Centre of Growth

BUILDING COMMUNITIES, GROWING VALUE.

2023

Summarised consolidated results

for the year ended 31 March 2023

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

SOUTH AFRICAN PORTFOLIO CONTINUES TO DELIVER STELLAR RESULTS

- Like-for-like annualised **NOI growth** of **5.4%**
- **Vacancies** reduced to **2.0% from 2.6%**
- Rental **reversions +2.3%, up from -2.4%**
- Annualised trading densities increased by **6.2%**
- Like-for-like retail **valuations increase** of **5.8%**

EXCELLENT OPERATING RESULTS AND STRONG FINANCIAL POSITION

OPTIMISING CAPITAL ALLOCATION BY EXECUTING ON CORE STRATEGY

- Sale of direct property assets of **c.R309 million** in South Africa (**2.7% premium** to book value)
- Further sale of Fairvest shares, realising **R50.8 million**
- Acquired a **33%** investment in **ALT Capital Partners** and a **c.15%** investment in **REimagine Social Impact Retail Fund**
- Acquired 50% undivided share in **BT Ngebs City (R400 million)**, expected to transfer in Q1 2024
- **R350 million** investment in SA in sustainable backup power (at an accretive yield)
- Castellana acquired a further 4% in **Lar España** for **c.€15.9 million**, increasing total shareholding to **25.7%**

CASTELLANA CONSISTENTLY OUTPERFORMS AND DELIVERS MARKET-LEADING RESULTS

- Normalised **NOI growth** of **9.0%**
- **Negligible vacancies** at **1.3%**
- Positive reversions of **+3.3%** (Excluding impact of indexation)
- Rent collection rate at **99.2%**
- Portfolio WALE of **12.6 years**
- **94%** of retail space let to **international/ national tenants**

STRONG BALANCE SHEET METRICS LEADS TO CREDIT RATING UPGRADE

- **89%** of group interest-bearing **debt hedged**
- No debt maturities in Castellana until **FY26**
- Interest cover ratio (ICR) of **3.1 times** and LTV reduced to **42.6%**
- GCR **upgraded** Vukile's corporate long-term credit rating to $AA_{(ZA)}$
- **Strong liquidity** with cash and undrawn debt facilities of **R3.9 billion**
- **R700 million** equity raise post year-end

6.2% INCREASE IN CASH DIVIDEND

- Final dividend of **65.1 cents per share**
- Total dividend for the year of **112.4 cents per share** (R1.14 billion), up **6.2%** on the prior year
- Total FFO of **144.5 cents per share**, up **6.0%** on the prior year

COMMENTARY

NATURE OF OPERATIONS

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

FINANCIAL PERFORMANCE

Executive summary

Vukile’s strong property asset management expertise, conservatively managed balance sheet, high-quality assets and strong retail focus continues to be among our core strengths. We continue to hone and refine our strategy, with a greater focus on the customer and the communities in which we operate. Our customer-centric strategy benefits our tenants, our shoppers, the broader community and ultimately optimises returns for our investors over the longer term.

The following significant events and transactions occurred during the year ended 31 March 2023:

- In line with Vukile's active asset rotation strategy:
  - c.R309 million of direct SA property assets were sold during FY23 at a 2.7% premium to book value
  - Vukile's shareholding in Fairvest reduced to 6.0% with R50.8 million Fairvest shares sold during the year
  - In October 2022, Vukile exited its investment in DREAM at NAV (proceeds of c.€2.2 million)
  - Castellana acquired a further 4% shareholding in Lar España for c.€15.9 million, increasing its shareholding to 25.7%
- Vukile acquired a 33% investment in ALT Capital Partners and a c.15% investment in REimagine Social Impact Retail Fund. Vukile is in the process of selling two property assets to the Fund, which were classified as held for sale at year-end
- An unsecured bond auction of R767 million was held in August 2022 and was 4.6 times oversubscribed
- Global Credit Rating (GCR) upgraded Vukile's corporate long-term credit rating to $AA_{(ZA)}$ in July 2022, with a stable outlook
- The last remaining cross-currency interest rate swaps (CCIRS) matured and were settled in June 2022, thus Vukile has no further exposure to CCIRS
- A R200 million green loan was raised to fund solar projects in South Africa

DIVIDEND

The board approved a final dividend of 65.11232 cents per share for the year ended 31 March 2023. This equates to a final dividend of R675 million. A dividend declaration announcement in respect of the dividend, containing information relating to the salient dates and tax treatment of the dividend, will be released separately on SENS.

Calculation of funds from operations (FFO)

The variances when comparing the results for the year ended 31 March 2023 to the prior corresponding year are in some instances affected by once-off events in both years as highlighted in the footnotes below the table.

	31 March 2023 Rm	31 March 2022 Rm	Variance %
Property revenue	**2 717**	2 607	4.2
Property expenses (net of recoveries)	**(396)**	(384)	3.1
Net income from property operations	**2 321**	2 223	4.4
Corporate administration expenses	**(330)**	(296)	11.5
Investment and other income[1]	**367**	393	(6.6)
Loss on realisation of derivative	**(19)**	(59)	
Operating income before finance costs	**2 339**	2 261	3.4
Finance costs	**(834)**	(809)	3.1
Income before equity-accounted income	**1 505**	1 452	3.7
Share of income from associate and joint venture[2]	**10**	23	—
Income before taxation	**1 515**	1 475	2.7
Taxation	**(7)**	(21)	
Income for the year	**1 508**	1 454	3.7
Net income attributable to non-controlling interests (NCI)[3]	**(90)**	(47)	91.5
Attributable to Vukile group	**1 418**	1 407	0.8
Non-IFRS[4] adjustments	**(2)**	(71)	
Early termination of derivative[5]	**58**	(58)	
Accrued dividends[6]	**(70)**	15	
Non-cash impact of IFRS entries[7]	**10**	(28)	
FFO	**1 416**	1 336	6.0
Number of shares in issue at year end	**980 226 628**	980 226 628	

1 *Investment income includes dividend income from Fairvest and Lar España. Dividend from Fairvest reduced due to a lower percentage holding. The prior period also includes other income of R101 million relating to the early termination of FECs.*
2 *Net amount in respect of Vukile's share of profits from MICC Namibia (after accounting for interest on in-country debt), DREAM, ALT Capital and Fetch.*
3 *Net income attributable to NCI increased due to recognition of the Lar España dividend declared and the impact of foreign currency exchange rates.*
4 *International Financial Reporting Standards (IFRS).*
5 *The amount is not recurring.*
6 *Lar España dividend accrual of -R54 million, MEREV top-up accrual of -R28 million, FEC accrual of R17 million relating to Castellana's dividend, and Fairvest dividend accrual of -R5 million.*
7 *This amount relates mainly to the non-cash impact of IFRS 16 – Leases.*

Revenue and net income from direct property portfolio

Geographical segment	Revenue[i] 31 March 2023 Rm	Revenue[i] 31 March 2022 Rm	% change	Net property income 31 March 2023 Rm	Net property income 31 March 2022 Rm	% change
South Africa	**1 532**	1 624	(5.7)	**1 280**	1 335	(4.1)
Spain	**1 185**	983	20.5	**1 041**	888	17.2
Total	**2 717**	2 607	4.2	**2 321**	2 223	4.4
Split percentage						
South Africa	**56.4**	62.3		**55.1**	60.1	
Spain	**43.6**	37.7		**44.9**	39.9	

[i] *Excludes straight-lining and recoveries.*

The stable portfolio delivered 5.2% like-for-like growth in revenue and 5.4% like-for-like growth in net property income when removing the impact of the sale of non-core assets. Total revenue and net property income in the South African portfolio decreased by 5.7% and 4.1%, respectively.

Castellana's revenue and net property income increased by 20.5% and 17.2%, respectively, largely due to increased rental income and the impact of exchange rate movements.

Portfolio-specific metrics, operational results and trading are discussed more fully in the relevant South African and Spanish portfolio reviews hereafter.

Investment and other income

	31 March 2023 Rm	31 March 2022 Rm	Movement Rm	Variance %
Income from listed investments (Fairvest and Lar España)	**271.9**	129.6	142.3	
Early termination of forward exchange contract (FEC)	**—**	101.4	(101.4)	
FEC realised	**25.5**	26.4	(0.9)	(3.4)
Interest income	**53.2**	27.8	25.4	91.4
Net interest received on cross-currency interest rate swaps (CCIRS) (after deducting finance costs)	**16.2**	107.7	(91.5)	(85.0)
Total	**366.8**	392.9	(26.1)	(6.6)

The increase in income from listed investments in the current period is primarily due to the dividend declared by Lar España (see further detail in respect of income from listed investments below).

In accordance with IFRS, the gain on the early termination of FECs was included in full in the prior period. In line with SA REIT best practice, this amount was spread over FY22 and FY23 (by way of non-IFRS adjustments). The reduction in net interest from CCIRS was due to the termination of the last remaining CCIRS in June 2022.

Listed investments

	31 March 2023			31 March 2022	
	Carrying value Rm	Number of shares held	% held	Carrying value Rm	% held
Fairvest (B shares)	**285.4**	**93 584 412**	**6.0**	359.8	7.0
Lar España Real Estate SOCIMI	**2 043.7**	**21 512 459**	**25.7**	1 452.4	21.7
Total	**2 329.1**			1 812.2	

Fairvest – 6.0% shareholding

Fairvest Limited (Fairvest) is a REIT listed on the Johannesburg Securities Exchange (JSE), which holds a diversified portfolio of retail, office and industrial properties.

During the year, Vukile reduced its shareholding in Fairvest to 6% realising sale proceeds of c.R50.8 million.

Dividends received for the year ended 31 March 2023 amounted to R43.6 million (31 March 2022: R75.0 million from Fairvest and R54.6 million from Arrowhead, prior to their merger). Dividends from Fairvest included in FFO for the year ended 31 March 2023 amounted to R38.9 million (31 March 2022: R71.7 million from Fairvest and R30.5 million from Arrowhead prior to the merger).

The share price of Fairvest B shares at 31 March 2023 was R3.05, resulting in a carrying value of R285.4 million.

Lar España Real Estate SOCIMI (Lar España) – 25.7% shareholding

Lar España is a Madrid Stock Exchange Listed, Spanish SOCIMI comprising a high-quality, low-risk retail real estate portfolio offering predictable cash flows.

During the year, Castellana acquired a further 3 355 000 shares in Lar España at an average price of c.€4.74 per share, increasing its shareholding to 25.7%. The share price of Lar España at 31 March 2023 was €4.93 per share, resulting in a ZAR equivalent carrying value of R2.04 billion.

In May 2022, Castellana received c.€6.6 million in respect of a pre-acquisition dividend which was accounted for as a reduction of the carrying value of the investment. Accrued dividends for the year ended 31 March 2023 amounted to R228.3 million (€12.9 million). Dividends from Lar España included in FFO for the year ended 31 March 2023 amounted to c.R152 million (€8.6 million).

Further narrative in respect of Castellana's investment in Lar España is provided in the portfolio review (Spain) later in this commentary.

Group corporate expenditure

	31 March 2023 Rm	31 March 2022 Rm	Variance Rm	Variance %
South Africa: Total corporate expenditure	**167.9**	157.0	10.9	6.9
Corporate expenditure excluding environmental, social and governance (ESG) costs	**152.3**	142.5	9.8	6.9
ESG costs	**15.6**	14.5	1.1	7.6
Spain: Total corporate expenditure	**162.0**	138.9	23.1	16.6
Corporate expenditure excluding ESG and innovation costs	**138.7**	122.6	16.1	13.1
Innovation costs	**5.6**	7.6	(2.0)	(26.3)
ESG costs	**17.7**	8.7	9.0	
Group total	**329.9**	295.9	34.0	11.5

Total corporate expenditure equates to 0.82% of total assets (31 March 2022: 0.85%), being 0.96% attributable to South Africa (31 March 2022: 0.96%) and 0.72% attributable to Spain (31 March 2022: 0.76%). The increase in Spain corporate costs excluding ESG and innovation costs is partly due to a weakening of the Rand/Euro foreign exchange rate. At a stable currency level, the increase is 10.9%. Salary and travel costs were higher than the prior period due to an increased head count and travel normalising post-COVID. Corporate expenditure in South Africa includes head office and overhead costs that benefit both the Vukile and Castellana portfolios.

Group cash flow

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

	31 March 2023 Rm	31 March 2022 Rm
Cash from operating activities	**2 089**	2 054
Dividends paid	**(1 160)**	(1 376)
Net finance costs paid	**(674)**	(468)
Increase in borrowings	**3 163**	8 974
Borrowings repaid	**(2 320)**	(9 169)
Equity issuance	**—**	300
Investment property capex (net of disposals)	**(144)**	1 188
Disposal of listed investments (net of acquisitions)	**(107)**	(1 099)
Cash from the settlement of bank derivatives	**(104)**	(269)
Purchase of additional shares in Castellana	**—**	(545)
Other cash movements	**(30)**	(28)
Net increase in cash and cash equivalents[1]	**713**	(438)

[1] *Excluding foreign currency profits of R109 million (2022: R25 million loss).*

Net asset value (per share)

The net asset value (NAV) of the group increased by 14.3% from R17.92 per share to R20.48 per share at 31 March 2023, as set out in the table below:

	Rand per share
NAV 1 April 2022	**17.92**
Net property income	**2.43**
Net finance costs	**(0.80)**
Change in fair value of listed equity investments	**0.10**
Change in fair value of investment property	**0.64**
Dividends paid	**(1.13)**
Foreign currency and other movements	**1.32**
NAV 31 March 2023	**20.48**

The NAV per share increased primarily due to growth in net property income, an increase in the fair value of investment property and due to a weakening of the Rand/Euro foreign exchange rate from R16.16/Euro at 31 March 2022 to R19.29/Euro at 31 March 2023.

