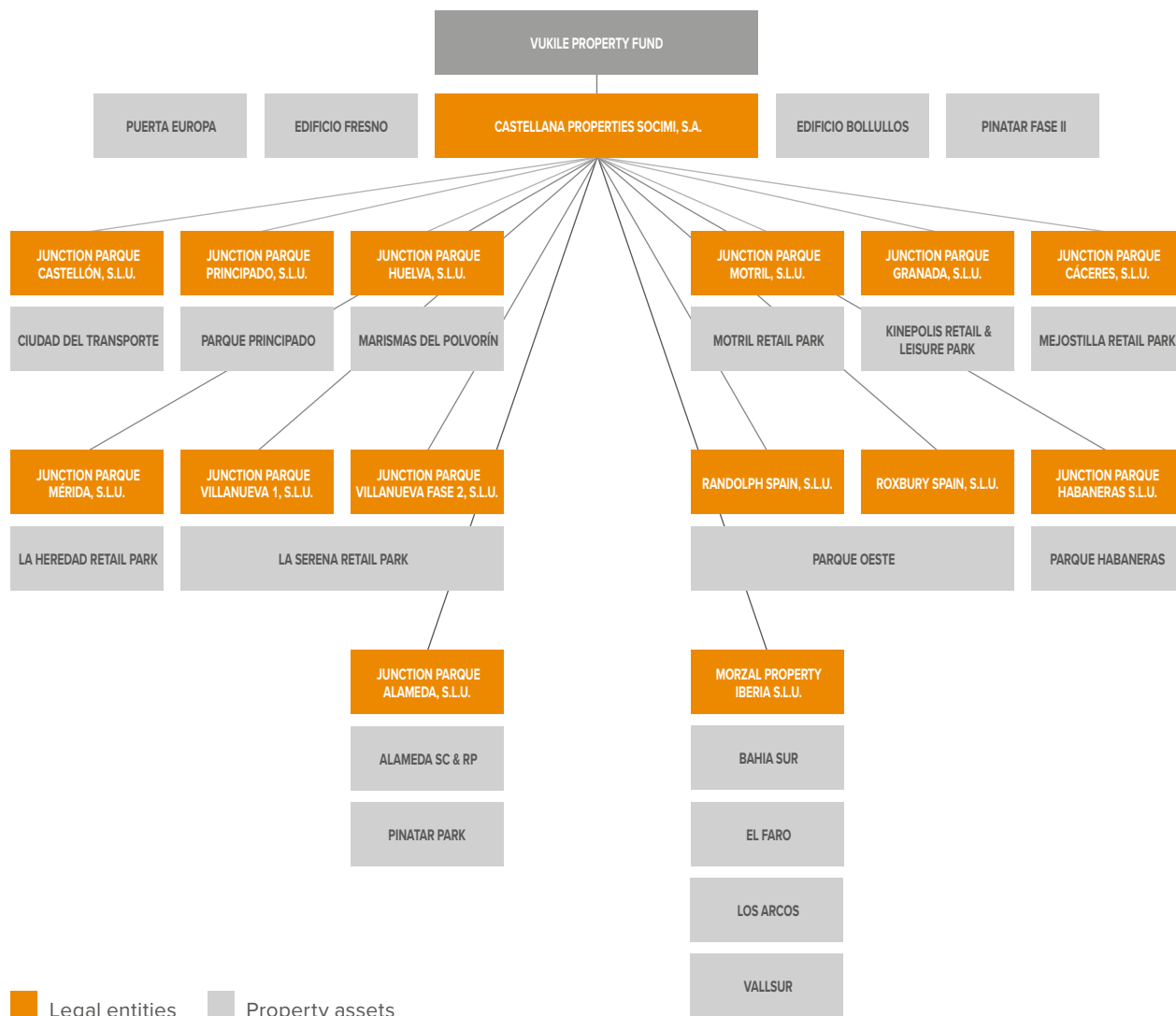
34 Related-party transactions and balances

The group comprises three primary operating companies, being Vukile, Clidet and Castellana.



