VUKILE PROPERTY FUND

REAL ESTATE. REAL GROWTH.

SUMMARISED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2021

HIGHLIGHTS for the financial year

Sustained performance in Southern Africa with improvements in key operating metrics

- Footfall trending towards pre-COVID-19 levels
- Like-for-like trading density growth up 1.7%
- Rent collection rate improved to 98%
- Retail vacancies well contained at 3.2%
- Retail retention rate at 90% with reversions contained at -3.3%.

Spanish portfolio continues to deliver strong operating performance

- Vacancies contained at 1.7%
- Rent collection rate >95%
- Sales at 98% vs Mar 2020, 80% vs Mar 2019
- Completed redevelopment projects with 91% of GLA let; 95% of projected MGR
- Portfolio WALE of 13.4 years.

Strong balance sheet with well diversified funding base

- Debt reduced by R3.1bn
- LTV reduced to 42.8% (FY20 46.1%)
- 76% of FY22 maturing debt repaid or extended (44% was concluded after year-end)
- Undrawn debt facilities increased to R1.9bn (increased by a further R1.6bn to R3.5bn after year-end)
- To date, 90% of Vukile EUR debt has been converted to ZAR
- Interest cover ratio (ICR) of 3.3 times.

Further simplified business model

- Exited Atlantic Leaf in August 2020, sales proceeds of R1.1bn
- Sale of R231 million of non-core assets, a further R48.8 million in sales transferred after year-end
- Awaiting transfer of further assets totalling R513 million subject only to Competition Commission approval
- Supportive of proposed Fairvest/ Arrowhead transaction
- Good progress in building capacity for customer-centric strategy.

Cash dividend of 101.04 cents per share to be paid in July 2021

- Pay-out ratio of 79% of total group FFO.

Vukile Property Fund Limited (Incorporated in the Republic of South Africa) (Registration number 2002/027194/06) SE 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)

COMMENTARY

NATURE OF OPERATIONS

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

Total assets amount to R36.0 billion at 31 March 2021 (31 March 2020: R40.1 billion). Direct property investments account for R32.8 billion at 31 March 2021 (31 March 2020: R35.3 billion). Following the sale of Vukile's interest in Atlantic Leaf, total indirect property holdings (listed property investments) were R0.8 billion at 31 March 2021 (31 March 2020: R2.1 billion).

FINANCIAL PERFORMANCE

Executive summary

For the year ended 31 March 2021, Vukile sharpened its focus on robust balance sheet management and strategic initiatives, while at the same successfully navigating the challenges presented by the COVID-19 pandemic. Despite volatile market conditions and uncertainty brought about by the pandemic, the portfolio performed remarkably well to limit the short-term impacts of COVID-19. Our asset management interventions and strategic initiatives allowed us to withstand multiple unforeseen shocks to the Southern African and Spanish economies.

With a potentially powerful economic restart underway, Vukile continues to focus on sustainable earnings through a simple and transparent corporate structure that emphasises long-term results. Vukile continues to draw on its prudent financial management and capital markets expertise to preserve financial flexibility and bolster liquidity. Vukile remains focused on its core retail strategy, with a view of creating enduring, sustainable value for all stakeholders.

Our ongoing investment in human capital has been rewarded, with Vukile being awarded Platinum recognition in the Deloitte Best Company to Work For™ survey in South Africa. Similarly, Castellana was awarded the Great Place to Work™ certification in Spain.

Please note: the calculation of all ratios referred to in this document is consistent with prior years. The SA REIT ratios, together with comparatives, are included in a separate section, following the condensed financial statements.

The following significant events and transactions took place during the year ended 31 March 2021:

- In line with Vukile's strategy of disposing of non-core assets, Vukile sold the following properties:
  - Welgedacht Van Riebeeckshof Shopping Centre on 1 September 2020 for R80 million
  - Pinetown Richmond Industrial Park on 19 March 2021 for R37 million
  - Sandton Linbro 7 On Mastiff Business Park on 29 March 2021 for R114 million
- A further R49 million in property sales after year-end and awaiting transfer of assets totalling R513 million subject only to Competition Commission approval
- During August 2020, Vukile disposed of its shares in Atlantic Leaf (R1.1 billion), also in line with Vukile's strategy of exiting its non-core investments
- In Southern Africa, rental relief of c.R141 million was granted to tenants
- In Spain, rental relief of c.€18.8 million was granted to tenants
- Vukile acquired a 31% interest in Fetch Analytics, an entity providing insights into shopper behaviour through artificial intelligence and geolocation technology
- Vukile acquired a 25.1% interest in Diversified Real Estate Asset Management S.L. (DREAM), a Spanish property asset management business founded by Lee Morze, Vukile's partner in the founding of Castellana
- Vukile has repaid/converted R2.1 billion of foreign-denominated debt into Rand debt, with a further €137.6 million (R2.4 billion equivalent) of Vukile EUR debt being repaid or converted into ZAR facilities after year-end, such that the total Vukile EUR debt has reduced to €26.5 million, a 90% reduction from total Vukile EUR debt of €255 million at 31 March 2020
- Vukile extended the MEREV put option (after year-end) for three years. Rand Merchant Bank (RMB) will provide R1.0 billion of new facilities to Vukile, which allows Vukile to acquire a portion of MEREV's Castellana shares, if desired.

DIVIDEND

The board approved a final dividend of 101.04391 cents per share for the year ended 31 March 2021. The total dividend is R966.2 million. A dividend declaration announcement in respect of the dividend, containing information relating to the salient dates and tax treatment of the dividend will be released separately on SENS.