Vukile's share price of R12.44 per share at 31 March 2023 represents a 39.3% discount to the NAV per share.

Share trading and liquidity

During the year, 437.3 million Vukile shares were traded, equating to approximately 36.4 million shares per month. The shares traded represent 44.6% of shares in issue.

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

TREASURY MANAGEMENT

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

At 31 March 2023, consolidated group LTV net of cash was 42.6% (31 March 2022: 43.0%), with a group interest cover ratio (ICR) of 3.1 times (31 March 2022: 3.4 times). The marginal reduction in the group ICR is largely a result of the CCIRS maturing as well as an increase in South African base rates. Vukile's debt metrics are comfortably within covenant levels at a group (consolidated) and subsidiary level.

The reduction in the group LTV ratio as a result of non-core property sales in South Africa, the sale of Fairvest shares and improved property valuations, was offset by the purchase of additional shares in Lar España, ZAR currency weakness to the EUR and the final settlement of the remaining CCIRS.

Stress testing of the 12-month historical earnings before interest, taxes, depreciation, and amortisation (EBITDA) indicates that the portfolio would need to undergo a further 36% reduction in group EBITDA before reaching the two times bank group interest cover covenant level. Vukile and Castellana continue to benefit from very strong relationships with their diversified funding providers. The debt maturity profile is at a healthy 3.2 years and the group interest-bearing debt hedge ratio is at a conservative 89% (31 March 2022: 76%).

Stress testing of LTV indicates that group assets would need to undergo a further 14% reduction in asset value to reach a 50% group LTV ratio. Given that the Castellana debt has no recourse to the SA or group balance sheet, it is more relevant to highlight that Castellana's assets would need to undergo a further 36% reduction in asset value to reach Castellana's 65% LTV ratio. Castellana's average debt maturity profile is at a healthy 3.8 years, with the first significant debt maturity in FY26.

Credit rating

In July 2022, Global Credit Rating (GCR), as part of its annual review, upgraded Vukile's corporate credit rating to AA$_{(ZA)}$ (long-term issuer rating) from AA$_{-(ZA)}$ and reaffirmed the national short-term rating at A1$_{+(ZA)}$ with a stable outlook. In the current market environment, credit rating upgrades are rare and this is a significant acknowledgement of Vukile's strong credit metrics.

Group borrowings summary

The group's funding strategy is to optimise funding costs while minimising refinance risk. Total debt at 31 March 2023 amounted to R17.2 billion (31 March 2022: R14.7 billion). This increase is primarily due to a weaker exchange rate (R19.29 at 31 March 2023 vs R16.16 at 31 March 2022) and is largely offset by a concomitant increase in Euro-denominated asset values. A summary of funding by currency is provided below:

Funding breakdown	Number of funders	Rm	Percentage of debt	
Foreign Spanish funders (EUR)	5	**9 599**	56%	Secured against Castellana's balance sheet with no recourse to Vukile
South African bank funders (EUR)	2	**772**	4%	
South African bank funders (ZAR)	4	**4 786**	28%	Secured against Vukile's South African balance sheet
Domestic medium-term note (DMTN) programme (ZAR)		**2 040**	12%	
Total[1]		**17 197**	100%	

[1] *Excludes amortised cost.*

Sources of funding

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

Group debt and hedging exposure per bank (ZAR)	Debt[1] Rm	Debt exposure per bank %	Hedging and fixed debt[2] Rm
Aareal (Spain)[3]	**5 015**	**29.2**	**5 015**
Allianz Bank (Spain)[3]	**3 009**	**17.5**	**3 009**
Absa (SA)	**2 427**	**14.1**	**1 790**
DMTN – corporate bonds (SA)	**2 040**	**11.9**	**—**
RMB (SA)	**1 245**	**7.2**	**—**
Santander (Spain)[3]	**1 157**	**6.7**	**1 157**
Nedbank (SA)	**1 136**	**6.6**	**2 666**
Standard Bank (SA)	**750**	**4.4**	**540**
Liberbank (Spain)[3]	**273**	**1.6**	**—**
Pichincha (Spain)[3]	**145**	**0.8**	**—**
Goldman Sachs (SA)	**—**	**—**	**500**
Investec (SA)	**—**	**—**	**294**
Total	**17 197**	**100**	**14 971**

[1] *Foreign currency-denominated debt is converted at a EUR/ZAR spot rate of R19.29 at 31 March 2023. All amounts are nominal debt exposure and exclude amortised transaction costs and accrued interest.*
[2] *Hedging exposure is represented by exposure per banking relationship.*
[3] *Group exposure includes Castellana debt of €498 million (R9.599 billion equivalent).*

Vukile group loan and swap expiry profile at 31 March 2023

As part of the group's funding strategy, Vukile proactively manages its debt expiry; R2.6 billion of debt facilities were newly negotiated and/or extended during the year, with only 5.9%(R1.0 billion) of debt still due to mature in FY24. Vukile has exceptionally strong liquidity with cash and undrawn committed facilities (R3.9 billion) exceeding all debt expiring over the next 12 months by 3.9 times. Vukile continues to focus on liquidity by maintaining a balance between undrawn committed facilities and its short-term debt expiries to reduce and effectively manage refinance risk.

	FY24	FY25	FY26	FY27	FY28	FY29 and beyond	Total
Loan expiry profile including access facilities (%)	5.9	12.2	46.3	8.3	6.6	20.7	**100.0**
Term loan expiry profile (Rm)	1 013	2 091	7 585	1 427	1 129	3 566	**16 811**
Access facility expiry profile (Rm)	—	—	386	—	—	—	**386**
Hedged portion (interest rate swaps, caps and fixed debt) (Rm)	6 879	2 840	1 317	3 795	55	85	**14 971**

A summary of group debt ratios at 31 March 2023 is provided below:

	31 March 2023			31 March 2022		
	Group	**South Africa**	**Spain**	Group	South Africa	Spain
Total debt (excluding access facilities) (Rm)	**16 811**	**7 212**	**9 599**	14 492	6 443	8 049
Hedged portion (interest rate swaps, caps and fixed debt) (Rm)	**14 971**	**5 790**	**9 181**	10 935	3 812	7 123
Interest-bearing debt fixed/ hedged (%)	**89.1**	**80.3**	**95.6**	75.5	59.2	88.5
Hedged (swaps and fixed debt) maturity profile (years)	**1.8**	**1.7**	**1.9**	2.7	2.4	2.9
LTV ratio (net of cash)[1] (%)	**42.6**	**43.7**	**41.7**	43.0	42.9	43.0
LTV covenant level (%)	**50**	**N/A**	**65**	50	N/A	65
ICR[2]	**3.1 times**	**2.5 times**	**4.4 times**	3.4 times	4.0 times	2.6 times
ICR covenant level	**2.0 times**	**N/A**	**1.15 times**	2.0 times	N/A	1.15 times

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

[2] *ICR is based on operating profit excluding straight-line lease income, plus earnings from investments less corporate costs (EBITDA), divided by finance costs, after deducting all finance income (net interest cost) over the respective period.*

Group finance costs

The group's average cost of finance (including amortisation of capitalised raising fees) for the year ended 31 March 2023 increased to 5.3% (31 March 2022: 4.9%), mainly as a result of increased base rates. Interest costs are expected to continue to increase in FY24 as a result of interest rate hikes (in SA and Spain) incorporated for a full 12 months and further hedging costs (specifically related to Castellana's €256 million fixed rate loan, where the hedge expires in September 2023).

Interest-bearing debt (excluding access facilities) is 89.1% hedged with a 1.8-year hedged maturity profile (31 March 2022: 75.5% with a 2.7-year hedge maturity profile). The group is cognisant of the current interest rate hiking cycle over the short to medium term and will continue to proactively manage interest rate exposure, with a preference to hedge interest rates over one to three years (short to medium term) as analysis suggests that hiking and cutting cycles remain shorter and more volatile, and as such, longer term hedging has historically been less optimal.

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

	FY23 historical cost of debt %	**Debt at 31 March 2023 Rm**	FY22 historical cost of debt %	Debt at 31 March 2022 Rm
ZAR	**9.0**	**6 826**	7.2	6 015
EUR	**2.8**	**10 371**	3.1	8 639
Total	**5.3**	**17 197**	4.9	14 654

Undrawn facilities

Undrawn facilities at 31 March 2023 amounted to R2.5 billion (31 March 2022: R3.1 billion). The ratio of cash and undrawn committed facilities to debt expiring over the next 12 months (R1.0 billion) is 3.9 times, which demonstrates Vukile's strong liquidity position, with more than sufficient capacity to repay debt expiring over the next 12 months, if required.

Unsecured debt and unencumbered assets

	31 March 2023 Rm	31 March 2022 Rm
Property assets (external valuation)	**1 052**	1 168
Listed shares	**11 352**	9 113
Unencumbered assets	**12 404**	10 281
Unsecured debt	**2 040**	1 550
Covenant exclusive facilities[1]	**386**	428
Unsecured + covenant exclusive	**2 426**	1 978
Unsecured debt to unencumbered assets (%)	**16.4**	15.1

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

The increase in unencumbered assets is primarily due to the inclusion of unpledged Lar España shares held by Castellana.

Movement in group debt

During the year, total group debt increased by R2 542 million primarily due to foreign exchange movements. The most significant movements in debt were as follows:

	Nominal debt drawn/ (repaid) Rm	Foreign exchange movements Rm	Net Rm
Vukile ZAR DMTN debt	**296**	—	**296**
Vukile ZAR bank debt	**514**	—	**514**
Vukile EUR debt	**64**	**117**	**181**
Castellana EUR debt	**(8)**	**1 559**	**1 551**
Total	**866**	**1 676**	**2 542**

During the year ended 31 March 2023, Vukile repaid R471 million of corporate bonds, comprising: VKE10 (R194 million, secured), VKE17 (R158 million, unsecured) and VKE15 (R119 million, unsecured) in July 2022, August 2022 and February 2023, respectively. An auction for R767 million in unsecured corporate bonds was held in August 2022 and was 4.6 times oversubscribed, attracting bids from 16 investors. Vukile issued a R232 million unsecured three-year note at a margin of 139bps and a R535 million unsecured five-year note at a margin of 159bps, both below guidance.

During the year, Vukile executed R1.5 billion of interest rate cap spreads at a once-off cost of R9.7 million, R1.5 billion of subsidised interest rate swaps, and terminated €6.5 million of EUR interest rate swaps at a once-off gain of €0.2 million. Castellana fixed €35.9 million of debt, increasing the South African and group hedge ratio to 80% and 89%, respectively.

The group has comfortably complied with all bank and DMTN covenants.

Group foreign exchange currency hedges

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

Castellana's FFO is not hedged, thus ensuring that Vukile's FFO is positively exposed to a weaker Rand, while still providing predictable dividends over the short to medium term. Castellana's net FY24 dividends are fully hedged.

Following the settlement of the last remaining CCIRS in June 2022, Vukile no longer has any CCIRS exposure.

PORTFOLIO REVIEW – SOUTH AFRICA

The South African portfolio continued to achieve strong operational results for the full year with strong and sustained trading metrics. All key operational efficiency measures have shown an improvement relative to prior periods this despite the backdrop of a deteriorating macro-economic environment, which makes the performance even more pleasing. This performance is testament to the strong, dominant and defensive overall South African portfolio composition. Notable highlights over the period have been the complete positive turn in the reversionary cycle, which has been driven by increased competition for space and further intensified by the slowing environment of new greenfield developments. The increased demand for space, particularly in our segment of the market, has also led to decreased vacancies which are now at their lowest level in close to two decades. The portfolio continues to see strong retention ratios, steady growth in overall base rentals, improved rent-to-sales ratios, continued growth in trading densities and footfall, and strong collection rates. It has also seen an overall decrease in arrears – an indication of the continued strong trading environment within our centres.

Notwithstanding these significant green shoots, exogenous micro and macro factors continue to be a concern, which places a level of caution on our optimism. Energy availability and cost of alternative supply, rising operating costs, ineffective law enforcement and deteriorating municipal service supply continue to be a significant concern. We are driving dialogue and discussions at an industry level, including recently held discussions with the newly appointed Minister of Electricity to lobby for improvements around these challenges, while continuing to focus on operational efficiency strategies to ensure minimum disruption of trade for our tenants.

The South African total direct property portfolio on 31 March 2023 consisted of 40 properties, with a total value of R15.0 billion and a gross lettable area (GLA) of 807 046m², with an average value of R374 million per property.

The South African retail portfolio, which accounts for 96% of the value of the assets, was valued at R14.4 billion and consists of 34 properties, with an average value of R423 million per property. In total, 85% of retail space is let to national tenants. Vacancies have decreased from 2.6% to 2.0%.

Operating environment

Retail portfolio overview

The South African retail portfolio has performed admirably and delivered a normalised, like-for-like net operating income (NOI) growth of 5.4%.