NOTES to the financial statements continued
for the year ended 31 March 2021

34 Related-party transactions and balances continued



NOTES to the financial statements continued
for the year ended 31 March 2021

34 Related-party transactions and balances continued
Related-party transactions and balance

Type of transaction	2021		2020	
	Amount paid/ (received) by Vukile Rm	Amount owed to/(by) related parties Rm	Amount paid/ (received) by Vukile Rm	Amount owed to/(by) related parties Rm
Group companies				
MICC Property Income Fund (MICC IF)				
Debt interest	(133)	—	(165)	—
Transfer of Atlantic Leaf Properties Limited share to MICC	(324)	—	—	—
MICC Properties				
Interest received	(18)	(246)	(23)	(261)
Clidet No. 1011				
Dividends received	(10)	(7)	(17)	—
Clidet No. 1011				
Interest received	(17)	(281)	(25)	(285)
AGI				
Interest received	(1)	(17)		
Castellana				
Interest received	(8)	(303)	(7)	—
Vukile ALP 1 Pty Ltd				
Dividends received		—	(6)	—
Vukile ALP 2 Pty Ltd				
Dividends received		—	(6)	—
Vukile ALP 3 Pty Ltd				
Dividends received		—	(1)	—
Vukile ALP 1 Pty Ltd				
Interest received	(9)		(26)	(364)
Vukile ALP 2 Pty Ltd				
Interest received	(9)		(26)	(364)
Vukile ALP 3 Pty Ltd				
Interest received	(4)		(13)	(180)
Atlantic Leaf Properties Limited				
Dividend received	(54)	—	(102)	—
Fairvest Property Holdings Limited				
Dividend received	(57)	—	(59)	—
Arrowhead Properties Limited				
Dividend received	(38)	—	(85)	—
Investment in Castellana				
Dividend received	(427)	—	(430)	—
Westbrooke Yield Plus				
Dividend received	—	—	(20)	—
Other related parties				
Directors and other officers				
Interest	(14)	(281)	(19)	(266)
Executive directors				
Remuneration	28	—	50	—
Key management (excluding directors)				
Remuneration	12	—	15	—

Related parties comprise the company's subsidiaries, associates, joint ventures and key management. Refer note 7 and 8 for information on associates and joint ventures.

Details of directors' remuneration and related share incentive schemes are set out in the directors' report.

NOTES to the financial statements continued

for the year ended 31 March 2021

35 Segment report

The group identifies and presents operating segments based on the information that is provided internally to the executive management committee (Exco), the group's operating decision-making forum. This forum reviews the performance of the Southern African portfolio, the Castellana portfolio and other investments held by the group.

Reportable segments for the year ended 31 March 2021 are consistent with those reported as at 31 March 2020. The group's Exco evaluates the group's performance on a monthly basis based on the following geographical segments:

- > Southern Africa; and
- > Spain.

The geographical areas are further disaggregated between retail and "other". Although the business is retail focused, it also has other assets that are non-retail. Head office and non-retail assets that are non-core to the business have been grouped into "other".

The results of the operating segments are reviewed monthly by the Exco, to assess performance and make decisions regarding the allocation of capital to each of the operating segments.

The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, to arrive at distributable earnings.

	Southern Africa			Spain			Total group Rm
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	
Group income for the year ended 31 March 2021							
Revenue ⁽ⁱ⁾	1 418	83	1 501	645	96	741	2 242
Property expenses ⁽ⁱ⁾	(259)	(14)	(273)	(92)	(14)	(106)	(379)
Net distributable income from property operations	1 159	69	1 228	553	82	635	1 863
Corporate and administrative expenses	(145)	(9)	(154)	(54)	(78)	(132)	(286)
Investment and other income	78	5	83	2	—	2	85
Finance income	7	30	37	—	—	—	37
Net interest CCIRS	192	4	196	—	—	—	196
Distributable income before finance costs	1 291	99	1 390	501	4	505	1 895
Finance costs	(58)	(404)	(462)	(234)	(11)	(245)	(707)
Distributable income before equity accounted income	1 233	(305)	928	267	(7)	260	1 188
Share of income from associate	—	18	18	—	—	—	18
Share of income from joint venture	—	(1)	(1)	—	—	—	(1)
Distributable income before taxation	1 233	(288)	945	267	(7)	260	1 205
Taxation	(40)	—	(40)	—	—	—	(40)
Distribution income	1 193	(288)	905	267	(7)	260	1 165
Net distributable income attributable to NCI	—	(4)	(4)	—	(45)	(45)	(49)
Attributable to Vukile Group	1 193	(292)	901	267	(52)	215	1 116
Non-IFRS adjustments	—	104	104	—	—	—	104
Accrued dividends	—	98	98	—	—	—	98
Non-cash impact of IFRS 16 – Leases	—	6	6	—	—	—	6
Available for distribution	1 193	(188)	1 005	267	(52)	215	1 220

⁽ⁱ⁾ Revenue and property expense have been reflected net of recoveries. The consolidated statement of profit or loss and OCI reflects gross property revenue and gross property expenses.

NOTES to the financial statements continued

for the year ended 31 March 2021

35 Segment report continued

	Southern Africa			Spain			Total group Rm
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	
Group income for the year ended 31 March 2020							
Revenue ⁽ⁱ⁾	1 480	90	1 570	981	84	1 065	2 635
Property expenses ⁽ⁱ⁾	(226)	(14)	(240)	(71)	(7)	(78)	(318)
Net distributable income from property operations	1 254	76	1 330	910	77	987	2 317
Corporate and administrative expenses	(152)	(9)	(161)	(69)	(49)	(118)	(279)
Investment and other income	166	10	176	1	—	1	177
Finance income	10	50	60			—	60
Net interest from cross-currency interest rate swaps	173	12	185			—	185
Distributable income before finance costs	1 451	139	1 590	842	28	870	2 460
Finance costs	(55)	(355)	(410)	(198)	(7)	(205)	(615)
Distributable income before equity accounted income	1 396	(216)	1 180	644	21	665	1 845
Share of income from associate (Atlantic Leaf)	—	127	127	—	—	—	127
Distributable income before taxation	1 396	(89)	1 307	644	21	665	1 972
Taxation	(40)	—	(40)	—	—	—	(40)
Distribution income	1 356	(89)	1 267	644	21	665	1 932
Net distributable income attributable to non-controlling interests		(3)	(3)	—	(127)	(127)	(130)
Attributable to Vukile Group	1 356	(92)	1 264	644	(106)	538	1 802
Non-IFRS adjustments	—	(12)	(12)	—	—	—	(12)
Antecedent dividend	—	2	2	—	—	—	2
Accrued dividends	—	(20)	(20)	—	—	—	(20)
Non-cash impact of IFRS 16 – Leases	—	6	6	—	—	—	6
Available for distribution	1 356	(104)	1 252	644	(106)	538	1 790

⁽ⁱ⁾ The revenue and property expense have been reflected net of recoveries. The audited consolidated statement of profit or loss and OCI reflects gross property revenue and gross property expenses.