Calculation of distributable earnings

	31 March 2021 Rm	31 March 2020 Rm	Variance %
Property revenue	**2 242**	2 635	(14.9)
Property expenses (net of recoveries)	**(379)**	(318)	19.2
Net profit from property operations	**1 863**	2 317	(19.6)
Corporate administration expenses	**(286)**	(279)	2.4
Investment and other income	**318**	422	(24.8)
Operating profit before finance costs	**1 895**	2 460	(23.0)
Finance costs	**(707)**	(615)	14.9
Profit before equity-accounted income	**1 188**	1 845	(35.7)
Share of income from associate and joint venture	**17**	127	(86.0)
Profit before taxation	**1 205**	1 972	(38.9)
Taxation	**(40)**	(40)	0.4
Profit for the year	**1 165**	1 932	(39.7)
Net profit attributable to non-controlling interests	**(49)**	(130)	(62.4)
Attributable to Vukile group	**1 116**	1 802	(38.1)
Non-IFRS* adjustments	**104**	(11)	
Antecedent dividend	**—**	2	
Accrued dividends	**98**	(19)	
Non-cash impact of IFRS 16 – *Leases*	**6**	6	
Available for distribution	**1 220**	1 791	(31.9)
Number of shares in issue at year-end	**956 226 628**	956 226 628	

** International Financial Reporting Standards (IFRS)*

Revenue and net income from direct property portfolio

Geographical segment	**Revenue[i] 31 March 2021 Rm**	Revenue[i] 31 March 2020 Rm	% change	**Net property income 31 March 2021 Rm**	Net property income 31 March 2020 Rm	% change
Southern Africa	**2 099**	2 136	(2)	**1 228**	1 330	(8)
Spain	**1 018**	1 310	(22)	**635**	987	(36)
Total	**3 117**	3 446	(10)	**1 863**	2 317	(20)
Split percentage						
Southern Africa	**67.3**	62.0		**65.9**	57.4	
Spain	**32.7**	38.0		**34.1**	42.6	

[i] Excludes straight-lining.

The majority of the impact of COVID-19 on operations and rental income (in both Southern Africa and Spain) was felt in the year ended 31 March 2021. Net property income decreased by 19.6% from R2.3 billion to R1.9 billion, largely due to rental relief provided to tenants in Southern Africa and Spain during the lockdown period in both portfolios. Portfolio-specific measures, operational results and trading are discussed more fully in the relevant Southern African and Spanish portfolio reviews hereafter.

COMMENTARY continued

Group investment and other income

	31 March 2021 Rm	31 March 2020 Rm	Movement Rm	Movement %
Investment and other income	**85.5**	177.3	(91.8)	(51.8)
Interest income	**36.6**	60.1	(23.5)	(39.1)
Net interest received on cross-currency interest rate swaps (CCIRS) (after deducting finance costs)	**195.6**	185.0	10.6	5.7
Total	**317.7**	422.4	(104.7)	(24.8)

Further commentary relating to investment income is provided under "listed investments". The CCIRS ratio to total international investments (on a consolidated basis) has increased to 37.7% (31 March 2020: 32.4%). The primary reason for the increase in the CCIRS ratio was as a result of the sale of Atlantic Leaf. No new CCIRS were entered into during the period. Vukile limits CCIRS to 45% of the total value of international investments. At 31 March 2021, the CCIRS nominal value was €182.5 million. €117 million (64%) of this amount will be settled on 14 June 2021. The mark-to-market (MtM) settlement amount has been fixed (hedged) and will be net settled for R235 million.

Listed investments

	31 March 2021			31 March 2020	
Entity	Carrying value Rm	Number of shares held	% held	Carrying value Rm	% held
Fairvest	**538.1**	**270 394 812**	**26.6**	338.0	26.6
Arrowhead	**309.0**		**11.0**	245.9	11.3
Arrowhead – A shares	**–**	**–**		39.9	
Arrowhead – B shares	**309.0**	**114 438 564**		206.0	
Atlantic Leaf	**–**	**–**	**–**	1 518.2	34.9
Total	**847.1**			2 102.1	

Fairvest – 26.6% shareholding

Fairvest Properties Limited (Fairvest) is a Johannesburg Stock Exchange (JSE)-listed REIT with a retail-focused portfolio, located primarily in rural and non-metropolitan areas of South Africa, including convenience and community centres. The carrying value of the investment in Fairvest increased by R200 million over the period, with its share price increasing from R1.25 at 31 March 2020 to R1.99 at 31 March 2021. Dividends received from Fairvest for the year to 31 March 2021 were R57 million (31 March 2020: R59 million). Dividends from Fairvest, included in distributable earnings for the year to 31 March 2021 were R56 million (31 March 2020: R61 million).

Vukile is supportive of the recent announcements by Fairvest relating to a potential Fairvest offer to Arrowhead B shareholders. Vukile supports the view that investors generally favour larger, more liquid REITs and has confidence in Fairvest's ability to unlock value operationally, within its traditional low-income retail focus, as well as from other sub-classes of investment property.

Arrowhead – 11.0% shareholding

Arrowhead Properties Limited (Arrowhead) is a JSE-listed REIT with a dual share structure, comprising A and B shares. During the year, Vukile disposed of its A shares, in line with its strategy to recycle non-core assets. The carrying value of the remaining investment in Arrowhead increased by R103 million over the year, with the price of B shares increasing from R1.80 at 31 March 2020 to R2.70 at 31 March 2021. Dividends received from Arrowhead for the year to 31 March 2021 were R38 million (2020: R85 million). Dividends from Arrowhead, included in distributable earnings for the year to 31 March 2021 were R34 million (31 March 2020: R74 million).

Atlantic Leaf (sold)

Atlantic Leaf Properties (Atlantic Leaf) is a UK property company focusing on industrial and warehouse distribution centres in the UK. During the year, Vukile disposed of its shares in Atlantic Leaf for R1.1 billion. The proceeds from the transaction were applied to the reduction of debt and provide further strength and optionality to the Vukile balance sheet. The disposal was in line with Vukile's strategy of exiting its non-core investments. Dividends from Atlantic Leaf for the year to 31 March 2021 were R54 million (net of dividend withholding tax) (31 March 2020: R102 million). Dividends from Atlantic Leaf, included in distributable earnings for the year to 31 March 2021 were R51 million (31 March 2020: R104 million).

Group corporate expenditure

	31 March 2021 Rm	31 March 2020 Rm	Variance Rm	Variance %
Southern Africa	**153.5**	160.8	7.3	4.5
Spain	**132.3**	118.2	(14.1)	(11.9)
Group total	**285.8**	279.0	(6.8)	(2.4)

The net increase in corporate costs in Spain was primarily due to exchange rate movements. Spain's corporate costs (in Euro) remained largely unchanged. The primary factors giving rise to savings in corporate costs in Southern Africa were as follows:

> Cost savings of R4.1 million, in part due to reduced local and international travel, and due to employees working remotely during the COVID-19 lockdown
> Rent expense reduced by R3.8 million, following the purchase of the Vukile head office building in Johannesburg.

