vukile

Centre of Growth

BUILDING COMMUNITIES, GROWING VALUE.

Unaudited consolidated interim results

for the six months ended 30 September 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)

EXCEPTIONAL GROUP RESULTS DERIVED FROM STRONG OPERATIONAL PERFORMANCE AND CLEAR STRATEGIC FOCUS

SOUTH AFRICAN PORTFOLIO CONTINUES DELIVERING STRONG OPERATING RESULTS

- Like-for-like annualised retail **NOI growth** of **5.1%**
- **Vacancies** maintained at **2.0%**
- Rental **reversions +2.4%,** up from -2.4%
- Annualised **trading densities increased by 3.5%**
- Like-for-like retail **valuations increased** by **3.9%**

CASTELLANA METRICS STILL SETTING THE BENCHMARK IN THE SPANISH MARKET

- Normalised **NOI growth** of **13%**
- **Negligible vacancies** at **1%**
- Positive reversions of **+8.3%** (including indexation **+11.6%**)
- **95%** of retail space let to **international/ national** tenants

BALANCE SHEET STRENGTH SUPPORTED BY ROBUST CREDIT METRICS

- **No debt maturities** in Castellana until **FY26**
- **All FY24 debt maturities** have been **repaid, refinanced** or **renegotiated**
- Interest cover ratio (ICR) of **2.9 times** and LTV of **42.9%**
- **Strong liquidity** with cash and undrawn debt facilities of **R3.1 billion**
- Corporate long-term credit rating of **AA$_{(ZA)}$** reaffirmed with a stable outlook

10.0% INCREASE IN CASH DIVIDEND AND INCREASE IN GUIDANCE FOR FY24

- Interim dividend of **52.1 cents per share** (R540 million in aggregate), **up 10.0%** on the prior period
- FFO of **85.0 cents per share, up 5.2%** on the prior period
- Guidance for full year FY24 **increased** to growth in FFO per share of **4%** to **6%**, and growth in dividend per share of **8%** to **10%**

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 has delivered another set of excellent results, driven by very strong operating performance from the assets in both South Africa and Spain. Earnings were further strengthened by foreign exchange movements, highlighting the Rand hedge nature of Vukile's earnings. The group continued to deliver a sustainable and predictable increase in FFO and dividends per share over the past six months.

The following significant events and transactions occurred during the six months ended 30 September 2023:

- In April 2023, 56 million new shares were issued at R12.50 per share, raising a gross amount (before costs) of R700 million
- In May 2023, Vukile exercised its option to acquire 9 833 333 shares in Castellana from MEREV, resulting in Vukile's shareholding in Castellana increasing to 99.5%. The total consideration, including the contractual fee, amounted to €64 million, equating to €6.50 per share
- In respect of the REimagine Social Impact Retail Fund:
  - transfer of the Rustenberg Edgars building to REimagine was concluded for c.R64.5 million (including price escalation)
  - transfer of the Piet Retief Shopping Centre for c. R116.5 million (including price escalation) was concluded after the reporting period-end (the asset was classified as held for sale at 30 September 2023)
  - Vukile invested c. R20 million in REimagine during the period, to fund draw-downs relating to Vukile's c.15% investment in the fund
- A successful bond auction was held in August 2023, which was 4.1 times oversubscribed and raised R526 million in unsecured corporate bonds for Vukile
- All FY24 debt maturities have been repaid, refinanced or renegotiated
- Global Credit Rating (GCR) reaffirmed Vukile's corporate long-term credit rating of $AA_{(ZA)}$, with a stable outlook

DIVIDEND

The board approved an interim dividend of 52.07420 cents per share for the six months ended 30 September 2023, up 10% on the prior comparative period. The total dividend is R540 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 below table highlights variances when comparing the results for the period 30 September 2023 to the prior corresponding period, with footnotes and explanations below the table.

	30 September 2023 Rm	30 September 2022 Rm	Variance %
Property revenue	**1 546**	1 328	16.4
Property expenses (net of recoveries)	**(192)**	(178)	7.9
Net income from property operations	**1 354**	1 150	17.7
Corporate administration expenses	**(181)**	(148)	22.3
Investment and other income[1]	**57**	59	(3.4)
Loss on realisation of derivative	**(33)**	(9)	
Operating income before finance costs	**1 197**	1 052	13.8
Finance costs	**(492)**	(384)	28.1
Income before equity-accounted income	**705**	668	5.5
Share of income from associate and joint venture[2]	**1**	2	(50.0)
Income before taxation	**706**	670	5.4
Taxation	**(1)**	(6)	(83.3)
Income	**705**	664	6.2
Net income attributable to non-controlling interests (NCI)[3]	**(4)**	(36)	(88.9)
Attributable to Vukile group	**701**	628	11.6
Non-IFRS[4] adjustments	**180**	163	
Antecedent dividend	**1**	—	
Accrued dividends[5]	**174**	96	
Early termination of derivative	**—**	58	
Non-cash impact of IFRS entries[6]	**5**	9	
FFO	**881**	791	11.4
Number of shares in issue at the end of the period	**1 036 226 628**	980 226 628	5.7

1 *Investment income includes dividend income from Fairvest.*
2 *Net amount in respect of Vukile's share of net profits from MICC Namibia, ALT Capital and Fetch.*
3 *Net income attributable to NCI decreased due to the acquisition of Castellana shares as part of the MEREV transaction.*
4 *International Financial Reporting Standards (IFRS).*
5 *Lar España dividend accrual (net of withholding tax) of R156 million (H1 FY23 R65million), elimination of R33 million MEREV top-up (included in FFO in H2 FY23), FEC accrual of -R14 million relating to Castellana's dividend (H1 FY23 R32 million), and Fairvest accrued dividend adjustment of -R1 million (H1 FY23 -R1 million).*
6 *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] 30 September 2023 Rm	Revenue[i] 30 September 2022 Rm	% change	Net property income 30 September 2023 Rm	Net property income 30 September 2022 Rm	% change
South Africa	**776**	758	2.4	**643**	642	0.2
Spain	**770**	570	35.1	**711**	508	40.0
Total	**1 546**	1 328	16.4	**1 354**	1 150	17.7
Split percentage						
South Africa	**50.2**	57.1		**47.5**	55.8	
Spain	**49.8**	42.9		**52.5**	44.2	

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

The South African stable portfolio delivered 4.8% like-for-like growth in revenue and 3.9% like-for-like growth in net property income. Taking into account the impact of properties sold, the total portfolio delivered an increase of 2.4% and 0.2% in total revenue and net property income respectively. The retail portfolio delivered like-for-like growth in net property income of 5.1%.

Excluding the impact of exchange rate movements, Castellana's revenue and net property income increased by 10.0% and 16.3% respectively, mainly due to positive rental reversions of 8.29% and the conclusion of value-added projects. This was further augmented by a weakening of the exchange rate to deliver overall growth in revenue and net property income of 35.1% and 40% respectively.

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

	30 September 2023 Rm	30 September 2022 Rm	Movement Rm	Variance %
Income from listed investments (Fairvest)	**19.6**	23.0	(3.4)	(14.8)
FEC realised	**4.6**	2.0	2.6	
Interest income	**33.2**	17.7	15.5	87.6
Net interest received on cross-currency interest rate swaps (CCIRS) (after deducting finance costs)	**—**	16.3	(16.3)	
Total	**57.4**	59.0	(1.6)	(2.7)

Dividends received from Fairvest decreased in comparison to H1 FY23 as a result of Vukile's reduced shareholding (compared to H1 FY23) and a lower interim dividend declared by Fairvest in the current period. Refer to further commentary below in respect of listed investments.

The increase in interest income is due to benefits derived from the impact of higher interest rates during the period.

The reduction in net interest from CCIRS was due to the termination of the last remaining CCIRS in June 2022.

Listed investments

	30 September 2023			31 March 2023	
Entity	Carrying value Rm	Number of shares held	% held	Carrying value Rm	% held
Fairvest (B shares)	**299.5**	**93 584 412**	**6.0**	285.4	6.0
Lar España Real Estate SOCIMI	**2 383.2**	**21 512 459**	**25.7**	2 043.7	25.7
Total	**2 682.7**			2 329.1	

Fairvest – 6.0% shareholding

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

Dividends received for the six months ended 30 September 2023 amounted to R19.6 million (30 September 2022: R23.0 million). Dividends from Fairvest included in FFO for the six months ended 30 September 2023 amounted to R18.9 million (30 September 2022: R22.3 million).

The share price of Fairvest B shares at 30 September 2023 was R3.20, resulting in a carrying value of R299.5 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.

The share price of Lar España at 30 September 2023 was €5.54 per share, resulting in a ZAR equivalent carrying value of R2.38 billion.

Dividends from Lar España included in FFO for the six months ended 30 September 2023 amounted to c.€8.1 million (30 September 2022: c.€3.9 million). The ZAR equivalent (net of withholding tax) for the period amounted to c.R156 million (30 September 2022: c.R65.3 million). Since it is the policy of Lar España paying an annual cash dividend, there was no cash dividend received from Lar España during the period for H1 FY24.

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

	30 September 2023 Rm	30 September 2022 Rm	Variance Rm	Variance %
South Africa: Total corporate expenditure	**82.7**	84.3	(1.6)	(1.9)
Corporate expenditure excluding environmental, social and governance (ESG) costs	**76.7**	75.2	1.5	2.0
ESG costs	**6.0**	9.1	(3.1)	(34.1)
Spain: Total corporate expenditure[1]	**98.4**	63.7	34.7	54.5
Corporate expenditure excluding ESG and innovation costs	**88.2**	63.0	25.2	40.0
ESG and innovation costs	**10.2**	0.7	9.5	
Group total	**181.1**	148.0	33.1	22.4

[1] *The prior period split between ESG and innovation costs and other corporate costs have been reallocated in line with actual spend. The total corporate costs in the prior period have remain unchanged.*

Annualised corporate expenditure equates to 0.88% of total assets (31 March 2023: 0.82%), being 0.95% attributable to South Africa (31 March 2023: 0.96%) and 0.83% attributable to Spain (31 March 2023: 0.72%).

The increase in Spanish corporate costs (excluding ESG and innovation costs) is in part due to costs related to new staff development initiatives and a weakening of the Rand/Euro foreign exchange rate. Excluding the effect of ESG and innovation costs and foreign exchange rates, the increase in Castellana's corporate costs was 9.8%. The increase in ESG and innovation costs in Castellana is due to timing differences between H1 and H2 in FY23 and FY24.