NOTES to the financial statements continued

for the year ended 31 March 2021

36 Capital management

The group's capital management objectives are:

- > To ensure the group's ability to continue as a going concern;
- > To safeguard and optimise the group's strong liquidity position; and
- > To provide an adequate return to shareholders, by pricing services commensurately with the level of risk.

The group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented in the statement of financial position.

Capital for the reporting period under review is summarised as follows:

	2021 Rm	2020 Rm
Total equity	17 361	17 542
Derivative liabilities	780	1 223
Cash and cash equivalents	(1 003)	(1 559)
Capital	17 138	17 206
Total equity	17 361	17 542
Borrowings	15 226	18 249
Overall financing (total equity plus borrowings)	32 587	35 791
Capital-to-overall financing ratio	52.6%	48.1%
Covenants	2021	2020
LTV ratio (net of cash and equivalents)	42.8%	46.1%
LTV covenant level	50.0%	50.0%
Interest cover ratio ⁽¹⁾	3.3 times	5.8 times
Interest cover ratio covenant level	2 times	2 times

⁽¹⁾ The interest cover ratio at 31 March 2021 includes the impact of COVID-19 rent concessions granted to tenants in Southern Africa and Spain during FY21.

Management assesses the group's capital requirements in order to maintain an efficient overall financing structure. The group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may issue new shares or sell assets to reduce debt.

The board's policy is to maintain a strong capital base, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board aims to limit borrowings to not more than 50% of property assets over the long term.

Apart from a stated intention to reduce the group LTV ratio over time, there were no changes in the group's approach to capital management during the year. The group has complied with all of its bank and corporate bond covenants during the year.

37 Future minimum lease income

	2021 Rm	2020 Rm
Receivable within one year	2 223	2 147
Receivable between one and five years	4 270	4 751
Receivable after five years	1 905	2 628
Total future contractual lease revenue	8 398	9 526
Rental straight-line adjustment already accrued	(352)	(419)
Future straight-line lease revenue	8 046	9 107

NOTES to the financial statements continued

for the year ended 31 March 2021

38 Lease commitments

The group leases the following assets under non-cancellable leases:

	Term
Land leases	20-50 years
Office equipment	5 years

The office equipment refers to printers and copiers that are low-value items recognised as an expense. The land leases are accounted for in terms of IFRS 16 by recognising a right-of-use asset and lease liability. Refer to note 19 for lease liability disclosures. The right-of-use asset is disclosed in note 3.

The minimum total future payments for non-cancellable leases are as follows:

	2021 Rm	2020 Rm
Less than one year	21	18
Premises	1	—
Land leases	20	18
Between one and five years	96	90
Land leases	96	89
Office equipment	—	1
More than five years	514	392
Land leases	514	392
Total	631	500

39 Capital commitments

	2021 Rm	2020 Rm
Authorised and contracted	571	169
Authorised but not contracted	465	239

The above capital expenditure will be funded by way of bank facilities, surplus cash and the sales proceeds from the sale of non-core assets.

NOTES to the financial statements continued

for the year ended 31 March 2021

40 Non-current assets held for sale

Vukile has actively been marketing various industrial properties in South Africa. At 31 March 2021, the sales of these properties were unconditional and it is highly probable that transfer will occur within 12 months.

	Note	2021 Rm
Non-current assets held for sale		
Ulundi King Senzangakhona Shopping Centre		306
Lethlabile Mall		161
Centurion Samrand N1		46
Pretoria Rosslyn Warehouse		25
Kempton Park Spartan Warehouse		24
		562
Straight-line rental income adjustment	4	(11)
Straight-line rental income asset	4	11
		562

41 Reconciliation of earnings to headline earnings

	31 March 2021		31 March 2020	
	Rm	Cents per share	Rm	Cents per share
Profit/(loss) attributable to owners of the parent	584	61.04	(103)	(10.81)
Earnings and diluted earnings	584	61.04	(103)	(10.81)
Change in fair value of investment property	920	96.24	1 243	130.09
Non-controlling interest (NCI) portion of fair value changes in investment property	(215)	(22.52)	(66)	(6.92)
Remeasurement of right-of-use asset	(6)	(0.60)	—	—
Impairment of goodwill	—	—	17	1.76
(Profit)/loss on sale of investment property	(2)	(0.20)	9	0.99
Loss on sale of investments	32	3.30	—	—
Remeasurement included in (equity-accounted) earnings of associate	—	—	17	1.80
Headline and diluted headline earnings	1 313	137.26	1 117	116.92
Number of shares in issue at year-end	956 226 628		956 226 628	
Weighted average number of shares	956 226 628		955 263 118	

There are no dilutionary shares in issue.