These cost savings were partly offset by:

> R2.4 million spent on COVID-19 relief and related costs, for initiatives such as food programmes and community projects.

Corporate expenditure equates to 0.79% of total assets (31 March 2020: 0.70%), being 0.84% attributable to Southern Africa (31 March 2020: 0.84%) and 0.75% attributable to Spain (31 March 2020: 0.56%).

Group cash flow

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

	2021 Rm	2020 Rm
Cash from operating activities	**1 178**	2 417
Dividends paid	**(556)**	(1 867)
Net finance costs paid	**(359)**	(147)
Increase in borrowings	**2 647**	3 102
Borrowings repaid	**(4 173)**	(448)
Net proceeds from sale of interest in Atlantic Leaf	**1 103**	—
Disposal of investment property	**211**	56
Acquisitions/improvements to investment property	**(665)**	(2 920)
Other cash movements	**(17)**	112
Net (decrease)/increase in cash and cash equivalents[(1)]	**(631)**	305

[(1)] *Excluding foreign currency movements of R75 million (2020: R117 million)*

Net asset value (per share)

The net asset value (NAV) of the group decreased by 1.0% from R18.34 per share to R18.16 per share at 31 March 2021, as set out in the table below.

	Rand per share
NAV 1 April 2020	**18.34**
Net property income	**1.88**
Additions to investment property (net of disposals)	**0.47**
Decrease in borrowings	**1.60**
Disposal of investments in listed property securities	**(1.24)**
Change in fair value of investment property	**(0.96)**
Dividends paid	**(0.48)**
Foreign currency and other movements	**(1.45)**
NAV 31 March 2021	**18.16**

Vukile's share price of R8.65 per share at 31 March 2021 represents a 52.4% discount to the NAV per share of R18.16.

Share trading and liquidity

During the year, 743.5 million Vukile shares traded, equating to approximately 62 million shares per month. The shares traded represent 77.8% of shares in issue, demonstrating the high liquidity of Vukile's shares in the market.

Treasury management

Balance sheet and treasury risk management remains one of Vukile's key focus areas. At 31 March 2021, consolidated group LTV net of cash was 42.8%, which should be viewed in the context of a healthy group ICR of 3.3 times, after providing significant rental relief given over the period. Vukile's debt metrics are all within covenant levels at a group (consolidated) and subsidiary level. The 3.3% reduction in LTV to 42.8% (from 46.1% at 31 March 2020) can largely be attributed to debt reduction (facilitated by asset sales), ZAR strength and an improvement in listed investment share prices. The reduction in LTV was marginally offset by downward valuation movements in Castellana.

COMMENTARY continued

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

Stress testing of earnings (after taking into account the impact of the COVID-19 pandemic) indicates that the portfolio would need to undergo a further 40% reduction in group EBITDA before reaching the two times bank group interest cover covenant level. Vukile and Castellana continue to benefit from very strong relationships with their diversified funding providers and have made significant progress, by concluding agreements to extend expiring debt.

Stress testing of LTV indicates that the Southern African portfolio would need to undergo a further 24% reduction in asset value to reach a 50% Southern African LTV ratio and the Spanish portfolio would need to undergo a further 27% reduction in asset value to reach a 65% Spanish LTV ratio.

Vukile has extended the MEREV put option for three years (after year-end). Key terms are as follows:
> New maturity date 31 July 2024 (three-year extension)
> No adjustment to strike price (€6.50)
> Vukile to guarantee a 6% yield on Castellana's dividend
> RMB will provide R1.0 billion of new facilities to Vukile, which allows Vukile to acquire a portion of MEREV's Castellana shares, if desired.

Group borrowings summary

The group's funding strategy is to optimise funding costs while minimising refinance risk. Total debt at 31 March 2021 amounted to R15.4 billion (31 March 2020: R18.5 billion). A summary of funding by currency is provided below:

Funding breakdown	Number of funders	Rm	
Foreign Spanish funders (EUR)	6	**8 705**	Secured against Castellana's balance sheet with no recourse to Vukile
South African bank funders (EUR)	4	**2 843**	
South African bank funders (ZAR)	5	**1 927**	Partly secured against Vukile's South African balance sheet
Domestic medium-term note (DMTN) programme (ZAR)		**1 929**	
Grand total		**15 404**	

Sources of funding

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

Group debt and hedging exposure per bank (ZAR)	Debt[1] Rm	Debt exposure per bank %	Hedging and fixed debt[2] Rm
Aareal[3]	**5 640**	**36.6**	**5 166**
Absa	**2 215**	**14.4**	**2 123**
DMTN – corporate bonds	**1 929**	**12.5**	**—**
Caixabank[3]	**1 403**	**9.1**	**1 317**
Banco Santander[3]	**1 069**	**6.9**	**1 017**
Investec	**984**	**6.4**	**730**
Standard Bank	**824**	**5.4**	**306**
RMB	**400**	**2.6**	**43**
Nedbank	**346**	**2.2**	**985**
Liberbank[3]	**260**	**1.7**	**—**
Banco Popular[3]	**195**	**1.3**	**195**
Pichincha[3]	**139**	**0.9**	**—**
Grand total	**15 404**	**100.0**	**11 882**

(1) Foreign currency-denominated debt is converted at a EUR/ZAR spot rate of R17.32 at 31 March 2021. All amounts are nominal debt exposure and exclude amortised transaction costs and accrued interest.
(2) Hedging exposure is represented by exposure per banking relationship.
(3) Group exposure includes Castellana debt of €503 million (R8.705 billion equivalent), and swaps of €146.0 million (R2.528 billion equivalent).