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 period under review are set out below:

	30 September 2023 Rm	30 September 2022 Rm
Cash from operating activities	**1 166**	965
Dividends paid	**(678)**	(672)
Net finance costs	**(394)**	(291)
Income from investments	**282**	23
Increase in borrowings	**3 026**	1 933
Borrowings repaid	**(2 873)**	(1 514)
Issue of shares (net of costs)	**696**	—
Investment property capex (net of disposals)	**(205)**	126
Disposal of listed investments (net of acquisitions)	**—**	(111)
Cash from the settlement of bank derivatives	**(28)**	(126)
Purchase of additional shares in Castellana from MEREV	**(1 325)**	—
Other cash movements	**(67)**	(69)
Net (decrease)/increase in cash and cash equivalents[1]	**(400)**	264

[1] *Excluding foreign currency exchange gains of R6 million (2022: R32 million).*

Net asset value (per share)

The net asset value (NAV) of the group increased by 3.3% from R20.48 per share to R21.16 per share at 30 September 2023, as set out in the table below:

	Rand per share
NAV 1 April 2023	**20.48**
Net property income	**1.37**
Net finance costs	**(0.47)**
Issue of shares	**(0.50)**
Change in fair value of investment property	**0.32**
Change in fair value of listed investments	**0.29**
Dividend paid	**(0.69)**
Foreign exchange differences and other movements	**0.36**
NAV 30 September 2023	**21.16**

The NAV per share increased primarily due to growth in net property income, an increase in the fair value of investment property and a weakening of the Rand/Euro foreign exchange rate from R19.29/Euro at 31 March 2023 to R20.00/Euro at 30 September 2023.

Vukile's share price of R13.10 per share at 30 September 2023 represents a 38.1% discount to the NAV per share.

Share trading and liquidity

Vukile continues to be a highly traded and liquid share and during the six-month period to 30 September 2023, 220 million Vukile shares were traded (H1 FY23: 250 million shares), equating to approximately 36.7 million shares per month (H1 FY23: 41.7 million shares per month). In the last 12 months, 40% of Vukile shares in issue were traded.

SA REIT ratios

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

TREASURY MANAGEMENT

Balance sheet and treasury risk management remains one of Vukile's key focus areas. Vukile and Castellana continue to benefit from very strong relationships with their diversified funding providers.

At 30 September 2023, consolidated group LTV net of cash was 42.9% (31 March 2023: 42.6%), with a group interest cover ratio (ICR) of 2.9 times (31 March 2023: 3.1 times). The marginal reduction in the group ICR is as a result of an increase in overall average nominal debt and base interest rates. Vukile's debt metrics are comfortably within covenant levels at a group (consolidated) and bank transactional level.

The marginal increase in the group LTV ratio was primarily as a result of the acquisition of additional Castellana shares as part of the MEREV transaction (€64 million). This was offset by improved property valuations, an increase in the Lar España share price and the issue of R700 million in new shares in April.

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 32% reduction in group EBITDA before reaching the two times bank group interest cover covenant level. The debt maturity profile is at a healthy 3.1 years and the group interest-bearing debt hedge ratio is at 55% (31 March 2023: 89%). The hedge ratio has reduced primarily due to Castellana's fix of €256 million expiring on 30 September 2023. We are comfortable that the lower average group hedge ratio at 30 September 2023 is temporary in nature. Although a delay in hedging the €256 million results in a group hedge ratio that is lower than our desired long-term average group hedge ratio, we believe that this is appropriate in the circumstances, given where we are in the interest rate cycle. Management continues to monitor interest rates in order to hedge this loan at the most optimal time.

Given that the Castellana debt has no recourse to the SA or the group balance sheet, it is noteworthy to highlight that Castellana's assets would need to undergo a 38% reduction in asset value before reaching Castellana's 65% LTV covenant. Castellana's average debt maturity profile is at a healthy 3.3 years, with the first significant debt maturity in FY26.

Credit rating

In July 2023, Global Credit Rating (GCR), as part of its annual review, reaffirmed Vukile's national scale issuer rating of $AA_{(ZA)}$ and $A1+_{(ZA)}$, for the long- and short-term ratings respectively, with a stable outlook. According to GCR, the issuer rating reflects Vukile's "robust property performance metrics in both its South African and Spanish portfolios" and recognises Vukile's "diverse funding structure and strong liquidity for a REIT".

In October 2023, Fitch Ratings Inc. (Fitch) reaffirmed Castellana's Long-term Issuer Rating (IDR) of BBB-, with a stable outlook. The rating reflects an international investment-grade rating for Castellana.

Group borrowings summary

The group's funding strategy is to optimise funding costs while minimising refinance risk. Total debt at 30 September 2023 amounted to R17.7 billion (31 March 2023: R17.2 billion). The increase was primarily due to a weaker exchange rate (R20.00 at 30 September 2023 vs R19.29 at 31 March 2023) and was largely offset by an 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 funders (EUR)	5	**10 015**	57%	Secured against Castellana's balance sheet with no recourse to Vukile
South African bank funders (ZAR)	4	**3 541**	20%	Secured against Vukile's South African balance sheet
South African bank funders (EUR)	2	**2 120**	12%	
Domestic medium-term note (DMTN) programme (ZAR)		**2 016**	11%	Unsecured
Total[1]		**17 692**	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]	**5 300**	**30.0**	**3 180**
Allianz Bank (Spain)[3]	**2 999**	**17.0**	**—**
Absa (SA)	**2 441**	**13.8**	**1 790**
DMTN – unsecured corporate bonds (SA)	**2 016**	**11.4**	**—**
RMB (SA)	**1 720**	**9.7**	**—**
Santander (Spain)[3]	**1 291**	**7.3**	**1 190**
Nedbank (SA)	**750**	**4.2**	**2 280**
Standard Bank (SA)	**750**	**4.2**	**540**
Liberbank (Spain)[3]	**277**	**1.6**	**—**
Pichincha (Spain)[3]	**148**	**0.8**	**—**
Goldman Sachs (SA)	**—**	**—**	**500**
Investec (SA)	**—**	**—**	**294**
Total	**17 692**	**100.0**	**9 774**

[1] *Foreign currency-denominated debt is converted at a EUR/ZAR spot rate of R20.00 at 30 September 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 €501 million (R10.015 billion equivalent), which is non-recourse to Vukile.*

Vukile group loan and swap expiry profile at 30 September 2023

As part of the group's funding strategy, Vukile proactively manages its debt expiry. All FY24 debt maturities have been repaid, refinanced or renegotiated. R44 million (€2.2 million) of FY24 expiries relate to the amortisation of Castellana debt. Vukile has exceptionally strong liquidity with cash and undrawn committed facilities of R3.1 billion exceeding all debt expiring over the next 12 months by 2.2 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 (%)	0.3	10.1	39.2	19.1	6.3	25.0	**100.0**
Term loan expiry profile (Rm)	44	1 768	6 949	3 376	1 132	4 423	**17 692**
Hedged portion (interest rate swaps, caps and fixed debt) (Rm)	1 528	2 842	1 344	3 914	57	89	**9 774**

A summary of group debt ratios at 30 September 2023 is provided below:

	30 September 2023			31 March 2023		
	Group	**South Africa**	**Spain**	Group	South Africa	Spain
Total debt (excluding access facilities) (Rm)	**17 692**	**7 677**	**10 015**	16 811	7 212	9 599
Hedged portion (interest rate swaps, caps and fixed debt) (Rm)	**9 774**	**5 404**	**4 370**	14 971	5 790	9 181
Interest-bearing debt fixed/ hedged (%)	**55.2**	**70.4**	**43.6**	89.1	80.3	95.6
Hedged (swaps and fixed debt) maturity profile (years)	**2.1**	**1.3**	**3.1**	1.8	1.7	1.9
LTV ratio (net of cash)[1] (%)	**42.9**	**46.3**	**40.5**	42.6	43.7	41.7
LTV covenant level (%)	**50**	**N/A**	**65**	50	N/A	65
ICR[2]	**2.9 times**	**2.2 times**	**4.3 times**	3.1 times	2.5 times	4.4 times
ICR covenant level	**2.0 times**	**N/A**	**1.5 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 and the REimagine 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 period ended 30 September 2023 was 5.3% (31 March 2023: 5.3%). Interest costs are expected to increase in the second half of FY24 as a result of interest rate hikes (in SA and Spain) and since Castellana's fix hedge of €256 million expired end of September 2023, the impact of Euro base rates has not yet been fully incorporated in the historic cost of interest. The full effects of the fix maturing will be felt in FY25, as the impact is incorporated for a full 12 months.

Interest-bearing debt (excluding access facilities) is 55.2% hedged with a 2.1-year hedged maturity profile (31 March 2023: 89.1% with a 1.8-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:

	H1FY24 historical cost of debt %	**Debt at 30 September 2023 Rm**	FY23 historical cost of debt %	Debt at 31 March 2023 Rm
ZAR	**9.9**	**5 557**	9.0	6 826
EUR	**3.2**	**12 135**	2.8	10 371
Total	**5.3**	**17 692**	5.3	17 197

Undrawn facilities

Undrawn facilities at 30 September 2023 amounted to R2.1 billion (31 March 2023: R2.5 billion). The ratio of cash and undrawn committed facilities to debt expiring over the next 12 months (R1.4 billion) is 2.2 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

	30 September 2023 Rm	31 March 2023 Rm
Property assets (external valuation)	**1 013**	1 052
Listed shares	**13 410**	11 352
Unencumbered assets	**14 423**	12 404
Unsecured debt	**2 016**	2 040
Covenant exclusive facilities[1]	**—**	386
Unsecured + covenant exclusive	**2 016**	2 426
Unsecured debt to unencumbered assets (%)	**14.0**	16.4

[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 attributed to the acquisition of additional shares in Castellana (as part of the MEREV transaction) and an increase in the Lar España share price.

Movement in group debt

During the year, total group debt increased by R495 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	**(24)**	**—**	**(24)**
Vukile ZAR bank debt	**(1 245)**	**—**	**(1 245)**
Vukile EUR debt	**1 329**	**19**	**1 348**
Castellana EUR debt	**68**	**348**	**416**
Total	**128**	**367**	**495**

During the period, Vukile repaid R550 million of corporate bonds, comprising: VKE11 (R175 million, unsecured) and VKE14 (R375 million, unsecured) in April 2023 and August 2023, respectively. A corporate bond auction for R526 million (also unsecured) was held in August 2023 and was 4.1 times oversubscribed, attracting bids from 17 investors. Vukile issued a R200 million unsecured three-year note at a margin of 130bps and a R326 million unsecured five-year note at a margin of 144bps, both below guidance.

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 the anticipated dates of dividend receipts from Castellana, to minimise adverse foreign exchange fluctuations and 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.

PORTFOLIO REVIEW – SOUTH AFRICA

The South African portfolio continued to achieve strong operational results for H1 FY24 with sustained trading metrics. All key operational efficiency measures continue to hold steady relative to prior periods despite the backdrop of a deteriorating macro-economic environment, which makes the performance even more pleasing. This performance is testament to the solid, dominant and defensive overall South African portfolio composition. Notable highlights over the period have been the sustained positive reversionary cycle, which has delivered the strongest quality reversionary outcome in the past five years. This result 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 another period of sustained low vacancies, which are now at only 2.0%(1.3% excluding retail office vacancies). The business 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.

Notwithstanding these significant green shoots, 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 at an industry level to lobby for improvements around these challenges, while continuing to focus on operational efficiency strategies to ensure minimum disruption of trade for our tenants. We have noted pressure on certain discretionary retail categories, as well as women and children's wear, which is indicative of the prevailing pressure on the consumer.