NOTES to the financial statements continued

for the year ended 31 March 2021

42 Events after reporting period

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 a final dividend on 4 June 2021 of 101.04 cents per share for the year ended 31 March 2021, (31 March 2020: 129.0 cents) amounting to R966 million (31 March 2020: R1 234 million). The dividend represents a payout ratio of 79% of total group FFO and 75% of the minimum JSE required SA REIT distribution.

ii. Sale of investment property

The following properties transferred after year-end and meet the definition of non-adjusting post-balance sheet events as per IAS 10 – *Events after the Reporting Period*:

- > On 14 April 2021, Pretoria Rosslyn Warehouse was transferred at a selling price of R25 million; and
- > On 9 April 2021, Kempton Park Spartan Warehouse was transferred at a selling price of R23.8 million.

iii. Extension of MEREV put option

Subsequent to year-end, Vukile extended the MEREV put option for three years to 31 July 2024. RMB will provide R1.0 billion of new facilities to Vukile, which allows Vukile to acquire a portion of MEREV's Castellana shares, if desired. Although the amended agreement does not adjust the strike price of €6.50, Vukile will guarantee a 6% yield on Castellana's dividend. Since the agreement was signed post-year-end, it results in a non-adjusting event that is not recognised in the financial statements.

iv. Settlement of CCIRS

Subsequent to year-end, Vukile entered into a derivative instrument to hedge the settlement of the two CCIRS that mature in June 2021. These two CCIRS will be settled on their maturity date (14 June 2021), with a net mark-to-market settlement amount of R235 million, after taking into account R100 million that was placed on deposit at inception of the CCIRS. The derivative instrument that was entered into (after the end of the reporting period) results in a non-adjusting event that is not recognised in the financial statements.

v. Investment in Arrowhead

On 18 May 2021, Fairvest concluded agreements with Arrowhead shareholders to acquire Arrowhead B shares in exchange for Fairvest shares, at a share swap ratio of 1.85 Fairvest shares per Arrowhead B share. Whilst Vukile is supportive of the proposed transaction, any transaction, if it proceeds, is still conditional on a number of regulatory requirements.

ANNEXURE A – Detailed property information

Properties owned by the group At 31 March 2021	Town	Gross lettable area (GLA) m ²	Effective date of acquisition	Weighted average rental R/m ² pm	Vacancy by GLA %
Southern Africa total		994 080		141.3	3.9
Southern Africa – retail		859 504		147.6	3.1
Atlantis City Shopping Centre	Atlantis	22 093	Feb 2015	169.8	1.0
Bloemfontein Plaza	Bloemfontein	43 771	Apr 2004	96.3	1.4
Boksburg East Rand Mall (50%)	Boksburg	34 284	Apr 2013	278.4	3.5
Daveyton Shopping Centre	Daveyton	17 709	Apr 2004	188.1	—
Durban Phoenix Plaza	Durban	24 072	Apr 2004	289.3	—
Durban Workshop*	Durban	20 204	Apr 2012	224.8	1.9
Elim Hubveni Shopping Centre	Elim	12 686	Feb 2015	107.3	0.9
Emalahleni Highland Mews	Emalahleni	16 952	Feb 2015	128.4	2.8
Ermelo Game Centre	Ermelo	6 639	Feb 2015	97.5	2.3
Ga-Kgapane Modjadji Plaza (30%)	Ga-Kgapane	2 940	Mar 2014	155.4	—
Germiston Meadowdale Mall (67%)	Germiston	33 156	Oct 2003	93.2	—
Giyani Plaza	Giyani	9 446	Jul 2011	152.1	—
Gugulethu Square	Gugulethu	25 699	Feb 2015	180.0	3.6
Hammanskraal Renbro Shopping Centre	Hammanskraal	13 443	Feb 2015	136.9	1.5
Hammarsdale Junction*	Hammarsdale	20 106	Jul 2013	137.6	—
Katutura Shoprite Centre*	Katutura	10 621	Oct 2003	150.6	7.7
KwaMashu Shopping Centre	KwaMashu	11 197	Feb 2015	133.1	7.8
Makhado Nzhelele Valley Shopping Centre	Makhado	5 297	Feb 2015	144.6	—
Mbombela Shoprite Centre	Mbombela	14 015	Sep 2010	100.6	26.3
Mbombela Truworths Centre	Mbombela	1 920	Apr 2004	194.5	—
Mdantsane City Shopping Centre	East London	36 308	Nov 2019	131.5	2.0
Monsterlus Moratiwa Crossing (94.50%)	Monsterlus	12 058	Nov 2007	125.8	—
Moruleng Mall (results displayed as 100% ownership)*	Moruleng	31 558	Apr 2015	128.7	—
Ondangwa Shoprite Centre	Ondangwa	5 908	Oct 2003	132.0	5.1
Oshakati Shopping Centre	Oshakati	24 632	Oct 2003	145.7	3.0
Oshikango Shopping Centre	Oshikango	9 163	Oct 2003	141.8	18.0
Phuthaditjhaba Maluti Crescent	Phuthaditjhaba	35 733	Feb 2015	158.5	0.5
Piet Retief Shopping Centre	Piet Retief	7 545	Oct 2003	135.4	—
Pietermaritzburg The Victoria Centre	Pietermaritzburg	10 309	Oct 2003	150.5	4.5
Pinetown Pine Crest	Pinetown	43 333	Apr 2004	192.6	0.7
Pretoria Kolonnade Retail Park	Pretoria	39 665	Nov 2018	121.2	—
Queenstown Nonesi Mall	Queenstown	27 922	Jul 2015	145.5	2.5
Randburg Square	Randburg	40 777	Apr 2004	111.9	6.1
Roodepoort Hillfox Power Centre	Roodepoort	37 573	Oct 2003	90.8	10.0
Roodepoort Ruimsig Shopping Centre	Roodepoort	11 594	Feb 2015	136.3	6.1
Rustenburg Edgars Building	Rustenburg	9 784	Sep 2010	85.0	—
Soshanguve Batho Plaza	Soshanguve	13 001	Jun 2015	114.5	4.9
Soweto Dobsonville Mall	Soweto	26 438	Apr 2004	162.0	0.6
Springs Mall (27%)	Springs	14 413	Mar 2017	174.1	—
Thohoyandou Thavhani Mall (33.33%)	Thohoyandou	17 780	Aug 2017	182.7	—
Tzaneen Maake Plaza (70%)*	Tzaneen	10 988	Aug 2014	136.7	1.3
Vereeniging Bedworth Centre	Vereeniging	33 944	Nov 2015	81.9	0.9
Windhoek 269 Independence Avenue	Windhoek	12 828	Jul 2007	205.1	29.8