Vukile group loan and swap expiry profile at 31 March 2021

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

	2022	2023	2024	2025	2026	2027 and beyond	Total
Loan expiry profile including access facility (%)	16.9	22.9	18.1	3.4	36.7	2.0	**100.0**
Term loan expiry profile (Rm)	2 604	3 347	2 783	517	5 660	315	**15 226**
Access facility expiry profile (Rm)	—	178	—	—	—	—	**178**
Hedging (swap and fixed debt) profile (Rm)	932	818	7 728	1 205	649	550	**11 882**

More than 25% of debt will mature in 2026, however, it is Vukile's intention to re-new debt facilities at least 12 months prior to their maturities.

A summary of group debt ratios at 31 March 2021 is provided below:

	31 March 2021			31 March 2020		
	Group	**Southern Africa**	**Spain**	Group	Southern Africa	Spain
Total debt (excluding access facilities) (Rm)	**15 226**	**6 521**	**8 705**	17 720	7 992	9 728
Hedged portion (interest rate swaps and fixed debt) (Rm)	**11 882**	**4 187**	**7 695**	14 409	5 656	8 753
Interest-bearing debt fixed/hedged (%)	**78.0**	**64.2**	**88.4**	81.3	70.8	90.0
Hedged (swaps and fixed debt) maturity profile (years)	**2.6**	**3.3**	**2.2**	3.4	3.8	3.2
LTV ratio (net of cash)[1] (%)	**42.8**	**37.9**	**47.6**	46.1	48.1	44.4
LTV covenant level (%)	**50**	**50**	**65**	50	50	65
ICR[2]	**3.3 times**	**4.7 times**	**2.1 times**	5.8 times	7.7 times	4.2 times
ICR covenant level	**2.0 times**	**2.0 times**	**1.15 times**	2.0 times	2.0 times	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 tenant deposits and restricted cash) divided by the sum of: (i) the amount of the most recent directors' valuation (external valuation in the case of the Spanish portfolio) of all the direct property portfolio on a consolidated basis; and (ii) the market value of listed investments.*

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

Group finance costs

The group's average cost of finance (including amortisation of capitalised raising fees) for the year ended 31 March 2021 was 3.9% (31 March 2020: 4.0%).

Interest-bearing debt (excluding access facilities) is 78.0% hedged with a 2.6 year hedged maturity profile (31 March 2020: 81.3% with a 3.4-year hedge maturity profile).

COMMENTARY continued

The average cost of finance reduced for the year to 31 March 2021, in part due to the significant reduction in ZAR base rates (a 125bps reduction in the three-month JIBAR since 31 March 2020). Vukile has repaid/converted R2.1 billion of foreign-denominated debt into Rand debt, with a further €137.6 million (R2.4 billion equivalent) of Vukile EUR debt being repaid or converted into ZAR facilities after year-end, such that the total Vukile EUR debt has reduced to €26.5 million, a 90% reduction from total Vukile EUR debt of €255 million at 31 March 2020. Finance costs by currency, using the historical weighted average cost of debt, is indicated below:

	FY21 historical cost of debt %	**Debt at 31 March 2021 Rm**	FY20 historical cost of debt %	Debt at 31 March 2020 Rm
ZAR	**8.1**	**3 856**	9.3	3 450
EUR	**2.6**	**11 548**	2.5	14 754
GBP	**—**	**—**	3.6	318
Total	**3.9**	**15 404**	4.0	18 522

Undrawn facilities

Undrawn facilities at 31 March 2021 amount to R1.9 billion (31 March 2020: R1.1 billion), which increased by a further R1.6bn to R3.5bn after year-end. The R3.5bn in undrawn facilities includes a new R1bn facility which can be utilised by Vukile to purchase a portion of MEREV's Castellana shares (if desired). This significantly underlies Vukile's strong liquidity position, with sufficient undrawn facilities to repay debt capital markets maturities in FY22 (R535m), if required.

Unencumbered assets	**31 March 2021 Rm**	30 March 2020 Rm
Property assets (external valuation)	**3 795**	4 177
Listed shares	**2 811**	4 997
Unencumbered assets	**6 606**	9 174
Unsecured debt	**2 194**	2 080
Unsecured debt to unencumbered assets ratio (%)	**33.2**	22.7

The reduction in unencumbered assets is primarily as a result of the sale of Atlantic Leaf (R1.1 billion), Van Riebeeckshof SC (R80 million), Pinetown Richmond (R36.5 million), Libro 7 on Mastiff (R114 million) and downward Castellana share price movements.

Movement in group debt

During the year, total group debt decreased by R3.1 billion. The most significant movements in debt were as follows:

	Nominal debt drawn/ (repaid) Rm	**Foreign exchange movements Rm**	**Net Rm**
Vukile ZAR DMTN debt	**(578)**	**—**	**(578)**
Vukile ZAR bank debt	**984**	**—**	**984**
Vukile GBP debt	**(309)**	**(9)**	**(318)**
Vukile EUR debt	**(1 768)**	**(415)**	**(2 183)**
Castellana EUR debt	**158**	**(1 180)**	**(1 022)**
Grand total	**(1 513)**	**(1 604)**	**(3 117)**

During the year ended 31 March 2021, Vukile repaid R578 million of secured corporate notes, comprising VKE07 (R200 million) and VKE09 (R378 million), in June and July 2020, respectively. After year-end a further VKE12 (R150 million) of unsecured corporate notes were repaid (May 2021). No ZAR interest rate swaps were rebalanced/extended. €66.5 million of EUR interest rate swaps were terminated at a once-off cost of R4.5 million, and GBP14.35 million of GBP interest rate swaps were terminated at a once-off cost of R4.3 million. The group has complied with all bank and DMTN covenants.

Group foreign exchange currency hedges

Vukile has adopted a strategy of hedging at least 75% of its foreign dividend exposure (in aggregate) over a three to five-year period, in line with anticipated dates of dividend receipts, to minimise adverse foreign exchange fluctuations and to provide stable, predictable income streams for investors.

At 31 March 2021, Vukile EUR income was over-hedged as a result of Castellana's dividend forecasts and payout policy being revised because of COVID-19. After year-end, the over-hedged position in forward exchange contracts (FECs) was reduced, resulting in a cash inflow of R102 million. In line with historical treatment of these types of cash flows, the inflow from unwinding the FECs will not be included in distributable earnings. Assuming that in future years Castellana's dividend will be based on 80% of Spanish Generally Accepted Accounting Practices (the minimum dividend required to retain Spanish REIT status), 89% of Castellana forecast dividends are hedged over the next five years.