There has been significant leasing activity over this period. We have seen both national and independent tenants increase their occupancy levels within the portfolio. All segments have seen a decline in vacancies. Encouragingly, the CBD commuter malls are also showing a strong rebound as commuter numbers have increased in the past year. Compared to the FY22 vacancy of 2.6%, the retail portfolio's vacancy reduced to 2.0%.

Rental reversions increased by 2.3%, with 81% of the renewals either flat or positive. Recent WALE on renewals has also been higher than the portfolio average (+3.8 vs +3.2), which in conjunction with the positive reversions is an indication of strong support for the portfolio and improving overall sentiment from retailers.

In total, 31 553m² of vacant space (4.1% of total retail GLA) has been let, as opposed to 25 636m² of tenants who vacated. Out of the total number of tenants which have vacated over this period, c.56% of them have been small, medium and micro enterprises (SMMEs). Over the period under review, 744 leases were concluded (565 renewals and 179 new leases) covering 150 243m², with a total contract value of R1.4 billion. This equates to 20% of the portfolio's lettable area compared to 22% in FY22, 11% in FY21 and 14% in FY20. The leasing environment has undoubtedly been a lot more vibrant and has shown an improvement relative to the challenging FY20 and FY21 periods. Tenant retention remained at 93%, with 79% of leasing activity concluded with nationals and second-tier retailers underscoring the strong covenants which underpin the portfolio's cash flows.

The portfolio rent-to-sales ratio remained unchanged at 6.1% and the annualised trading densities increased by 6.2% (FY22: 6.1%; FY21: 1.7%; FY20: 3.4%) measured on a 24-month like-for-like basis indicating continuous profitable trade within the portfolio for tenants. Trading densities have fully rebounded and are showing sustained growth. The township, urban, commuter and rural portfolios grew by 9.6%, 7.9%, 7.8% and 4.5%, respectively, while the value centres declined by 0.3% after showing significant growth of 16.4% in FY21. On average, the turnover within the portfolio was 6.2% higher than in the preceding 12 months. Twelve of the 14 retail categories within the portfolio showed growth in both annualised trading densities and overall turnover.

Footfall is now at 106% compared to the previous year, with all segments trending ahead across all categories. The township (107%), rural (104%), commuter (107%) and urban (108%) centres continue to attract increased levels of consumers, who are spending within the malls as exhibited by our trading statistics.

The portfolio valuation increased with a like-for-like growth of 5.8% during FY23. Following the disposal and winnowing of non-core assets within the portfolio over the past 24 months, the portfolio average asset size has increased to R423 million, further highlighting the regional and nodal dominance of the 34 assets which make up the core of the portfolio.

We will continue to drive operational efficiencies to manage cost pressures, particularly around security and energy costs. Stakeholder management will also be a key focus area, particularly around community engagements and community forums. We are encouraged by the strong support that we continue to see from SA retailers and will continue meaningful initiatives to better understand and improve experiences for the end-user customer, which results in value for our tenants.

Operational highlights

- Retail vacancies decreased from 2.6% to 2.0%
  - 12 malls fully let
  - 17 malls with vacancies less than 1 000m²
  - Rural, urban and commuter vacancies decreased to 0.8%, 2.0% and 3.8%, respectively, from 1.5%, 2.9% and 4.7%, respectively, in FY22
- Retail reversions of positive 2.3% are steadily improving relative to the prior period at negative 2.4%. Out of the 565 leases renewed, 68% were positive, 13% flat, and only 19% were negative
- An average lease term of 3.8 years has been attained on recent transactions, relative to the portfolio WALE of 3.2 years
- Collections remain strong at 100% of billings with a 34% decrease in arrears
- Escalations remain strong with in-contract escalations at 6.3% and new leases concluded at an average escalation of 6.2%
- Retail retention ratio stable at 93%

Energy management

Continuous investment in high-yielding photovoltaic (PV) projects

- 9.6% of the electricity consumed in the portfolio is now generated through 20 PV projects
- Total installed PV plant capacity to date is 14.9MWp
- Four projects totalling 4.4MWp are under construction – at East Rand Mall 1 720kWp, Meadowdale Mall 900kWp, Moruleng Mall 1 300kWp and Maluti Crescent phase three 748kWp

Continued energy management spend

Vukile's first battery storage project was procured at the end of March 2023 and is scheduled for completion mid-October 2023. We remain on schedule to complete the R350 million capital spend on PV, batteries and generators to ensure continuous trade of our top 17 malls by the end of FY24. The project has been well received by all stakeholders, particularly our national retailers who will partner with us to execute the project over the financial year. It is envisaged that all the projects will be simulated and tendered by July 2023.

Footfall and turnover

Compared to the corresponding periods, footfall continued to show an upward trajectory. Although the footfall continues to be ahead of the prior period, the significant interruption in energy supply has resulted in slowing growth in H2 FY23.

	Footfall	
	March 2023 versus March 2022 %	March 2022 versus March 2021 %
Rural	**104**	106
Township	**107**	101
Urban	**108**	101
Commuter	**107**	106
Total portfolio	**106**	103

Annual turnover increased by 6.2% when comparing the 12 months ended 31 March 2023 to 31 March 2022.

	Movement in annual turnover %	Portfolio exposure based on turnover %
Total	**6.2**	**100.0**
Grocery and food	8.0	41.5
Fashion, department and home	3.1	35.0
Other categories	7.8	23.5
Grocery and food		
Grocery/supermarket	8.8	31.8
Food	5.4	9.7
Fashion, department and home		
Fashion	4.1	23.2
Department stores	6.1	6.3
Home furnishings/art/antiques/décor	(4.0)	5.5
Other categories		
Health and beauty	17.1	0.8
Bottle stores	16.6	3.3
Restaurants and coffee shops	15.7	1.9
Sports utilities/gyms/outdoor goods and wear	8.5	4.2
Cell phones	4.6	1.9
Pharmacies	2.8	5.6
Accessories	1.7	0.9
Electronics	(0.1)	0.9
Other	6.9	4.0

Annualised trading densities (annualised turnover per m² of occupied space) increased by 6.2%. Home furnishings and decor have slowed to levels lower than pre-COVID. Although the segment showed significant growth during COVID, it has now become apparent that it will take time for spend in the sector to recover towards normalised turnover.

	Township %	Urban %	Rural %	Value centres %	Commuter %	Total %
Total annualised trading density growth	**9.6**	**7.9**	**4.5**	**(0.3)**	**7.8**	**6.2**
Grocery and food	12.4	12.2	6.5	0.6	14.2	8.4
Fashion, department and home	5.0	5.5	1.4	(5.7)	5.2	3.1
Other categories	7.9	9.1	5.3	4.3	5.1	6.9

	Annualised trading density growth %
Total	**6.2**
Health and beauty	**19.3**
Restaurants and coffee shops	**15.2**
Bottle stores	**15.2**
Grocery/supermarket	**9.0**
Other categories	**6.7**
Sports utilities/gyms/outdoor goods and wear	**6.5**
Food	**6.2**
Department stores	**6.2**
Fashion	**4.6**
Pharmacies	**2.9**
Accessories	**2.7**
Cell phones	**0.7**
Electronics	**(0.9)**
Home furnishings/art/antiques/décor	**(5.6)**

Short-term focus areas

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

Tenant relationships

- Remain a partner of choice by providing well-managed and safe shopping environments for our retailers to prosper
- Continue to foster sound relationships at executive level with our top 20 tenants to ensure sustained growth of the portfolio
- Ensure low barriers to entry for innovative game-changing retail offerings
- Continue to incubate new entrants and SMMEs into the portfolio via our retailer academy programme
- Introduce energy availability strategy to support our tenants

Customer insights

- Accumulate and analyse data on consumers to improve the shopper journey in a tangible and meaningful way
- Integrate data that includes current portfolio metrics, psychographic information, nodal dynamics and individualised customer data from the Wi-Fi database
- Utilise integrated data to enable the business to respond in real-time to consumer behaviour changes and movements
- Explore new avenues for alternative revenue sources
- Provide customer insights to our tenants to help them improve their offering at a localised level

Operational excellence

- Continue exploring sustainable solutions to manage costs through integration, efficiency of operations, and cash flow management – across soft services, hard services, marketing and promotions, property, utility and alternative income management
- Continue delivering on PV strategy to optimise energy and utility spend
- Continue spending our capital budget responsibly to ensure that the assets are fit for purpose and highly marketable
- Refine and improve property management service delivery model interface to gear more towards improving end-user customer satisfaction

People and communities

- Empower community-based service providers to become partners in mall operations
- Continue to invest in corporate social investment initiatives that make a difference in communities in which we operate
- Execute on targeted promotional activity to drive footfall and spend at our malls
- Support local communities to entrench the position of our malls as a loved and integral part of the community

Key risks

Utility supply

Water scarcity remains a risk across the portfolio with interruptions in most cases linked to either local municipal capacity challenges or regional droughts. Fire and domestic water backup tanks have been constructed in high-risk areas to protect our assets. Boreholes have been drilled at shopping centres with constant water outages, thus ensuring that the centres will be able to trade should there be water outages.

We identified centres with high water consumption, with a focus on common areas and cooling systems, and installed smart water meters, enabling us to detect abnormal consumption and take remedial action where necessary. Professional consultants have been appointed to install the domestic and fire water systems at Durban Workshop, Phoenix Plaza and Pine Crest Shopping Centre. With regard to backup water capacity, 91% of the total portfolio has backup water supply with 100% of the rural portfolio covered with fire and domestic water backup supply.

Tenant arrears

Tenant arrears (net of provisions) amounted to R34.0 million on 31 March 2023 compared to R58.3 million at 31 March 2022. Excluding provisions, the balance on 31 March 2023 amounted to R70.9 million compared to R107.9 million at 31 March 2022.

There has been a significant reduction in arrears of national, government and SMME tenants over the period. All major categories are trending downwards as trading has improved. We have however seen an increase in gym arrears by R3.8 million, a segment which we are monitoring.

The allowance for the impairment of tenant receivables on 31 March 2023 decreased to R36.9 million from R49.6 million at 31 March 2022.

Bad debts written off for the period 31 March 2023 amounted to R23.8 million (31 March 2022: R33.0 million).

Sales

Four properties were transferred during FY23:

• Monsterlus Moratiwa Crossing	R165.0 million
• Midrand Allandale Industrial Park	R91.0 million
• Johannesburg Houghton 1 West Street	R30.0 million
• Mbombela Truworths Centre	R23.4 million

In aggregate, these sales represent a total value of R309.4 million, at a combined yield of 10.8% and sold at 2.7% above book value.

Acquisitions

BT Ngebs City

Vukile and Flanagan & Gerard jointly entered into a formal agreement with the Billion Group to acquire BT Ngebs City for a total purchase price of R800 million (R400 million for Vukile's 50% undivided share). The initial yield in the first year is anticipated to be 9.25%. The acquisition will be a great addition to the local portfolio and is in line with our strategy of owning dominant regional centres in rural and township areas across South Africa. The due diligence is progressing well and will be completed shortly. The sale of the asset excludes the hotel and the casino which are on the same erf as the mall. A town planning exercise is underway to separate these two assets which are not part of the transaction. The merger file has been submitted to the competition commission. There is significant upside potential from various asset management initiatives. Our plan is to reconfigure vacant space of c.12% to introduce a new anchor tenant, together with strong national retailers, which will reposition the centre to be better suited to the Mthatha market. The transaction is expected to be completed in H2 FY24 with funding in place through prior asset sales.

Valuation of South African portfolio

The South African portfolio consists of 40 properties with a total GLA of 807 046m².

The accounting policies of the group require that the directors value the entire portfolio every six months at fair value. Using a discounted cash flow (DCF) methodology, approximately half of the portfolio is valued every six months, on a rotational basis, by registered independent external valuers. The directors have valued the South African property portfolio at R15.0 billion[i] with a forward yield of 8.8% on 31 March 2023. The value of the stable portfolio (excluding sales), at an average value density of R18 547/m² (retail R18 895/m²), is R804 million or 5.7% higher than the March 2022 value.

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

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

Top 15 properties by value

Vukile's top 15 properties are all retail assets. They are 85% exposed to national, listed and franchised tenants. These properties comprise 69.8% of the total portfolio value and 55.7% of the total portfolio GLA.

Property	Location	GLA m²
Pinetown Pine Crest	KwaZulu-Natal	**43 345**
Boksburg East Rand Mall[i]	Gauteng	**34 290**
Durban Phoenix Plaza	KwaZulu-Natal	**24 072**
Phuthaditjhaba Maluti Crescent	Free State	**35 741**
Pretoria Kolonnade Retail Park	Gauteng	**39 660**
Soweto Dobsonville Mall	Gauteng	**26 438**
Gugulethu Square	Western Cape	**25 699**
Queenstown Nonesi Mall	Eastern Cape	**27 881**
Daveyton Shopping Centre	Gauteng	**19 859**
Germiston Meadowdale Mall[ii]	Gauteng	**33 146**
Mdantsane City Shopping Centre	Eastern Cape	**36 614**
Moruleng Mall[iii]	North West	**25 246**
Atlantis City Shopping Centre	Western Cape	**21 983**
Thohoyandou Thavhani Mall[iv]	Limpopo	**17 779**
Roodepoort Hillfox Value Centre	Gauteng	**37 562**
Total top 15 properties		**449 315**
% of total portfolio		**55.7**
% of retail portfolio		**59.1**

[i] 50% undivided share in this property.
[ii] 67% undivided share in this property.
[iii] 80% share in the company.
[iv] 33.33% undivided share in this property.