* Leasehold property.

ANNEXURE A – Detailed property information continued

Properties owned by the group At 31 March 2021	Town	GLA m ²	Effective date of acquisition	Weighted average rental R/m ² pm	Vacancy by GLA %
Southern Africa – other, comprising:					
Auto dealerships					
		7 426		183.9	–
Cape Town Bellville Barons	Cape Town	7 426	Apr 2012	183.9	–
Industrial					
		27 686		71.3	9.3
Midrand Allandale Industrial Park	Midrand	21 343	Apr 2004	67.8	12.1
Midrand Sanitary City	Midrand	6 343	Apr 2004	81.4	–
Office					
		28 176		110.2	7.5
Jhb Houghton 1 West Street	Johannesburg	4 415	Sep 2007	130.1	31.1
Jhb Houghton Estate Oxford Terrace	Johannesburg	2 588	Jul 2014	171.8	29.0
Midrand Ulwazi Building	Midrand	15 634	Apr 2004	98.9	–
Sandton Bryanston Ascot Offices	Sandton	5 539	Apr 2012	112.2	–
Residential					
		7 508		140.5	30.9
Randburg Square Apartments	Randburg	7 508	Apr 2004	140.5	30.9
Vacant land					
		–		0	–
Germiston Meadowdale Mall Undeveloped Land	Germiston	–	Oct 2003	0	–
Midrand IBG Undeveloped Land	Midrand	–	Mar 2014	0	–
Held for sale					
		17 212	Mar 2014	105.1	10.7
Lethlabile Mall	Lethlabile	17 212	Mar 2014	105.1	10.7
Ulundi King Senzangakona Shopping Centre	Ulundi	22 373	Feb 2015	131.9	1.8
Kempton Park Spartan Warehouse	Kempton Park	5 241	Apr 2004	57.3	–
Pretoria Rosslyn Warehouse	Pretoria	7 541	Apr 2012	33.3	–
Centurion Samrand N1	Centurion	11 413	Apr 2004	52.9	19.6
Spain total					
		367 015		14.2	1.7
Spain – retail					
		350 271		14.4	1.8
El Faro	Extremadura	40 318	Jul 2018	18.7	1.8
Bahía Sur	Andalucia	35 333	Jul 2018	22.3	1.4
Los Arcos	Andalucia	26 680	Jul 2018	24.5	4.8
Granaita Retail Park	Andalucia	54 807	Jun 2017	10.4	3.7
Vallsur	Castilla Leon	35 212	Jul 2018	14.7	2.8
Habaneras	Com. Valenciana	25 021	May 2018	18.1	2.5
Puerta Europa	Algeciras	29 783	July 2019	14.5	0.7
Parque Oeste	Madrid	13 604	Jun 2017	16.5	–
Parque Principado	Asturias	16 090	Jun 2017	9.6	–
Marismas del Polvorín	Andalucia	18 220	Jun 2017	7.8	–
La Heredad	Extremadura	13 447	Jun 2017	7.8	–
La Serena	Extremadura	12 405	Jun 2017	7.2	–
Pinatar Park	Murcia	13 261	Dec 2017	6.8	–
Mejostilla	Extremadura	7 281	Jun 2017	6.7	–
Motril Retail Park	Andalucia	5 559	Jun 2017	8.8	–
Ciudad del Transporte	Com. Valenciana	3 250	Jun 2017	11.1	–
El Faro Development	Extremadura	–	Jul 2018	–	–
Los Arcos Development	Andalucia	–	–	0	–
Spain – other, comprising call centres					
		16 744		–	–
Edificio Alcobendas	Madrid	11 046	Dec 2016	11.2	–
Edificio Bollullos	Andalucia	5 698	Dec 2016	7.3	–

