POWERING ***GROWTH***

FORTRESS

REIT LIMITED

SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

DIRECTORS' COMMENTARY

"The COVID-19 pandemic continues to be front of mind across the world. While we are seeing a gradual and hopeful reopening in many developed markets with a higher rate of vaccination, the impact on our business has been prevalent for the entire reporting period and the second consecutive set of annual results.

The third waves of COVID-19, both in South Africa as well as across Central and Eastern Europe, had an impact on many economies and in particular our exposure to retail real estate, which bore the brunt of many of the COVID-19-related restrictions. Pleasingly, we are seeing governments across the world becoming more logical and sensible in their approach to restrictions related to the spread of the virus. Combined with a strong global vaccination drive, we remain of the view that a return to a more normalised operating environment is foreseeable, with the timing of such return difficult to predict. However, there are also some beneficial changes to our business, such as the drive to a more robust and localised supply chain by many users of the space we offer, as well as retailers investing in e-commerce. This has some direct benefits on our logistics portfolio and our pipeline of logistics developments in South Africa and Central and Eastern Europe.

Post our year-end we encountered a challenging period stemming from the civil unrest in Gauteng and KwaZulu-Natal, which had a direct impact on seven of our properties. While the initial cost estimates for repairs of between R450 million to R550 million is only approximately 1% of our total asset base and covered under our SASRIA insurance policy, the loss of momentum due to the negative sentiment is harder to quantify and potentially more damaging to our fragile economy. However, we remain committed to the roll-out of our development pipeline and will continue to invest in our assets through the short-term volatility we have become used to managing. The significant progress we have made in the recent past from a focused strategy and prudent balance sheet management has resulted in a more robust business with a better ability to withstand unforeseen events.

Looking back at the 2021 financial year, we had some significantly better enquiries into our logistics developments and managed to let all of our newly constructed assets prior to year-end. We also saw a resurgence in trading in our commuter and convenience retail portfolio which had better trading than the comparatives for 2019, a pre-pandemic period. The positive change in sentiment which prevailed for most of the year, along with historically low interest rates, allowed us to sell R1,65 billion of direct assets and recycle that capital into new, better quality logistics assets in our secure parks."

Steven Brown, *CEO.*

REVIEW OF THE 2021 FINANCIAL YEAR

Highlights for the year ended 30 June 2021 and to the date of this report are:

- Completed 163 127m^2 of new logistics developments, all of which were let by year-end;
- Commenced construction on pre-let developments of 244 426m^2, including a new 164 470m^2 distribution centre for Pick n Pay at Eastport;
- Commenced construction on speculative developments of 80 219m^2 which will be completed in the next 12 to 18 months;
- Disposed of 29 properties for proceeds of R1,65 billion at a 2,8% premium to book value;
- Reported a lower LTV ratio of 36,7% compared to 38,1% at 31 December 2020;
- Improved trading conditions in our retail portfolio which saw better trading densities than the comparable period in 2019 and 2020;
- Reduced the overall vacancy in the property portfolio from 8,9% at 30 June 2020 to 7,4% at 30 June 2021 (based on GLA), albeit marginally higher than the 31 December 2020 vacancy of 6,8%;
- Acquired two logistics parks in Poland totalling approximately 60 000m^2 of GLA, with available land for a further 110 000m^2 of developments;
- Acquired a logistics park in Romania totalling approximately 50 000m^2 of GLA in July 2021;
- Issued two sustainability-linked bonds, post year-end, for a combined total of R900 million in the three- and five-year tenors;
- Installed eight new solar PV plants, with a further 10 at various stages of procurement or feasibility assessment. Installed plant capacity across our portfolio has now reached 4.735mWp at 30 June 2021 compared to 2.808mWp at 30 June 2020;
- Repurchased 26 861 996 FFA and 25 373 229 FFB shares at an average price of R14,34 and R3,02, respectively, post year-end; and
- Achieved an improved B-BBEE rating of Level 4, compared to Level 5 in 2020.

NATURE OF THE BUSINESS

Fortress REIT Limited ("Fortress") is a Real Estate Investment Trust ("REIT") specialising in the logistics and retail property sectors with an established in-house development track record.

We focus on developing, owning and letting premium-grade logistics real estate in South Africa ("SA") and Central and Eastern Europe ("CEE"), as well as growing our convenience and commuter retail portfolio which currently comprises 53 shopping centres, including properties co-owned with partners. Our strategic shareholding in NEPI Rockcastle plc ("NEPI Rockcastle") gives us exposure to the high-growth economies of the CEE region and provides us with diversification.

At 30 June 2021, our property portfolio comprised the following:

Sector	Direct property portfolio by value R'billion*	As a % of total direct property assets
Logistics – SA^	12,7	44,2
Retail	9,9	34,5
Industrial	2,9	10,1
Office&	2,0	7,0
Logistics – CEE@	0,8	2,8
Other#	0,4	1,4
Total direct property portfolio	**28,7**	**100,0**

* *Based on management accounts.*
^ *Includes landholdings and work-in-progress of R2,6 billion.*
& *Includes development sites of R0,2 billion.*
@ *Includes development sites of R0,1 billion.*
\# *Comprises a hotel, residential units, a motor dealership and serviced apartment properties.*

In addition to our property portfolio, we have a 23,6% interest in NEPI Rockcastle, valued at R14,6 billion at 30 June 2021.

	Jun 2021			Jun 2020		
Listed portfolio	**Number of shares**	**Fair value R'000**	**Effective holding %**	**Number of shares**	**Fair value R'000**	**Effective holding %**
NEPI Rockcastle	**144 008 793**	**14 576 570**	**23,6**	140 000 000	12 426 400	23,3

NEPI Rockcastle recently released solid results for their interim period ended 30 June 2021. Notably, their low loan-to-value ("LTV") ratio of 31,8% and strong liquidity position have enabled them to pay out 100% of their distributable earnings as a dividend. The portfolio has been strengthened with the sale of several non-core assets and valuations on their existing portfolio were marginally positive compared to 31 December 2020. The CEO and CFO, along with the rest of the management team, have done a commendable task in ensuring the business remains in a market-leading position.

CAPITAL STRUCTURE

The capital structure comprises two classes of ordinary shares, each with equal voting rights, but different entitlements to distributions and capital participation on redemption or winding up. The Fortress A ordinary share ("FFA"; share code: FFA) has a preferential right to capital participation upon winding up or redemption, which is calculated as the 60-day volume-weighted average price ("VWAP") on the JSE Limited ("JSE") subject to a floor of R8,11 if redeemed. The Fortress B ordinary share ("FFB"; share code: FFB) has entitlement to the residual distribution of capital upon winding up.

The Memorandum of Incorporation ("MOI") governs the distribution in any six-month income period. The MOI defines a first and a second income period. The FFA share has a dividend benchmark which is the prior comparative period's dividend benchmark, escalated by the lower of the Consumer Price Index ("CPI") or 5% ("the FFA dividend benchmark"). Should the company earn distributable income in excess of the FFA dividend benchmark in any income period, the board may declare a dividend equal to the FFA dividend benchmark to the holders of FFA shares and any residual to the holders of FFB shares. Should the company earn distributable income below the FFA dividend benchmark, the board is not authorised to declare any distribution from income earned in that specific income period to either FFA or FFB shareholders, unless a specific amendment to the MOI has been approved by both classes of shareholders.

The board approached shareholders for an amendment to the MOI, allowing a dividend to be declared below the FFA dividend benchmark for the six-month period ended 30 June 2021 ("second income period"), which was similar to the amendment sought for the prior year's second income period ended 30 June 2020. This amendment was approved by the requisite majority of our shareholders and allows us to retain REIT status by declaring a dividend below the FFA dividend benchmark that meets the JSE Listings Requirements for REITs.

SUMMARY OF FINANCIAL PERFORMANCE

	Jun 2021	Dec 2020	Jun 2020	Dec 2019
Dividend per FFA share (cents)[&]	**74,70**	–	23,00	77,67
FFA dividend benchmark (cents)[$]	**79,14**	80,10	76,13	77,67
Dividend per FFB share (cents)	**–**	–	–	74,84
Shares in issue at the end of the period				
– FFA	**1 191 595 172**	1 191 595 172	1 191 595 172	1 191 595 172
– FFB	**1 093 213 028**	1 093 213 028	1 093 213 028	1 093 213 028
– FFB shares held in treasury[#]	**62 163 124**	62 163 124	62 163 124	62 163 124
Management accounts information				
Net asset value ("NAV") per equity share (going concern)[^]	**R12,34**	R11,35	R10,94	R15,59
NAV per FFA share*	**R14,22**	R12,96	R11,08	R20,35
NAV per FFB share	**R10,18**	R9,48	R10,77	R10,08
LTV ratio** (%)	**36,7**	38,1	38,5	33,3
Net property expense ratio (%)	**23,1**	24,6	24,3	18,0
Gross property expense ratio (%)	**39,9**	41,4	40,8	36,1
Net total expense ratio (%)	**26,3**[^^]	32,1[^^]	20,1	15,6
Gross total expense ratio (%)	**35,3**[^^]	36,7[^^]	34,2	28,9
International Financial Reporting Standards ("IFRS") accounting				
NAV per equity share (going concern)[^]	**R12,63**	R11,59	R11,17	R15,81
NAV per FFA share*	**R14,22**	R12,96	R11,08	R20,35
NAV per FFB share	**R10,67**	R9,91	R11,29	R10,22

& *Actual dividend per FFA share declared for the six-month income period.*

$ *FFA dividend benchmark per share for the six-month income period.*

\# *Excludes 64 197 790 FFB shares held by Fortress Empowerment 2 and Fortress Empowerment 4, which are consolidated and treated as treasury shares for IFRS purposes.*

^ *The NAV per equity share is calculated as the total NAV divided by the aggregate number of FFA and FFB shares in issue, less shares held in treasury.*

* *60-day VWAP at the reporting date, limited to combined NAV.*

** *The LTV ratio is calculated by dividing the total interest-bearing borrowings adjusted for cash on hand by the total of investments in property, listed securities and loans advanced, and is based on management accounts information. Refer to Annexure 1.*

^^ *Had NEPI Rockcastle's capitalisation issue in 1H2021 been accounted for as dividends received, the net total expense ratio and gross total expense ratio would have been 22,4% (Dec 2020: 22,9%) and 31,4% (Dec 2020: 29,5%), respectively.*

DISTRIBUTABLE EARNINGS

First income period (1 July 2020 to 31 December 2020; "1H2021")

Distributable income, based on our communicated Fortress distribution methodology, was less than the FFA dividend benchmark and accordingly no dividends were declared for the first income period to either FFA or FFB shareholders. The total FFA dividend benchmark per share, multiplied by the number of shares in issue (excluding treasury shares at the time of the dividend declaration) for the first income period was R954,5 million, with actual distributable income achieved of R820,5 million.