Summary of portfolio changes

GLA reconciliation	Retail portfolio GLA m²	Total portfolio GLA m²
Balance on 31 March 2022	**774 864**	**845 659**
GLA adjustments	**(254)**	**1 123**
Disposals	**(13 978)**	**(39 736)**
Acquisitions and extensions	—	—
Balance on 31 March 2023	**760 632**	**807 046**

Vacancy reconciliation	Retail GLA m²	Retail %	Total GLA m²	Total %
Balance on 31 March 2022	**20 088**	**2.6**	**24 085**	**2.9**
Less: Properties sold since 31 March 2022	**(425)**	3.0	**(3 481)**	8.8
Remaining portfolio balance on 31 March 2022	**19 663**	2.6	**20 604**	2.6
Leases expired	**174 079**		**174 079**	
Tenants vacated or relocated	**32 416**		**38 201**	
Moved from development vacancy	**1 192**		**1 192**	
Renewal of expired leases	**(112 330)**		**(112 330)**	
Leases to be renewed	**(42 512)**		**(43 358)**	
New letting of vacant space	**(57 103)**		**(57 103)**	
Balance on 31 March 2023	**15 405**	**2.0**	**21 285**	**2.6**

Portfolio profiles

Geographic profile

Vukile's portfolio is well represented in most South African provinces. At the same time, it is focused on high-growth nodes with 77% of the gross income from Gauteng, KwaZulu-Natal, Free State and Western Cape.

	% of gross income	% of GLA
Gauteng	**38**	**43**
KwaZulu-Natal	**22**	**16**
Free State	**9**	**10**
Western Cape	**8**	**7**
Eastern Cape	**8**	**8**
Limpopo	**7**	**7**
Mpumalanga	**4**	**5**
North West	**4**	**4**

Sectoral profile

Based on value, 96.1% of the South African portfolio is in the retail sector, followed by 2.0% in the office, 1.1% in the motor-related, 0.4% in the industrial sector and 0.4% in the residential sector.

Tenant profile

Large national and listed tenants and major franchises account for 85% of our tenants by rentable area.

	% of rent		% of GLA	
	Retail	Total portfolio	Retail	Total portfolio
A – Large national and listed tenants and major franchises	**71**	**72**	**75**	**75**
B – National and listed tenants, franchises and medium to large professional firms	**11**	**10**	**10**	**10**
C – Other (953 tenants)	**18**	**18**	**15**	**15**

Lease expiry profile

Vukile's South African lease expiry profile shows that 36% of the leases based on rentals are due for renewal in FY24, with 31% due to expire in 2027 and beyond. Based on GLA, 34% of leases are due to expire in 2027 and beyond.

	March 2024	March 2025	March 2026	March 2027	Beyond March 2027
% of contractual rent	36	19	14	11	20
Cumulative	36	55	69	80	100

	Vacant	March 2024	March 2025	March 2026	March 2027	Beyond March 2027
% of GLA	2.6	33	15	15	11	23
Cumulative	2.6	36	51	66	77	100

Vacancy profile

The total portfolio's vacancy (based on GLA) decreased from 2.9% in March 2022 to 2.6%. The focused in-house leasing drive to fill vacancies resulted in reducing the all-important retail vacancies from 2.6% to 2.0%. The increased office vacancy is mainly due to a single tenant vacating at Sandton Bryanston Ascot. Negotiations with replacement tenants are ongoing. Post the sale of Midrand Allandale Industrial Park, the industrial portfolio is fully let. There has been significant traction in leasing residential units following a marketing intervention to improve our offering with value-add services such as Wi-Fi offered to tenants.

Vacancies (% of GLA)	31 March 2023 %	31 March 2022 %
Retail	**2.0**	2.6
Offices	**23.3**	4.2
Motor related	**—**	—
Industrial	**—**	6.7
Residential	**3.8**	12.5
Total	**2.6**	2.9

Vacancies (% of gross rental)	31 March 2023 %	31 March 2022 %
Retail	**2.3**	2.7
Offices	**7.3**	6.9
Motor related	**—**	—
Industrial	**—**	6.1
Residential	**8.2**	23.5
Total	**2.4**	3.0

Leasing profile

Vukile concluded new leases and renewals in excess of 150 000m² with a contract value of R1 351.2 million. Tenant retention on the total portfolio was 90%, with retail retention at 93%.

Rental profile

There were positive reversions of 2.3% on the retail portfolio. Retail reversions were stronger in the value centre, rural and township segments, and are starting to show an improvement in the urban and commuter portfolios.

The weighted average base rental rates (excluding recoveries) increased by 6.3% from R148.91/m² to R158.34/m² during the year to date.

Base rental rates (excluding recoveries)	31 March 2023 R/m²	31 March 2022 R/m²	Escalation %
Retail	**159.96**	152.69	4.8
Offices	**119.17**	113.72	4.8
Motor related	**210.55**	196.78	7.0
Industrial	**87.96**	69.48	26.6
Residential	**113.79**	130.63	(12.9)
Portfolio weighted average base rentals	**158.34**	148.91	6.3

The higher average rental rate growth on industrial properties is due to the sale of Midrand Allandale Industrial Park.

In-contract escalation rates	31 March 2023 %	31 March 2022 %
Retail	**6.3**	6.4
Offices	**7.4**	7.5
Motor related	**7.0**	7.0
Industrial	**—**	7.5
Total	**6.3**	6.5

Retail tenant profile and exposure

Vukile's tenant exposure is well diversified and low risk, with national tenants representing c.82% of retail rental income.

Our top 10 tenants account for 47% of total rent and 54% of GLA. TFG and Pepkor are our two single largest tenants, accounting for 8.0% and 7.6% of total rent, respectively.

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

Weighted average lease expiry (WALE)

Vukile has a retail tenant expiry profile based on rent of 2.6 years, with 30% of contractual rental expiring in 2027 and beyond.

Costs

The largest expense categories contribute 80% to the total expenses. These are government services (44%), rates and taxes (18%), cleaning and security (11%) and property management (7%).

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

The cost-to-income ratio remains challenged by increasing rates and taxes, diesel costs, soft services, innovation and Wi-Fi costs. The pay system was recently removed on all ablution facilities in our centres, which resulted in increased cleaning and security costs, but to the benefit of the customers.

Net cost-to-income ratio: remaining portfolio	2017 %	2018 %	2019 %	2020 %	2021 %	2022 %	2023 %
All expenses	15.2	15.2	16.3	15.8	18.4	16.2	**16.6**
All expenses excluding rates and taxes and electricity	15.4	15.0	15.6	15.7	18.2	17.3	**18.8**

Like-for-like NOI growth

The stable portfolio delivered 5.4% like-for-like NOI growth versus the comparable period in FY22.

Like-for-like growth (stable portfolio)	31 March 2023	31 March 2022	% change
Property revenue (R million)	**1 488.8**	1 415.5	5.2
Net property expenses (R million)	**239.5**	230.6	3.9
Net property income (R million)	**1 249.3**	1 184.9	5.4
Net cost-to-income ratio (%)	**16.1**	16.3	

PORTFOLIO REVIEW – SPAIN

With over 94% of its GLA let to international and national tenants, Castellana Properties has again showed its strength, nodal dominance and long-term sustainability, with results that outperform in the Spanish market.

Uncertainty in the macro-economic environment still prevails, with persistent inflation leading to a rising interest rate environment. The European Central Bank (ECB) has recently stated that it is monitoring wage growth and core inflation before considering a pause in interest rate increases, although it has recently lowered the level of interest rate increases to 25bps. Consensus forecasts expect a rise in rates to between 3.75% and 4% in the short term, in a bid to curb rising prices.

Despite persistent inflation and a rising interest rate environment, the Spanish economy is performing better than expected, with GDP expected to grow by 1.6% in 2023. The Eurozone and Spanish economies have shown resilience in the face of tensions in the gas market and the geopolitical crisis in Ukraine. As a result, prices are set to fall earlier than expected. Furthermore, global supply chain bottlenecks are easing.

At a domestic level, high levels of savings from the pandemic have helped sustain consumer demand, which also partly explains inflation persistence. Nevertheless, the GDP forecast for 2024 has been revised downwards from 3.4% to 2.6%, still displaying positive growth for the year with improved growth forecasts thereafter. The resilience in GDP can be partially explained by the strong bounce back of tourism and improvement in Spanish exports.

The unemployment rate has remained stable at c.12.6%, reflecting the strength of the agricultural and tourism sectors.

Despite fears of negative impact stemming from the Ukraine war, inflationary pressures and interest rate hikes, consumption has not been negatively impacted during this year. Sales and footfall continued to trend positively during the entire year with variations of 18.4% and 1.2%, respectively, compared to 2019 – clearly indicating, for the second year, that Castellana's portfolio has recovered significantly from 2019, outperforming all industry benchmarks. Furthermore, this is an indication that the active asset management activity through our value-add projects implemented in the last two years is bearing fruit as these centres show improvement in all KPIs. This performance confirms the resilience and dominance of the portfolio.

The investment in Lar España has delivered an exceptional yield of c.12% through the dividends provided, improving the overall performance of the already successful existing portfolio of directly owned assets.

Overall, growth in the portfolio has been achieved mainly due to income from operations. Application of indexation during FY23, combined with the consolidation of the value-add projects reaching final rental levels and improvement due to other active asset management initiatives, have taken gross rental income (GRI) to €64.7 million in the period showing a like-for-like (LfL) growth of 10.9% compared to the previous financial years with similar growth in NOI of 9%. (LfL in this comparison excludes the final COVID concessions given to tenants in the beginning of FY22 to ensure comparability, however, the total improvement in GRI from last year is +17.7%.)

At 31 March 2023, the Spanish portfolio consisted of 16 properties externally valued at €1 012 million, with a GLA of 350 925m^2, and an average value of €63 million per property. Total property-related assets are valued at €1 118 million, including the 25.7% stake in Lar España.

Operating environment

Portfolio overview

Again, Castellana's strong specialist retail management capability has stood us in good stead – delivering a market-leading set of results, with the portfolio continuing to show its strength and robustness across all key metrics, despite the ongoing challenges in the macro-economic environment. A focus on building and maintaining strong relationships with key tenants continues to be a core strength within the portfolio – leading to new store openings, growing rentals and low vacancies across the portfolio.

The Castellana portfolio remains robust despite the persistent negative macro-economic outlook. While economists are predicting a decrease in private consumption, this is not yet visible in operational metrics. To the contrary, on ground-level, we still see a very active economy with sales growth experienced by our tenants, long waiting lists on restaurant bookings, hotels at maximum capacity and consumers spending on leisure travel.

Given the high levels of consumption in general, our tenants have achieved sales growth, indicating very comfortable levels of effort rates. This translates into inflationary indexation being fully passed to tenants throughout the year. c.100% of the portfolio has been indexed during the period with negligible cases of push back from tenants. During the period, 80% of total Minimum Guaranteed Rent (MGR) has been indexed at an average rate of 7.7%. Most of this increase will be seen in FY24 as indexation mainly takes place in January.

Operational highlights

Highlights for the period include the following:

- Portfolio occupancy is at 98.7%, showing negligible vacancies of 1.3%
- Record footfall and sales widely outperform the national benchmarks. Comparing FY23 vs FY20, footfall and sales grew by +1.2% and +18.4%, respectively
- Positive rental reversions of 3.26%, at an average of €29.5/m^2 for renewals, relocations and replacements
- Further leasing activity, with 189 leases (85 renewals and 104 new leases) covering 26 254m² of GLA signed, representing an incremental annualised NOI of €1.60 million
- Portfolio WALE is strong and stable at 12.6 years, with WALE to break at 2.4 years
- 80% of total MGR has been indexed at an average rate of 7.7%
- Collection rate improved to 99.2%

Footfall, sales and collections performance

Footfall and sales

	Oct 2022 %	Nov 2022 %	Dec 2022 %	**Jan 2023 %**	**Feb 2023 %**	**Mar 2023 %**
Change in footfall from October 2022 to March 2023 (versus the corresponding months in 2019)	6.5	1.3	7.7	**5.7**	**3.5**	**6.1**

Castellana set a record in footfall during our FY23 (April 2022 – March 2023), finally overcoming the pre-COVID (FY20 April 2019 – March 2020) footfall by +1.2%.

Sales have continued to grow in FY23 with a double-digit increase (+18.4%) compared to FY20 but we have also seen an impressive start (+14.2% January – March) to the 2023 calendar year compared to the same period in 2022.

	Oct 2022 %	Nov 2022 %	Dec 2022 %	**Jan 2023 %**	**Feb 2023 %**	**Mar 2023 %**
Change in sales from October 2022 to March 2023 (versus the corresponding months in 2019)	14.0	10.2	15.5	**12.8**	**21.6**	**31.8**

In terms of categories, DIY and Pets remain the best performers (74.7% and 62.6%) in FY23 vs FY20. Other improved categories included Fashion and Accessories (+6.8%), Food and Beverage (+12.7%) and Groceries (+14%).

A high 94% of Castellana's rentable area is let to tenants that are international and national brands.