ANNEXURE A – Detailed property information continued

Properties owned by the group At 31 March 2020	Town	GLA m ²	Effective date of acquisition	Weighted average rental R/m ² pm	Vacancy by GLA %
Southern Africa total		1 021 849		135.0	3.4
Southern Africa – retail		903 873		141.4	2.9
Atlantis City Shopping Centre	Atlantis	22 092	Feb 2015	161.5	1.4
Bloemfontein Plaza	Bloemfontein	43 771	Apr 2004	93.7	0.5
Boksburg East Rand Mall (50%)	Boksburg	34 186	Apr 2013	282.8	2.2
Daveyton Shopping Centre	Daveyton	17 774	Apr 2004	176.8	—
Durban Phoenix Plaza	Durban	24 231	Apr 2004	283.1	2.8
Durban Workshop*	Durban	20 204	Apr 2012	215.1	0.3
Elim Hubveni Shopping Centre	Elim	12 686	Feb 2015	110.3	5.2
Emalahleni Highland Mews	Emalahleni	16 952	Feb 2015	127.8	5.0
Ermelo Game Centre	Ermelo	6 639	Feb 2015	92.8	3.6
Ga-Kgapane Modjadji Plaza (30%)	Ga-Kgapane	2 940	Mar 2014	145.8	—
Germiston Meadowdale Mall (67%)	Germiston	33 156	Oct 2003	85.0	1.0
Giyani Plaza	Giyani	9 446	Jul 2011	142.7	—
Gugulethu Square	Gugulethu	25 681	Feb 2015	168.6	2.2
Hammanskraal Renbro Shopping Centre	Hammanskraal	13 313	Feb 2015	130.4	4.0
Hammarsdale Junction*	Hammarsdale	20 105	Jul 2013	130.2	0.5
Katutura Shoprite Centre*	Katutura	10 537	Oct 2003	149.5	4.8
KwaMashu Shopping Centre	KwaMashu	11 197	Feb 2015	130.0	7.0
Lethlabile Mall	Lethlabile	17 000	Mar 2014	101.8	11.3
Makhado Nzhelele Valley Shopping Centre	Makhado	5 297	Feb 2015	133.5	—
Mbombela Shoprite Centre	Mbombela	14 015	Sep 2010	99.1	15.8
Mbombela Truworths Centre	Mbombela	1 920	Apr 2004	194.5	—
Mdantsane City Shopping Centre	East London	36 309	Nov 2019	—	—
Monsterlus Moratiwa Crossing (94.50%)	Monsterlus	12 058	Nov 2007	122.6	—
Moruleng Mall (results displayed as 100% ownership)*	Moruleng	31 566	Apr 2015	122.8	5.2
Ondangwa Shoprite Centre	Ondangwa	5 908	Oct 2003	127.9	5.1
Oshakati Shopping Centre	Oshakati	24 632	Oct 2003	145.7	2.4
Oshikango Shopping Centre	Oshikango	9 163	Oct 2003	152.6	16.2
Phuthaditjhaba Maluti Crescent	Phuthaditjhaba	35 725	Feb 2015	154.7	—
Piet Retief Shopping Centre	Piet Retief	7 545	Oct 2003	130.5	—
Pietermaritzburg The Victoria Centre	Pietermaritzburg	10 285	Oct 2003	143.3	4.2
Pinetown Pine Crest	Pinetown	43 354	Apr 2004	189.2	2.0
Pretoria Kolonnade Retail Park	Pretoria	39 665	Nov 2018	115.7	—
Queenstown Nonesi Mall	Queenstown	27 919	Jul 2015	138.5	—
Randburg Square	Randburg	40 778	Apr 2004	110.9	6.9
Roodepoort Hillfox Power Centre	Roodepoort	37 541	Oct 2003	82.4	5.9
Roodepoort Ruimsig Shopping Centre	Roodepoort	11 559	Feb 2015	130.5	15.4
Rustenburg Edgars Building	Rustenburg	9 784	Sep 2010	83.2	—
Soshanguve Batho Plaza	Soshanguve	13 001	Jun 2015	111.9	3.7
Soweto Dobsonville Mall	Soweto	26 438	Apr 2004	153.2	—
Springs Mall (27%)	Springs	14 413	Mar 2017	170.3	0.8
Thohoyandou Thavhani Mall (33.33%)	Thohoyandou	17 780	Aug 2017	175.1	—
Tzaneen Maake Plaza (70%)*	Tzaneen	10 988	Aug 2014	129.8	3.8
Ulundi King Senzangakona Shopping Centre	Ulundi	22 373	Feb 2015	124.6	—
Vereeniging Bedworth Centre	Vereeniging	33 944	Nov 2015	79.6	1.2
Welgedacht Van Riebeeckshof Shopping Centre	Welgedacht	5 175	Feb 2015	146.3	—
Windhoek 269 Independence Avenue	Windhoek	12 828	Jul 2007	176.5	17.4

* Leasehold property.