Second income period (1 January 2021 to 30 June 2021; "2H2021")

For the second consecutive year, distributable income was less than the FFA dividend benchmark for the second income period. The total FFA dividend benchmark per share, multiplied by the number of shares in issue (excluding treasury shares at the time of the dividend declaration) for the second income period was R921,8 million with actual distributable income achieved of R892,2 million.

DIVIDENDS AND DIVIDEND POLICY

For the third consecutive reporting period, distributable income was below the FFA dividend benchmark. As noted under the capital structure section, the board has the requisite authority from shareholders for this income period to declare a dividend below the FFA benchmark and accordingly declared a dividend of 74,70 cents per FFA share for the second income period and did not declare a dividend to FFB shareholders. The total distribution for FY2021 meets the minimum distribution requirement for a REIT per the JSE Listings Requirements.

For the second income period, CPI, as supplied by Statistics SA, increased by 3,95% over the comparable period in the prior year and, accordingly, the FFA dividend benchmark is 79,14 cents per share for the second income period. This FFA dividend benchmark of 79,14 cents per share will then increase at the lower of CPI or 5% for future second income periods from 1 January to 30 June of the respective years. The FFA dividend benchmark for the first income period is 80,10 cents and this will increase by the lower of CPI or 5% for future first income periods from 1 July to 31 December of the respective years.

The company's policy relating to the determination of distributable income has remained consistent since 1 January 2020 and remains appropriate under current circumstances.

NET ASSET VALUE

Our NAV and tangible net asset value ("TNAV") are the same as we have no intangible assets on our balance sheet. Our TNAV has shown a pleasing increase of 12,8% from R24,3 billion at 30 June 2020 to R27,4 billion at 30 June 2021.

TNAV per equity share increased from R10,94 at 30 June 2020 to R12,34 at 30 June 2021. The TNAV per equity share, outside of a redemption or winding-up event, provides the fairest reflection of the per share TNAV for both FFA and FFB shares.

Information based on management accounts.

LTV RATIO

The LTV ratio has improved to 36,7% at 30 June 2021 compared to 38,1% at 31 December 2020. During March 2021, we settled all our cross-currency interest rate swap ("CCIRS") liabilities in cash after closing out the foreign currency exposure related to the CCIRS during 1H2021. The closing out of the synthetic debt position created by the CCIRS has further mitigated potential liquidity risks. In light of our strong liquidity and balance sheet position and our ability to access funding from financial institutions, as well as the debt capital markets, we remain comfortable with our current debt levels, especially considering the currently attractive low interest rate environment.

Information based on management accounts.

DIRECT PROPERTY PORTFOLIO (SA)

Logistics portfolio

(R10,1 billion asset value)

The demand for quality warehouse space was robust for the duration of the year and leasing enquiries remain strong. Our low vacancy rate and the fact that we let all of our speculative warehouse developments prior to year-end is testament to this.

The synergies between the standing logistics portfolio and the logistics development pipeline have proven beneficial and allow us to accommodate tenants' requirements, both for existing and newly developed facilities, across different locations in South Africa.

While demand has been strong, market rental growth in this sector has remained flat. The result of this lack of market rental growth, compared to contractual escalations embedded in historic leases, is negative rental reversion on expiry or renewal of leases.

Logistics developments

(R2,6 billion asset value)

The table below provides a summary of our logistics parks developments in SA as at the date of this report:

Logistics park	Fortress ownership %	Total GLA of the park m²	Completed developments (including sold developments) m²	Available GLA for development m²	Currently under development or redevelopment: Let/under offer* m²	Currently under development or redevelopment: Speculative/ unlet m²	Remaining GLA to be developed m²
Louwlardia	100	89 656	89 656	–	–	–	–
Eastport	65	420 000	95 191	324 809	164 470	–	160 339
Longlake	100	96 562	36 562	60 000	–	19 232	40 768
Clairwood	100	320 006	50 129	269 877	79 956	42 365	147 556
Cornubia	50,1	103 568	18 900	84 668	–	18 622	66 046
Total: SA		1 029 792	290 438	739 354	244 426	80 219	414 709

* *Development pre-let or under offer with prospective tenant.*

Louwlardia Logistics Park ("Louwlardia")

The final building in this park was completed and let to Ultimate Sports Nutrition ("USN") on a 10-year lease. This park has proven to be successful with both WeBuyCars and Worldwide Automotive Group acquiring a 50% undivided share in their buildings, thereby committing to the park over the long term and allowing us to recycle capital and realise a profit on our development cost. We are exploring options for the expansion of this park.

Eastport Logistics Park (65% interest) ("Eastport")

Eastport is located in a high-demand corridor for logistics users along the R21 highway close to OR Tambo International Airport and easily accessible from both Johannesburg and Pretoria. It serves the eastern parts of South Africa and has easy access to the main transport routes to Durban.

During FY2021, we reached agreement with Pick n Pay to develop a new distribution centre with an approximate GLA of 164 470m². Pick n Pay and Fortress will ultimately co-own this new state-of-the-art logistics facility, which should be completed by February 2023 on a 60/40 ownership basis, respectively. The transaction is based on an agreed 7,0% forward yield with appropriate compensation for funding and risk.

Construction of two speculative warehouses measuring 13 756m² and 20 232m² was completed during the year. These were let to On The Dot Media and Takealot on leases of seven years and 14 months, respectively, with initial yields of 8,6% and 9,1%.

Furthermore, a warehouse which was pre-let to Clippa was completed in February 2021. The tenant has exercised its option to acquire a 50% undivided share at a yield of approximately 1% below our development yield. We disposed of 60 000m² of land at Eastport to a data centre operator to develop the largest data centre in Africa. This disposal was at a premium to our book value and has generated activity on site, leading to increased interest in Eastport.

Clairwood Logistics Park ("Clairwood")

Fortunately this park, located south of Durban, was unaffected by the civil unrest in July 2021. While demand for facilities at Clairwood has been consistently strong, we have seen increased enquiries following the civil unrest and destruction of several warehouses in KwaZulu-Natal, with tenants preferring to be in a secure park such as Clairwood. We currently have ongoing negotiations for 40 000m² of space and will communicate progress once these are finalised.

We recently completed construction of two buildings measuring 48 303m². Of this, 34 046m² was let to African Sugar Logistics and 14 257m² was let to Super Group Consumer division, both for a period of five years, generating yields of 7,2% and 7,1%, respectively.

During FY2021, we signed a lease for a 56 792m² container terminal at Clairwood for 10 years at an estimated yield of 9,2%. We believe that a container facility will further add to the attractiveness of Clairwood for potential tenants. We envisage Clairwood becoming a highly sought-after logistics park which will form the cornerstone of our exposure to the KwaZulu-Natal market.

We introduced smaller units at Clairwood on land unsuitable for larger warehouses. These units measure between 2 500m² and 5 000m² and we are seeing interest in this space from prospective tenants. An offer is being negotiated with a global logistics company for one of the four units and completion is expected between August and October 2021.

Cornubia Ridge Logistics Park (50,1% interest) ("Cornubia")

Along with the Makro development completed in 2018, we completed a 23 727m² logistics facility at Cornubia during 1H2021 which had been fully let to two tenants occupying 14 002m² and 9 725m² on five-year and 10-year leases respectively. This warehouse adjacent to Makro was destroyed in the civil unrest in July 2021. We are covered under our insurance policy for both the replacement of the warehouse as well as loss of income.

As reported in our interim results, we sold a 49,9% undivided share in Cornubia to the previous holders of a 49,9% share in a group subsidiary that owned the Cornubia property. The disposal was at a premium to our carrying value given that the carrying value was below the total development cost on which the transfer price was set.

Longlake Logistics Park ("Longlake")

The first phase of this development has been completed. The first warehouse of 24 458m² was let to Zest Weg on a 10-year triple net lease at an 8,5% net initial yield and 12 104m² was let to Cargo Carriers on a five-year lease.

We have also commenced earthworks at Longlake Extension 2, the next phase of the park, and approved construction of the next speculative warehouse of 19 232m². Approximately 60 000m² can be developed in this phase and we are confident in letting this development given the prime location and success of the first phase.

Retail

(R9,9 billion asset value)

The retail trading environment in South Africa remains constrained by low economic growth and the effects of the COVID-19 restrictions. The third wave of COVID-19 infections and the recent social unrest have introduced further uncertainty to the retail sector. Notwithstanding these challenging trading conditions, our retail portfolio's operational performance has improved during FY2021. Key operational metrics, including sales growth, vacancy levels and rental collections are encouraging.

There has been a steady recovery in trading since the hard lockdown in 2020 and through the various lockdown levels imposed by the government during FY2021. Retail sales have increased by 7,3% and 5,1% in FY2021, compared to FY2020 and FY2019, respectively.

The grocery and pharmaceutical categories continue to outperform. The hardware and home improvement category, together with clothing retailers with a focus on affordability and comfort apparel, also performed well, while a shift from formal/smart wear to casual wear was noticeable. COVID-19 restrictions continue to affect the trading of restaurants, liquor stores, gyms and gambling establishments.

Our commuter and convenience retail properties have proven to be defensive in these testing times and in our view are likely to continue to be a relative outperformer in the retail real estate sector.

Turnover performance by portfolio is split as follows:

Portfolio split	Comparative turnover growth to FY2020* %	Comparative turnover growth to FY2019* %
Township centres	6,6	1,0
CBD centres	6,1	3,7
Suburban centres	6,9	5,8
Rural centres	9,8	7,7
Overall retail portfolio	7,3	5,1

* *Growth for the 12-month period FY2021 compared to the same 12-month period of the prior years.*

Township centres

Our well-located township retail assets have performed well during FY2021. The recent extension of the Social Relief of Distress ("SRD") grant and government's social support measures will also benefit these shopping centres.

Four of our township centres were affected by the recent social unrest being Evaton Mall, Palm Springs Shopping Centre, Yarona Mall and Tembi Mall. The latter two centres suffered minor damage and are currently open for trade. The former, being Evaton Mall and Palm Springs Shopping Centre, were heavily impacted and suffered partial fire damage. The majority of tenants at Evaton Mall are expected to be fully operational at the end of August 2021, while the majority of tenants at Palm Springs Shopping Centre are expected to be fully operational at the end of September 2021.