Short-term focus areas

Excellence in portfolio management

We remain focused on our core asset management activities across the portfolio, but also continue to focus on key initiatives, including expanding our culture of innovation, customer centricity and our focus on collecting and analysing data to keep improving our assets to become even more dominant and profitable. We have provisioned for additional value-added projects, which entail the repositioning and restyling of Vallsur's first floor to create a state-of-the-art food court and introduce leisure activities. The conclusion of the second phase of this upgrade aims to reorient the centre to cater for our consumers' demands for health and sports activities.

Future growth

We are evaluating further opportunities within our portfolio to increase income through repositioning and extensions to existing assets. Currently, great opportunities exist to acquire assets at very attractive prices as well as in the listed sector, as share prices remain weak, trading at large discounts to net tangible assets and offering attractive yields. However, despite the great opportunity to acquire assets at the right point in the cycle, the scarcity of capital remains a major concern in the short run.

Debt provider engagement

Castellana Properties closes the period with a very healthy balance sheet with an average net LTV of 41.7% and no debt expiries until FY26. In total, 96% of our debt is hedged against interest rate volatility, with plenty of headroom to covenants. Active asset management in the portfolio and also active fiscal and balance sheet management keep the business in very good shape as reflected in all the key metrics. Castellana continues to maintain a strong relationship with its debt providers who fully support the business and are satisfied with Castellana's balance sheet strength and cash position.

We have confidence in Castellana's ability to remain comfortably within its LTV, interest cover and net yield on debt covenant levels. We are working on several new value-add projects to existing assets and are positive that our debt providers will be supporting us with the necessary financing to complete these projects in an accretive and successful manner.

Collections

Collection rate for the period: 99.2%

Collections from April 2022 to March 2023	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023
Total net invoiced amount (€m)	5.8	5.8	5.7	6.1	6.2	6.0	6.0	6.1	5.9	6.5	6.6	6.4
Total collected (%)	99.6	99.6	99.6	99.1	99.5	99.7	99.6	98.7	99.3	98.6	98.0	97.2

The efforts of our collections team are making inroads by continuously lowering arrears over time.

Tenant arrears

Tenant arrears amounted to €0.72 million (R13 million) at 31 March 2023, and were reduced significantly from the prior year (March 2022) when arrears were at €1.02 million (R19.7 million). Castellana's in-house property administration team collected 99.2% of monthly rental invoices.

Development projects

Completion of the recent ECI projects have proven beneficial, showing a positive effect on all operating metrics in the respective centres and setting new records in both footfall and sales. Cumulative footfall at Bahía Sur, El Faro and Los Arcos grew by +8.1% in 2022 compared to 2019 and +6.1% compared to 2018 when the assets were acquired. Sales growth has been equally positive, showing growth of +6.6% in 2022 compared to 2019 and +6.9% compared to 2018.

Newly commenced projects include a repositioning project in Vallsur. The project, which is expected to be finalised in H1 FY24, aims to reinforce the Food and Beverage and leisure experience in the shopping centre.

Valuation of Spanish portfolio

Year-end valuations as of 31 March 2023 have been penalised once again by rising discount rates to cater for the rise in interest rates driven by the ECB. Despite increases of c.100bps in discount rates, the portfolio income growth has buffered the impact and resulted in a 1.1% growth in portfolio value overall. Again, indexation, consolidation of the value-add projects, active leasing activity and other accretive asset management initiatives have grown income higher, which significantly improves the future cash flows.

The Spanish portfolio was independently valued by Colliers at €1 012.3 million (R19.5 billion) at 31 March 2023 (31 March 2022: €1 001.0 million or R16.2 billion), representing a 1.1% like-for-like increase in value over the period.

During the COVID pandemic, the portfolio declined in value by 2.6%, however, the current valuation as at 31 March 2023 demonstrates the strength of the portfolio with a like-for-like increase of 1.3% versus the pre-COVID portfolio value as at 30 September 2019.

The fair value of the portfolio is estimated using RICS' Red Book methodology with a DCF approach, which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. Discount rates have been increased by 100bps across all assets in the portfolio, and some exit yields have also been impacted to reflect rising interest rates.

Top 10 properties by value

Castellana is 100% retail focused. Cumulatively, 93% of tenants are international and national tenants. These properties comprise 91.3% of the total portfolio value, 91.6% of the total portfolio rent and 84% of the total portfolio GLA.

Property	Location	GLA m²
El Faro*	Extremadura	**40 718**
Bahía Sur	Andalucia	**35 297**
Los Arcos*	Andalucia	**26 577**
Granaita Retail Park	Andalucia	**54 633**
Habaneras	Com. Valenciana	**24 892**
Puerta Europa	Andalucia	**29 783**
Vallsur	Castilla y Leon	**35 879**
Parque Oeste	Madrid	**13 604**
Parque Principado	Asturias	**16 090**
Marismas del Polvorín	Andalucia	**18 220**
Total top 10 properties		**295 693**
% of total portfolio		**84**

* *Excluding valuations of development properties.*

Summary of portfolio changes

GLA reconciliation	GLA m²
Balance as at 31 March 2022*	343 345
GLA adjustments	7 580
Balance as at 31 March 2023	**350 925**
Areas under development	6 926
Non-lettable area	—
GLA excluding areas under development	343 999

Vacancy reconciliation	GLA m²	%
Balance as at 31 March 2022*	4 476	1.30
Vacancy movement	(24)	
Balance as at 31 March 2023	**4 452**	**1.29**

* *Excluding area under development. Total Portfolio GLA as at 31 March 2022 was 350 271m².*

Portfolio profiles

Geographic profile

The geographic distribution of the Spanish portfolio is indicated in the table below. 90% of the gross income comes from Andalucia, Extremadura, Com. Valenciana and Castilla Leon.

	% of rental income	% of GLA
Andalucia	**51**	**48**
Extremadura	**21**	**21**
Com. Valenciana	**10**	**8**
Castilla Leon	**9**	**10**
Madrid	**4**	**4**
Asturias	**3**	**5**
Murcia	**2**	**4**

Sector profile

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

Tenant profile

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

	% of rental income	% of GLA
Large international and national tenants	**94**	**95**
Local tenants (100 tenants)	**6**	**5**

Expiry profile

Castellana has a 12.6-year tenant expiry profile and 2.4 years to break with 54% of contractual rental expiring in 2033 and beyond.

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

Total portfolio

	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	March 2030 %	March 2031 %	March 2032 %	March 2033 %	Beyond March 2033 %
% of contractual rent	8	7	6	4	5	5	3	4	4	8	46
Cumulative	8	15	21	25	30	35	38	42	46	54	100

	Vacant	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	March 2030 %	March 2031 %	March 2032 %	March 2033 %	Beyond March 2033 %
% of GLA	1	5	5	3	1	4	4	3	3	2	7	62
Cumulative	1	6	11	14	15	19	23	26	29	31	38	100

Break profile

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

Total portfolio

	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	March 2030 %	March 2031 %	March 2032 %	March 2033 %	Beyond March 2033 %
% of contractual rent	31	21	21	9	9	4	1	2	—	—	2
Cumulative	31	52	73	82	91	95	96	98	98	98	100

Vacancy profile

The portfolio's vacancy rate at 31 March 2023 was 1.3%.

Vacancies (% of GLA)	31 March 2023 %	31 March 2022 %
Shopping centres	**1.7**	1.8
Retail parks	**0.8**	0.8
Total	**1.3**	1.3

Rental profile

The Castellana portfolio's weighted average rental has increased by 6.5% to €16.15/m².

	31 March 2023 €/m²	31 March 2022 €/m²	Escalation %
Shopping centres	**20.84**	19.43	7.3
Retail parks	**10.56**	10.07	4.9
Portfolio weighted average base rentals	**16.15**	15.17	6.5

Costs

Castellana's cost ratio is well managed and in line with industry standards.

Service charges are the most significant expense and represent 87.6% of total property expenses. Service charges mainly include utilities, cleaning, marketing, security and management. Property tax is another significant expense representing 12.4% of the total property expenses.

Investment in Lar España

Castellana continues to hold a 25.70% stake in Lar España. This stake remains an important and financially attractive investment by Castellana in a strong operational business with good quality retail assets.

Lar España recently reported a strong set of operational results with footfall and sales performing well, as expected, while maintaining high occupancy levels.

As a result of this, the board of directors of Lar España recently declared a 60 cents per share dividend for FY22 (January to December 2022).

The initial 21.7% shareholding was acquired at €5.35. Subsequent shares were acquired at an average price of €4.74. Our current shareholding of 25.7% was acquired at an overall average price of €5.25, which results in an overall dividend yield for Castellana of c. 12%.

Furthermore, Lar España has completed a bond buy-back of €90.5 million, which entailed the purchase of bonds at a par value of €110 million, thereby creating a positive impact of c.€20 million on the 2023 income statement.

As the largest shareholder in the business, we remain long-term investors in Lar España and continue to believe in the strategic optionality created by holding the stake.

CHANGES TO THE BOARD OF DIRECTORS

Effective 1 April 2023, Mr Ben Kodisang was appointed to the board as a non-executive director and will also join the property and investment committee. Mr Kodisang currently serves as the CEO of ALT Capital Partners, a property private equity business and asset manager, in which Vukile has a 33% interest. The board welcomes Mr Kodisang and looks forward to his future contribution to the company.

Effective 2 January 2024, the role of group CFO will be split, with Lizelle Pottas being appointed to the board as Financial Director. Laurence Cohen will remain in his current position as full-time Executive Group CFO. Lizelle has been with Vukile for five years and currently serves as Group Head of Finance. Lizelle is a CA(SA) and holds a BCom Accounting (cum laude) and BCom Accounting Honours degree.

Lizelle will continue to report to Laurence Cohen. Laurence will retain most of his current responsibilities, but will be more focused on strategic finance, corporate finance, corporate activity, group treasury and deal execution. Lizelle will take full responsibility for group reporting, IFRS compliance, JSE compliance and internal and external audit. We wish Lizelle well in her new role.

PROSPECTS FOR THE GROUP

We are confident that with our strong operating platform, clear strategic direction and solid balance sheet, Vukile is well positioned to manage the global macro-economic headwinds, dampened consumer confidence and specific South African-related challenges, such as load shedding and sluggish economic growth.

Whilst we have been expecting pressure on the consumer for the better part of the last 18 months, it has not materialised to the extent that we anticipated. It now appears that higher interest rates are negatively impacting consumer spending in South Africa. We believe that our business is well insulated against reduced spending, both through the defensive nature of our tenant mix and because of the annuity income nature of our rental income. Some 99% of rental income is contractual in nature and provided by the strongest retail covenants in Spain and South Africa. A healthy WALE in both markets should comfortably see us through a short to medium term cyclical downturn.

As we come closer to the peak of the interest rate cycle, Vukile and Castellana remain well hedged. The business is further insulated with a relatively long loan expiry profile and a strong liquidity position.

We continue to focus on sustainable growth as we execute on our focused strategy to be a consumer-focused, retail real estate business.

We expect to deliver growth in FFO per share of between 3% to 5% and growth in dividend per share of between 7% to 9% for the year ending 31 March 2024, assuming:

- SA interest rates of 3-month JIBAR of 8.50%
- European interest rates of 3-month Euribor of 3.75%
- ZAR/EUR exchange rate of R19,29
- a similar pay out ratio to the current year

This will equate to a full-year dividend per share of between 120 and 123 cents (FY23: 112.4 cents) to be paid with an interim dividend and a final dividend.

The forecast assumes no material adverse change in trading conditions, contractual escalations and market-related renewals. The forecast also assumes no material further change in interest rates and exchange rates from the levels indicated above.

The forecast has not been reviewed or audited by the company's external auditors.

SUBSEQUENT EVENTS

i. Declaration of dividend

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

The board approved a final dividend on 12 June 2023 of 65.11232 cents per share for the year ended 31 March 2023, amounting to R675 million. The dividend represents a pay-out ratio of 81% of the total group FFO.

ii. Capital raise

On 5 April 2023, 56 million new shares were issued at R12.50 per share, amounting to R700 million.

In line with IAS 10, the capital raise is a non-adjusting event that is not recognised in the financial statements at 31 March 2023.

Although the capital raise is a non-adjusting event for IFRS and reporting purposes, the board did elect to increase the final dividend for the year ended 31 March 2023 by R36.7 million (an "antecedent dividend"), in order to limit any dilution to existing shareholders as a consequence of the new issue of shares.

iii. MEREV transaction

On 10 May 2023, Vukile exercised its call option to acquire 9 833 333 shares in Castellana from MEREV. These shares represent the last remaining Castellana shares held by MEREV. The total consideration, including a contractual fee payable, amounted to €64 million, equating to €6.50 per share. As a result, Vukile's shareholding in Castellana increased to 99.5%.

In line with IAS 10, the additional investment in Castellana by exercising the call option is a non-adjusting event that is not recognised in the financial statements.

BASIS OF PREPARATION

The summarised consolidated financial statements for the year ended 31 March 2023 and comparative information have been prepared in accordance with, and containing the information required by, International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Announcements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, IAS 34, and relevant sections of the Companies Act, 71 of 2008, as amended (Companies Act).

All accounting policies applied by the group in the preparation of these summarised consolidated financial statements are consistent with those applied by the group in its consolidated financial statements for the year ended 31 March 2022, except where new standards have been introduced as disclosed in note 1.2.