GBP net income exposure

Vukile disposed of all its Atlantic Leaf shares for a net consideration (after the settlement of transaction hedges) of c. R1.1 billion. The proceeds from the sale were primarily used to repay GBP debt.

Cross-currency interest rate swaps (CCIRS)

At 31 March 2021, the following CCIRS were in place:

	EUR nominal €m	ZAR nominal Rm	EUR/ZAR initial rate	EUR fixed rate over term %	ZAR average rate over term %	Maturity	Mark-to-market Rm
Nedbank CCIRS June 2018	93.2	1 346	14.4446	1.90	8.81	14 June 2021	(250)
Nedbank CCIRS June 2018	23.8	361	15.1420	1.29	8.81	14 June 2021	(46)
Absa CCIRS July 2018	40.0	630	15.7465	3.70	11.88	13 June 2022	(25)
Investec CCIRS July 2018	25.5	401	15.7400	3.72	11.88	13 June 2022	(16)
Total	182.5	2 738					(337)

The board limits CCIRS to 45% of the total value of offshore investments. At 31 March 2021, CCIRS were 37.7% of total offshore investments on a consolidated basis. No new CCIRS were entered into during the period. The MtM of CCIRS at 31 March 2021 was -R337 million. In addition, on initiation of the Nedbank contracts, Vukile placed R100 million cash on fixed deposit in order to mitigate against MtM losses on maturity of the CCIRS. The net settlement amount of the CCIRS will be -R235 million on the maturity date in June 2021(compared with an MtM of -R575 million at 31 March 2020 for the same CCIRS contracts).

Response to COVID-19

At the onset of the COVID-19 crisis, Vukile conducted extensive stress testing across its business in order to understand the potential impact on its solvency and liquidity. Vukile engaged with all its bank funders both in South Africa and Spain to ensure clear lines of communication, which assisted with a smooth navigation through the crisis.

76% of debt maturing in FY22 has been repaid or extended, this includes R0.9 billion Vukile debt and €44 million Castellana debt which was repaid or extended after year-end.

Credit rating

Global Credit Ratings Co. (GCR) reviewed Vukile's credit rating in September 2020 as part of their annual review, and all of Vukile's ratings remained unchanged. GCR affirmed the national scale issuer rating of AA-$_{(ZA)}$ and A1+$_{(ZA)}$, for the long and short term respectively, with a stable outlook. Concurrently, the ratings assigned to outstanding Senior Secured Group 1 Notes issued by Vukile has remained unchanged and been affirmed at AAA$_{(ZA)(EL)}$.

COMMENTARY continued

PORTFOLIO REVIEW – SOUTHERN AFRICA

The full year results for the Southern African portfolio were delivered entirely in the unprecedented COVID-19 environment. The overarching goal and approach throughout this crisis has been to ensure the safety of our stakeholders while fostering an environment of constructive discourse with a shared value ethos, resulting in a sustainable value chain over this incredibly tough period.

The Southern African total direct property portfolio at 31 March 2021 consisted of 56 properties with a total value of R15.6 billion, and gross lettable area (GLA) of 987 768m^2, with an average value of R278 million per property.

The Southern African retail portfolio, which accounts for 95% of the value of the assets, was valued at R14.7 billion and consists of 45 properties with an average value of R327 million. In total, 84% of retail space is let to national tenants. Very pleasingly, vacancies were limited to 3.2% versus the 2.9% reported in March 2020.

Operating environment

Portfolio overview

The Southern African retail portfolio has held up remarkably well over an incredibly tough year. The foot count of our malls is trending towards pre-COVID-19 levels, with the rural portfolio and township shopping centres leading the recovery. The operational metrics of the portfolio although, under pressure, continue to produce sustained value for our stakeholders despite the challenging environment. The primary pillars, which have ensured that the like-for-like net operating income of the stable portfolio is only 9.8% down when compared to FY20, have been our nodally dominant portfolio composition, and the endeavour and application exhibited by our talented team which, across the entire value chain, has put in a significant effort to ensure that our malls were productive and safe spaces for our shoppers to visit. The decrease in like-for-like net operating income is primarily attributable to the COVID-19 impact of rental concessions, delayed transactions, increased cleaning and security expenses and bad debt. Excluding the COVID-19 impact, the like-for-like growth would be a pleasing 3.9%.

We have been resolute in executing our inwardly focused operational efficiency strategy and gearing our team for the future of retail in how we now manage our portfolio. As usually measured, the trading density of the portfolio grew by 1.7% on a 24-month like-for-like basis. The value centres and rural portfolio showed growth of 16.4% and 6.5% respectively, while the township portfolio remained flat and urban portfolio declined by 6.3%. Groceries, food specialty, pharmacies, electronics, and home furnishings/décor showed growth during the period under review, with fashion, fast foods and restaurants showing negative growth. The portfolio has seen significant improvement in trading metrics over the past six months, with most categories trending upwards.

Retail vacancies have held firm under a very difficult trading environment, increasing by only 30bps from 2.9% to 3.2%. Although the movement is not material, there has been vibrant and significant letting activity over this period. In total 12 601m^2 of vacant space (1.4% of total retail GLA) has been let, when contrasted with 13 628m^2 worth of tenants who vacated. An important observation is that, out of the total number of tenants which have vacated over this period, c.60% of them have been small, medium and micro enterprises (SMMEs).

Looking forward to the next 6 to 12 months, we anticipate an environment of continued tough trading conditions, particularly for discretionary goods. We remain cautiously optimistic of further improvement in the prospective trade of our rural, township and value portfolio, but remain guarded pending progress of the national vaccination programme. Structural fiscal reforms, which will directly impact the macro-economic drivers and job absorption in our market segment, remain a significant concern. We will also actively monitor the upcoming local government elections, particularly in municipalities where water and energy supply remain a significant challenge.

Our sustained operating metrics, focus on continuous operational improvements, symbiotic tenant relationships and forward-looking investment into sustainable energy and customer-centric technology will be the bedrock off which we will navigate the uncertain COVID-19 and macro-economic environment, to position the business for ongoing and sustainable growth.