CBD centres

We have seen strong performance from our CBD centres. Our commitment to modern, well-maintained and secure shopping centres in CBDs makes our centres the preferred destinations for consumers. 409 West Street, which had the highest vacancy in the retail portfolio, was sold and transferred during 2H2021, which is in line with our strategy of selling underperforming retail assets.

Two of our CBD centres suffered major damage during the recent social unrest in KwaZulu-Natal, being Biyela Shopping Centre in Empangeni and West Street Durban. Both centres had fire damage and are not currently operational. The reconstruction and redevelopment of these centres is estimated to take approximately nine months.

Suburban centres

Suburban centres continue to benefit from the impact of work-from-home arrangements and consumers' preference for convenience centres. In this segment, better trading was experienced at Jeffrey's Bay Centre which had been an underperforming asset in the past. We have recently approved a refurbishment of this centre that includes an upgraded Checkers store.

Rural centres

This market is a major benefactor of government's social relief measures and has shown a strong performance during FY2021. Improved lettings at Monument Centre, Venda Plaza and Vryheid Plaza have cemented our dominance in these catchment areas.

Vacancies and collections

Vacancies in the retail portfolio decreased to 3,7% at 30 June 2021 from 5,3% reported at 31 December 2020, the primary reason being the sale of the 14 000m² 409 West Street centre which had a high vacancy. The letting of larger vacant areas at Pineslopes Shopping Centre, Secunda Central and Jeffrey's Bay Centre has also contributed to our improved retail vacancy figure. Our rental collection rate was maintained at 98% during FY2021.

Retail outlook

The COVID-19 pandemic and recent social unrest will prolong uncertainty in the retail sector. However, we are encouraged by the vaccine roll-out and improved trading figures from retailers. Our immediate focus will be to rebuild the shopping centres that were affected by the recent social unrest and continue with planned refurbishments and extensions.

During FY2021, we sold six retail assets, which is in line with our strategy of selling non-core and underperforming assets.

We have commenced the redevelopment of Palm Springs Mall to accommodate an additional anchor tenant to the centre. Our plans to redevelop and expand Botlokwa Plaza in Limpopo and Vryheid Plaza in KwaZulu-Natal are at an advanced stage. We continue to pursue new opportunities which will expand and improve the quality of our retail portfolio.

Office (including office developments)

(R1,7 billion asset value; R0,3 billion of land)

This portfolio represents only 4,4% of our total assets. The COVID-19 restrictions and resultant work-from-home arrangements of many corporates continue to drive vacancies higher in this portfolio. A highlight for the reporting period was the award of a tender by the Department of Public Works to lease Oak Avenue in Centurion in order to accommodate an office for the United Nations. We are working with the party who was successful in the tender to ensure the sale of this property is completed.

The conditions precedent for a sale agreement with a residential developer to acquire a portion of one of our vacant Sandton sites were not met, resulting in the sale not proceeding.

We have recognised a further impairment of R82,5 million to our development site opposite the Gautrain station and have commenced with the basement construction, as the lateral support structures on the existing basement were not a permanent solution. This cost is estimated at R56 million. The land component of the original purchase price has now been fully impaired to zero and the hard construction costs of the basement have also been impaired below historic cost.

Industrial

(R2,9 billion asset value)

Given the large floor space of many industrial assets, the vacancy is volatile when measured by GLA. The vacancy rose from 7,9% at 31 December 2020 to 13,0% at 30 June 2021, but improved from the figure published on SENS in June 2021 of 14,3%. Apart from the vacancies, the performance of this portfolio was satisfactory. Demand for smaller, well-located units in secure parks has remained relatively robust. The repurposed and branded assets managed by Inospace have proven to be a successful trial. Discussions are underway to convert additional industrial assets to Inospace's serviced business park model, which enhances returns and provides tenants with a compelling offer of flexible spaces, overlaid with a range of value-added services and on-site facilities.

We have seen renewed interest in many industrial parks from the investor market and will continue to pursue an exit of this portfolio.

DIRECT PROPERTY PORTFOLIO (CEE)

(R0,8 billion asset value)

The table below summarises our logistics portfolio in CEE:

Logistics park	Fortress ownership %	Total GLA of the park m²	Completed developments m²	Remaining GLA to be developed m²
Bydgoszcz – Poland	100	90 750	48 360	42 390
Stargard – Poland	100	79 650	11 480	68 170
Total: Logistics – CEE		**170 400**	**59 840**	**110 560**

FORTRESS EUROPE

During 2H2021, we continued to progress on our strategy of selectively acquiring and developing secure logistics parks in CEE. We established an on-the-ground Fortress Europe team with the hiring of Mr Maciej Tuszynski, managing director of Fortress Europe. He will be joined shortly by two senior executives in Poland, being a head of development and a head of leasing. The agreement with the existing developer from which we acquired the assets in Bydgoszcz and Stargard has been discontinued, except as it relates to Hall D in Stargard, which is presently under construction. The remaining developments on these sites will now be managed in-house.

The outlook for these assets is positive and the in-country team is focused on rolling out developments within the existing parks.

Poland

The second quarter of 2021 brought back hope of an economic rebound post the third wave of COVID-19, resulting in increased tenant interest in additional space, the absorption of the existing Bydgoszcz vacancy, which is now fully let, and the commencement of the construction of a second building in Stargard. In Bydgoszcz, the entire vacancy in Hall A has been let to four tenants comprising a mix of local and international tenants, namely Totalizator Sportowy, Orange, DTS and DB Schenker.

In Stargard, European bathroom manufacturer Eco Ready Bath has signed a new five-year lease agreement over approximately 9 000m² of space from a total of 15 000m² that will be available once completed. The expected occupancy date of this building is February 2022 and the development is progressing well with an expected yield on cost of 8,0% in Euro, assuming no vacancy.

Romania

Romania is an attractive logistics real estate market with strong demand from both local and international e-commerce and manufacturing tenants, as well as logistics providers. Bucharest, being the capital, has a thriving consumer base and a rapidly growing economy. We entered the Romanian logistics market with the acquisition of a modern, high-quality logistics park measuring 50 130m² in July 2021.

The logistics park was developed by Element Industrial as EliPark 1 and is strategically located just 15 minutes from the north of Bucharest and five minutes from the ring road, near the connection with the future A0, Bucharest's new ring road, which will enhance the site once completed. EliPark 1 is leased to strong local tenants including Arctic, Decor Floor, Dentotal, Euro Games Technology Romania and Mobilier 1.

The total asset value is EUR31,4 million and was acquired with existing bank debt with UniCredit of EUR17,9 million at attractive funding rates. The existing leased buildings were purchased on a net operating income yield of 8,0%, with the newly constructed unlet portions at cost, subject to an earn-out once leased by the developer, with a long stop date of 31 December 2021.

VACANCIES

Total vacancies, measured as a percentage of GLA, increased marginally from 6,8% at 31 December 2020 to 7,4% at 30 June 2021, although down from 8,9% at 30 June 2020.

Sectoral vacancy	Based on GLA Jun 2021 %	Based on GLA Dec 2020 %	Based on value per m^2 of building Jun 2021# %	Based on value per m^2 of building Dec 2020# %
Total* (including CEE)	**7,4**	6,8	**4,6**	5,2
Logistics – SA	**3,8**	4,3	**2,4**	3,7
Retail	**3,7**	5,3	**2,6**	3,3
Industrial	**13,0**	7,9	**12,4**	7,4
Office	**28,1**	26,8	**26,0**	24,9
Other^	**2,7**	2,9	**0,6**	1,3
Logistics – CEE	**1,5**	–	**2,0**	–

Information based on management accounts.

* *Vacancy statistics at 30 June 2021 exclude Oak Avenue Highveld, an office building of 11 700m^2, which is shown as held for sale. This property has been sold to the winner of a tender from the Department of Public Works to lease the property for five years. At year-end there is a binding lease offer in favour of the buyer and the transfer remains subject to certain conditions precedent.*

\# *Vacancy based on the Rand value rate per square metre (100% of GLA and value) of the building.*

^ *Includes a hotel, residential units, a motor dealership and serviced apartment properties.*

PROPERTY DISPOSALS

The following properties were sold during the financial year:

Property name	Sector	Net proceeds R'000	Book value Jun 2020 R'000	Transfer date
Cornubia Ridge Logistics Park (49,9% share)#	Logistics	**454 289**	416 326	Dec 2020
Louwlardia Logistics Park – Building 2 (WAG) (50% undivided share)*	Logistics	**154 500**	154 500	Aug 2020
Sunnyrock Close Germiston	Industrial	**91 130**	91 130	Jun 2021
Protea Centre	Retail	**83 000**	83 000	Sep 2020
409 West Street^	Retail	**83 000**	82 500	Jun 2021
Nongoma Shopping Centre	Retail	**80 200**	70 000	Jun 2021
Eastport Logistics Park (65% share) – land portion only**	Logistics land	**71 175**	58 693	Nov 2020
38 Isando Road^	Industrial	**70 000**	75 510	Mar 2021
Shoprite Port Shepstone	Retail	**67 320**	68 000	Oct 2020
Pelican Park Jet Park^	Industrial	**60 021**	59 380	Jun 2021
30 Bell Street Hennopspark^	Industrial	**51 500**	52 000	Mar 2021
Elliot Avenue Epping	Industrial	**45 000**	45 000	Nov 2020
2 Drakensberg Drive Longmeadow	Logistics	**39 500**	41 210	Dec 2020
Modderfontein Road Longmeadow	Other – Motor dealership	**32 725**	31 400	Dec 2020
204 Rivonia Road Morningside (Block C & E)**	Office	**30 830**	30 830	Aug and Sep 2020
Nywerheid & Evergreen^	Industrial	**28 000**	28 951	Apr 2021
189 Monte Carlo Crescent Kyalami	Office	**26 235**	26 235	Sep 2020
Makhado Square	Retail	**25 750**	31 000	Jun 2021
122 Koornhof Road Meadowdale^	Industrial	**23 000**	23 197	Jan 2021
Louis Trichardt Street Nelspruit	Industrial	**22 500**	22 500	Sep 2020
8 and 16 Harry Street	Industrial	**22 000**	23 740	Nov 2020
Brunton Circle Founders View South	Logistics	**18 000**	19 680	Dec 2020
Lakeview Business Park (No 9)^	Industrial	**15 000**	12 700	Apr 2021
Broad and Simmonds Streets	Industrial	**14 550**	14 550	Jul 2020
4 Neutron Street Linbro Park^	Logistics	**14 250**	13 700	Apr 2021
Groblersdal Centre	Retail	**7 700**	7 500	Nov 2020
Library Office Park^	Office	**6 750**	8 000	Feb 2021
Bart Street Wilbart	Industrial	**5 940**	5 940	Nov 2020
Sharland Street Driehoek^	Industrial	**5 700**	7 620	Mar 2021
		1 649 565	1 604 792	