These statements, which comprise the statement of financial position at 31 March 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the 12 months then ended, are extracted from audited information, but are themselves not audited. The annual financial statements were audited by PricewaterhouseCoopers Inc. who expressed an unqualified opinion thereon. The auditor's report does not necessarily cover all of the information included in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of the audit report together with the accompanying financial information, both of which are available on the company's website and at the registered office of the company.

The directors take full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying financial statements. This report was compiled under the supervision of Laurence Cohen CA(SA) in his capacity as CFO.

The directors are not aware of any matters or circumstances arising subsequent to 31 March 2023 that require any additional disclosure or adjustment to the financial statements and which are not disclosed in this announcement.

On behalf of the board

NG Payne
Chairman

LG Rapp
Chief Executive Officer

Houghton Estate

12 June 2023

Vukile Property Fund Limited

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

JSE sponsor: Java Capital
NSX sponsor: IJG Group, Windhoek, Namibia
Executive directors: LG Rapp (Chief Executive Officer), LR Cohen (Chief Financial Officer), IU Mothibeli (Managing Director: South Africa)
Non-executive directors: NG Payne (Chairman)*, SF Booysen*, BM Kodisang, RD Mokate*, AMSS Mokgabudi*, GS Moseneke, B Ngonyama*, H Ntene*
* *Independent*
Registered office: 4th Floor, 11 Ninth Street, Houghton Estate, 2198
Company Secretary: J Neethling
Transfer secretaries: JSE Investor Services (Pty) Ltd, 5th Floor, One Exchange Square, Gwen Lane, Sandown, Johannesburg
Investor and Public relations: Marijke Coetzee: Director – Marketing and Communications , 4th Floor, 11 Ninth Street, Houghton Estate, 2198. Tel: +27 11 288 0000, investorenquiries@vukile.co.za

www.vukile.co.za

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	31 March 2023 Rm	31 March 2022 Rm
ASSETS		
Non-current assets	**37 908**	33 597
Investment property	**34 380**	30 535
Straight-line rental income accrual	**379**	326
Financial assets at fair value through profit or loss (FVTPL)	**338**	406
Equity investment at fair value through other comprehensive income (FVTOCI)	**2 044**	1 452
Investment in associate (equity accounted)	**134**	120
Investment in joint venture (equity accounted)	**2**	48
Derivative financial instruments	**121**	260
Long-term loans granted	**307**	278
Other non-current assets	**203**	172
Current assets	**2 168**	1 128
Trade and other receivables	**515**	309
Derivative financial instruments	**66**	40
Current taxation assets	**12**	12
Other current assets	**15**	15
Cash and cash equivalents	**1 387**	565
Non-current assets held for sale	**173**	187
Total assets	**40 076**	34 725
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent	**20 077**	17 568
Stated capital	**13 138**	13 138
Other components of equity	**4 735**	2 529
Retained earnings	**2 204**	1 901
Non-controlling interest	**1 345**	1 082
Non-current liabilities	**16 877**	14 197
Interest-bearing borrowings	**16 014**	13 333
Lease liability	**286**	272
Share scheme liability	**30**	1
Derivative financial instruments	**249**	373
Deferred taxation liabilities	**63**	33
Other non-current liabilities	**235**	185
Current liabilities	**1 777**	1 878
Trade and other payables	**667**	610
Short-term portion of interest-bearing borrowings	**1 013**	1 163
Short-term portion of lease liability	**19**	18
Short-term portion of share scheme liability	**44**	—
Derivative financial instruments	**32**	79
Current taxation liabilities	**—**	5
Shareholders for dividends	**2**	3
Total equity and liabilities	**40 076**	34 725

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 March 2023

	31 March 2023 Rm	31 March 2022 Rm
Property revenue	**3 594**	3 485
Straight-line rental income accrual	**58**	(10)
Gross property revenue	**3 652**	3 475
Property expenses	**(1 269)**	(1 238)
Change in expected credit loss (ECL): tenant receivables	**(4)**	(24)
Net profit from property operations	**2 379**	2 213
Corporate and administrative expenses	**(330)**	(296)
Investment and other income	**367**	393
Fair value movement on non-designated portion of CCIRS	**(27)**	(59)
Profit before finance costs	**2 389**	2 251
Finance costs	**(834)**	(809)
Profit after finance costs	**1 555**	1 442
Loss on disposals	**(20)**	(36)
Loss on realisation of derivative	**(19)**	(59)
Fair value (loss)/gain on financial instruments	**(33)**	3
Impairments	**(2)**	1
Profit before changes in fair value of investment property	**1 481**	1 351
Fair value adjustments:	**582**	652
Gross change in fair value of investment property	**625**	637
Change in fair value of right-of-use asset	**15**	5
Straight-line rental income adjustment	**(58)**	10
Profit before equity-accounted investment	**2 063**	2 003
Share of income from associate	**9**	27
Share of profit/(loss) from joint venture	**1**	(4)
Profit before taxation	**2 073**	2 026
Taxation	**(35)**	(34)
Profit for the year	**2 038**	1 992
Attributable to owners of the parent	**1 932**	1 909
Attributable to non-controlling interest	**106**	83

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2023

	31 March 2023 Rm	31 March 2022 Rm
Profit for the year	**2 038**	1 992
Other comprehensive income (OCI) net of tax		
Items that will not be reclassified to profit or loss:		
Equity investments designated at fair value through OCI	**120**	(156)
Fair value adjustment on equity investments	**120**	(156)
Items that are/will be reclassified to profit or loss:		
Foreign currency translation reserve	**1 694**	(675)
Associate	**(1)**	(3)
Joint venture	**7**	(3)
Subsidiary	**1 688**	(669)
Cash flow hedges	**100**	153
Interest rate swaps	**121**	151
Barrier option	**(21)**	2
Other comprehensive income/(loss) for the year	**1 914**	(678)
Total comprehensive income for the year	**3 952**	1 314
Attributable to owners of the parent	**3 631**	1 264
Attributable to non-controlling interest	**321**	50

RECONCILIATION OF EARNINGS TO HEADLINE EARNINGS

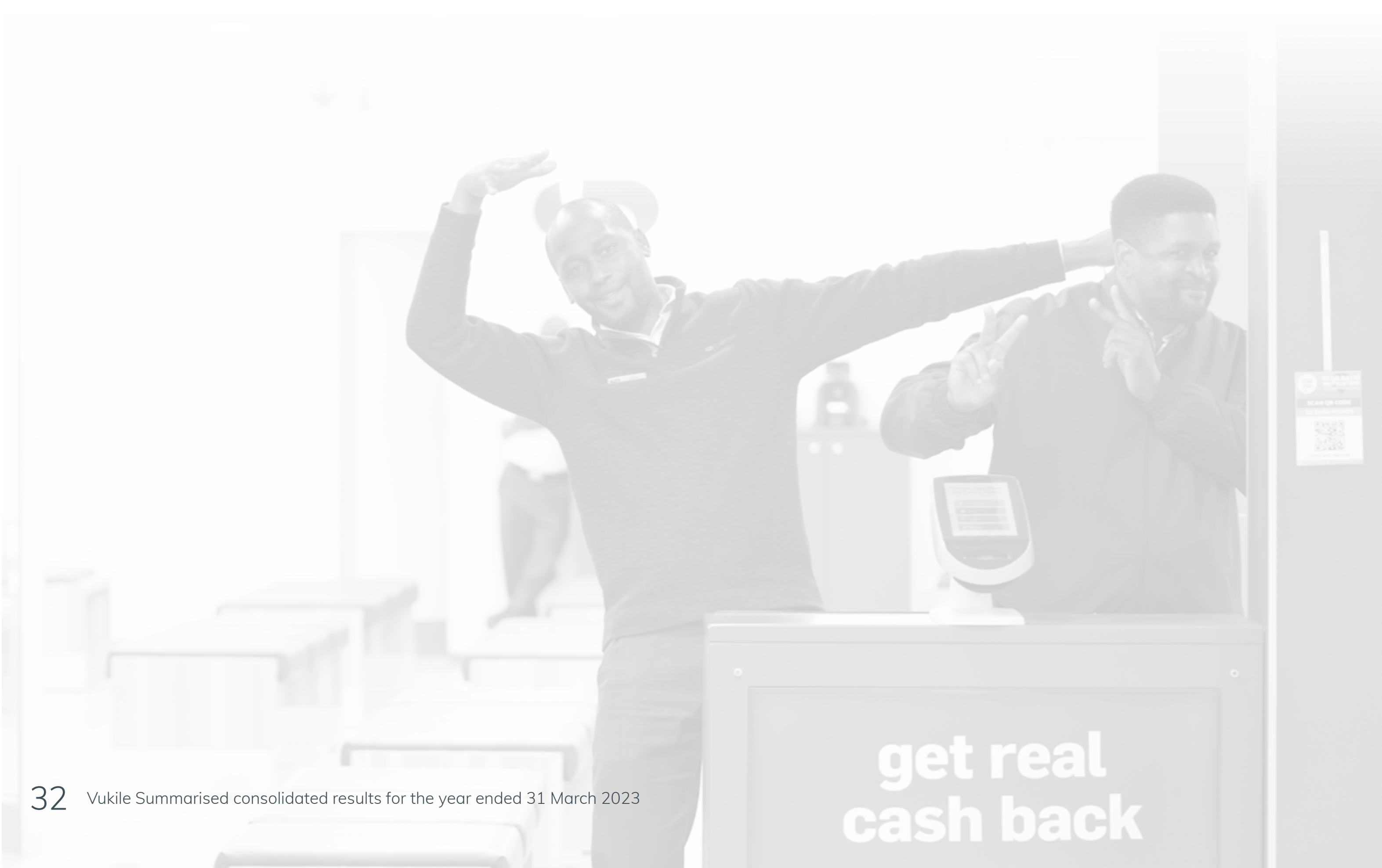
for the year ended 31 March 2023

	31 March 2023		31 March 2022	
	Rm	Cents per share	Rm	Cents per share
Profit attributable to owners of the parent	**1 932**	**197.10**	1 909	199.10
Earnings and diluted earnings	**1 932**	**197.10**	1 909	199.10
Change in fair value of investment property (net of allocation to non-controlling interest)	**(609)**	**(62.17)**	(601)	(62.73)
Remeasurement of right-of-use asset	**(15)**	**(1.57)**	(5)	(0.48)
Loss/(profit) on sale of investment property	**6**	**0.64**	(1)	(0.14)
Profit on joint operation acquisition/disposal	**(2)**	**(0.25)**	(1)	(0.08)
Loss on sale of joint venture	**16**	**1.61**	—	—
Loss of control of subsidiary	**—**	**—**	17	1.75
Impairment of investment in associate	**—**	**—**	8	0.81
Remeasurement included in equity-accounted earnings of associate	**(6)**	**(0.64)**	(38)	(3.98)
Headline and diluted headline earnings	**1 322**	**134.72**	1 288	134.25
Number of shares in issue	**980 226 628**		980 226 628	
Weighted average number of shares	**980 226 628**		958 593 751	

There are no dilutionary shares in issue.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2023

	Stated capital Rm	Other components of equity Rm	Retained earnings Rm	Total shareholders' interest Rm	NCI Rm	Total Rm
Balance at 31 March 2021	12 838	3 153	1 370	17 361	1 559	18 920
Issue of share capital	300	—	—	300	—	300
Dividend	—	—	(1 354)	(1 354)	(23)	(1 377)
	13 138	3 153	16	16 307	1 536	17 843
Profit for the year	—	—	1 909	1 909	83	1 992
Transfer to non-distributable reserve	—	24	(24)	—	—	—
Transactions with NCI	—	—	—	—	(545)	(545)
Change in ownership of a subsidiary recognised in equity	—	(38)	—	(38)	38	—
Equity-settled share scheme	—	35	—	35	3	38
Other comprehensive loss	—	(645)	—	(645)	(33)	(678)
Balance at 31 March 2022	**13 138**	**2 529**	**1 901**	**17 568**	**1 082**	**18 650**
Dividend	**—**	**—**	**(1 104)**	**(1 104)**	**(55)**	**(1 159)**
	13 138	**2 529**	**797**	**16 464**	**1 027**	**17 491**
Profit for the year	**—**	**—**	**1 932**	**1 932**	**106**	**2 038**
Transfer to non-distributable reserve	**—**	**525**	**(525)**	**—**	**—**	**—**
Equity-settled share scheme	**—**	**(18)**	**—**	**(18)**	**(3)**	**(21)**
Other comprehensive income	**—**	**1 699**	**—**	**1 699**	**215**	**1 914**
Balance at 31 March 2023	**13 138**	**4 735**	**2 204**	**20 077**	**1 345**	**21 422**