Operational highlights

- Footfall trending towards pre-COVID-19 levels, with rural centres recovering to 104%. Commuter centres are slower to pick up, at 89% of prior year trends
- Retail vacancies marginally up from 2.9% to 3.2%
  - 13 malls fully let
  - 23 malls with vacancies less than 1 000m^2
  - Rural vacancies decreased to 2.3%, the lowest in three years
- Retail reversions have slowed from 1.1% in the prior period to negative 3.3% in the current period. However, it remains encouraging to note that out of the 354 leases renewed, 61% were positive, 13% flat, and only 26% were negative. An average lease term of 3.9 years with an average in-contract escalation of 6.5% has been attained on recent transactions
- Strong rebound in rental collections following the lockdown; now sitting at 98% of billings

- In-contract escalations declined marginally from 6.9% to 6.7%, but are still ahead of inflation
- 90% retail tenant retention rate with the majority (60%) of vacated tenants falling in the SMME category
- WALE down to 3.3 years from 3.7 years
- Alternative income management strategy of opt-in database now increased to 3.7 million registered users, whose behaviour we can now actively track
  - Opens up advertising opportunities for tenants to effectively communicate directly with shoppers
  - Enables management to more accurately track shopper behaviour
- All 25 Jet stores, as well as the five Edgars stores, have been absorbed by Foschini and Retailability respectively.

Operational efficiencies

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

- 7.5% of the electricity is now generated through 16 PV projects. The goal of producing 8% of the portfolio's electricity will be achieved in FY22 by completing the PV project that is presently under construction
- The integrated service delivery model for soft services was successfully implemented. The major thrust going forward is to maintain the model, continuously drive financial benefits, entrench best practice service delivery based on technology, ensure compliance and develop SMMEs
- The integrated service delivery model also proved to be invaluable during the lockdown period. Precautionary action steps were seamlessly and coherently implemented involving only three service providers and web-enabled platforms.

Continuous investment in high-yielding PV projects

- Total installed PV plant capacity to date is 12.3MW (16 PV plants installed)
- New PV projects in progress at Gugulethu Square (837kWp), Bedworth Phase 2 (300kWp), Atlantis Phase 2 (500 kWp) and Ermelo Game (250kWp).

Continued energy management spend

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

Footfall and turnover

Compared to the corresponding period in the prior year, footfall is trending towards pre-COVID-19 levels, with brisk recovery in rural areas and urban areas slower to recover.

	Footfall during and post-lockdown – compared to corresponding period in the prior year								
	Level 5	Level 4	Level 3	Level 2	Level 1	Adjusted lockdown levels			
	26 Mar 20 to 30 Apr 20 %	1 May 20 to 31 May 20 %	1 Jun 20 to 17 Aug 20 %	18 Aug 20 to 20 Sep 20 %	21 Sep 20 to 31 Oct 20 %	Festive season 2020 %	Jan 21 %	Feb 21 %	Mar 21 %
Rural	46	68	81	86	90	86	93	104	104
Township	43	58	79	85	88	89	90	98	100
Urban	29	62	80	84	88	85	87	92	100
Commuter	16	41	66	71	78	85	69	72	89
Total portfolio	**33**	**58**	**77**	**82**	**86**	**87**	**86**	**93**	**99**

Annual turnover contracted by 3.7% during the previous 12 months compared to the preceding 12-month period. Turnover of groceries and pharmacies increased by 5.7% and 10.0% respectively. Restaurants, coffee shops, bottle stores and health and beauty showed substantial decline.

COMMENTARY continued

	Movement in annual turnover %	Portfolio exposure based on turnover %
Total	(3.7)	100.0
Grocery and food	4.8	43.8
Fashion, department and home	(9.1)	37.5
Other categories	(10.1)	18.7
Grocery and food		
Grocery/supermarket	5.7	33.7
Food	2.2	10.1
Fashion, department and home		
Fashion	(8.9)	24.9
Department stores	(19.2)	6.4
Home furnishings/art/antiques/décor	3.3	6.1
Other categories		
Pharmacies	10.0	5.5
Sporting/outdoor goods and wear	(10.2)	2.4
Bottle stores	(31.5)	1.8
Cell phones	1.0	1.8
Restaurants and coffee shops	(31.6)	1.3
Electronics	(2.7)	0.9
Accessories	(11.5)	0.8
Health and beauty	(22.9)	0.3
Other	(15.2)	4.0

Annualised trading densities (annualised turnover per m^2 of occupied space) increased by 1.7%, with groceries, food and pharmacies showing consistent growth prior to and during the pandemic.

	Rural %	Township %	Urban %	Value Centre %	Commuter %	Total %
Total	6.5	0.0	(6.3)	16.4	(12.3)	1.7
Grocery and food	8.3	2.9	1.3	20.0	(15.3)	6.4
Fashion, department and home	5.1	(4.9)	(9.1)	17.3	(11.0)	(1.7)
Other	4.7	(2.4)	(5.1)	4.6	(12.1)	(1.3)

	Annualised trading density growth %
Total	**1.7**
Pharmacies	**10.0**
Home furnishings/art/antiques/décor	**14.6**
Cell phones	**10.8**
Food	**9.2**
Grocery/supermarket	**5.5**
Electronics	**8.8**
Fashion	**(0.6)**
Sporting/outdoor goods and wear	**(1.6)**
Other	**(4.6)**
Accessories	**(0.8)**
Health and beauty	**(13.6)**
Department stores	**(17.1)**
Bottle stores	**(14.2)**
Restaurants and coffee shops	**(19.8)**

Short-term focus areas

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

Tenant relationships

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

Customer insights

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

Operational excellence

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

People and communities

> Empower community-based service providers to become partners in mall operations
> Continue to invest in CSI initiatives that make a difference in communities in which we operate

Key risks

Utility supply

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

COMMENTARY continued

Tenant arrears

Tenant arrears (net of provisions) amounted to R75.8 million at 31 March 2021 compared to R63.5 million at 31 March 2020. Excluding provisions, the balance at 31 March 2021 amounted to R118.1 million compared to R75.7 million at 31 March 2020.

A significant portion of the arrears balance is fully provided for in terms of IFRS.