\# *Book value at transfer date, net of impairment.*

* *Effective date of transaction was August 2020 with transfer in March 2021.*

** *Effective date transaction. Proceeds have been received.*

^ *Held for sale at 31 December 2020.*

The following properties were held for sale at 30 June 2021:

Property name	Sector	Net proceeds[$] R'000	Book value Jun 2020 R'000	Transfer date
Oak Avenue Highveld*	Office	123 500	127 000	@
3 and 6 Cedarfield Close Springfield Park	Logistics	108 000	90 600	@
Cambridge Manor Paulshof	Office	28 750	40 600	@
286 Sixteenth Road	Logistics	21 500	20 115	Aug 2021
Bevan Road Roodekop	Logistics land	8 100	–	@
		289 850	278 315	

$ *Equal to book value at 30 June 2021.*
* *Refer to the note under the "Vacancies" section.*
@ *Not yet transferred.*

Our dedicated in-house disposals team sold 29 properties during FY2021, including seven properties held for sale at 30 June 2020, despite a challenging economic environment. Purchasers of these properties included a mixture of owner occupiers and real estate investors.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Environmental

We have 15 operational solar photovoltaic ("solar PV") plants at present, with another plant under construction. We will commence the installation of three more sites during the first quarter of FY2022 and we are awaiting approval on a further six plants with six more feasibilities being undertaken. We have increased our installed capacity from 2.805MWp at 30 June 2020 to 4.735MWp at 30 June 2021.

Our first battery storage installation will be completed during the first quarter of FY2022. This installation will allow us to operate this particular shopping centre from the battery and solar installation, thus providing tenants who are not on back-up generators with uninterrupted trading during load shedding or other breaks in electricity supply.

We generated 3 063MWh from our existing solar PV plants during 2H2021, compared to 1 887MWh for the corresponding period in the previous financial year. In total, we generated 5 659MWh during FY2021, compared to 3 272MWh in FY2020.

To date, we have spent R71 million on our solar programme with further estimated expenditure of R87 million committed to sites under our control. We have successfully completed the installation of smart water and electricity meters at two sites and we are already seeing the benefits from these installations in the early detection of leaks and better understanding the energy profiles of these buildings.

Management of our Meycol Nature Reserve is an ongoing commitment. We are making good progress according to the approved management plan in terms of conservation of the grasslands, swamp forests and associated biodiversity, as well as the eradication of invasive plant species.

Our partnership with Food & Trees for Africa continues to have a positive impact on the communities we are active in, as well as the environment.

As noted under logistics developments, there was an arson attack as part of the extensive civil unrest that led to the destruction of the premises occupied by UPL South Africa and the resultant spill of products intended for use in the agricultural industry. While the clean-up is being led by UPL South Africa and various government departments, we remain strongly committed to ensuring that any environmental impact is assessed, mitigated and remediated as quickly as possible. To this end, our appointed team of independent professionals is constantly providing us with feedback from their work and investigations as we await the comprehensive results from various tests currently being conducted.

Social

Fortress' initiatives primarily focus on skills development. We have chosen to follow a holistic approach of assisting in youth education and training, as well as helping owners of small businesses. We sponsor educational initiatives and bursary programmes that are making a difference to the lives of 550 children and young adults. With our supplier and enterprise development initiatives, 521 jobs have been sustained, 50 new jobs created and a number of companies on our programmes provide business services to Fortress.

We improved our B-BBEE rating to Level 4.

Corporate governance

The board welcomed Mr Benjamin Kodisang and Mr Thavanesan Chetty as independent non-executive directors in early February 2021. Mr Kodisang is a member of the investment committee and the audit committee. Mr Chetty is a member of the investment committee and the remuneration committee. Mr Djurk Venter retired from the board during the financial year and the board wishes him well and thanks him for his contribution during his tenor. Mr Venter was an independent non-executive director of Fortress since its listing in October 2009 and has actively contributed to the growth of the business over a number of years. Mr Bram Goossens joined the board in June 2021 and is a member of the audit and the social, ethics and sustainability committees.

CURRENCY DERIVATIVES

Balance sheet hedging

As previously communicated, we have discontinued the use of CCIRS as a means of obtaining funding in a currency matched to that of the foreign assets, as the risk versus reward profile of the product was considered unfavourable under current conditions. All CCIRS have thus been exited, with final settlement of R542 million paid in cash in March 2021.

Following the close-out of the CCIRS, all Euro-based interest rate caps have been exited. Euro swaps have been entered into to hedge the interest rates on the ring-fenced debt, secured by the recently acquired Polish and Romanian logistics parks.

We have no other exposure to foreign exchange rates other than that resulting from our NEPI Rockcastle investment, direct CEE logistics assets and the forward exchange contracts entered into to hedge the NEPI Rockcastle dividend income as disclosed further in this report.

Income hedging

Income from foreign investments is hedged in line with the following policy:

- Hedge 100% of the income projected to be received in the following 12 months;
- Hedge 67% of the income projected to be received in months 13 to 24; and
- Hedge 33% of the income projected to be received in months 25 to 36.

In line with this policy, the following forward exchange contracts are in place:

Forward rate against Rand	EUR
Dec 2021	20,43
Jun 2022	20,82
Dec 2022	21,36
Jun 2023	20,52
Dec 2023	20,92
Jun 2024	20,82

FUNDING AND LIQUIDITY

During FY2021, we issued a three-year bond of R560 million and a one-year note of R120 million under our domestic medium-term note ("DMTN") programme, while issuances totalling R541 million reached maturity and were repaid.

In addition, secured facilities with RMB of R3,4 billion due to expire in November 2021, were early refinanced and replaced with facilities of R3,0 billion for two, three and four years, each tenor for a facility of R1,0 billion. A facility of R200 million with Libfin was repaid in June 2021.

We issued two sustainability-linked bonds, R495 million for three years and R405 million for five years, under our DMTN programme post the 30 June 2021 reporting period, in August 2021.

At the date of this report, we have approximately R2,8 billion available under our existing South African facilities. The facility expiry profile at 30 June 2021 was as follows:

Facility expiry	Amount R'million	Average margin over 3-month JIBAR %
Jun 2022	1 362	1,76
Jun 2023	5 103	1,82
Jun 2024	5 238	1,95
Jun 2025	5 890	1,90
Jun 2026	1 250	2,11
Jun 2027	611	2,26
	19 454	**1,91**

In addition to the facilities above, but excluded from the table, we have EUR14,4 million of senior, amortising debt repayable in FY2026 with an interest rate of EURIBOR plus 2,3% against our Polish assets.

The expiry dates of notes and bonds in issuance under our unsecured DMTN programme, included in the facility expiry profile above, are as follows:

Repayment date	Financial year	Amount R'million
Feb 2022	Jun 2022	120
Aug 2022	Jun 2023	400
Nov 2022	Jun 2023	500
Oct 2023	Jun 2024	560
Aug 2024	Jun 2025	300
Aug 2024	Jun 2025	495
Oct 2024	Jun 2025	200
Aug 2026	Jun 2027	405
		2 980

Subsequent to 30 June 2021, we entered into a new local interest rate swap with a nominal amount of R200 million and a local interest rate cap with a nominal amount of R200 million, with the effect that the combined weighted average swap and cap maturity profile is 4,45 years and a combined weighted average swap and cap rate of 6,95%.

Interest rate hedging

At the date of this report, the following interest rate derivatives are in place in mitigation of South African Rand interest rate risk:

Interest rate swap expiry	Amount R'million	Average swap rate %
Jun 2022	600	7,99
Jun 2023	300	7,79
Jun 2024	200	7,47
Jun 2025	950	7,03
Jun 2026	1 600	7,09
Jun 2027	1 050	6,82
Jun 2028	600	6,18
	5 300	**7,08**

Interest rate cap expiry	Amount R'million	Average cap rate %
Jun 2022	400	7,76
Jun 2023	300	7,71
Jun 2024	400	7,98
Jun 2025	1 075	6,67
Jun 2026	950	5,96
Jun 2027	1 475	6,64
Jun 2028	1 800	7,02
Jun 2029	300	6,79
	6 700	**6,85**

The all-in, in force weighted average cost of local funding of Fortress was 6,94% at 30 June 2021.

Exposure to variable interest rates	South Africa R'000
Interest-bearing borrowings	16 650 960
Fixed-rate funding (collar over NEPI Rockcastle shares)	(784 270)
Loans to co-owners	(240 016)
Cash and cash equivalents	(541 646)
Capital commitments contracted for	768 043
Capital commitments approved	752 171
Investment property held for sale	(289 850)
Estimated disposal of non-core assets in FY2022*	(544 860)
	15 770 532
Total interest rate derivatives (swaps/caps)	12 000 000@
Percentage hedged (%)	**76,1**

Information based on management accounts.

@ *At the date of this report.*

* *As part of our asset disposals programme, a total of R877 million and R1,65 billion of properties were sold during FY2020 and FY2021. Capital commitments include amounts to be spent over the next 12 months, and in order to match similar periods for both capital commitments and proceeds from disposals, an assumption of asset sales was made for this purpose.*

At 30 June 2021, we had a total of EUR14,4 million of in-country debt relating to the Polish assets. Interest rate swaps of EUR12,8 million, representing a hedge ratio of 88,9%, have been entered into as a condition of these facilities and expire at the time of the debt maturing in FY2026.

PROSPECTS

There is an evident stabilisation and in some cases noticeable recovery in many of the markets, sectors and countries to which we have economic exposure. We remain optimistic about the future of our core portfolio in the medium to long term. However, given the withdrawal of guidance from our associate NEPI Rockcastle, possible unforeseen COVID-19 restrictions being imposed, as well as our capital structure, we are unable to accurately forecast distributable earnings on a per share basis for each class. Given the assumptions below, on a total distributable earnings measure, we currently estimate that the total distributable earnings for FY2022 will be approximately R1,79 billion representing growth of approximately 5% on a like-for-like basis compared to FY2021, on a consistent distribution methodology and post adjusting for once-off items in FY2021. Assumptions made in this forecast are listed below.

Forecast distributable earnings, when split between the two income periods for FY2022, are expected to be below the FFA dividend benchmark for 1H2022 and above the FFA dividend benchmark for 2H2022.