ANNEXURE A – Detailed property information continued

Properties owned by the group At 31 March 2020	Town	GLA m ²	Effective date of acquisition	Weighted average rental R/m ² pm	Vacancy by GLA %
Southern Africa – other, comprising:					
Auto dealerships					
		7 426		171.9	—
Cape Town Bellville Barons	Cape Town	7 426	Apr 2012	171.9	—
Industrial					
		74 866		61.4	8.7
Centurion Samrand N1	Centurion	11 413	Apr 2004	60.4	33.1
Kempton Park Spartan Warehouse	Kempton Park	5 241	Apr 2004	57.3	—
Midrand Allandale Industrial Park	Midrand	21 343	Apr 2004	67.2	11.0
Midrand Sanitary City	Midrand	6 342	Apr 2004	75.4	—
Pinetown Richmond Industrial Park	Pinetown	7 940	Apr 2004	53.0	—
Pretoria Rosslyn Warehouse	Pretoria	7 541	Apr 2012	31.16	—
Sandton Linbro 7 On Mastiff Business Park	Sandton	15 046	Oct 2014	70.0	2.8
Office					
		28 176		106.5	3.5
Jhb Houghton 1 West Street	Johannesburg	4 415	Sep 2007	115.7	22.1
Jhb Houghton Estate Oxford Terrace	Johannesburg	2 588	Jul 2014	188.5	—
Midrand Ulwazi Building	Midrand	15 634	Apr 2004	92.0	—
Sandton Bryanston Ascot Offices	Sandton	5 539	Apr 2012	104.9	—
Residential					
		7 508		142.9	4.3
Randburg Square Apartments	Randburg	7 508	Apr 2004	142.9	4.3
Vacant land					
		—		0	—
Germiston Meadowdale Mall Undeveloped Land	Germiston	—	Oct 2003	0	—
Midrand IBG Undeveloped Land	Midrand	—	41 699	—	—
Spain total					
		373 420		14.3	1.7
Spain – retail					
		356 676		14.5	1.8
El Faro	Extremadura	43 593	Jul 2018	18.9	2.4
Bahía Sur	Andalucía	36 433	Jul 2018	30.8	1.9
Los Arcos	Andalucía	29 696	Jul 2018	30.9	6.8
Granaita Retail Park	Andalucía	54 571	Jun 2017	10.3	2.8
Vallsur	Castilla Leon	35 212	Jul 2018	14.8	2.4
Habaneras	Com. Valenciana	24 166	May 2018	18.6	7.1
Puerta Europa	Algeciras	29 732	July 2019	14.2	3.1
Parque Oeste	Madrid	13 604	Jun 2017	16.4	—
Parque Principado	Asturias	16 246	Jun 2017	9.6	—
Marismas del Polvorín	Andalucía	18 220	Jun 2017	7.8	—
La Heredad	Extremadura	13 447	Jun 2017	7.8	—
La Serena	Extremadura	12 405	Jun 2017	7.2	—
Pinatar Park	Murcia	13 261	Dec 2017	6.7	—
Motril Retail Park	Andalucía	5 559	Jun 2017	8.8	—
Mejostilla	Extremadura	7 281	Jun 2017	6.7	—
Ciudad del Transporte	Com. Valenciana	3 250	Jun 2017	11.2	—
El Faro Development	Extremadura	—	Jul 2018	—	—
Los Arcos Development	Andalucía	—	—	0	—
Spain – other, comprising call centres					
		16 744		9.6	—
Edificio Alcobendas	Madrid	11 046	Dec 2016	10.9	—
Edificio Bollullos	Andalucía	5 698	Dec 2016	7.1	—

SHAREHOLDERS' analysis

for the year ended 31 March 2021

Shareholders' analysis of ordinary shareholders as at 31 March 2021

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	4 558	31.8	1 232 709	0.2
1 001 – 10 000	7 302	50.9	28 569 367	3.0
10 001 – 100 000	1 883	13.1	52 878 773	5.5
100 001 – 1 000 000	445	3.1	146 716 304	15.3
Over 1 000 000	156	1.1	726 829 475	76.0
Total	14 344	100	956 226 628	100
Distribution of shareholders				
Assurance companies	35	0.24	26 870 761	2.81
BEE entities and close corporations	81	0.56	3 169 179	0.33
Collective investment schemes	354	2.47	357 736 235	37.41
Custodians	28	0.20	3 883 358	0.41
Foundations and charitable funds	133	0.93	9 600 652	1.00
Hedge funds	9	0.06	9 208 225	0.96
Insurance companies	3	0.02	151 577	0.02
Investment partnerships	29	0.20	603 589	0.06
Managed funds	43	0.30	8 039 166	0.84
Medical aid funds	18	0.13	5 599 991	0.59
Organs of state	7	0.05	123 735 752	12.94
Private companies	304	2.12	93 007 438	9.73
Public companies	7	0.05	7 287 428	0.76
Public entities	3	0.02	691 528	0.07
Retail shareholders	11 677	81.41	65 668 587	6.87
Retirement benefit funds	391	2.73	182 155 137	19.05
Scrip lending	11	0.08	14 066 271	1.47
Sovereign funds	1	0.01	57 122	0.01
Stockbrokers and nominees	23	0.14	15 859 553	1.65
Trusts	1 187	8.28	28 835 079	3.02
Total	14 344	100.00	956 226 628	100.00
Shareholder type				
Non-public shareholders	9	0.06	119 119 026	12.46
Directors and associates	8	0.05	10 077 342	1.06
Government Employees Pension Fund (>10%)	1	0.01	109 041 684	11.40
Public shareholders	14 335	99.94	837 107 602	87.54
Total	14 344	100.00	956 226 628	100.00