The South African total direct property portfolio on 30 September 2023 consisted of 39 properties, with a total value of R15.4 billion and a gross lettable area (GLA) of 797 186m², with an average value of R396 million per property.

The South African retail portfolio, which accounts for 96% of the value of the assets, was valued at R14.9 billion and consists of 33 properties, with an average value of R451 million per property. In total, 85% of retail space is let to national tenants.

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 5.1%.

There has been significant leasing activity over this period. We have seen both national and independent tenants increase their occupancy levels within the portfolio. Our top 10 tenants renewed leases on c.29 000m² and expanded their footprint with 2 700m² or 19% of H1 FY24 new leases. Compared to the FY23 vacancy of 2.0%, the retail portfolio remains defensive with vibrant leasing activity maintaining occupancy levels.

Rental reversions increased by 2.4%, with 86% of the renewals either flat or positive. We haven't encountered such excellent quality reversions since 2018, which underscores the strong trading performance being delivered by the portfolio and the price tension created by low vacancies and waiting lists in some of our rural and township assets. Recent weighted average lease expiry (WALE) on renewals has also been higher than the portfolio average (+4.1 vs +3.2), which, in conjunction with the positive reversions, is an indication of strong support for the portfolio, and an overall improvement on sentiment from retailers.

In total, 17 517m² of vacant space (2.3% of total retail GLA) has been let, as opposed to 16 986m² of tenants who vacated. Out of the total number of tenants who have vacated over this period, c.56% of them have been small, medium and micro-enterprises (SMMEs). Over the period under review, 347 leases were concluded (266 renewals and 81 new leases) covering 82 293m², with a total contract value of R758 million. This equates to 11% of the portfolio's lettable area compared to 20% in FY23, 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 improved from 93% to 95%, with 82% of leasing activity concluded with nationals and second-tier retailers' underscoring the strong covenants which underpin the portfolio's cash flows.

The portfolio's rent-to-sales ratio remained unchanged at 6.1% and the annualised trading densities increased by 3.5% (FY23: 6.2%; FY22: 6.1%; FY21: 1.7%) measured on a 24-month like-for-like basis. This indicates continuous profitable trade within the portfolio for tenants. The township, urban, value centre, rural and commuter portfolios grew by 5.4%, 4.9%, 2.1%, 1.8% and 0.1%, respectively. On average, the turnover within the portfolio was 3.5% higher than in the preceding 12 months. 11 of the 14 retail categories within the portfolio showed growth in both annualised trading densities and overall turnover. Fashion, which comprises 23% of GLA, showed signs of pressure on consumers, with trading density growth of 0.8% over the period. This is however consistently ahead of national sales levels, with August and September performing considerably better than the first four months of the financial year.

Footfall is now at 102% compared to the previous year. The township (103%), rural (94%), commuter (104%) 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 3.9% during H1 FY24. The average asset size has increased to R451 million, further highlighting the regional and nodal dominance of the 33 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 our shoppers, which results in value for our tenants.

Operational highlights

- Retail vacancies were maintained at 2.0% (1.3% excluding retail office vacancies)
  - 11 malls fully let
  - 20 malls with vacancies less than 1 000m²
  - Rural, value centre and township vacancies decreased to 0.6%, 0.9% and 2.7%, respectively (from 0.8%, 1.1% and 2.8%, respectively in FY23)
- Retail reversions are steadily improving at positive 2.4% relative to the prior period being at negative 2.4% in FY22. Out of the 265 leases renewed, 75% were positive, 11% flat, and only 14% were negative
- An average lease term of 4.1 years has been attained on recent transactions, relative to the portfolio WALE of 3.2 years
- Collections remain strong at 100% of billings
- Escalations remain strong with in-contract escalations at 6.3% and new leases concluded at an average escalation of 6.6%
- Retail retention ratio improved from 93% to 95%

Energy management

Four key pillars of energy management strategy

Optimum electricity supply

- 11.98% of the electricity consumed in the portfolio will now be generated through 23 PV projects
- 14.9MWP installed as at FY23
- +3.7MWP installed in H1FY24
- Total installed PV plant capacity to date is 18.6MWp
- Current projects under construction 7.1MWP

Optimum water supply

- 86% of the portfolio with backup water storage (rural and commuter at 100%, township and urban at 80%)
- FY24 completed boreholes and tanks – Pinecrest and Durban Workshop
- In progress – Daveyton, Hammanskraal and Phoenix

Utility efficiency focus

- Installed 840 Propel Air toilets which are projected to save 32% of portfolio water per annum
- Installed additional energy saving lights at Moruleng, Bloem Plaza and Nonesi, which are 30% more efficient than the previous fittings
- Waste management baseline project commenced and service providers appointed

Management and monitoring

- Increased the percentage of smart electricity meters on remote to more than 50% of the portfolio
- Completed first two BESS projects (Nonesi and Maluti), collect data to enable revised tariffs for tenants and peak shaving
- Completed base-line measure of all required Energy Performance Certificates

BESS project update

Vukile's first battery storage project was procured at the end of March 2023 and is scheduled for completion mid-January 2024. 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. Presently, three BESS projects have been procured, with an additional three projects currently out on tender.

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.

	Footfall	
	September 2023 versus September 2022 %	March 2023 versus March 2022 %
Rural	94	104
Township	103	107
Urban	108	108
Commuter	104	107
Total portfolio	102	106

Annual turnover increased by 3.3% when comparing the 12 months ended 30 September 2023 to 30 September 2022.

	Movement in annual turnover %	Portfolio exposure based on turnover %
Total	3.3	100.0
Grocery and food	4.3	41.5
Fashion, department and home	0.4	34.1
Other categories	5.9	24.4
Grocery and food		
Grocery/supermarket	4.1	31.6
Food	4.9	9.9
Fashion, department and home		
Fashion	0.8	23.0
Department stores	3.0	5.7
Home furnishings/art/antiques/décor	(3.7)	5.4
Other categories		
Health and beauty	15.1	0.9
Sports utilities/gyms/outdoor goods and wear	9.4	4.2
Restaurants and coffee shops	8.3	2.0
Cell phones	4.5	2.2
Pharmacies	4.4	5.8
Bottle stores	3.6	3.6
Accessories	(0.4)	0.8
Electronics	(1.2)	0.8
Other	6.8	4.1

Annualised trading densities (annualised turnover per m² of occupied space) increased by 3.5%.

	Township %	Urban %	Rural %	Value centres %	Commuter %	Total %
Total annualised trading density growth	5.4	4.9	1.8	2.1	0.1	3.5
Grocery and food	7.2	6.0	1.7	2.9	(0.7)	4.2
Fashion, department and home	2.2	2.8	0.9	(4.4)	(0.8)	1.2
Other categories	4.3	6.6	3.7	7.3	1.3	5.2

	Annualised trading density growth %
Total	**3.50**
Health and beauty	**15.30**
Restaurants and coffee shops	**8.10**
Other categories	**7.50**
Sports utilities/gyms/outdoor goods and wear	**6.30**
Food	**4.70**
Pharmacies	**4.70**
Grocery/supermarket	**4.00**
Department stores	**3.80**
Bottle stores	**3.50**
Cell phones	**3.00**
Fashion	**1.50**
Accessories	**(0.20)**
Electronics	**(1.80)**
Home furnishings/art/antiques/décor	**(2.90)**

Short-term focus areas

The key focus areas for the portfolio in the short term will be on further strengthening tenant and community relationships, ongoing research into 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
- Continue to incubate new entrants and SMMEs into the portfolio through 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

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 effectively to ensure that the assets are fit for purpose and highly marketable
- Drive effective and quick decision making and turnaround time for innovative solutions across the value chain

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

Tenant arrears

Tenant arrears (net of provisions) amounted to R44.8 million on 30 September 2023 compared to R34.0 million at 31 March 2023. Excluding provisions, the balance on 30 September 2023 amounted to R81.3 million compared to R70.9 million at 31 March 2023.

The allowance for the impairment of tenant receivables on 30 September 2023 decreased slightly to R36.5 million from R36.9 million at 31 March 2023.

Bad debts written off for the period 30 September 2023 amounted to R4.5 million (31 March 2023: R23.8 million).

Sales

The sale of Rustenburg Edgars was registered during H1 FY24 at a sales price of R62.0 million.

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% and is expected to grow to double digits once the value add work on the centre has been completed. 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 key issues around subdividing the ERF have been resolved with additional support and endorsement from the Mayor of the King Sabata Dalindyebo Municipality. The transaction is expected to be completed in Q4 FY24 with funding in place through prior asset sales.

Valuation of South African portfolio

The South African portfolio consists of 39 properties with a total GLA of 797 186m².

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 R15.4 billion[(i)] with a forward yield of 8.6% on 30 September 2023. The value of the stable portfolio (excluding sales), at an average value density of R19 373/m² (retail R19 803/m²), is R480 million or 3.2% higher than the March 2023 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 unaudited consolidated interim financial statements the group property value reflects 100% of Clidet No 1011 (Pty) Ltd, which owns Moruleng Mall.*

Top 15 properties by value

Vukile's top 15 properties are all retail assets. They are 85% exposed to national, listed and franchised tenants. These properties comprise 71.0% of the total portfolio value and 56.4% 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	**25 697**
Queenstown Nonesi Mall	Eastern Cape	**27 881**
Daveyton Shopping Centre	Gauteng	**19 859**
Mdantsane City Shopping Centre	Eastern Cape	**36 614**
Atlantis City Shopping Centre	Western Cape	**21 983**
Germiston Meadowdale Mall(ii)	Gauteng	**33 146**
Moruleng Mall(iii)	North West	**25 246**
Thohoyandou Thavhani Mall(iv)	Limpopo	**17 779**
Roodepoort Hillfox Value Centre	Gauteng	**37 562**
Total top 15 properties		**449 313**
% of total portfolio		**56.4**
% of retail portfolio		**59.8**

[(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 2023	**760 632**	**807 046**
GLA adjustments	**(75)**	**(75)**
Disposals	**(9 785)**	**(9 785)**
Acquisitions and extensions	**—**	**—**
Balance on 30 September 2023	**750 772**	**797 186**

Vacancy reconciliation	GLA m²	%	GLA m²	%
Balance on 31 March 2023	**15 405**	**2.0**	**21 285**	**2.6**
Less: Properties sold since 31 March 2023	**—**	**—**	**—**	**—**
Remaining portfolio balance on 31 March 2023	**15 405**	**2.1**	**21 285**	**2.7**
Leases expired	**121 429**		**128 617**	
Tenants vacated or relocated	**16 986**		**24 174.4**	
Renewal of expired leases	**(55 503)**		**(55 503)**	
Leases to be renewed	**(58 076)**		**(58 076)**	
New letting of vacant space	**(25 367.4)**		**(39 030.4)**	
Balance on 30 September 2023	**14 874**	**2.0**	**21 467**	**2.7**

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 78% 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	**9**	**7**
Eastern Cape	**8**	**8**
Limpopo	**7**	**7**
Mpumalanga	**4**	**6**
North West	**3**	**3**

Sectoral profile

Based on value, 96.3% of the South African portfolio is in the retail sector, followed by 1.9% in the office, 1.0% in the motor-related sector, 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 84% 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	**72**	**72**	**75**	**75**
B – National and listed tenants, franchises and medium to large professional firms	**10**	**10**	**10**	**9**
C – Other (944 tenants)	**18**	**18**	**15**	**16**

Lease expiry profile

The South African lease expiry profile shows that 23% of the leases based on rentals are due for renewal in FY24, with 42% due to expire in FY27 and beyond. Based on GLA, 43% of leases are due to expire in FY27 and beyond.