Maintaining a strong balance sheet, retaining REIT status and ensuring sufficient available liquidity to continue our strategy of being a leading developer of logistics parks will continue to be balanced against the payment of dividends.

This forecast is based on the following assumptions:

Fortress-specific assumptions

- In light of the withdrawal of guidance by NEPI Rockcastle, we have assumed in our forecasts above that NEPI Rockcastle's distributable earnings for the six-month periods ending 31 December 2021 and 30 June 2022 are the same as for the comparable periods ended 31 December 2020 and 30 June 2021 and that NEPI Rockcastle pays out 100% of distributable earnings as a dividend;
- No material sales nor acquisitions occur which necessitate a revision to this forecast;
- There is no unforeseen failure of material tenants in our portfolio;
- Contractual escalations and market-related renewals will be achieved with no major change in vacancy rates; and
- Tenants will be able to absorb rising utility costs and municipal rates.

Macroeconomic and regulatory assumptions

- There is no change in the existing lockdown restrictions placed on any of our tenants in our direct portfolio;
- There is no unforeseen material macroeconomic deterioration in the markets in which Fortress has exposure;
- The South African Reserve Bank maintains the repurchase rate at 3,5%; and
- There is no resurgence in civil unrest in South Africa and we assume that timely payment of insurance claims related to previous civil unrest is made.

This forecast has not been audited, reviewed or reported on by Fortress' auditor.

By order of the board

Steven Brown
CEO

Ian Vorster
CFO

Johannesburg
2 September 2021

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021

	2021 R'000	2020 R'000
ASSETS		
Non-current assets	**43 600 772**	41 628 427
Investment property	**24 541 623**	24 040 352
Straight-lining of rental revenue adjustment	**514 140**	570 387
Investment property under development	**3 073 775**	3 644 460
Property	**25 778**	27 587
Investment in and loans to associates	**15 243 147**	13 077 617
Investments	**–**	–
Staff scheme loans	**23 197**	78 640
Investment in BEE preference shares	**179 112**	189 384
Current assets	**1 735 479**	1 236 807
Staff scheme loans	**13 712**	5 029
Trade and other receivables	**1 178 754**	744 857
Cash and cash equivalents	**543 013**	486 921
Non-current assets held for sale	**289 850**	339 115
Investment property held for sale	**288 813**	327 701
Straight-lining of rental revenue adjustment	**1 037**	11 414
Total assets	**45 626 101**	43 204 349
EQUITY AND LIABILITIES		
Total equity attributable to equity holders	**27 257 162**	24 116 771
Stated capital	**45 571 743**	45 571 743
Treasury shares	**(1 578 517)**	(1 578 517)
Currency translation reserve	**128 675**	113 392
Reserves	**(16 864 739)**	(19 989 847)
Non-controlling interests	**122 844**	88 668
Total equity	**27 380 006**	24 205 439
Total liabilities	**18 246 095**	18 998 910
Non-current liabilities	**15 284 684**	15 731 064
Interest-bearing borrowings	**15 236 581**	15 668 241
Deferred tax	**48 103**	62 823
Current liabilities	**2 961 411**	3 267 846
Trade and other payables	**1 436 129**	2 008 031
Income tax payable	**188 820**	221 729
Interest-bearing borrowings	**1 336 462**	1 038 086
Total equity and liabilities	**45 626 101**	43 204 349

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 2021

	2021 R'000	2020 R'000
Recoveries and contractual rental revenue	**3 304 394**	3 382 818
Straight-lining of rental revenue adjustment	**(73 038)**	18 716
Revenue from direct property operations	**3 231 356**	3 401 534
Revenue from investments	**2 098**	215 649
Total revenue	**3 233 454**	3 617 183
Fair value loss on investment property, investments and derivative financial instruments	**(228 423)**	(4 688 117)
Fair value loss on investment property	**(382 415)**	(1 887 662)
Adjustment resulting from straight-lining of rental revenue	**73 038**	(18 716)
Fair value loss on investments	**(10 271)**	(1 653 586)
Fair value gain/(loss) on derivative financial instruments	**91 225**	(1 128 153)
Property operating expenses	**(1 313 672)**	(1 409 580)
Administrative expenses	**(200 943)**	(208 046)
Impairment of staff scheme loans	**(12 180)**	(142 326)
IFRS 2: *Share-based Payment* – employee incentive scheme	**(45 753)**	(52 764)
Reversal of impairment/(impairment) of investments in associates	**2 070 946**	(4 305 017)
(Loss)/profit on sale of interest in associate	**(33 632)**	9 416
Income/(loss) from associates	**705 982**	(139 712)
– Distributable	**493 703**	1 394 034
– Non-distributable	**212 279**	(1 533 746)
Profit/(loss) before net finance costs	**4 175 779**	(7 318 963)
Net finance costs	**(800 623)**	(1 046 729)
Finance income	**50 612**	80 814
– Interest on staff scheme and other	**50 612**	80 814
Finance costs	**(851 235)**	(1 127 543)
– Interest on borrowings	**(935 070)**	(1 521 526)
– Capitalised interest	**83 835**	393 983
Profit/(loss) before income tax	**3 375 156**	(8 365 692)
Income tax	**21 995**	(30 381)
Profit/(loss) for the year attributable to equity holders	**3 397 151**	(8 396 073)
Other comprehensive income/(loss) net of tax		
Items that may subsequently be reclassified to profit or loss		
Exchange gain on translation of associates and subsidiaries	**15 283**	108 375
Total comprehensive income/(loss) for the year	**3 412 434**	(8 287 698)

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME continued

for the year ended June 2021

	2021 R'000	2020 R'000
Profit/(loss) for the year attributable to:		
Equity holders of the company	3 352 901	(8 369 338)
Non-controlling interests	44 250	(26 735)
	3 397 151	(8 396 073)
Total comprehensive income/(loss) for the year attributable to:		
Equity holders of the company	3 368 184	(8 260 963)
Non-controlling interests	44 250	(26 735)
	3 412 434	(8 287 698)
Basic earnings/(loss) per FFA share (cents)	156,17	(390,15)
Basic earnings/(loss) per FFB share (cents)	156,17	(390,15)
Diluted earnings/(loss) per FFA share (cents)	155,93	(390,15)
Diluted earnings/(loss) per FFB share (cents)	155,93	(390,15)

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	2021 R'000	2020 R'000
Operating activities		
Cash generated from operations	2 342 983	3 304 888
Interest on staff scheme and other	41 929	85 505
Interest on borrowings (excluding capitalised interest)	(871 046)	(1 203 016)
Dividends paid	(281 325)	(1 585 032)
Income tax paid	(52 019)	(22 412)
Cash inflow from operating activities	1 180 522	579 933
Investing activities		
Development and improvement of investment property	(1 093 828)	(744 139)
Capitalised interest paid on development of investment property	(83 835)	(393 983)
Acquisition of investment property	(766 021)	–
Disposal of investment property	1 519 626	877 486
Increase of interest in and loans advanced to associate	(3 074)	(15 183)
Proceeds from disposal of interest in associate	153 368	337 801
Staff scheme loans repaid	63 174	714
Cash outflow from derivative financial instruments	(778 162)	(214 254)
Acquisition of investments	(70 103)	–
Proceeds on disposal of investments	50 193	442 984
Cash (outflow)/inflow from investing activities	(1 008 662)	291 426
Financing activities		
Decrease in interest-bearing borrowings	(113 473)	(395 891)
Return of capital (non-controlling interest)	(2 295)	–
Share issue costs	–	(64)
Cash outflow from financing activities	(115 768)	(395 955)
Increase in cash and cash equivalents	56 092	475 404
Cash and cash equivalents at the beginning of the year	486 921	11 517
Cash and cash equivalents at the end of the year	543 013	486 921
Cash and cash equivalents consist of:		
Current accounts	262 947	206 656
Restricted cash#	280 066	280 265
	543 013	486 921

Restricted cash at 30 June 2021 and 30 June 2020 was held as collateral by Sanlam against secured facilities.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended June 2021

	Stated capital R'000	Treasury shares R'000	Currency translation reserve R'000	Reserves R'000	Equity attributable to equity holders R'000	Non-controlling interests R'000	Total equity R'000
Balance at 30 June 2019	45 571 807	(1 578 517)	5 017	(9 100 983)	34 897 324	122 879	35 020 203
Issue of shares (equal number of FFA and FFB shares)*	(64)				(64)		(64)
Loss for the year				(8 369 338)	(8 369 338)	(26 735)	(8 396 073)
IFRS 2: *Share-based Payment* – employee incentive scheme				52 764	52 764		52 764
Exchange gain on translation of associate			108 375		108 375		108 375
Dividends paid#				(3 229 396)	(3 229 396)	(7 476)	(3 236 872)
Fair value adjustment to shareholder dividend liability&				657 106	657 106		657 106
Balance at 30 June 2020	**45 571 743**	**(1 578 517)**	**113 392**	**(19 989 847)**	**24 116 771**	**88 668**	**24 205 439**
Profit for the year				**3 352 901**	**3 352 901**	**44 250**	**3 397 151**
IFRS 2: *Share-based Payment* – employee incentive scheme				**45 753**	**45 753**		**45 753**
Exchange loss on translation of associate and subsidiaries			**15 283**		**15 283**		**15 283**
Return of capital						**(2 295)**	**(2 295)**
Dividends paid				**(273 546)**	**(273 546)**	**(7 779)**	**(281 325)**
Balance at 30 June 2021	**45 571 743**	**(1 578 517)**	**128 675**	**(16 864 739)**	**27 257 162**	**122 844**	**27 380 006**

* *1 680 034 FFA shares and 1 680 034 FFB shares were issued under the long-term incentive plan ("LTIP") during the year ended 30 June 2020, accounted for in terms of IFRS 2:* Share-based Payment, *with the effect that these shares are issued at no value, other than share issue costs incurred.*

\# *Of the total dividends paid during the financial year ended 30 June 2020, R1 653 million related to earnings for the six months ended 31 December 2019 which was settled by way of a dividend* in specie, *through the distribution of 29 702 673 Resilient REIT Limited ("Resilient") shares held by Fortress to Fortress' shareholders on 30 March 2020 (net of total treasury shares).*

& *The shareholder dividend liability recognised at declaration date in respect of dividends declared relating to the six-month period ended 31 December 2019, was revalued at settlement date to reflect the reduction in fair value of Resilient shares distributed as a dividend* in specie, *from the declaration date to the settlement date.*

NOTES

1. PREPARATION AND ACCOUNTING POLICIES

The preliminary summarised audited consolidated financial statements for the year ended 30 June 2021 have been prepared in accordance with the JSE Listings Requirements for preliminary reports, the JSE Debt Listings Requirements and the requirements of the Companies Act of South Africa, Act 71 of 2008 applicable to summary financial statements. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. This report complies with the Second Edition SA REIT Association Best Practice Recommendations as applicable to the reporting period for the year ended 30 June 2021. This report and the full set of consolidated financial statements were compiled under the supervision of Ian Vorster CA(SA), the financial director and CFO of Fortress.