SHAREHOLDERS' analysis continued

for the year ended 31 March 2021

Shareholders' analysis of ordinary shareholders as at 31 March 2021 continued

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Public Investment Corporation	110 002 174	11.5
Catalyst Fund Managers	62 064 737	6.49
Old Mutual Investment Group	49 352 603	5.16
Stanlib Asset Management	49 352 232	5.16
Sesfikile Capital	46 298 179	4.84
Meago Asset Management	36 221 463	3.79
Truffle Asset Management	35 527 758	3.72
Vanguard Investment Management	32 985 897	3.45
Prudential Investment Managers	30 776 591	3.22
Total	452 581 634	47.33

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Government Employees Pension Fund	109 041 684	11.40
Sanlam Group	65 844 957	6.89
Encha Properties Equity Investments	64 425 135	6.74
Old Mutual Group	44 462 519	4.65
Eskom Pension & Provident Fund	42 411 557	4.44
Stanlib	40 130 191	4.20
Vanguard	32 985 897	3.45
Total	399 301 940	41.77

	Number of shareholdings
Total number of shareholdings	14 344
Total number of shares in issue	956 226 628
Share price performance	
Opening price 1 April 2020	R6.90
Closing price 31 March 2021	R8.65
Closing high for the year	R9.34
Closing low for the year	R4.30
Number of shares in issue	956 226 628
Volume traded during period	743 527 147
Ratio of volume traded to shares issued (%)	77.76
Rand value traded during the period	R5 004 735 207
Market capitalisation at 31 March 2021	R8 271 360 332

SHAREHOLDERS' diary

for the year ended 31 March 2021

Financial year-end	31 March 2021
Publication of audited consolidated financial statements	9 June 2021
Interim period end	30 September 2021
AGM	31 August 2021

CORPORATE information

DIRECTORS

Nigel Payne	(Chairman, independent non-executive director)	
Laurence Rapp ^(a, g)	(Chief Executive)	^(a) Executive. ^(g) Member of property and investment committee.
Laurence Cohen ^(a)	(Chief Financial Officer)	^(a) Executive.
Itumeleng Mothibeli ^(a, g)	MD SA	^(a) Executive. ^(g) Member of property and investment committee.
Sedise Moseneke ^(g)	non-executive director	^(g) Member of property and investment committee.
Steve Booysen ^(c, d, i)	independent non-executive director	^(c) Member of ARC. ^(d) Chairman of social, ethics and human resources committee. ⁽ⁱ⁾ Member of nominations committee.
Renosi Mokate ^(e, c, i)	independent non-executive director (lead)	^(e) Member of social, ethics and human resources committee. ^(c) Member of ARC. ⁽ⁱ⁾ Member of nominations committee.
Peter Moyanga ^(g)	independent non-executive director	^(g) Member of property and investment committee.
Hatla Ntene ^(g)	independent non-executive director	^(g) Member of property and investment committee.
Mervyn Serebro ^(f)	independent non-executive director	^(f) Chairman of property and investment committee.
Babalwa Nkonyama ^(b)	independent non-executive director	^(b) Chairman of ARC.

GROUP SECRETARY AND REGISTERED OFFICE

Johann Neethling	4th Floor, 11 9th Street, Houghton Estate, 2198	PO Box 522779, Saxonwold, 2123
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SPONSORS South Africa

Java Capital	6A Sandown Valley Crescent, Sandown, Sandton, 2146	PO Box 522606, Saxonwold, 2123
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SPONSORS Namibia

IJG Group	First Floor, Heritage Square, 100 Robert Mugabe Avenue, Windhoek	PO Box 186, Windhoek
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LISTING INFORMATION

Vukile was listed on the JSE Limited on 24 June 2004 and on the Namibian Stock Exchange on 11 July 2007.

JSE code: VKE	NSX code: VKN	ISIN: ZAE000056370	Sector: Financial – retail REITs
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TRANSFER SECRETARIES

Link Market Services South Africa (Pty) Ltd	13th Floor, 19 Ameshoff Street, Braamfontein, 2001	PO Box 4844, Johannesburg, 2000
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AUDITORS

PwC	Waterfall City, 4 Lisbon Lane, Jukskei View, Midrand, 2090	Telephone +27 11 797 4000
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PRINCIPAL BANKERS

Absa Bank Limited	3rd Floor, Absa Towers East, 160 Main Street, Johannesburg, 2001	PO Box 7335, Johannesburg, 2000
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INVESTOR AND MEDIA RELATIONS

Marketing Concepts	1st Floor, Wierda Court, 107 Johan Avenue, Wierda Valley, Sandton, Johannesburg, 2196	Telephone +27 11 783 0700
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