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

Consequently, the allowance for the impairment of tenant receivables at 31 March 2021 increased to R42.3 million from R12.2 million at 31 March 2020. The increase is partly attributable to Edcon arrears being fully provided to the extent that there will be no settlement emanating from business rescue proceedings, as well as increased credit risk on other tenants.

Bad debts written off for the year ended 31 March 2021 amounted to R18.2 million (31 March 2020: R42 million). Total tenant deposits held amount to R60 million (31 March 2020: R71.6 million).

Sales

Three properties were transferred at a total sales price of R230.5 million during FY21:

> Sandton Linbro 7 On Mastiff Business Park	R114.0 million
> Welgedacht Van Riebeeckshof Shopping Centre	R80.0 million
> Pinetown Richmond Industrial Park	R36.5 million

Two properties were transferred at a total sales price of R48.8 million post-year-end:

> Pretoria Rosslyn Warehouse	R25.0 million
> Kempton Park Spartan Warehouse	R23.8 million

Three properties are in the process of being transferred at a total sales price of R513.6 million:

> Ulundi King Senzangakona Shopping Centre	R306.4 million
> Letlhabile Mall	R161.0 million
> Centurion Samrand N1	R46.2 million

In aggregate, all these sales represent a total value of R793 million, at a yield of 10% and collectively sold at a 3% premium to book value.

Valuation of Southern African portfolio

The Southern African portfolio consists of 56 properties with a total GLA of 987 768m^2.

The accounting policies of the group require that the directors value the entire portfolio every six months at fair value. Using a discounted cash flow (DCF) methodology, approximately half of the portfolio is valued every six months, on a rotational basis, by registered independent external valuers. The directors have valued the Southern African property portfolio at R15.6 billion[i] with a forward yield of 9.0% at 31 March 2021. This is R66.6 million or 0.4% less than the valuation as at 31 March 2020. The value of the stable portfolio (excluding sales) is R159.7 million or 1.0% higher than the March 2020 value.

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

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

Top 15 properties by value

Vukile's top 15 properties are all retail assets. They are 84% exposed to national, listed and franchised tenants. These properties comprise 60.3% of the total portfolio value and 46.2% of the total portfolio GLA.

Property	Location	GLA m²	Value Rm	% of total portfolio	Valuation R/m²
Boksburg East Rand Mall[i]	Gauteng	34 284	1 187.5	7.6	34 637
Pinetown Pine Crest	KwaZulu-Natal	43 333	1 153.1	7.4	26 610
Durban Phoenix Plaza	KwaZulu-Natal	24 072	851.4	5.5	35 369
Phuthaditjhaba Maluti Crescent	Free State	35 733	785.1	5.0	21 971
Pretoria Kolonnade Retail Park	Gauteng	39 665	605.8	3.9	15 273
Soweto Dobsonville Mall	Gauteng	26 438	591.5	3.8	22 373
Gugulethu Square	Western Cape	25 699	558.3	3.6	21 725
Queenstown Nonesi Mall	Eastern Cape	27 922	539.3	3.5	19 315
Mdantsane City Shopping Centre	Eastern Cape	36 308	537.1	3.5	14 793
Germiston Meadowdale Mall[ii]	Gauteng	33 156	457.5	2.9	13 798
Thohoyandou Thavhani Mall[iii]	Limpopo	17 780	444.1	2.9	24 978
Daveyton Shopping Centre	Gauteng	17 709	432.7	2.8	24 434
Moruleng Mall[iv]	North West	25 246	426.9	2.7	16 910
Bloemfontein Plaza	Free State	43 771	409.6	2.6	9 358
Oshakati Shopping Centre	Namibia	24 632	408.1	2.6	16 568
Total top 15 properties		**455 748**	**9 388.0**	**60.3**	**20 599**
% of total portfolio		46.2	60.3		
% of retail portfolio		51.0	63.9		

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

Summary of portfolio changes

GLA reconciliation	GLA m²
Balance at 31 March 2020	1 015 536
GLA adjustments	393
Disposals	(28 161)
Acquisitions and extensions	—
Balance at 31 March 2021	987 768

Vacancy reconciliation	GLA m²	%
Balance at 31 March 2020	34 017	3.4
Less: Properties sold since 31 March 2020	(976)	3.5
Remaining portfolio balance at 31 March 2020	33 041	3.4
Leases expired	161 844	
Tenants vacated or relocated	19 271	
Moved from development vacancy	711	
Renewal of expired leases	(61 616)	
Leases to be renewed	(81 837)	
New letting of vacant space	(33 291)	
Balance at 31 March 2021	38 123	3.9

COMMENTARY continued

Portfolio profiles

Geographic profile

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

	% of gross income	% of GLA
Gauteng	**36**	**41**
KwaZulu-Natal	**21**	**15**
Limpopo	**8**	**7**
Free State	**7**	**8**
Western Cape	**7**	**6**
Namibia	**7**	**6**
Eastern Cape	**6**	**7**
North West	**4**	**5**
Mpumalanga	**4**	**5**

Sectoral profile

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

Tenant profile

Large national and listed tenants and major franchises account for 80% of our tenants by rentable area. In the retail portfolio this is even higher, with 84% exposure to national, listed and franchised tenants.

	% of rent		% of GLA	
	Retail	Total portfolio	Retail	Total portfolio
A – Large national and listed tenants and major franchises	**72**	**70**	**75**	**72**
B – National and listed tenants, franchised and medium to large professional firms	**9**	**9**	**9**	**8**
C – Other (1 192 tenants)	**19**	**21**	**16**	**20**

Lease expiry profile

Vukile's Southern African lease expiry profile shows that 34% of the leases based on rentals are due for renewal in 2022. Some 25% of leases are due to expire in 2025 and beyond.

	March 2022	March 2023	March 2024	March 2025	Beyond March 2025
% of contractual rent	34	19	22	9	16
Cumulative	34	53	75	84	100

	Vacant	March 2022	March 2023	March 2024	March 2025	Beyond March 2025
% of GLA	3.9	29	15	21	9	22
Cumulative	3.9	33	48	69	78	100

Vacancy profile

The total portfolio's vacancy (based on GLA) increased to 3.9%. The focused in-house leasing drive to fill vacancies resulted in marginally increased retail vacancies amid turbulent times during the COVID-19 pandemic. Industrial and office vacancies remain under pressure.