The accounting policies applied in the preparation of the consolidated financial statements, from which the preliminary summarised consolidated financial statements were derived, are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements with the exception of new and revised standards which became effective during the year.

The group's investment properties are valued internally by the directors at interim reporting periods and externally by independent valuers for year-end reporting, other than investment property under development, most of which are valued internally at both interim and year-end reporting periods. In terms of IAS 40: *Investment Property* and IFRS 7: *Financial Instruments: Disclosure*, investment properties are measured at fair value and are categorised as a level 3 fair value measurement. The revaluation of investment property requires judgement in the determination of future cash flows from leases and application of an appropriate capitalisation rate and discount rate.

Discount rates vary in the South African investment property portfolio between 11,00% and 16,50% with the exception of Cornubia Logistics Park, Clairwood Logistics Park – 4A (ASL), Rivergate and Pineslopes Shopping Centre which all have a discount rate of 10,50%.

Capitalisation rates vary in the CEE investment property portfolio between 5,90% and 6,75%. Exit capitalisation rates vary in the South African investment property portfolio between 8,00% and 13,00%. Exit capitalisation rates vary in the CEE investment property portfolio between 6,46% and 7,18%. Changes in the discount rate attributable to changes in market conditions can have a significant effect on property valuations. A 50 basis points increase in the discount rate will decrease the value of the South African investment property by R863,7 million. A 50 basis points decrease in the discount rate will increase the value of the South African investment property by R990,1 million.

A 50 basis points increase in the exit capitalisation rate will decrease the value of the CEE investment property by R66,4 million and a 50 basis points decrease in the exit capitalisation rate will increase the value of the CEE investment property by R56,2 million.

In terms of IFRS 9 and IFRS 7, the group's currency and interest rate derivatives, equity collar derivative, as well as the investment in BEE preference shares, are measured at fair value through profit or loss and are categorised as a level 2 fair value measurement. In terms of IFRS 9, investments in listed equities are measured at fair value, being the quoted closing price at the reporting date, and are categorised as a level 1 fair value measurement. There were no transfers between levels 1, 2 and 3 during the year. The valuation methods applied are consistent with those applied in preparing the previous consolidated annual financial statements.

The directors are not aware of any matters or circumstances arising subsequent to 30 June 2021 that require any additional disclosure or adjustment to the financial statements not already disclosed.

These summarised consolidated financial statements for the year ended 30 June 2021 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual consolidated financial statements from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

The audited annual consolidated financial statements, together with the audit report thereon, have been published on Fortress' website and are available at: https://fortressfund.co.za/financials

The audit report on the annual consolidated financial statements in respect of which an unmodified opinion was expressed, notes the valuation of investment properties as a key audit matter.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders and noteholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

2. LEASE EXPIRY PROFILE

Based on	Rentable area %	Contractual rental revenue %
Vacant	7,4	–
Jun 2022	26,2	24,0
Jun 2023	16,1	17,7
Jun 2024	14,6	16,4
Jun 2025	10,2	10,8
Jun 2026	10,7	11,5
> Jun 2026	14,8	19,6
	100,0	100,0

3. SEGMENTAL ANALYSIS

	Audited for the year ended Jun 2021 R'000	Audited for the year ended Jun 2020 R'000
Total revenue		
Logistics – SA	**1 123 953**	1 198 241
Retail	**1 250 256**	1 343 049
Industrial	**485 521**	517 431
Offices	**268 377**	326 703
Other	**72 532**	16 110
Logistics – CEE*	**30 717**	–
Corporate	**2 098**	215 649
Total	**3 233 454**	3 617 183
Profit/(loss) after tax		
Logistics – SA	**847 197**	151 425
Retail	**868 742**	426 015
Industrial	**91 666**	(95 808)
Offices	**(210 188)**	(374 128)
Other	**21 199**	(7 116)
Logistics – CEE*	**48 436**	–
Corporate	**1 730 099**	(8 496 461)
Total	**3 397 151**	(8 396 073)
Total assets		
Logistics – SA	**13 032 419**	12 646 224
Retail	**10 032 029**	10 356 951
Industrial	**2 916 448**	3 550 228
Offices	**2 069 183**	2 474 400
Other	**550 666**	611 767
Logistics – CEE*	**886 056**	–
Corporate	**16 139 300**	13 564 779
Total	**45 626 101**	43 204 349

* *The effective date for the acquisition of two logistics parks in Poland was 11 December 2020.*

4. EARNINGS AND HEADLINE EARNINGS

Reconciliation of profit/(loss) for the year to headline earnings

	Jun 2021 R'000	Jun 2020 R'000
Basic earnings/(loss) for the year attributable to equity holders	**3 352 901**	(8 369 338)
Adjusted for:	**(1 431 298)**	6 995 039
– Fair value loss on investment property (net of straight-lining adjustment)	**309 377**	1 906 378
– Loss/(profit) on sale of interest in associate	**33 632**	(9 416)
– (Reversal of impairment)/impairment of investment in associate	**(2 070 946)**	4 305 017
– Fair value loss on investment property of associates	**362 457**	871 403
– Income tax effects	**(65 818)**	(78 343)
Headline earnings/(loss)	**1 921 603**	(1 374 299)
Headline earnings/(loss) per FFA share (cents)	**89,50**	(64,07)
Headline earnings/(loss) per FFB share (cents)	**89,50**	(64,07)
Diluted headline earnings/(loss) per FFA share (cents)	**89,37**	(64,07)
Diluted headline earnings/(loss) per FFB share (cents)	**89,37**	(64,07)

Weighted average number of shares

Basic earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share are based on the following weighted average shares in issue during the year:

	Jun 2021	Jun 2020
Weighted average number of shares		
– FFA shares	**1 185 868 079**	1 184 951 790
– FFB shares	**961 125 021**	960 208 732
Diluted weighted average number of shares		
– FFA shares	**1 188 141 795**	1 184 951 790
– FFB shares	**962 110 020**	960 208 732
Reconciliation of weighted average number of shares:		
– FFA shares		
Weighted average number of shares used in calculation for basic and headline earnings per share	**1 185 868 079**	1 184 951 790
LTIP share scheme award – dilutive shares	**1 718 973**	–
Conditional share plan ("CSP") share scheme award – dilutive shares	**554 743**	–
Diluted weighted average number of shares used in calculation for diluted earnings and diluted headline earnings per share	**1 188 141 795**	1 184 951 790

	Jun 2021	Jun 2020
Reconciliation of weighted average number of shares:		
– FFB shares		
Weighted average number of shares used in calculation for basic and headline earnings per share	**961 125 021**	960 208 732
LTIP share scheme award – dilutive shares	**–**	–
CSP share scheme award – dilutive shares	**984 999**	–
Diluted weighted average number of shares used in calculation for diluted earnings per share	**962 110 020**	960 208 732

While the LTIP results in additional shares which may be dilutive in future, due to the loss for the year ended 30 June 2020, these additional shares are considered to be anti-dilutive, and are therefore not included in the calculation of diluted weighted average number of shares.

Payment of final dividend

The board has approved, and notice is hereby given of a final dividend of 74,70000 cents per FFA share for the six months ended 30 June 2021. No dividend has been declared on the FFB share for this period.

The dividend is payable to Fortress shareholders in accordance with the timetable set out below:

Last date to trade *cum* dividend	Monday, 20 September 2021
Shares trade *ex* dividend	Tuesday, 21 September 2021
Record date	Thursday, 23 September 2021
Payment date	Monday, 27 September 2021

Share certificates may not be dematerialised or rematerialised between Tuesday, 21 September 2021 and Thursday, 23 September 2021, both days inclusive. In respect of dematerialised shareholders, the dividend will be transferred to the CSDP accounts/broker accounts on Monday, 27 September 2021. Certificated shareholders' dividend payments will be posted on or about Monday, 27 September 2021. An announcement informing shareholders of the tax treatment of the dividends will be released separately on SENS.

Directors

Robin Lockhart-Ross *(chairperson)*; Steven Brown*; Thavanesan Chetty; Bram Goossens; Benjamin Kodisang; Ina Lopion; Susan Ludolph; Vuso Majija*; Jan Potgieter; Donnovan Pydigadu*; Vuyiswa Ramokgopa; Ian Vorster*

* *Executive director.*

Changes to the board of directors

The following changes to the board of directors were made since our previous report for the period ended 31 December 2020:

- Mr Djurk Venter retired from the board on 11 June 2021; and
- Mr Bram Goossens was appointed as an independent non-executive director on 11 June 2021.

There have been no other changes to the board of directors.

Reconciliation of profit for the year to dividend declared

	Jun 2021 R'000	Jun 2020 R'000
Profit/(loss) for the year	3 397 151	(8 396 073)
Fair value loss on investment property	382 415	1 887 662
Fair value loss on investments	10 271	1 653 586
Fair value (gain)/loss on derivative financial instruments	(91 225)	1 128 153
Impairment of staff scheme loans	12 180	142 326
(Reversal)/impairment of investments in associates	(2 070 946)	4 305 017
Loss/(profit) on sale of interest in associate	33 632	(9 416)
Non-distributable (income)/loss from associates	(212 279)	1 533 746
Interest received on LTIP (reversed for IFRS 2 charge)	2 043	4 760
IFRS 2: *Share-based Payment* – employee incentive scheme	45 753	52 764
Income tax	(21 995)	30 381
Non-controlling interests	(4 932)	1 366
Antecedent dividend (issuance)	–	2 284
Staff scheme interest limitation	(16 827)	(15 994)
Dividends accrued	550 248	(319 243)
Interest on cross-currency swaps	61 782	387 968
Foreign dividend hedging	(39 710)	86 235
Interest rate derivatives	(286 525)	(125 206)
Capitalised interest limitation	(83 835)	(229 865)
NEPI Rockcastle collar – dividend protection	45 508	–
Fortress Empowerment 1 to 4 (BEE) dividend waiver adjustment	–	96 091
Amount available for distribution	**1 712 709**	**2 216 542**
Amount available for interim distribution – first income period	820 514	1 697 150
Amount available for final distribution – second income period	892 195	519 392
	1 712 709	2 216 542
Less: interim dividend declared	–	(1 697 150)
– FFA shares	–	(925 512)
– FFB shares	–	(771 638)
Less: final dividend declared	(870 056)	(274 067)
– FFA shares	(870 056)	(274 067)
– FFB shares	–	–
Amount available for distribution retained by Fortress	**842 653**	**245 325**

ANNEXURE 1
MANAGEMENT ACCOUNTS

BASIS OF PREPARATION

In order to provide information of relevance to investors, we present management accounts in addition to IFRS accounts. While the management accounts have been extracted from the audited financial information for the year ended 30 June 2021, they are not IFRS compliant and therefore constitute *pro forma* financial information per the JSE Listings Requirements. The management accounts have been prepared on the following basis:

- The group's interest in Arbour Town, an associate, accounted for on the equity method for IFRS purposes, is proportionately consolidated;
- The group's listed investment in NEPI Rockcastle that is accounted for on the equity method for IFRS purposes, is fair valued;
- The group accounts for its share of the assets, liabilities and results of partially-owned subsidiaries (Bridge, Cornubia, Mantraweb Residential and The Prism) on a proportionately consolidated basis instead of consolidating them;
- The consolidated financial position and performance of Fortress Empowerment 2 and Fortress Empowerment 4 have been deconsolidated;
- The adjustment allocates the NEPI Rockcastle collar derivative instrument from trade and other payables as required under IFRS to interest-bearing debt; and
- Revenue and expenses recognised for IFRS purposes in respect of COVID-19-related discounts are reversed.