	March 2024	March 2025	March 2026	March 2027	Beyond March 2027
% of contractual rent	23	20	15	15	27
Cumulative	23	43	58	73	100

	Vacant	March 2024	March 2025	March 2026	March 2027	Beyond March 2027
% of GLA	2.7	22	17	15	14	29
Cumulative	2.7	25	42	57	71	100

Vacancy profile

The total portfolio's vacancy (based on GLA) marginally increased from 2.6% in March 2022 to 2.7%.

The focused in-house leasing drive to fill vacancies resulted in maintaining the all-important retail vacancies at 2.0%. A material part of the current retail vacancies is due to office lettable area within the retail environment. Core retail vacancies excluding this office component is 1.3%.

Retail office vacancies are at Mbombela Shoprite, Randburg Square and Daveyton Mall which are 2 217m², 1 306m² and 805m² respectively.

The high office vacancy is mainly due to a single tenant vacating at Sandton Bryanston Ascot. Negotiations with replacement tenants are ongoing. 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)	30 September 2023 %	31 March 2023 %
Retail	**2.0**	2.0
Offices	**26.8**	23.3
Motor related	**—**	—
Industrial	**—**	—
Residential	**2.6**	3.8
Total	**2.7**	2.6

Vacancies (% of gross rental)	30 September 2023 %	31 March 2023 %
Retail	**2.1**	2.3
Offices	**17.7**	7.3
Motor related	**—**	—
Industrial	**—**	—
Residential	**2.7**	8.2
Total	**2.4**	2.4

Leasing profile
Vukile concluded new leases and renewals in excess of 88 000m² with a contract value of R783.6 million. Tenant retention on the total portfolio was 90%, with retail retention at 95%.

Rental profile
There were positive reversions of 2.4% 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 2.7% from R158.34/m² to R162.69/m² during the year to date.

Base rental rates (excluding recoveries)	30 September 2023 R/m²	31 March 2023 R/m²	Escalation %
Retail	**164.54**	159.96	2.9
Offices	**124.26**	119.17	4.3
Motor related	**217.20**	210.55	3.2
Industrial*	**60.00**	87.96	(3180)
Residential	**118.32**	113.79	4.0
Portfolio weighted average base rentals	**162.69**	158.34	2.7

* *The lower rental rate on industrial properties is due to the replacement of a historical long-term single tenant at a market-related rent.*

In-contract escalation rates	30 September 2023 %	31 March 2023 %
Retail	**6.3**	6.3
Offices	**7.4**	7.4
Motor related	**7.0**	7.0
Industrial	**6.0**	
Total	**6.3**	6.3

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 7.9% and 7.7% of total rent, respectively.

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

Weighted average lease expiry (WALE)

Vukile has a retail tenant expiry profile based on rent of 2.7 years, with 41% of contractual rental expiring in FY27 and beyond.

Costs

The largest expense categories contribute 80% to the total expenses. These are government services (45%), rates and taxes (18%), cleaning and security (11%) and property management (6%).

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

The cost-to-income ratio 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	2018 %	2019 %	2020 %	2021 %	2022 %	2023 %	**2024 %**
All expenses	15.4	16.5	15.9	18.3	16.3	16.6	**16.5**
All expenses excluding rates and taxes and electricity	15.2	15.7	15.7	18.1	17.4	18.9	**19.7**

Like-for-like NOI growth

The stable retail portfolio delivered 5.1% like-for-like NOI growth versus the comparable period in FY23.

	Retail portfolio			**Total portfolio**		
Like-for-like growth (stable portfolio)	**30 September 2023**	30 September 2022	% change	**30 September 2023**	30 September 2022	% change
Property revenue (R million)	**731.0**	691.5	5.7	**760.8**	726.2	4.8
Net property expenses (R million)	**128.3**	118.0	8.7	**134.1**	122.8	9.2
Net property income (R million)	**602.7**	573.5	5.1	**626.7**	603.4	3.9
Net cost-to-income ratio (%)	**17.6**	17.1		**17.6**	16.9	

COMMENTARY continued

PORTFOLIO REVIEW – SPAIN

With over 95% of its GLA let to international and national tenants, Castellana Properties continue to show its strength, nodal dominance and long-term sustainability, with results that lead the Spanish market.

Global growth has slowed in recent months, although growth trends vary across the main global economies with the eurozone area and China showing a downside that is higher than expected. Coupled with this, uncertainty in the macro-economic outlook has increased, due to the ongoing Russia-Ukraine conflict as well as recent tension in the Middle East, combined with an already challenging environment with persistent inflation and rising interest rates. Despite this, global inflation has eased due to the lower contributions from food and energy. In light of current uncertainty, the European Central Bank (ECB) is expected to keep rates on hold to bolster the European economy.

The Spanish economy remains robust with encouraging GDP growth and stable employment levels, despite macro-economic challenges. Spain's GDP growth, at 2.2%, has been stronger than the rest of the eurozone at 0.8%, due to the strength of its hospitality and tourism sectors, coupled with smaller manufacturing exposure. Despite a decline in food and non-energy prices, increases in heating and fuel prices have contributed to an overall increase in the Spanish inflation rate during the past summer. Overall economic activity is set to remain weak, given the uncertain macro- environment and the tightening of monetary policy being reflected in mortgages and new loans.

Growth is expected to resume in 2024, once the eurozone recovers, uncertainty on macro-level eases, and as inflation declines to a stabilised level. This, coupled with the European Next Generation programme should see GDP growth returning to c. 2% in 2024.

Overall, the portfolio achieved exceptional growth of 13.0% on a like-for-like basis compared to the previous financial year – due to income from operations. Application of indexation during FY23, combined with the conclusion of the value-add projects, the growing income through active asset management, and reaching the final stage of rental levels on value-add projects, have taken gross rental income (GRI) to €35.3 million in the period.

At 30 September 2023, the Spanish portfolio consisted of 16 properties externally valued at €1 022 million, with a GLA of 368 495m^2, and an average value of €64 million per property. Total property-related assets are valued at €1 141 million, including the 25.7% stake in Lar España.

Castellana Properties has increased its stake in Lar España to 26.29% after the reporting period. The investment continues to perform well, with dividends expected to be in line with or exceeding those of the previous year. The operational performance of the portfolio remains strong and in line with our own portfolio, cementing the strong recovery and outperformance of retail assets post the pandemic.

Operating environment

Portfolio overview

Castellana has shown tremendous operational performance, maintaining market-leading metrics for the last six months again.

Despite the deceleration forecasts, Spain is still resisting these headwinds and growing at levels that double that of the eurozone. The main driver for growth is internal demand and tourism. Given the current figures, another record year is anticipated with growth levels higher than in 2019. Although household consumption is predicted to start decreasing, the forecasts continue to anticipate positive growth, which means that consumption will remain at last year's levels. Translating this into our main metrics, tenant turnovers for the current period are already exceeding last year´s numbers (noting last year's already improved from 2019, i.e.: pre-pandemic levels).

Considering the main metrics of the portfolio as at the end of September – an occupancy rate of 99%, rent collection rate of 98.8%, strong demand for space (given our leasing activity) and healthy growth rates in both footfall and sales, we are confident that our NOI for this year remains robust and is exceeding expectations.

Keeping the 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, low vacancies and low arrears across the portfolio.

Operational highlights

Highlights for the period include the following:

- Portfolio occupancy is at 99%, showing negligible vacancies of 1%
- Record footfall and sales widely outperform the national benchmarks. Comparing FY24 vs FY23, footfall and sales grew by +6.0% and +7.1%, respectively
- Positive rental reversions of 8.29%, at an average of €27.7/m2 for renewals, relocations and replacements
- Further leasing activity, with 81 leases (41 renewals and 40 new leases) covering 15 507m² of GLA signed, representing an incremental annualised NOI of €2.01 million
- Portfolio WALE is strong and stable at 12.9 years, with WALE to break at 2.4 years
- Collection rate stabilised at 98.9%

Footfall, sales and collections performance

Footfall and sales

	Apr 2023 %	May 2023 %	Jun 2023 %	**Jul 2023 %**	**Aug 2023 %**	**Sep 2023 %**
Change in footfall from April 2023 to September 2023 (versus the corresponding months in 2022)	3.8	9.0	7.1	**5.9**	**4.1**	**6.5**

H1 FY24 footfall increased to a record high of +6.0% on H1 FY23.

Continued sales growth of +7.1% for H1 FY24 compared to H1 FY23 – another record high.

	Apr 2023 %	May 2023 %	Jun 2023 %	**Jul 2023 %**	**Aug 2023 %**	**Sep 2023 %**
Change in sales from April 2023 to September 2023 (compared to corresponding months in 2022)	5.9	6.4	8.0	**8.5**	**5.4**	**8.1**

Increases like-for-like category performance for H1 FY24 compared to H1 FY23, with leisure +19.6%, Food and Beverages +10.6% and Fashion and Accessories +7.2%, underpinned by our active asset management approach.

95% of Castellana's rentable area is let to tenants that are international and national brands representing the strongest players in retail in Spain.

Short-term focus areas

Excellence in portfolio management

We remain strategically focused on active asset management and continuous investment in our portfolio to further strengthen its dominance. Phase 1 of our value-add project at Vallsur, where the reconfiguration and restyling of the first floor into a state-of-the-art food court that will attract more visitors to improve performance of the existing tenants, is progressing well. Over 80% of this space is already let, with certain operators aiming to open by 1 December. The second phase of this upgrade aims to modify the centre to cater for our consumers' demands for health and sports activities and we are seeing strong demand from first-line operators to take up space for this phase as well. We have commenced with the planned project at El Faro, which includes reconfiguring the hypermarket unit purchased from El Corte Ingles (which was underperforming), into smaller units occupied by top-tier tenants. Here we are also seeing a high demand for space, so far resulting in a higher yield than originally budgeted for.

We continue to focus on other key initiatives, such as expanding our culture of innovation, customer centricity and our focus on collecting and analysing data to keep improving our knowledge and decision-making dynamics.

Future growth

We continuously explore further opportunities within our portfolio to increase income through repositioning, extensions and value-add initiatives to existing assets. There are still great opportunities to acquire assets at very attractive prices in the market directly as well as in the listed sector, as share prices remain weak – trading at large discounts to net tangible assets and offering attractive yields. Scarcity and cost of capital remains a major concern in the short term, preventing Castellana to take advantage of attractive opportunities.

Debt provider engagement

Castellana Properties closed the period with a very healthy balance sheet, with an average net LTV of 40.5% and no debt expiries until FY26. The Castellana interest-bearing debt hedge ratio has reduced to 44% (96% as at 31 March 2023), primarily due a fix of €256 million that expired on 27 September 2023.