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 March 2023

	31 March 2023 Rm	31 March 2022 Rm
Cash flow from operating activities	**2 089**	2 054
Cash flow from investing activities	**(99)**	356
Cash flow from financing activities	**(1 277)**	(2 823)
Net increase/(decrease) in cash and cash equivalents	**713**	(413)
Foreign currency movements in cash	**109**	(25)
Cash and cash equivalents at the beginning of the year	**565**	1 003
Cash and cash equivalents at the end of the year[i]	**1 387**	565
Major items included in the above:		
Cash flow from operating activities	**2 089**	2 054
Profit before tax	**2 073**	2 026
Adjustments[ii]	**(36)**	(39)
Working capital adjustments	**63**	91
Taxation paid	**(11)**	(24)
Cash flow from investing activities	**(99)**	356
Proceeds on sale of investment property (including joint operations)	**278**	1 218
Acquisition of investment property and development costs	**(422)**	(549)
Acquisition of investment in equity instruments at fair value through other comprehensive income[iii]	**(158)**	(1 600)
Proceeds on sale of property securities	**51**	501
Loss of control of subsidiary	**—**	530
Investment and other income	**135**	308
Sale of investment in joint venture	**21**	—
Other	**(4)**	(52)
Cash flow from financing activities	**(1 277)**	(2 823)
Interest-bearing borrowings advanced	**3 163**	8 974
Interest-bearing borrowings repaid	**(2 320)**	(9 169)
Finance costs paid	**(767)**	(646)
Dividends paid	**(1 160)**	(1 376)
Equity transactions with NCI	**—**	(545)
Proceeds from issue of share capital	**—**	300
Settlement of derivatives	**(123)**	(324)
Other	**(70)**	(37)

(i) *Tenant deposits of c.R1 million are held in custody on behalf of tenants and are not available for general use by the group and are therefore treated as restricted cash.*

(ii) *Adjustments to cash flows from operating activities for 31 March 2023 include fair value gain on investment property of R625 million, finance costs of R834 million and fair value loss on equity investments of R28 million.*

(iii) *Cash flow from equity investments at fair value through other comprehensive income includes R111 million cash inflow from pre-acquisition dividends.*

SUMMARISED OPERATING SEGMENT REPORT

for the year ended 31 March 2023

	South Africa			Spain			Total group Rm
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	
Income for the year ended 31 March 2023							
Revenue[i]	1 480	52	1 532	1 185	—	1 185	2 717
Property expenses[i]	(243)	(9)	(252)	(144)	—	(144)	(396)
Net income from property operations	1 237	43	1 280	1 041	—	1 041	2 321
Corporate and administrative expenses	(162)	(6)	(168)	(162)	—	(162)	(330)
Investment and other income	67	2	69	—	229	229	298
Finance income	3	50	53	—	—	—	53
Net interest from CCIRS	16	—	16	—	—	—	16
Loss on realisation of derivative	—	(19)	(19)	—	—	—	(19)
Income before finance costs	1 161	70	1 231	879	229	1 108	2 339
Finance costs	(581)	—	(581)	(253)	—	(253)	(834)
Income before equity-accounted income	580	70	650	626	229	855	1 505
Share of income from associate	—	9	9	—	—	—	9
Share of loss from joint venture	—	1	1	—	—	—	1
Income before taxation	580	80	660	626	229	855	1 515
Taxation[ii]	(7)	—	(7)	—	—	—	(7)
Income	573	80	653	626	229	855	1 508
Net income attributable to NCI	—	(5)	(5)	—	(85)	(85)	(90)
Attributable to Vukile group	573	75	648	626	144	770	1 418
Non-IFRS adjustments	15	(10)	5	—	(7)	(7)	(2)
Early termination of derivative	—	—	—	—	58	58	58
Accrued dividends	—	(5)	(5)	—	(65)	(65)	(70)
Non-cash impact of IFRS entries	15	(5)	10	—	—	—	10
FFO	588	65	653	626	137	763	1 416

[i] *The revenue and property expenses have been reflected net of recoveries. The summarised consolidated statements of profit or loss and OCI reflect the gross property revenue and gross property expenses.*
[ii] *Taxation excludes deferred tax.*

	South Africa			Spain			Total group
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	Rm
Statement of financial position at 31 March 2023							
ASSETS							
Non-current assets	**14 738**	**1 461**	**16 199**	**19 663**	**2 046**	**21 709**	**37 908**
Investment property	14 264	590	14 854	19 526	—	19 526	34 380
Straight-line rental income accrual	374	5	379	—	—	—	379
Financial assets at fair value through profit or loss	—	338	338	—	—	—	338
Equity investments at fair value through other comprehensive income	—	—	—	—	2 044	2 044	2 044
Investment in associate (equity accounted)	—	134	134	—	—	—	134
Investment in joint venture (equity accounted)	—	2	2	—	—	—	2
Derivative financial instruments	100	21	121	—	—	—	121
Long-term loans granted	—	307	307	—	—	—	307
Other non-current assets	—	64	64	137	2	139	203
Current assets	**1 196**	**34**	**1 230**	**674**	**264**	**938**	**2 168**
Trade and other receivables	165	31	196	70	249	319	515
Derivative financial instruments	66	—	66	—	—	—	66
Current taxation	12	—	12	—	—	—	12
Other current assets	—	—	—	—	15	15	15
Cash and cash equivalents	780	3	783	604	—	604	1 387
Non-current assets held for sale	173	—	173	—	—	—	173
Total assets							**40 076**
EQUITY AND LIABILITIES							
Equity attributable to the owners of the parent							**20 077**
Non-controlling interest							**1 345**
Non-current liabilities	**7 056**	**190**	**7 246**	**9 606**	**25**	**9 631**	**16 877**
Interest-bearing borrowings	6 651	—	6 651	9 363	—	9 363	16 014
Lease liability	286	—	286	—	—	—	286
Share scheme liability	—	5	5	—	25	25	30
Derivative financial instruments	64	185	249	—	—	—	249
Deferred taxation liabilities	55	—	55	8	—	8	63
Other non-current liabilities	—	—	—	235	—	235	235
Current liabilities	**1 329**	**100**	**1 429**	**298**	**50**	**348**	**1 777**
Trade and other payables	342	98	440	221	6	227	667
Short-term portion of interest-bearing borrowings	936	—	936	77	—	77	1 013
Short-term portion of lease liability	19	—	19	—	—	—	19
Short-term portion of share scheme liability	—	—	—	—	44	44	44
Derivative financial instruments	32	—	32	—	—	—	32
Shareholder for dividends	—	2	2	—	—	—	2
Total equities and liabilities							**40 076**

SUMMARISED OPERATING SEGMENT REPORT continued
for the year ended 31 March 2023

	Southern Africa			Spain			Total group
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	Rm
Income for the year ended 31 March 2022							
Revenue(i)	1 557	67	1 624	891	92	983	2 607
Property expenses(i)	(279)	(10)	(289)	(83)	(12)	(95)	(384)
Net distributable income from property operations	1 278	57	1 335	808	80	888	2 223
Corporate and administrative expenses	(151)	(6)	(157)	(130)	(9)	(139)	(296)
Investment and other income	247	10	257	—	—	—	257
Finance income	5	23	28	—	—	—	28
Net interest from CCIRS	103	5	108	—	—	—	108
Loss on realisation of derivative	—	(59)	(59)	—	—	—	(59)
Distributable income before finance costs	1 482	30	1 512	678	71	749	2 261
Finance costs	(61)	(459)	(520)	(278)	(11)	(289)	(809)
Distributable income before equity-accounted income	1 421	(429)	992	400	60	460	1 452
Share of loss from associate	—	27	27	—	—	—	27
Share of loss from joint venture	—	(4)	(4)	—	—	—	(4)
Distributable income before taxation	1 421	(406)	1 015	400	60	460	1 475
Taxation(ii)	(34)	13	(21)	—	—	—	(21)
Distribution income	1 387	(393)	994	400	60	460	1 454
Net distributable income attributable to non-controlling interests	—	(5)	(5)	—	(42)	(42)	(47)
Attributable to Vukile group	1 387	(398)	989	400	18	418	1 407
Non-IFRS adjustments	5	(60)	(55)	—	(16)	(16)	(71)
FEC early terminated	—	—	—	—	(58)	(58)	(58)
Accrued dividends	—	(27)	(27)	—	42	42	15
Non-cash impact of IFRS entries	5	(33)	(28)	—	—	—	(28)
FFO	1 392	(458)	934	400	2	402	1 336

(i) *The revenue and property expenses have been reflected net of recoveries. The summarised consolidated statement of profit or loss and other comprehensive income reflects gross property revenue and gross property expenses.*
(ii) *Taxation excludes deferred tax.*

	Southern Africa			Spain			Total group
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	Rm
Statement of financial position at 31 March 2022							
ASSETS							
Non-current assets	13 983	1 882	15 865	15 346	2 386	17 732	33 597
Investment property	13 675	686	14 361	15 253	921	16 174	30 535
Straight-line rental income accrual	308	18	326	—	—	—	326
Financial assets at fair value through profit or loss	—	406	406	—	—	—	406
Investment in associate at fair value	—	—	—	—	1 452	1 452	1 452
Investment in associate (equity accounted)	—	120	120	—	—	—	120
Investment in joint venture (equity accounted)	—	48	48	—	—	—	48
Derivative financial instruments	—	260	260	—	—	—	260
Long-term loans granted	—	278	278	—	—	—	278
Other non-current assets	—	66	66	93	13	106	172
Current assets	406	162	568	424	136	560	1 128
Trade and other receivables	173	58	231	71	7	78	309
Derivative financial instruments	—	40	40	—	—	—	40
Current taxation assets	—	12	12	—	—	—	12
Other current assets	—	—	—	—	15	15	15
Cash and cash equivalents	46	52	98	353	114	467	565
Non-current assets held for sale	187	—	187	—	—	—	187
Total assets							34 725
EQUITY AND LIABILITIES							
Equity attributable to the owners of the parent							17 568
Non-controlling interest							1 082
Non-current liabilities	272	5 860	6 132	185	7 880	8 065	14 197
Interest-bearing borrowings	—	5 460	5 460	—	7 873	7 873	13 333
Lease liability	272	—	272	—	—	—	272
Share scheme liability	—	1	1	—	—	—	1
Derivative financial instruments	—	373	373	—	—	—	373
Deferred tax	—	26	26	—	7	7	33
Other non-current liabilities	—	—	—	185	—	185	185
Current liabilities	293	1 321	1 614	231	33	264	1 878
Trade and other payables	293	81	374	231	5	236	610
Short-term portion of interest-bearing borrowings	—	1 135	1 135	—	28	28	1 163
Short-term portion of lease liability	—	18	18	—	—	—	18
Derivative financial instruments	—	79	79	—	—	—	79
Current taxation liabilities	—	5	5	—	—	—	5
Shareholders for dividends	—	3	3	—	—	—	3
Total equity and liabilities							34 725

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the year ended 31 March 2023

1 GENERAL ACCOUNTING POLICIES

1.1 Basis of preparation

Estimates

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

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

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

Judgements

Judgement is applied in certain areas based on historical experience and reasonable expectations relating to future events. In determining the lease term 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 to 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.

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

- Rustenburg Edgars Building
- Piet Retief Shopping Centre

Going concern

Going concern is assessed on an ongoing basis by conducting appropriate procedures and considering all available information about the future. For the current reporting period, the directors have considered the group's projected cash flows for a period of 12 months following the date of issue of these financial statements and have concluded that the group will be able to meet its financial obligations as they fall due. The projected cash flows are based on operating budgets approved by the board. On this basis, 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.

1.2 New standards and amendments

The group has adopted the following amendments to standards which were effective for the first time for the financial period commencing 1 April 2022. These amendments had no impact on the group.

- The amendment to IAS 16 – *Property, Plant and Equipment* prohibits a company from deducting from the cost of property, plant and equipment any amounts received from selling items produced while the company is preparing the asset for its intended use.
- The amendment to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* clarifies which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- The amendment to IFRS 1 – *First-time Adoption of International Financial Reporting Standards* 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.

2 FAIR VALUE MEASUREMENT

2.1 Fair value measurement of financial instruments

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

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

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

Level 3: Unobservable inputs for the asset or liability

2.2 Fair value hierarchy

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

	31 March 2023				31 March 2022			
	Level 1 Rm	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets								
Equity investments at fair value through profit or loss	**285**	**—**	**—**	**285**	360	—	—	360
Equity investments at fair value through other comprehensive income	**2 044**	**—**	**—**	**2 044**	1 452	—	—	1 452
Executive share scheme financial asset	**130**	**—**	**—**	**130**	109	—	—	109
Derivative financial instruments	**—**	**187**	**—**	**187**	—	300	—	300
Total	**2 459**	**187**	**—**	**2 646**	1 921	300	—	2 221
Liabilities								
Executive share scheme financial liability	**—**	**(77)**	**—**	**(77)**	—	(63)	—	(63)
Derivative financial instruments	**—**	**(96)**	**(185)**	**(281)**	—	(220)	(232)	(452)
Total	**—**	**(173)**	**(185)**	**(358)**	—	(283)	(232)	(515)
Net fair value	**2 459**	**14**	**(185)**	**2 288**	1 921	17	(232)	1 706

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

Equity investment at fair value

The fair value of shares held in listed property securities (Fairvest and Lar España) is determined by reference to the quoted closing price at the reporting date. The fair value of shares held in unlisted investments (REimagine Social Impact Retail Fund) is determined with reference to the underlying net assets in the fund.

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

2 FAIR VALUE MEASUREMENT continued

2.2 Fair value hierarchy continued

Derivative financial instruments

Level 2 derivatives consist of interest rate swaps and cap contracts, forward exchange contracts and a barrier call option. The prior period also included cross-currency interest rate swaps. 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 a net settled derivative that has been valued using the Black Scholes option pricing model.

Measurement of fair value

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

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

At 31 March 2023, the directors valued the South African property portfolio at R15.0 billion (31 March 2022: R14.5 billion), and an external valuer valued the Spanish portfolio at R19.5 billion/€1.0 billion (31 March 2022: R16.2 billion/€1.0 billion).