The *pro forma* financial information ("management accounts") has been prepared in terms of the JSE Listings Requirements and the SAICA guide on *Pro Forma* Financial Information.

Fortress' auditor and reporting accountant, Deloitte & Touche, has issued an unmodified independent reporting accountant's assurance report on this *pro forma* information, which report is available for inspection at the registered office.

DIRECTORS' RESPONSIBILITY STATEMENT

The preparation of the management accounts is the sole responsibility of the directors. These accounts have been prepared on the basis stated, for illustrative purposes only, to show the impact on the summarised audited consolidated statement of financial position and the condensed audited consolidated statement of comprehensive income. Due to their nature, the management accounts may not fairly present the financial position and results of the group in terms of IFRS.

MANAGEMENT ACCOUNTS ADJUSTMENTS

Adjustment 1

This adjustment proportionately consolidates the indirect investments in The Galleria and Arbour Crossing that are held through Arbour Town (Fortress has a 25% interest), accounted for on the equity method in terms of IFRS.

It effectively discloses the group's interest in the assets, liabilities and results of operations from these investments by disclosing the audited financial statements for the year ended 30 June 2021 on a line-by-line basis.

Adjustment 2

The investment in NEPI Rockcastle is reflected at fair value by multiplying the 144 008 793 shares held by the quoted closing price of R101,22 per share at 30 June 2021. All entries relating to accounting for these investments on the equity method are reversed. This more accurately reflects the group's LTV ratio and NAV.

Adjustment 3

This adjustment proportionately consolidates the indirect investments in partially-owned subsidiaries (the indirect investments in Bridge, Cornubia, Mantraweb Residential and The Prism) that are consolidated in terms of IFRS.

It uses the audited financial statements for the year ended 30 June 2021 of Bridge, Cornubia, Mantraweb Residential and The Prism to reverse the non-controlling interests to reflect the group's interest in the assets, liabilities and results of operations from these investments.

Adjustment 4

The adjustment deconsolidates the IFRS required consolidation of Fortress Empowerment 2 and Fortress Empowerment 4, on the basis that the deconsolidated position reflects the intended future position of these entities, being outside of the control of Fortress.

Adjustment 5

The adjustment allocates the NEPI Rockcastle collar derivative instrument from trade and other payables as required under IFRS to interest-bearing debt.

Adjustment 6

The adjustment adds back the revenue and expenses required to be recognised under IFRS for discounts related to the COVID-19 pandemic. This adjustment only affects the statement of comprehensive income.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	IFRS Jun 2021 R'000	Adj 1 Fair value accounting for investments in associate – Arbour Town Jun 2021 R'000	Adj 2 Fair value accounting for investments in associates – NEPI Rockcastle Jun 2021 R'000	Adj 3 Proportionate consolidation of partially-owned subsidiaries Jun 2021 R'000	Adj 4 Deconsolidation of BEE vehicles Jun 2021 R'000	Adj 5 Reallocation of NEPI Rockcastle collar derivative Jun 2021 R'000	Management accounts Jun 2021 R'000
ASSETS							
Non-current assets	43 600 772	(651)	–	(170 584)	179 112	–	43 608 649
Investment property	24 541 623	650 454		(379 649)			24 812 428
Straight-lining of rental revenue adjustment	514 140	15 472		(30 951)			498 661
Investment property under development	3 073 775						3 073 775
Property, plant and equipment	25 778						25 778
Investment in and loans to associates	15 243 147	(666 577)	(14 576 570)				–
Investments	–		14 576 570				14 576 570
Staff scheme loans	23 197						23 197
Investment in BEE preference shares	179 112				179 112		358 224
Loans to co-owners	–			240 016			240 016
Current assets	1 735 479	7 058	–	(9 144)	–	–	1 733 393
Staff scheme loans	13 712						13 712
Trade and other receivables	1 178 754	4 904		(5 623)			1 178 035
Cash and cash equivalents	543 013	2 154		(3 521)			541 646
Non-current assets held for sale	289 850	–	–	–	–	–	289 850
Investment property held for sale	288 813						288 813
Straight-lining of rental revenue adjustment	1 037						1 037
Total assets	45 626 101	6 407	–	(179 728)	179 112		45 631 892
EQUITY AND LIABILITIES							
Total equity attributable to equity holders	27 257 162	–	–	–	179 112	–	27 436 274
Share capital	45 571 743						45 571 743
Treasury shares	(1 578 517)				179 112		(1 399 405)
Currency translation reserve	128 675		(179 623)				(50 948)
Reserves	(16 864 739)		179 623				(16 685 116)
Non-controlling interests	122 844			(122 844)			–
Total equity	27 380 006	–	–	(122 844)	179 112	–	27 436 274
Total liabilities	18 246 095	6 407	–	(56 884)	–	–	18 195 618
Non-current liabilities	15 284 684	–	–	(55 255)	–	133 172	15 362 601
Interest-bearing borrowings	15 236 581			(55 255)		133 172	15 314 498
Deferred tax	48 103						48 103
Current liabilities	2 961 411	6 407	–	(1 629)	–	(133 172)	2 833 017
Trade and other payables	1 436 129	6 407		(1 629)		(133 172)	1 307 735
Income tax payable	188 820						188 820
Interest-bearing borrowings	1 336 462						1 336 462
Total equity and liabilities	45 626 101	6 407	–	(179 728)	179 112	–	45 631 892
NAV per equity share (going concern)	12,63						12,34
NAV per FFA share (R)	14,22						14,22
NAV per FFB share (R)	10,67						10,18

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Income statement	IFRS for the year ended Jun 2021 R'000	Adj 1 Fair value accounting for investments in associate – Arbour Town for the year ended Jun 2021 R'000	Adj 2 Fair value accounting for investments in associates – NEPI Rockcastle for the year ended Jun 2021 R'000	Adj 3 Proportionate consolidation of partially-owned subsidiaries for the year ended Jun 2021 R'000	Adj 4 Deconsolidation of BEE vehicles for the year ended Jun 2021 R'000	Adj 6 Reversal of COVID-19 revenue and expenses for the year ended Jun 2021 R'000	Management accounts for the year ended Jun 2021 R'000
Recoveries and contractual rental revenue	3 304 394	85 110		(56 124)		(18 492)	3 314 888
Straight-lining of rental revenue adjustment	(73 038)	(1 551)		6 624			(67 965)
Revenue from direct property operations	3 231 356	83 559	–	(49 500)	–	(18 492)	3 246 923
Revenue from investments	2 098		447 244				449 342
Total revenue	3 233 454	83 559	447 244	(49 500)	–	(18 492)	3 696 265
Fair value (loss)/gain on investment property, investments and derivative financial instruments	(228 423)	13 837	2 303 538	(45 942)	–	–	2 043 010
Fair value loss on investment property	(382 415)	12 286		(39 318)			(409 447)
Adjustment resulting from straight-lining of rental revenue	73 038	1 551		(6 624)			67 965
Fair value (loss)/gain on investments	(10 271)		2 303 538				2 293 267
Fair value gain on derivative financial instruments	91 225						91 225
Property operating expenses	(1 313 672)	(38 598)		12 090		18 492	(1 321 688)
Administrative expenses	(200 943)	(119)		74			(200 988)
Impairment of staff scheme loans	(12 180)						(12 180)
IFRS 2: *Share-based Payment* – employee incentive scheme	(45 753)						(45 753)
Reversal of impairment of investment in associate	2 070 946		(2 070 946)				–
Loss on sale of interest in associate	(33 632)		33 632				–
Income from associates	705 982	(58 745)	(647 237)	–	–	–	–
– Distributable	493 703	(46 459)	(447 244)				–
– Non-distributable	212 279	(12 286)	(199 993)				–
Profit before net finance costs	4 175 779	(66)	66 231	(83 278)	–	–	4 158 666