Management have delayed entering into a new interest rate hedge or fix in respect of this loan to proactively manage the most optimal timing of entering into a new hedge.

We remain compliant with all banking covenants at September 2023. 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 are working on several new value-add projects to existing assets and are positive that our debt providers will continue to support us with the necessary financing to complete these projects as budgeted.

COMMENTARY continued

Collections

Collection rate for the period: 98.9%

Collections from April 2023 to September 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023
Total net invoiced amount (€m)	6.5	6.5	6.1	6.5	6.6	6.7
Total collected (%)	98.9	98.8	98.9	99.1	98.8	98.6

Our collections team continues to lower arrears over time.

Tenant arrears

Tenant arrears amounted to €0.59 million (R12 million) at 30 September 2023, and were reduced significantly from the prior year (September 2022) when arrears were at €1.2 million (R21 million). Castellana's in-house property administration team collected 98.9% of monthly rental invoices.

Development projects

Vallsur repositioning projects: Phase I (F&B and Leisure area) is progressing well and is expected to be launched on 1 December 2023. So far, we have already been able to sign leases amounting to 84% of the budgeted annual rent and 82% of the total GLA of phase I. We are currently negotiating with three additional tenants, which will secure full occupation and successful completion of phase I.

El Faro Hipercor project: The project is at a very early stage but has created huge expectations in the market and broader region. We have also already seen positive interest from many tier-1 brands to take up space.

Valuation of Spanish portfolio

H1 valuations as of 30 September 2023 have once again been impacted by rising discount rates, to cater for the rise in interest rates driven by the ECB, as well as increases in exit yields, due to the paused market that drives a conservative approach from valuers, despite the fact that there is no evidence of transactions that support such view. However, due to the good performance in NOI of the portfolio, as well as the conclusion of value-add projects and the new ones that commenced, we are still overcoming the negative effect of yield expansion. Despite increases of another 25bps in discount rates to most assets, and more than 30bps expansion in exit yields as an average, the portfolio value has shown a 1.0% growth overall. Again, indexation, conclusion of the value-add projects, active leasing activity and other accretive asset management initiatives have ensured growth in income, which significantly improves and strengthens future cash flows and embeds future value growth once markets stabilise.

The Spanish portfolio was independently valued by Colliers at €1 022 million (R20.4 billion) at 30 September 2023 (31 March 2023: €1 012 million or R19.5 billion), representing a 1.0% like-for-like increase in value over the period.

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.

Top 10 properties by value

Castellana is 100% retail-focused. Cumulatively, 96% of tenants in the top 10 properties, are international and national tenants. These properties comprise 91.4% of the total portfolio value, 91.6% of the total portfolio rental income and 85% of the total portfolio GLA.

Property	Location	GLA m²
El Faro*	Extremadura	**57 273**
Bahía Sur	Andalucia	**35 304**
Los Arcos*	Andalucia	**26 577**
Granaita Retail Park	Andalucia	**54 716**
Habaneras	Com. Valenciana	**24 892**
Puerta Europa	Andalucia	**29 783**
Vallsur	Castilla y Leon	**35 963**
Parque Oeste	Madrid	**13 604**
Parque Principado	Asturias	**16 090**
Marismas del Polvorín	Andalucia	**19 052**
Total top 10 properties		**313 254**
% of total portfolio		**85**

* *Excluding valuations of development properties.*

Summary of portfolio changes

GLA reconciliation	GLA m²
Balance as at 30 September 2022*	339 314
GLA adjustments	1 855
Balance as at 30 September 2023	**368 495**
Areas under development	27 326
GLA excluding areas under development	341 169

Vacancy reconciliation	GLA m²	%
Balance as at 30 September 2022*	4 002	1.18
Vacancy movement	(730)	
Balance as at 30 September 2023	**3 272**	**0.96**

* *Excluding area under development in Vallsur Repositioning Project and El Faro Hipercor Project. Total Portfolio GLA as at 30 September 2022 was 350 085m².*

Portfolio profiles

Geographic profile

The geographic distribution of the Spanish portfolio is indicated in the table below. 91% of the gross income comes from Andalucia, Extremadura, Com. Valenciana and Castilla Leon.

	% of rental income	% of GLA
Andalucia	51	46
Extremadura	21	25
Com. Valenciana	10	8
Castilla Leon	9	10
Madrid	4	4
Asturias	3	4
Murcia	2	3

Sector profile

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

Tenant profile

Large international and national tenants account for 95% of tenants by GLA.

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

Expiry profile

Castellana has a 12.9-year tenant expiry profile and 2.4 years to break with 60% of contractual GLA expiring in FY33 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	6	9	5	5	5	4	4	4	6	9	43
Cumulative	6	15	20	25	30	34	38	42	48	57	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	4	6	2	3	3	3	3	2	5	8	60
Cumulative	1	5	11	13	16	19	22	25	27	32	40	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	30	28	14	12	7	4	2	1	—	—	2
Cumulative	30	58	72	84	91	95	97	98	98	98	100

Vacancy profile

The portfolio's vacancy rate at 30 September 2023 was 1.0%.

Vacancies (% of GLA)	30 September 2023 %	30 September 2022 %
Shopping centres	**1.50**	1.66
Retail parks	**0.30**	0.62
Total	**0.96**	1.18

Rental profile

The Castellana portfolio's weighted average rental has increased by 0.7% to €16.27/m².

	30 September 2023 €/m²	30 September 2022 €/m²	Escalation %
Shopping centres	**21.12**	20.84	1.3
Retail parks	**10.53**	10.56	(0.3)
Portfolio weighted average base rentals	**16.27**	16.15	0.7

Costs

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

Service charges are the most significant expense and represent 87.3% of total property expenses. Service charges mainly include utilities, cleaning, marketing, security and management. Property tax is another significant expense representing 12.7% of the total property expenses.

Investment in Lar España

Castellana continues to hold a 25.70% stake in Lar España. The stake remains an important investment for Castellana.

Lar España's recent H1 FY23 results displayed strong operational performance in line with our expectations. In addition, recent retail park disposals executed at slightly above current valuations, were a positive signal to the market and could result in additional dividends in line with the Lar España dividend policy.

In January 2023, Lar España used its available cash on hand to undertake a bond buy-back programme for €90.5 million at a c. 18% discount to par value. This has resulted in a reduction in gross debt by €110 million and a lower net LTV of 37%. Management has provided guidance for the FY23 dividend to be "close to €60 milion".

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

In line with Vukile's board refresh currently underway, Mr Jon Zehner and Mr James Formby were appointed to the board as independent non-executive directors effective 22 September 2023.

Mr Zehner currently serves as Vice-Chairman of LaSalle Investment Management, one of the world's leading real estate investment managers. Mr Zehner has extensive experience in European real estate capital markets and was a founding member of the European Public Real Estate Association (EPRA) and holds an MBA from Harvard and an AB in Economics from Dartmouth.

Mr Formby currently serves as lead independent director and member of the audit committee and corporate finance committee of Pick n Pay Stores Limited and is the former CEO of Rand Merchant Bank, a position he held for seven years until September 2022. He has broad experience in banking, including mergers and acquisitions, and capital markets and holds a MPhil in Management Studies from the University of Cambridge and is a Chartered Accountant (SA).

The board welcomes Jon and James to the company and looks forward to their future contributions.

Following the resignation of Ms Babalwa Ngonyama, effective 2 November 2023, Dr Renosi Mokate, current member of the audit and risk committee and lead independent director, assumed the role of chairman of the audit and risk committee and Mr Formby has been appointed as a member of the audit and risk committee.

Ms Ngonyama resigned from the board in order to focus on the current legal review process pertaining to findings brought against her by the Independent Panel constituted by the UCT Council.

The board would like to take the opportunity to thank Ms Ngonyama for her contribution to the board over the years.

PROSPECTS FOR THE GROUP

Over the past six months, Vukile has managed to sustain strong operational results and solid trading metrics in both the South African and Spanish portfolios, despite a very challenging macro-economic environment. This is testament to the dominant and defensive composition of the overall portfolio and our clear and focused strategy.

In addition to a strong operational performance, the results were further enhanced by the Rand hedge nature of Vukile's earnings.

Delivered impressive growth in FFO and dividends over the past six months, with FFO and dividends per share increasing in the interim period by 5.2% and 10.0% respectively.

The business is well positioned from an operational, financial and strategic perspective, which will provide impetus for further growth once the global economic position improves.

Off the back of ongoing and sustained strong operating performances, we are pleased to report an increase in our guidance for FY24. We expect to deliver growth in FFO per share of between 4% to 6% (previously 3% to 5%) and growth in dividend per share of between 8% to 10% (previously 7% to 9%) for the year ending 31 March 2024.

The increased guidance will equate to a full year dividend per share of between 121.4 and 123.6 cents (FY23: 112.4 cents), to be paid with an interim 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.

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 an interim dividend on 29 November 2023 of 52.07420 cents per share for the six months ended 30 September 2023, amounting to R540 million.

ii. Sale of investment property

On 30 October 2023, the Piet Retief Shopping Centre was transferred at a selling price of R116.5 million (in line with book value) to REimagine Social Impact Retail Fund. The property transferred after the reporting period and meets the definition of a non-adjusting event as per IAS 10 – *Events after the Reporting Period*. Piet Retief Shopping Centre was included in non-current assets held for sale at 30 September 2023.

BASIS OF PREPARATION

The unaudited consolidated interim financial statements for the six months ended 30 September 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 unaudited consolidated interim financial statements are consistent with those applied by the group in its consolidated financial statements for the year ended 31 March 2023, except where new standards have been introduced as disclosed in note 1.2.