The external valuations performed by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd at 31 March 2023 on 52% of the South African portfolio were in line with the directors' valuations. The Spanish portfolio was valued by Colliers International.

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

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

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

	31 March 2023				31 March 2022			
	Discount rate %		**Reversionary capitalisation rate %**		Discount rate %		Reversionary capitalisation rate %	
	Range	**Weighted average**	**Range**	**Weighted average**	Range	Weighted average	Range	Weighted average
South Africa	**12.7 to 19.6**	**13.4**	**7.8 to 15.3**	**8.9**	12.7 to 19.6	13.5	7.7 to 15.3	9.0
Spain	**8.0 to 10.5**	**9.1**	**5.3 to 7.0**	**6.2**	7.3 to 9.5	8.1	5.0 to 6.9	6.1

2 FAIR VALUE MEASUREMENT continued

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

South 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 base discount rates as well as NOI for year one and the capitalisation year.

South African directly held property portfolio	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	100	13.4	8.9	(5.5)	(4.1)	(3.4)	(5.0)
Retail	96	13.4	8.8	(5.5)	(4.1)	(3.4)	(5.0)
Other	4	13.5	10.0	(5.5)	(4.4)	(2.6)	(5.3)
Gauteng	40	13.3	8.8	(5.7)	(4.0)	(3.6)	(5.1)
KwaZulu-Natal	20	13.4	8.8	(5.3)	(4.1)	(2.8)	(5.0)
Western Cape	9	13.2	8.9	(5.6)	(4.0)	(3.4)	(5.0)
Free State	9	13.1	8.6	(5.8)	(3.9)	(3.6)	(5.0)
Eastern Cape	8	13.6	9.1	(5.5)	(4.1)	(3.6)	(5.0)
Limpopo	6	13.9	9.1	(5.2)	(4.7)	(3.3)	(5.0)
North West	4	13.9	9.0	(5.7)	(4.1)	(3.5)	(5.1)
Mpumalanga	4	15.0	10.4	(5.0)	(4.6)	(3.5)	(5.1)

Given that the discount rate for the portfolio ranges from 12.7% to 19.6%, the table above has been further disaggregated based on risk showing discount rates below 14%, between 14% and 16%, and above 16%. Refer to the following three tables:

Discount rate below 14%	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	70	12.9	8.3	(5.8)	(3.9)	(3.4)	(5.0)
Retail	67	12.9	8.3	(5.8)	(3.8)	(3.4)	(5.0)
Other	3	13.0	9.4	(5.8)	(4.4)	(2.4)	(5.4)
Gauteng	29	12.8	8.3	(6.0)	(3.8)	(3.6)	(5.1)
KwaZulu-Natal	18	13.2	8.6	(5.3)	(4.0)	(2.8)	(5.0)
Western Cape	6	12.7	8.6	(5.8)	(3.9)	(3.4)	(5.1)
Free State	6	12.7	7.8	(6.3)	(3.6)	(3.7)	(5.0)
Eastern Cape	4	13.2	8.5	(5.8)	(3.9)	(3.7)	(5.0)
Limpopo	3	12.8	8.0	(6.1)	(3.7)	(3.7)	(5.0)
North West	4	13.2	8.2	(6.0)	(3.7)	(3.7)	(5.0)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

2 FAIR VALUE MEASUREMENT continued

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

Discount rate between 14% and 16%	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	26	14.2	9.7	(5.0)	(4.5)	(3.4)	(5.0)
Retail	25	14.2	9.6	(5.1)	(4.5)	(3.4)	(5.0)
Other	1	14.2	11.3	(4.6)	(4.5)	(2.8)	(5.2)
Gauteng	9	14.2	9.7	(5.2)	(4.3)	(3.5)	(5.1)
KwaZulu-Natal	2	14.5	10.1	(4.9)	(4.6)	(3.4)	(5.0)
Western Cape	3	14.0	9.4	(5.3)	(4.2)	(3.5)	(5.0)
Free State	3	14.0	10.2	(4.9)	(4.6)	(3.4)	(5.1)
Eastern Cape	4	14.0	9.7	(5.1)	(4.4)	(3.5)	(5.0)
Limpopo	2	15.0	10.4	(3.7)	(6.6)	(2.4)	(5.0)
Mpumalanga	3	14.2	9.3	(5.4)	(4.2)	(3.6)	(5.1)

Discount rate above 16%	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	4	16.8	12.7	(4.1)	(5.7)	(3.1)	(5.1)
Retail	4	16.8	12.6	(4.1)	(5.8)	(3.1)	(5.1)
Other	0[1]	17.8	15.1	(3.9)	(3.9)	(3.4)	(5.2)
Gauteng	2	16.4	12.0	(4.2)	(5.5)	(3.3)	(5.1)
Limpopo	1	16.3	11.9	(4.3)	(5.3)	(3.3)	(5.1)
North West	0[1]	19.6	15.3	(3.6)	(7.2)	(1.5)	(5.2)
Mpumalanga	1	17.1	13.6	(3.8)	(5.9)	(3.1)	(5.2)

[1] *Less than 1%.*

2 FAIR VALUE MEASUREMENT continued

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

Spain

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

	31 March 2023	
	Variation of discount rate	
	25bps decrease €'000	25bps increase €'000
Retail	**17 690**	**(17 260)**
Theoretical result	**17 690**	**(17 260)**

	31 March 2022	
	Variation of discount rate	
	25bps decrease €'000	25bps increase €'000
Retail	14 960	(20 270)
Theoretical result	14 960	(20 270)

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		
South Africa[1]	**Fair value Rm**	**Decreased fair value Rm**	**Decrease Rm**	**% decrease**	**Increased fair value Rm**	**Increase Rm**	**% increase**
31 March 2023	**14 968**	**14 554**	**(414)**	**(2.8)**	**15 409**	**441**	**2.9**
31 March 2022	14 472	14 066	(406)	(2.8)	14 903	431	3.0

[1] *Fair value excludes non-controlling interest in Clidet.*

Spain	**Fair value €m**	**Decreased fair value €m**	**Decrease Rm**	**% decrease**	**Increased fair value €m**	**Increase Rm**	**% increase**
31 March 2023	**1 012**	**995**	**(333)**	**(1.7)**	**1 030**	**341**	**1.7**
31 March 2022	1 001	981	(328)	(2.0)	1 016	242	1.5

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

for the year ended 31 March 2023

2 FAIR VALUE MEASUREMENT continued

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

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

	31 March 2023 Recurring fair value measurements Level 3 Rm	31 March 2022 Recurring fair value measurements Level 3 Rm
Investment property	**34 454**	30 571
Right-of-use asset	**305**	290

	31 March 2023 Non-recurring fair value measurements Level 3 Rm	31 March 2022 Non-recurring fair value measurements Level 3 Rm
Investment property held for sale	**173**	187

SA REIT RATIOS
for the year ended 31 March 2023

SA REIT FUNDS FROM OPERATIONS (SA REIT FFO)

	31 March 2023 Rm	31 March 2022 Rm
Profit per IFRS statement of comprehensive income attributable to the parent	**1 932**	1 909
Adjusted for:		
Accounting/specific:		
Fair value adjustments to:	**(590)**	(636)
Investment property	**(567)**	(647)
Debt and equity instruments held at fair value through profit or loss	**72**	(32)
Depreciation and amortisation of intangible assets	**3**	6
Asset impairments (excluding goodwill) and reversal of impairment	**2**	(1)
Deferred tax movement recognised in profit or loss	**28**	13
Straight-lining operating lease adjustment	**(58)**	10
Adjustments to dividends from equity interests held	**(70)**	15
Adjustments arising from investing:		
Gains or losses on disposal of:	**19**	35
Investment property and property, plant and equipment	**6**	(2)
Subsidiaries and equity-accounted entities held	**13**	37
Foreign exchange and hedging items:	**47**	31
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**36**	58
Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	**11**	(27)
Other adjustments:	**11**	3
Adjustments made for equity-accounted entities	**(5)**	(33)
Non-controlling interests in respect of the above adjustments	**16**	36
SA REIT FFO	**1 419**	1 342
Number of shares outstanding (net of treasury shares)	**980 226 628**	980 226 628
SA REIT FFO cents per share	**144.76**	136.91
Company-specific adjustments	**(3)**	(6)
Depreciation	**(3)**	(6)
FFO	**1 416**	1 336
FFO per share (cents)	**144.46**	136.30

SA REIT RATIOS continued
for the year ended 31 March 2023

SA REIT NAV

	31 March 2023 Rm	31 March 2022 Rm
Reported NAV attributable to the parent	**20 077**	17 568
Adjustments:		
Dividend declared[i]	**(675)**	(640)
Fair value of derivative financial instruments	**(70)**	(32)
Goodwill and intangible assets	**(3)**	(3)
SA REIT NAV	**19 329**	16 893
Shares outstanding		
Number of shares in issue (net of treasury shares)[i]	**980 226 628**	980 226 628
SA REIT NAV per share	**19.72**	17.23

[i] *The SA REIT NAV is reduced by the total final dividend declared for FY23 which includes an antecedent dividend amounting to R36,7 million. The number of shares in issue at 31 March 2023 is before the capital raise on 5 April 2023.*

SA REIT COST-TO-INCOME RATIO

Southern Africa portfolio	31 March 2023 Rm	31 March 2022 Rm
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**849**	899
Administrative expenses per IFRS income statement	**168**	157
Excluding:		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	**(3)**	(5)
Operating costs	**1 014**	1 051
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 532**	1 624
Utility and operating recoveries per IFRS income statement	**597**	610
Gross rental income	**2 129**	2 234
SA REIT cost-to-income ratio (%)	**47.6**	47.0

Spain portfolio	31 March 2023 Rm	31 March 2022 Rm
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**424**	363
Administrative expenses per IFRS income statement	**162**	139
Operating costs	**586**	502
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 185**	983
Utility and operating recoveries per IFRS income statement	**280**	268
Gross rental income	**1 465**	1 251
SA REIT cost-to-income ratio (%)	**40.0**	40.1

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

Southern Africa portfolio	31 March 2023 Rm	31 March 2022 Rm
Administrative costs		
Administrative expenses as per IFRS income statement	**168**	157
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 532**	1 624
Utility and operating recoveries per IFRS income statement	**597**	610
Gross rental income	**2 129**	2 234
SA REIT administrative cost-to-income ratio (%)	**7.9**	7.0

Spain portfolio	31 March 2023 Rm	31 March 2022 Rm
Administrative costs		
Administrative expenses as per IFRS income statement	**162**	139
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 185**	983
Utility and operating recoveries per IFRS income statement	**280**	268
Gross rental income	**1 465**	1 251
SA REIT administrative cost-to-income ratio (%)	**11.1**	11.1

SA REIT GLA VACANCY

Southern Africa portfolio	31 March 2023 m^2	31 March 2022 m^2
GLA of vacant space	**21 285**	24 085
GLA of total property portfolio	**807 046**	825 844
SA REIT GLA vacancy rate (%)	**2.6**	2.9

Spain portfolio	31 March 2023 m^2	31 March 2022 m^2
GLA of vacant space	**4 452**	5 642
GLA of total property portfolio	**350 925**	350 271
SA REIT GLA vacancy rate (%)	**1.3**	1.6

SA REIT RATIOS continued
for the year ended 31 March 2023

SA REIT COST OF DEBT

31 March 2023	ZAR %	EUR %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	**9.7**	**0.4**
Fixed interest rate borrowings		
Weighted average fixed rate	**—**	**2.0**
Pre-adjusted weighted average cost of debt	**9.7**	**2.4**
Adjustments:		
Impact of interest rate derivatives	**(0.5)**	**—**
Amortised transaction costs imputed into the effective interest rate	**0.1**	**0.1**
SA REIT all-in weighted average cost of debt	**9.3**	**2.5**

31 March 2022*	ZAR %	EUR %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	6.3	0.3
Fixed interest rate borrowings		
Weighted average fixed rate	—	1.9
Pre-adjusted weighted average cost of debt	6.3	2.2
Adjustments:		
Impact of interest rate derivatives	1.3	0.0
Amortised transaction costs imputed into the effective interest rate	0.1	0.2
SA REIT all-in weighted average cost of debt	7.7	2.4

* *Excludes impact of CCIRS.*

SA REIT LTV

	31 March 2023 Rm	31 March 2022 Rm
Gross debt	**17 197**	14 654
Less:		
Cash and cash equivalents	**(1 387)**	(565)
Cash and cash equivalents balance sheet	**(1 387)**	(565)
Less:		
Net derivative financial instruments asset	**(70)**	(33)
Forward exchange contracts	**(32)**	(119)
CCIRS	**—**	1
Interest rate swaps	**(38)**	85
Net debt	**15 740**	14 056
Total assets – per statement of financial position	**40 076**	34 725
Less:		
Cash and cash equivalents	**(1 387)**	(565)
Tenant deposits	**(144)**	(118)
Derivative financial assets:	**(166)**	(253)
Forward exchange contracts	**(121)**	(246)
Cross-currency interest rate swaps	**—**	(1)
Interest rate swaps	**(45)**	(6)
Goodwill and intangible assets	**(3)**	(3)
Trade and other receivables	**(515)**	(307)
Carrying amount of property-related assets	**37 861**	33 479
SA REIT LTV %	**41.6**	42.0

vukile
Centre of Growth

www.vukile.co.za