MANAGEMENT ACCOUNTS continued

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

continued

Income statement continued	**IFRS for the year ended Jun 2021 R'000**	**Adj 1 Fair value accounting for investments in associate – Arbour Town for the year ended Jun 2021 R'000**	**Adj 2 Fair value accounting for investments in associates – NEPI Rockcastle for the year ended Jun 2021 R'000**	**Adj 3 Proportionate consolidation of partially-owned subsidiaries for the year ended Jun 2021 R'000**	**Adj 4 Deconsolidation of BEE vehicles for the year ended Jun 2021 R'000**	**Adj 6 Reversal of COVID-19 revenue and expenses for the year ended Jun 2021 R'000**	**Management accounts for the year ended Jun 2021 R'000**
Profit before net finance costs	4 175 779	(66)	66 231	(83 278)	–	–	4 158 666
Net finance costs	(800 623)	66	–	39 028	–	–	(761 529)
Finance income	50 612	–	–	(255)	–	–	50 357
Interest on staff scheme and other	50 612			(255)			50 357
Finance costs	(851 235)	66	–	39 283	–	–	(811 886)
Interest on borrowings	(935 070)	66		40 649			(894 355)
Capitalised interest	83 835			(1 366)			82 469
Profit before income tax	3 375 156	–	66 231	(44 250)	–	–	3 397 137
Income tax	21 995	–		–	–	–	21 995
Profit for the year	3 397 151	–	66 231	(44 250)	–	–	3 419 132
Profit for the year attributable to:							–
Equity holders of the company	3 352 901		66 231				3 419 132
Non-controlling interests	44 250			(44 250)			–
Profit for the year	3 397 151	–	66 231	(44 250)	–	–	3 419 132
Basic earnings per FFA share (cents)	156,17						154,63
Basic earnings per FFB share (cents)	156,17						154,63
Diluted earnings per FFA share (cents)	155,93						154,40
Diluted earnings per FFB share (cents)	155,93						154,40
Headline earnings per FFA share (cents)	89,50						170,07
Headline earnings per FFB share (cents)	89,50						170,07
Diluted headline earnings per FFA share (cents)	89,37						169,82
Diluted headline earnings per FFB share (cents)	89,37						169,82
Headline earnings							
Profit for the year attributable to equity holders	3 352 901						3 419 132
Adjusted for:	(1 431 298)						341 482
– Fair value loss on investment property (net of straight-lining adjustment)	309 377						341 482
– Profit on sale of associate	33 632						
– Reversal of impairment of associate	(2 070 946)						
– Fair value gain on investment property of associates	362 457						
– Income tax effect	(65 818)						
Headline earnings	1 921 603						3 760 614

ANNEXURE 2

SA REIT BEST PRACTICE DISCLOSURE

SA REIT funds from operations ("SA REIT FFO") per share	Jun 2021 R'000	Jun 2020 R'000
Profit/(loss) for the year attributable to the parent	**3 352 901**	(8 369 338)
Adjusted for:		
Accounting/specific adjustments:	**(1 156 937)**	7 632 543
Fair value adjustments to:		
– Investment property	**309 377**	1 906 378
– Fair value loss on investments	**10 271**	1 653 586
Impairment of staff scheme loans	**12 180**	142 326
Reversal of impairment/(impairment) of investment in associates	**(2 070 946)**	4 305 017
Deferred tax movement recognised in profit or loss	**(41 105)**	(36 805)
Straight-lining operating lease adjustment	**73 038**	(18 716)
Dividend accrual	**550 248**	(319 243)
Adjustments arising from investing activities:	**33 632**	(9 416)
– Loss/(profit) on sale of interest in associate	**33 632**	(9 416)
Foreign exchange and hedging items:	**(310 170)**	1 477 150
– Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**(264 453)**	348 997
– Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	**(45 717)**	1 128 153
Other adjustments:	**(172 961)**	1 510 661
– Non-distributable (income)/loss from associates	**(212 279)**	1 533 746
– Non-controlling interests in respect of the above adjustments	**39 318**	(25 369)
– Antecedent earnings adjustment	**–**	2 284
SA REIT FFO	**1 746 465**	2 241 600
Number of shares outstanding at end of period (net of treasury shares)	**2 222 645 076**	2 222 645 076
FFA	**1 191 595 172**	1 191 595 172
FFB	**1 031 049 904**	1 031 049 904
SA REIT FFO per share		
Interim		
FFA	**37,68**	72,14
FFB	**37,68**	72,14
Final		
FFA	**40,90**	28,72
FFB	**40,90**	28,72
Company-specific adjustments	**(33 756)**	(25 058)
– Interest received on LTIP (reversed for IFRS 2 charge)	**2 043**	4 760
– IFRS 2: *Share-based Payment* – employee incentive scheme	**45 753**	52 764
– Income tax – current and deferred	**19 110**	67 186
– Staff scheme interest limitation	**(16 827)**	(15 994)
– Capitalised interest	**(83 835)**	(229 865)
– Fortress Empowerment 1 to 4 (BEE) dividend waiver adjustment	**–**	96 091
FORTRESS' AMOUNT AVAILABLE FOR DISTRIBUTION	**1 712 709**	2 216 542

SA REIT FFO per share	Jun 2021 R'000	Jun 2020 R'000
Dividend per share (cents)		
Interim		
FFA	**–**	77,67
FFB	**–**	74,84
Final		
FFA	**74,70**	23,00
FFB	**–**	–

SA REIT net asset value ("SA REIT NAV")	Jun 2021 R'000	Jun 2020 R'000
Reported NAV attributable to the parent	**27 257 162**	24 116 771
Adjustments:		
Dividend to be declared (net of treasury shares)	**(870 056)**	(274 067)
Fair value of certain derivative financial instruments	**(124 665)**	784 317
Deferred tax	**48 103**	62 823
SA REIT NAV	**26 310 544**	24 689 844
Shares outstanding		
Number of shares in issue at period-end (net of treasury shares)	**2 158 447 286**	2 158 447 286
Effect of dilutive instruments (options, convertibles and equity interests)	**3 258 715**	–
Dilutive number of shares in issue	**2 161 706 001**	2 158 447 286
SA REIT NAV per share	**12,17**	11,44

SA REIT loan-to-value ("SA REIT LTV")	Jun 2021 R'000	Jun 2020 R'000
Gross debt	**16 573 043**	16 706 327
Less:		
Cash and cash equivalents	**(262 947)**	(206 656)
(Less)/add:		
Derivative financial instruments	**(124 665)**	784 317
Net debt	**16 185 431**	17 283 988
Total assets per statement of financial position	**45 626 101**	43 204 349
Less:		
Cash and cash equivalents	**(262 947)**	(206 656)
Derivative financial assets	**(704 520)**	(316 136)
Goodwill and intangible assets	**–**	–
Trade and other receivables	**(474 234)**	(428 721)
Carrying amount of property-related assets	**44 184 400**	42 252 836
SA REIT LTV	**36,63%**	40,91%

ANNEXURE 2

SA REIT BEST PRACTICE DISCLOSURE continued

SA REIT cost-to-income ratio	Jun 2021 R'000	Jun 2020 R'000
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**1 313 672**	1 409 580
Administrative expenses per IFRS income statement	**200 943**	208 046
Operating costs	**1 514 615**	1 617 626
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**2 479 196**	2 536 322
Utility and operating recoveries per IFRS income statement	**825 198**	846 496
Gross rental income	**3 304 394**	3 382 818
SA REIT cost-to-income ratio	**45,8%**	47,8%

SA REIT administrative cost-to-income ratio	Jun 2021 R'000	Jun 2020 R'000
Expenses		
Administrative expenses as per IFRS income statement	**200 943**	208 046
Administrative costs	**200 943**	208 046
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**2 479 196**	2 536 322
Utility and operating recoveries per IFRS income statement	**825 198**	846 496
Gross rental income	**3 304 394**	3 382 818
SA REIT administrative cost-to-income ratio	**6,1%**	6,2%

SA REIT GLA vacancy rate	Jun 2021	Jun 2020
Gross lettable area of vacant space	**201 448**	245 856
Gross lettable area of total property portfolio	**2 731 546**	2 752 076
SA REIT GLA vacancy rate	**7,4%**	8,9%

South African and CEE portfolio.

WEIGHTED AVERAGE COST OF DEBT

Cost of debt – Rand denominated	Jun 2021 %	Jun 2020 %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	**5,59**	5,74
Fixed interest rate borrowings		
Weighted average fixed rate	**0,00**	0,00
Pre-adjusted weighted average cost of debt	**5,59**	5,74
Adjustments		
Impact of interest rate derivatives	**1,12**	0,88
Amortised transaction costs imputed into the effective interest rate	**0,34**	0,19
All-in weighted average cost of debt*	**7,05**	6,81

* *Calculated using 3-month JIBAR reference rate at 30 June.*

Cost of debt – Euro denominated	Jun 2021 %
Pre-adjusted weighted average cost of debt	**1,76**
Adjustments	
Impact of interest rate derivatives	**0,44**
Impact of cross-currency interest rate swaps	**–**
Amortised transaction costs imputed into the effective interest rate	**–**
All-in weighted average cost of debt	**2,20**

Net initial yield

Net Initial yield per portfolio is the forecast net operational income, assuming vacancies are let at market related rentals and adjusted for rent free periods, discounted rentals, step rental and lease incentives in progress value, adjusted for reasonable purchasers costs and excludes all land and developments.

	Jun 2021 %
Property type	
Industrial	**11,02**
Office	**10,16**
Other	**9,94**
Retail	**9,23**
Logistics – CEE	**6,75**
Logistics – S.A	**9,05**
Weighted average total	**9,36**

CORPORATE INFORMATION

COMPANY DETAILS

Fortress REIT Limited

Incorporated in the Republic of South Africa
Registration number: 2009/016487/06
JSE share code: FFA | ISIN: ZAE000248498
JSE share code: FFB | ISIN: ZAE000248506
LEI: 378900FE98E30F24D975
Bond company code: FORI
("Fortress" or "the group" or "the company")
(Approved as a REIT by the JSE)

Block C, Cullinan Place
Cullinan Close, Morningside, 2196
(PO Box 138, Rivonia, 2128)

COMMERCIAL BANKERS

The Standard Bank of South Africa Limited

(Registration number: 1962/000738/06)
Corporate and Investment Banking
7th Floor, 3 Simmonds Street, Johannesburg, 2001
(PO Box 61029, Marshalltown, 2107)

TRANSFER SECRETARIES

JSE Investor Services Proprietary Limited

(Registration number: 2000/007239/07)
13th Floor,19 Ameshoff Street, Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

LEAD SPONSOR

Java Capital Trustees and Sponsors Proprietary Limited

(Registration number: 2006/005780/07)
6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196
(PO Box 522606, Saxonwold, 2132)

JOINT SPONSOR

Nedbank Limited, acting through its Corporate and Investment Banking Division

(Registration number: 1951/000009/06)
3rd Floor, Corporate Place, Nedbank Sandton
135 Rivonia Road, Sandton, 2196
(PO Box 1144, Johannesburg, 2000)

DEBT SPONSOR

Rand Merchant Bank

(a division of FirstRand Bank Limited)
acting through its Corporate and
Investment Banking division
(Registration number: 1929/001225/06)

1 Merchant Place
Corner of Fredman Drive and Rivonia Road
Sandton, 2196

COMPANY SECRETARY AND REGISTERED OFFICE

Tamlyn Stevens CA(SA)

Block C, Cullinan Place
Cullinan Close, Morningside, 2196
(PO Box 138, Rivonia, 2128)

EXTERNAL AUDITOR

Deloitte & Touche

Deloitte Building, 5 Magwa Crescent, Waterfall, 2090
(Private Bag X6, Gallo Manor, 2052)

Longlake Logistics Park

purple.frog

FORTRESS

REIT LIMITED