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

On behalf of the board

NG Payne
Chairman

LG Rapp
Chief Executive Officer

Houghton Estate

29 November 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*, RD Mokate*, H Ntene*, GS Moseneke, AMSS Mokgabudi*, BM Kodisang, JR Formby*, JH Zehner*

* *Independent*

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Company Secretary: J Neethling
Transfer secretaries: JSE Investor Services (Pty) Ltd, 5th Floor, One Exchange Square, Gwen Lane, Sandown, Johannesburg
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2023

	Unaudited 30 September 2023 Rm	Unaudited 30 September 2022 Rm	Audited 31 March 2023 Rm
ASSETS			
Non-current assets	**39 778**	35 877	37 908
Investment property	**35 860**	32 568	34 380
Straight-line rental income accrual	**367**	406	379
Financial assets at fair value through profit or loss (FVTPL)	**402**	370	338
Equity investment at fair value through other comprehensive income (FVTOCI)	**2 383**	1 651	2 044
Investment in associate (equity accounted)	**138**	124	134
Investment in joint venture (equity accounted)	**3**	52	2
Derivative financial instruments	**106**	216	121
Long-term loans granted	**309**	302	307
Other non-current assets	**210**	188	203
Current assets	**1 506**	1 305	2 168
Trade and other receivables	**287**	354	515
Derivative financial instruments	**87**	65	66
Current taxation assets	**12**	13	12
Other current assets	**16**	12	15
Cash and cash equivalents	**993**	861	1 387
Non-current assets held for sale	**111**	—	173
Total assets	**41 284**	37 182	40 076
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	**21 928**	18 722	20 077
Stated capital	**13 834**	13 138	13 138
Other components of equity	**5 841**	3 689	4 735
Retained earnings	**2 253**	1 895	2 204
Non-controlling interest	**143**	1 192	1 345
Non-current liabilities	**16 879**	14 968	16 877
Interest-bearing borrowings	**16 167**	14 180	16 014
Lease liability	**292**	278	286
Share scheme liability	**48**	15	30
Derivative financial instruments	**53**	253	249
Deferred taxation liabilities	**66**	37	63
Other non-current liabilities	**253**	205	235
Current liabilities	**2 334**	2 300	1 777
Trade and other payables	**898**	651	667
Short-term portion of interest-bearing borrowings	**1 366**	1 582	1 013
Short-term portion of lease liability	**20**	19	19
Short-term portion of share scheme liability	**—**	41	44
Derivative financial instruments	**48**	5	32
Shareholders for dividends	**2**	2	2
Total equity and liabilities	**41 284**	37 182	40 076

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 September 2023

	Unaudited 30 September 2023 Rm	Unaudited 30 September 2022 Rm	Audited 31 March 2023 Rm
Property revenue	**2 017**	1 762	3 594
Straight-line rental income accrual	**(14)**	79	58
Gross property revenue	**2 003**	1 841	3 652
Property expenses	**(659)**	(623)	(1 269)
Change in expected credit loss (ECL): tenant receivables	**(4)**	11	(4)
Net profit from property operations	**1 340**	1 229	2 379
Corporate and administrative expenses	**(181)**	(148)	(330)
Investment and other income	**57**	59	367
Fair value movement on non-designated portion of CCIRS	**—**	(27)	(27)
Profit before finance costs	**1 216**	1 113	2 389
Finance costs	**(492)**	(384)	(834)
Profit after finance costs	**724**	729	1 555
Profit/(loss) on disposals	**3**	(2)	(20)
Loss on realisation of derivative	**(33)**	(9)	(19)
Fair value gain/(loss) on financial instruments	**169**	7	(33)
Impairments	**(5)**	—	(2)
Profit before changes in fair value of investment property	**858**	725	1 481
Fair value adjustments:	**331**	405	582
Gross change in fair value of investment property	**310**	477	625
Change in fair value of right-of-use asset	**7**	7	15
Straight-line rental income adjustment	**14**	(79)	(58)
Profit before equity-accounted investment	**1 189**	1 130	2 063
Share of income from associate	**—**	3	9
Share of profit/(loss) from joint venture	**1**	(1)	1
Profit before taxation	**1 190**	1 132	2 073
Taxation	**(3)**	(9)	(35)
Profit for the period	**1 187**	1 123	2 038
Attributable to owners of the parent	**1 174**	1 065	1 932
Attributable to non-controlling interest	**13**	58	106
Basic and diluted earnings per share (cents)	**113.43**	108.65	197.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2023

	Unaudited 30 September 2023 Rm	Unaudited 30 September 2022 Rm	Audited 31 March 2023 Rm
Profit for the period	**1 187**	1 123	2 038
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	**267**	(105)	120
Fair value adjustment on equity investments	**267**	(105)	120
Items that are/will be reclassified to profit or loss:			
Foreign currency translation reserve	**436**	860	1 694
Associate	**—**	—	(1)
Joint venture	**—**	5	7
Subsidiary	**436**	855	1 688
Cash flow hedges	**38**	100	100
Interest rate swaps	**30**	119	121
Barrier option	**8**	(19)	(21)
Other comprehensive income for the period	**741**	855	1 914
Total comprehensive income for the period	**1 928**	1 978	3 952
Attributable to owners of the parent	**1 816**	1 831	3 631
Attributable to non-controlling interest	**112**	147	321

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2023

	Stated capital Rm	Other components of equity Rm	Retained earnings Rm	Total shareholders' interest Rm	NCI Rm	Total Rm
Balance at 30 September 2022	13 138	3 689	1 895	18 722	1 192	19 914
Dividend	—	—	(464)	(464)	(23)	(487)
	13 138	3 689	1 431	18 258	1 169	19 427
Profit for the period	—	—	867	867	48	915
Transfer to non-distributable reserve	—	94	(94)	—	—	—
Equity-settled share scheme	—	19	—	19	2	21
Other comprehensive income	—	933	—	933	126	1 059
Balance at 31 March 2023	**13 138**	**4 735**	**2 204**	**20 077**	**1 345**	**21 422**
Issue of share capital	**696**	**—**	**—**	**696**	**—**	**696**
Dividend	**—**	**—**	**(675)**	**(675)**	**(4)**	**(679)**
	13 834	**4 735**	**1 529**	**20 098**	**1 341**	**21 439**
Profit for the period	**—**	**—**	**1 174**	**1 174**	**13**	**1 187**
Transfer to non-distributable reserve	**—**	**450**	**(450)**	**—**	**—**	**—**
Transactions with NCI	**—**	**—**	**—**	**—**	**(1 301)**	**(1 301)**
Change in ownership of subsidiary recognised in equity	**—**	**9**	**—**	**9**	**(9)**	**—**
Equity-settled share scheme	**—**	**5**	**—**	**5**	**—**	**5**
Other comprehensive income	**—**	**642**	**—**	**642**	**99**	**741**
Balance at 30 September 2023	**13 834**	**5 841**	**2 253**	**21 928**	**143**	**22 071**

CONSOLIDATED STATEMENT OF CASH FLOW

for the six months ended 30 September 2023

	Unaudited 30 September 2023 Rm	Unaudited 30 September 2022 Rm	Audited 31 March 2023 Rm
Cash flow from operating activities	**1 166**	965	2 089
Cash flow from investing activities	**83**	111	(99)
Cash flow from financing activities	**(1 649)**	(812)	(1 277)
Net (decrease)/increase in cash and cash equivalents	**(400)**	264	713
Foreign currency movements in cash	**6**	32	109
Cash and cash equivalents at the beginning of the period	**1 387**	565	565
Cash and cash equivalents at the end of the period[(i)]	**993**	861	1 387
Major items included in the above:			
Cash flow from operating activities	**1 166**	965	2 089
Profit before tax	**1 190**	1 132	2 073
Adjustments[(ii)]	**(34)**	(111)	(36)
Working capital adjustments	**10**	(51)	63
Taxation paid	**—**	(5)	(11)
Cash flow from investing activities	**83**	111	(99)
Proceeds from sale of investment property (including joint operations)	**64**	252	278
Acquisition of investment property and development costs	**(269)**	(126)	(422)
Acquisition of investment in equity instruments at fair value through other comprehensive income	**—**	(158)	(158)
Proceeds from sale of listed property securities	**—**	47	51
Investment and other income	**310**	84	135
Sale of investment in joint venture	**—**	—	21
Other	**(22)**	12	(4)
Cash flow from financing activities	**(1 649)**	(812)	(1 277)
Interest-bearing borrowings advanced	**3 026**	1 933	3 163
Interest-bearing borrowings repaid	**(2 873)**	(1 514)	(2 320)
Finance costs paid	**(422)**	(351)	(767)
Dividends paid	**(678)**	(672)	(1 160)
Equity transactions with NCI[(iii)]	**(1 325)**	—	—
Proceeds from issue of share capital	**696**	—	—
Settlement of derivatives	**(28)**	(136)	(123)
Other	**(45)**	(72)	(70)

(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 30 September 2023 include fair value gain on investment property of R310 million, fair value gain of R160 million on derivative financial instruments, finance costs of R492 million and fair value gain on equity investments of R12 million.*

(iii) *During the period Vukile exercised its option to acquire 9 833 333 shares in Castellana from MEREV.*

OPERATING SEGMENT REPORT
for the six months ended 30 September 2023

	South Africa			Spain			Total group
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	Rm
Income for the period ended 30 September 2023							
Property revenue[i]	761	15	776	770	—	770	1 546
Property expenses[i]	(130)	(3)	(133)	(59)	—	(59)	(192)
Net income from property operations	631	12	643	711	—	711	1 354
Corporate and administrative expenses	(81)	(2)	(83)	(98)	—	(98)	(181)
Investment and other income	19	—	19	5	—	5	24
Finance income	2	28	30	3	—	3	33
Loss on realisation of derivative	—	(33)	(33)	—	—	—	(33)
Operating income before finance costs	571	5	576	621	—	621	1 197
Finance costs	(330)	—	(330)	(162)	—	(162)	(492)
Income before equity-accounted income	241	5	246	459	—	459	705
Share of income from associate and joint venture	—	1	1	—	—	—	1
Income before taxation	241	6	247	459	—	459	706
Taxation[ii]	(1)	—	(1)	—	—	—	(1)
Income	240	6	246	459	—	459	705
Net income attributable to NCI	—	(2)	(2)	—	(2)	(2)	(4)
Attributable to Vukile group	240	4	244	459	(2)	457	701
Non-IFRS adjustments	7	31	38	—	142	142	180
Antecedent dividend	—	1	1	—	—	—	1
Accrued dividends	—	32	32	—	142	142	174
Non-cash impact of IFRS entries	7	(2)	5	—	—	—	5
FFO	247	35	282	459	140	599	881

[i] *The revenue and property expenses have been reflected net of recoveries. The consolidated statements of profit or loss and consolidated statement of other comprehensive income reflects the gross property revenue and gross property expenses.*

[ii] *Taxation excludes deferred tax.*

OPERATING SEGMENT REPORT continued
for the six months ended 30 September 2023

	South Africa			Spain			Total group Rm
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	
Statement of financial position at 30 September 2023							
ASSETS							
Non-current assets	15 290	1 520	16 810	20 585	2 383	22 968	39 778
Investment property	14 907	515	15 422	20 438	—	20 438	35 860
Straight-line rental income accrual	305	62	367	—	—	—	367
Financial assets at fair value through profit or loss	—	402	402	—	—	—	402
Equity investments at fair value through other comprehensive income	—	—	—	—	2 383	2 383	2 383
Investment in associate (equity accounted)	—	138	138	—	—	—	138
Investment in joint venture (equity accounted)	—	3	3	—	—	—	3
Derivative financial instruments	78	28	106	—	—	—	106
Long-term loans granted	—	309	309	—	—	—	309
Other non-current assets	—	63	63	147	—	147	210
Current assets	615	18	633	857	16	873	1 506
Trade and other receivables	190	16	206	81	—	81	287
Derivative financial instruments	87	—	87	—	—	—	87
Current taxation	12	—	12	—	—	—	12
Other current assets	—	—	—	—	16	16	16
Cash and cash equivalents	215	2	217	776	—	776	993
Non-current assets held for sale	111	—	111	—	—	—	111
Total assets							41 284
EQUITY AND LIABILITIES							
Equity attributable to the owners of the parent							21 928
Non-controlling interest							143
Non-current liabilities	6 785	9	6 794	10 046	39	10 085	16 879
Interest-bearing borrowings	6 382	—	6 382	9 785	—	9 785	16 167
Lease liability	292	—	292	—	—	—	292
Share scheme liability	—	9	9	—	39	39	48
Derivative financial instruments	53	—	53	—	—	—	53
Deferred taxation liabilities	58	—	58	8	—	8	66
Other non-current liabilities	—	—	—	253	—	253	253
Current liabilities	1 683	133	1 816	518	—	518	2 334
Trade and other payables	332	131	463	435	—	435	898
Short-term portion of interest-bearing borrowings	1 283	—	1 283	83	—	83	1 366
Short-term portion of lease liability	20	—	20	—	—	—	20
Derivative financial instruments	48	—	48	—	—	—	48
Shareholder for dividends	—	2	2	—	—	—	2
Total equities and liabilities							41 284

	South Africa			Spain			Total group
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	Rm
Income for the period ended 30 September 2022							
Property revenue[i]	728	30	758	570	—	570	1 328
Property expenses[i]	(109)	(7)	(116)	(62)	—	(62)	(178)
Net income from property operations	619	23	642	508	—	508	1 150
Corporate and administrative expenses	(81)	(3)	(84)	(64)	—	(64)	(148)
Investment and other income	24	1	25	—	—	—	25
Finance income	2	16	18	—	—	—	18
Net interest from CCIRS	15	1	16	—	—	—	16
Loss on realisation of derivative	—	(9)	(9)	—	—	—	(9)
Operating income before finance costs	579	29	608	444	—	444	1 052
Finance costs	—	(268)	(268)	(112)	(4)	(116)	(384)
Income before equity-accounted income	579	(239)	340	332	(4)	328	668
Share of income from associate	—	3	3	—	—	—	3
Share of loss from joint venture	—	(1)	(1)	—	—	—	(1)
Income before taxation	579	(237)	342	332	(4)	328	670
Taxation[ii]	(9)	3	(6)	—	—	—	(6)
Income	570	(234)	336	332	(4)	328	664
Net distributable income attributable to NCI	—	(3)	(3)	—	(33)	(33)	(36)
Attributable to Vukile group	570	(237)	333	332	(37)	295	628
Non-IFRS adjustments	—	8	8	—	155	155	163
Early termination of derivative	—	—	—	—	58	58	58
Accrued dividends	—	(1)	(1)	—	97	97	96
Non-cash impact of IFRS entries	—	9	9	—	—	—	9
FFO	570	(229)	341	332	118	450	791

[i] The revenue and property expenses have been reflected net of recoveries. The consolidated statement of profit or loss and consolidated statement of other comprehensive income reflects gross property revenue and gross property expenses.

[ii] Taxation excludes deferred tax.

OPERATING SEGMENT REPORT continued
for the six months ended 30 September 2023

	South Africa			Spain			Total group Rm
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	
Statement of financial position at 30 September 2022							
ASSETS							
Non-current assets	14 400	1 756	16 156	18 054	1 667	19 721	35 877
Investment property	14 001	620	14 621	17 947	—	17 947	32 568
Straight-line rental income accrual	399	7	406	—	—	—	406
Financial assets at fair value through profit or loss	—	370	370	—	—	—	370
Equity investments at fair value through other comprehensive income	—	—	—	—	1 651	1 651	1 651
Investment in associate (equity accounted)	—	124	124	—	—	—	124
Investment in joint venture (equity accounted)	—	52	52	—	—	—	52
Derivative financial instruments	—	216	216	—	—	—	216
Long-term loans granted	—	302	302	—	—	—	302
Other non-current assets	—	65	65	107	16	123	188
Current assets	229	673	902	327	76	403	1 305
Trade and other receivables	192	62	254	95	5	100	354
Derivative financial instruments	—	65	65	—	—	—	65
Current taxation assets	—	13	13	—	—	—	13
Other current assets	—	—	—		12	12	12
Cash and cash equivalents	37	533	570	232	59	291	861
Total assets							37 182
EQUITY AND LIABILITIES							
Equity attributable to the owners of the parent							18 722
Non-controlling interest							1 192
Non-current liabilities	278	5 828	6 106	205	8 657	8 862	14 968
Interest-bearing borrowings	—	5 542	5 542	—	8 638	8 638	14 180
Lease liability	278	—	278	—	—	—	278
Share scheme liability	—	3	3	—	12	12	15
Derivative financial instruments	—	253	253	—	—	—	253
Deferred tax	—	30	30	—	7	7	37
Other non-current liabilities	—	—	—	205	—	205	205
Current liabilities	288	1 693	1 981	214	105	319	2 300
Trade and other payables	288	145	433	214	4	218	651
Short-term portion of interest-bearing borrowings	—	1 522	1 522	—	60	60	1 582
Short-term portion of lease liability	—	19	19	—	—	—	19
Short-term portion of lease liability	—	—	—	—	41	41	41
Derivative financial instruments	—	5	5	—	—	—	5
Shareholders for dividends	—	2	2	—	—	—	2
Total equity and liabilities							37 182

NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 30 September 2023

1 GENERAL ACCOUNTING POLICIES

1.1 Basis of preparation

Estimates

Management discusses the development, selection and disclosure of the group's critical accounting policies and estimates and the application of these policies and estimates with the audit committee. 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 asset met all the IFRS 5 requirements and is classified as held for sale:

- 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 2023. These amendments had no impact on the group.

- The amendment to IAS 1 – *Presentation of Financial Statements*:
  - Classification of liabilities as current or non-current
  - Disclosure of accounting policies to assist preparers in deciding which accounting policies to disclose in the financial statements.
- The amendment to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* introducing the definition of accounting estimates and included other amendments to help entities to distinguish between accounting policies and accounting estimates.
- The amendment to IAS 12 – *Deferred Tax relating to Assets and Liabilities* arising from a single transaction' that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations.
- The amendment to IFRS 17 – *Insurance Contracts* deferral of initial application of IFRS 17 and a change of the fixed expiry date for the temporary exemption in IFRS 4 – *Insurance Contracts* from applying IFRS 9 – *Financial Instruments*.

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.

	30 September 2023			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets				
Equity investments at fair value through profit or loss	**300**	**18**	**—**	**318**
Equity investments at fair value through other comprehensive income	**2 383**	**—**	**—**	**2 383**
Executive share scheme financial asset	**145**	**—**	**—**	**145**
Derivative financial instruments	**—**	**193**	**—**	**193**
Total	**2 828**	**211**	**—**	**3 039**
Liabilities				
Executive share scheme financial liability	**—**	**(61)**	**—**	**(61)**
Derivative financial instruments	**—**	**(101)**	**—**	**(101)**
Total	**—**	**(162)**	**—**	**(162)**
Net fair value	**2 828**	**49**	**—**	**2 877**

	30 September 2022				31 March 2023			
	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	298	—	—	298	285	—	—	285
Equity investments at fair value through other comprehensive income	1 651	—	—	1 651	2 044	—	—	2 044
Executive share scheme financial asset	129	—	—	129	130	—	—	130
Derivative financial instruments	—	281	—	281	—	187	—	187
Total	2 078	281	—	2 359	2 459	187	—	2 646
Liabilities								
Executive share scheme financial liability	—	(57)	—	(57)	—	(77)	—	(77)
Derivative financial instruments	—	(69)	(189)	(258)	—	(96)	(185)	(281)
Total	—	(126)	(189)	(315)	—	(173)	(185)	(358)
Net fair value	2 078	155	(189)	2 044	2 459	14	(185)	2 288

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

2 FAIR VALUE MEASUREMENT continued

2.2 Fair value hierarchy continued

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.

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 and Castellana's bank funders using a valuation technique that maximises the use of observable market inputs. Level 3 derivative in the prior period 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 30 September 2023, the directors valued the South African property portfolio at R15.4 billion (31 March 2023: R15.0 billion), and an external valuer valued the Spanish portfolio at R20.4 billion/€1.0 billion (31 March 2023: R19.5 billion/€1.0 billion).

The external valuations performed by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd at 30 September 2023 on 47% 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:

	Unaudited 30 September 2023				Audited 31 March 2023			
	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**	**13.3**	**7.8 to 17.2**	**8.7**	12.7 to 19.6	13.4	7.8 to 15.3	8.9
Spain	**8.3 to 10.8**	**9.3**	**5.7 to 7.0**	**6.4**	8.0 to 10.5	9.1	5.3 to 7.0	6.2

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	13.3	8.7	(5.6)	(4.0)	(3.4)	(5.0)
Retail	96	13.3	8.7	(5.6)	(4.0)	(3.4)	(5.0)
Other	4	13.8	10.4	(5.3)	(4.5)	(2.5)	(5.3)
Gauteng	40	13.3	8.7	(5.7)	(3.9)	(3.6)	(5.0)
KwaZulu-Natal	21	13.1	8.4	(5.5)	(4.0)	(2.9)	(5.0)
Western Cape	9	12.9	8.5	(5.9)	(3.8)	(3.5)	(5.0)
Free State	9	13.1	8.6	(5.8)	(3.9)	(3.6)	(5.0)
Eastern Cape	8	13.6	8.9	(5.5)	(4.0)	(3.6)	(5.0)
Limpopo	6	13.9	9.2	(5.1)	(4.7)	(3.3)	(5.0)
Mpumalanga	4	15.2	10.6	(4.9)	(4.7)	(3.4)	(5.1)
North West	3	13.2	8.2	(6.0)	(3.7)	(3.7)	(5.0)

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	73	12.9	8.3	(5.8)	(3.8)	(3.4)	(5.0)
Retail	72	12.9	8.2	(5.9)	(3.8)	(3.5)	(5.0)
Other	1	12.9	10.0	(5.1)	(4.2)	(2.1)	(5.1)
Gauteng	28	12.8	8.2	(6.0)	(3.8)	(3.6)	(5.0)
KwaZulu-Natal	19	13.0	8.3	(5.5)	(3.9)	(2.8)	(5.0)
Western Cape	9	12.9	8.5	(5.9)	(3.8)	(3.5)	(5.0)
Free State	6	12.7	7.8	(6.2)	(3.6)	(3.7)	(5.0)
Eastern Cape	4	13.2	8.5	(5.8)	(3.8)	(3.6)	(5.0)
Limpopo	4	12.8	8.1	(6.0)	(3.7)	(3.7)	(5.0)
North West	3	13.2	8.2	(6.0)	(3.7)	(3.7)	(5.0)

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	23	14.1	9.6	(5.2)	(4.4)	(3.4)	(5.1)
Retail	21	14.1	9.5	(5.1)	(4.4)	(3.4)	(5.0)
Other	2	14.1	10.3	(5.5)	(4.8)	(2.7)	(5.5)
Gauteng	10	14.0	9.5	(5.4)	(4.2)	(3.4)	(5.1)
KwaZulu-Natal	2	14.0	9.5	(5.2)	(4.3)	(3.5)	(5.0)
Free State	3	14.0	10.1	(4.9)	(4.5)	(3.4)	(5.0)
Eastern Cape	4	14.0	9.3	(5.3)	(4.2)	(3.5)	(5.0)
Limpopo	1	15.0	10.5	(3.7)	(6.7)	(2.4)	(5.0)
Mpumalanga	3	14.2	9.4	(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	(4.0)	(5.4)	(3.2)	(5.1)
Retail	3	16.7	12.5	(4.1)	(5.5)	(3.2)	(5.1)
Other	1	19.6	17.2	(3.3)	(3.9)	(3.1)	(5.3)
Gauteng	2	16.5	12.1	(4.2)	(5.1)	(3.3)	(5.1)
Limpopo	1	16.3	11.8	(4.2)	(5.2)	(3.3)	(5.1)
Mpumalanga	1	18.1	14.5	(3.5)	(6.4)	(3.0)	(5.1)

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:

	30 September 2023	
	Variation of discount rate	
	25bps decrease €'000	25bps increase €'000
Retail	**17 860**	**(17 450)**
Theoretical result	**17 860**	**(17 450)**

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

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
30 September 2023	**15 449**	**14 997**	**(452)**	**(2.9)**	**15 911**	**462**	**3.0**
31 March 2023	14 968	14 554	(414)	(2.8)	15 409	441	2.9

[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
30 September 2023	**1 022**	**1 005**	**(349)**	**(1.7)**	**1 040**	**357**	**1.7**
31 March 2023	1 012	995	(333)	(1.7)	1 030	341	1.7

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:

	Unaudited 30 September 2023 Recurring fair value measurements Level 3 Rm	Unaudited 30 September 2022 Recurring fair value measurements Level 3 Rm	Audited 31 March 2023 Recurring fair value measurements Level 3 Rm
Investment property	**35 915**	32 677	34 454
Right-of-use asset	**312**	297	305

	Unaudited 30 September 2023 Non-recurring fair value measurements Level 3 Rm	Unaudited 30 September 2022 Non-recurring fair value measurements Level 3 Rm	Audited 31 March 2023 Non-recurring fair value measurements Level 3 Rm
Investment property held for sale	**111**	—	173

3 RECONCILIATION OF EARNINGS TO HEADLINE EARNINGS

	Unaudited 30 September 2023		Unaudited 30 September 2022		Audited 31 March 2023	
	Rm	**Cents per share**	Rm	Cents per share	Rm	Cents per share
Profit attributable to owners of the parent	**1 174**	**113.43**	1 065	108.65	1 932	197.10
Earnings and diluted earnings	**1 174**	**113.43**	1 065	108.65	1 932	197.10
Change in fair value of investment property	**(310)**	**(29.94)**	(476)	(48.62)	(625)	(63.79)
Non-controlling interest (NCI) portion of fair value changes in investment property	**2**	**0.18**	20	2.07	16	1.62
Remeasurement of right-of-use asset	**(7)**	**(0.68)**	(7)	(0.71)	(15)	(1.57)
(Profit)/loss on sale of investment property	**(3)**	**(0.32)**	1	0.11	6	0.64
Loss/(profit) on joint operation acquisition/disposal	**—**	**—**	1	0.07	(2)	(0.25)
Loss on sale of joint venture	**—**	**—**	—	—	16	1.61
Remeasurement included in equity-accounted earnings of associate	**3**	**0.33**	—	—	(6)	(0.64)
Headline and diluted headline earnings	**859**	**83.00**	604	61.57	1 322	134.72
Number of shares in issue	**1 036 226 628**		980 226 628		980 226 628	
Weighted average number of shares	**1 035 002 584**		980 226 628		980 226 628	

There are no dilutionary shares in issue.

4 CAPITAL COMMITMENTS

The following table reflects the capital commitments as at 30 September 2023:

	Unaudited 30 September 2023 Rm	Audited 31 March 2023 Rm
Authorised and contracted	**560**	358
Authorised and not contracted	**682**	1 168

Capital commitments include authorised PV and development projects as well as Vukile's equity commitment to REimagine Social Impact Fund.

SA REIT RATIOS
for the six months ended 30 September 2023

SA REIT FUNDS FROM OPERATIONS (SA REIT FFO)

	30 September 2023 Rm	30 September 2022 Rm	31 March 2023 Rm
Profit per IFRS statement of comprehensive income attributable to the parent	**1 174**	1 065	1 932
Adjusted for:			
Accounting/specific:			
Fair value adjustments to:	**(137)**	(336)	(590)
Investment property	**(324)**	(398)	(567)
Debt and equity instruments held at fair value through profit or loss	**(10)**	40	72
Depreciation and amortisation of intangible assets	**2**	2	3
Asset impairments (excluding goodwill) and reversal of impairment	**5**	—	2
Deferred tax movement recognised in profit or loss	**2**	3	28
Straight-lining operating lease adjustment	**14**	(79)	(58)
Adjustments to dividends from equity interests held	**174**	96	(70)
Adjustments arising from investing:			
Gains or losses on disposal of:	**(3)**	2	19
Investment property and property, plant and equipment	**(3)**	2	6
Subsidiaries and equity-accounted entities held	**—**	—	13
Foreign exchange and hedging items:	**(152)**	41	47
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**4**	27	36
Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	**(156)**	14	11
Other adjustments:	**1**	21	11
Adjustments made for equity-accounted entities	**(2)**	1	(5)
Non-controlling interests in respect of the above adjustments	**2**	20	16
Antecedent adjustment	**1**	—	—
SA REIT FFO	**883**	793	1 419
Number of shares outstanding (net of treasury shares)	**1 036 226 628**	980 226 628	980 226 628
SA REIT FFO cents per share	**85.21**	80.90	144.76
Company-specific adjustments	**(2)**	(2)	(3)
Depreciation	**(2)**	(2)	(3)
FFO	**881**	791	1 416
FFO per share (cents)	**84.99**	80.80	144.46

SA REIT RATIOS continued
for the six months ended 30 September 2023

SA REIT NAV

	30 September 2023 Rm	30 September 2022 Rm	31 March 2023 Rm
Reported NAV attributable to the parent	**21 928**	18 722	20 077
Adjustments:			
Dividend declared[(i)]	**(540)**	(464)	(675)
Fair value of derivative financial instruments	**(64)**	(185)	(70)
Goodwill and intangible assets	**(3)**	(3)	(3)
SA REIT NAV	**21 321**	18 070	19 329
Shares outstanding			
Number of shares in issue (net of treasury shares)[(i)]	**1 036 226 628**	980 226 628	980 226 628
SA REIT NAV per share	**20.58**	18.43	19.72

(i) *The SA REIT NAV is reduced by the total dividend declared for HY24.*

SA REIT COST-TO-INCOME RATIO

South Africa portfolio	30 September 2023 Rm	30 September 2022 Rm	31 March 2023 Rm
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	**437**	412	849
Administrative expenses per IFRS income statement	**83**	84	168
Excluding: Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	**(2)**	(1)	(3)
Operating costs	**518**	495	1 014
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	**776**	758	1 532
Utility and operating recoveries per IFRS income statement	**304**	296	597
Gross rental income	**1 080**	1 054	2 129
SA REIT cost-to-income ratio (%)	**48.0**	47.0	47.6

Spain portfolio	30 September 2023 Rm	30 September 2022 Rm	31 March 2023 Rm
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	**226**	200	424
Administrative expenses per IFRS income statement	**98**	64	162
Operating costs	**324**	264	586
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	**770**	570	1 185
Utility and operating recoveries per IFRS income statement	**167**	138	280
Gross rental income	**937**	708	1 465
SA REIT cost-to-income ratio (%)	**34.6**	37.3	40.0

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

South Africa portfolio	30 September 2023 Rm	30 September 2022 Rm	31 March 2023 Rm
Administrative costs			
Administrative expenses as per IFRS income statement	**83**	84	168
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	**776**	758	1 532
Utility and operating recoveries per IFRS income statement	**304**	296	597
Gross rental income	**1 080**	1 054	2 129
SA REIT administrative cost-to-income ratio (%)	**7.7**	8.0	7.9

Spain portfolio	30 September 2023 Rm	30 September 2022 Rm	31 March 2023 Rm
Administrative costs			
Administrative expenses as per IFRS income statement	**98**	64	162
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	**770**	570	1 185
Utility and operating recoveries per IFRS income statement	**167**	138	280
Gross rental income	**937**	708	1 465
SA REIT administrative cost-to-income ratio (%)	**10.5**	9.0	11.1

SA REIT GLA VACANCY

South Africa portfolio	30 September 2023	30 September 2022	31 March 2023
GLA of vacant space (m^2)	**21 467**	24 471	21 285
GLA of total property portfolio (m^2)	**797 186**	811 536	807 046
SA REIT GLA vacancy rate (%)	**2.7**	3.0	2.6

Spain portfolio	30 September 2023	30 September 2022	31 March 2023
GLA of vacant space (m^2)	**3 272**	5 448	4 452
GLA of total property portfolio (m^2)	**341 169**	350 085	350 925
SA REIT GLA vacancy rate (%)	**1.0**	1.6	1.3

SA REIT COST OF DEBT

30 September 2023	ZAR %	EUR %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	**10.0**	**3.6**
Fixed interest rate borrowings		
Weighted average fixed rate	**—**	**1.6**
Pre-adjusted weighted average cost of debt	**10.0**	**5.2**
Adjustments:		
Impact of interest rate derivatives	**(0.3)**	**—**
Amortised transaction costs imputed into the effective interest rate	**0.1**	**0.1**
SA REIT all-in weighted average cost of debt	**9.8**	**5.3**

SA REIT RATIOS continued
for the six months ended 30 September 2023

30 September 2022	ZAR %	EUR %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	8.2	0.3
Fixed interest rate borrowings		
Weighted average fixed rate	—	1.9
Pre-adjusted weighted average cost of debt	8.2	2.2
Adjustments:		
Impact of interest rate derivatives	0.4	—
Amortised transaction costs imputed into the effective interest rate	0.1	—
SA REIT all-in weighted average cost of debt	8.7	2.2

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

SA REIT LTV

	30 September 2023 Rm	30 September 2022 Rm	31 March 2023 Rm
Gross debt	**17 692**	15 926	17 197
Less:			
Cash and cash equivalents	**(992)**	(860)	(1 387)
Cash and cash equivalents balance sheet	**(993)**	(861)	(1 387)
Less restricted cash	**1**	1	—
Less:			
Net derivative financial instruments asset	**(63)**	(186)	(70)
Forward exchange contracts	**4**	(140)	(32)
Interest rate swaps	**(67)**	(46)	(38)
Net debt	**16 637**	14 880	15 740
Total assets – per statement of financial position	**41 284**	37 182	40 076
Less:			
Cash and cash equivalents	**(993)**	(861)	(1 387)
Tenant deposits	**(151)**	(116)	(144)
Derivative financial assets:	**(165)**	(255)	(166)
Forward exchange contracts	**(95)**	(203)	(121)
Interest rate swaps	**(70)**	(52)	(45)
Goodwill and intangible assets	**(4)**	(3)	(3)
Trade and other receivables	**(287)**	(354)	(515)
Carrying amount of property-related assets	**39 684**	35 593	37 861
SA REIT LTV %	**41.9**	41.8	41.6

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