Vacancies (% of GLA)	March 2021 %	March 2020 %
Retail	**3.2**	2.9
Offices	**7.5**	3.5
Industrial	**9.3**	8.7
Motor related	**—**	—
Residential	**30.9**	4.3
Total	**3.9**	3.4

Including development vacancy, the 31 March 2021 vacant GLA is 4.1%.

Vacancies (% of gross rental)	March 2021 %	March 2020 %
Retail	**3.5**	2.9
Offices	**6.5**	5.6
Industrial	**12.2**	6.9
Motor related	**—**	—
Residential	**15.5**	10.9
Total	**3.8**	3.1

Including development vacancy, the 31 March 2021 vacant rent is 4.1%.

Individual property vacancy profile

The properties with the highest vacancies as a percentage of GLA, where each had a vacancy higher than 1 000m^2 during the period (excluding development vacancy), are:

	Vacancy				
	31 March 2021		31 March 2020		Movement
	m^2	**%**	m^2	%	m^2
Randburg Square Apartments	**2 318**	**31**	324	4	1 994
Windhoek 269 Independence Avenue	**3 817**	**30**	2 236	17	1 581
Roodepoort Hillfox Power Centre	**3 743**	**10**	2 229	6	1 514
Mbombela Shoprite Centre	**3 688**	**26**	2 208	16	1 480
Boksburg East Rand Mall	**1 194**	**3**	766	2	428
Jhb Houghton 1 West Street	**1 375**	**31**	976	22	399
Midrand Allandale Industrial Park	**2 575**	**12**	2 349	11	226
Oshikango Shopping Centre	**1 645**	**18**	1 487	16	158
Letlhabile Mall	**1 846**	**11**	1 925	11	(79)
Randburg Square	**2 476**	**6**	2 819	7	(343)
Roodepoort Ruimsig Shopping Centre	**710**	**6**	1 781	15	(1 071)
Moruleng Mall	**—**	**—**	1 322	5	(1 322)
Centurion Samrand N1	**2 235**	**20**	3 778	33	(1 543)

COMMENTARY continued

Leasing profile

Vukile concluded new leases and renewals in excess of 112 000m^2 with a contract value of R725.3 million. Tenant retention on the total portfolio was 89%, with retail retention at 90%.

Rental profile

There were negative reversions of 3.3% on the retail portfolio. To retain tenants in difficult market conditions, focus had to be given to the total cost of occupancy of 63 specific stores which reduced the average retail reversion rate. If these 63 special transactions are excluded, the average renewal rate on the remaining retail reversions is positive 6.0%. Although transactions were limited in the industrial sector, positive reversions of 3.7% were concluded. Marginal leasing transactions were concluded on offices during the period.

The weighted average base rental rates (excluding recoveries) increased by 4.7% from R134.98/m^2 to R141.26/m^2 during the year.

Base rental rates (excluding recoveries)	31 March 2021 R/m^2	31 March 2020 R/m^2	Escalation %
Retail	**146.40**	141.43	3.50
Offices	**110.23**	106.52	3.50
Industrial	**60.05**	61.41	*(2.2)
Motor related	**183.90**	171.87	7.00
Residential	**140.48**	142.94	(1.70)
Portfolio weighted average base rentals	**141.26**	134.98	4.70

* *The lower average rental rate on industrial properties is due to the sale of Sandton Linbro 7 On Mastiff Business Park and Pinetown Richmond Industrial Park. Excluding the sold properties, average rental growth on the industrial portfolio is flat.*

Retail escalations of an average 6.7% are easing with national tenants demanding lower in-contract escalations. Escalations, however, remain ahead of inflation rates.

	March 2021 %	March 2020 %
Retail	**6.7**	6.9
Offices	**7.5**	7.6
Industrial	**7.7**	7.8
Motor related	**7.0**	7.0
Total	**6.7**	6.9

Retail tenant profile and exposure

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

Our top 10 tenants account for 45% of total rent and 52% of GLA. Pepkor and Foschini are our two single largest tenants, accounting for 8.0% and 6.9% of total rent respectively. Post the Jet acquisition, Foschini moved from fourth largest to second largest tenant in the portfolio.

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 25% of contractual rental expiring in 2025 and beyond.

Costs

The largest expense categories contribute 81% to the total expenses. These are government services (46%), 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 increased materially over the period as a result of concessions granted to tenants and additional expenses brought upon by the COVID-19 environment.

Net cost to income ratio: remaining portfolio	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %	**2021** **%**
All expenses	18.2	17.8	16.0	15.3	16.1	15.5	**18.5**
All expenses excluding rates and taxes and electricity	18.0	16.4	15.3	15.1	15.0	15.3	**18.1**

Like-for-like net operating income growth

Like-for-like growth (stable portfolio)	**31 March 2021**	31 March 2020	% change
Property revenue (Rm)	**1 416.0**	1 511.2	(6.3)
Net property expenses (Rm)	**265.1**	235.2	12.7
Net property income (Rm)	**1 150.9**	1 276.0	(9.8)
Net cost to income ratio (%)	**18.7**	15.6	

COMMENTARY continued

PORTFOLIO REVIEW – SPAIN

"The Spanish portfolio has demonstrated its quality in withstanding the current pandemic. With over 94% of our tenants comprising international and national tenants, the business continues to show strength in the new reality we face."

At 31 March 2021 the Spanish portfolio consisted of 18 properties with a total value of €987 million, and a GLA of 367 015m^2, with an average value of €55 million per property.

The Spanish retail portfolio, which accounts for 97% of the value of the assets, was externally valued at €955 million and consists of 16 properties with an average value of €60 million. In total, 94.0% of retail space is let to international and national tenants with vacancies limited to 1.7%. The portfolio mandatory period (WAULT) is currently three years to first break and 13.6 years to expiry.

Operating environment

Operational highlights

Asset management in action

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

Highlights for the period include the following:

- Increasing portfolio occupancy to 98.3% (vacancy limited to 1.7%)
- Keeping portfolio WALE stable at 13.4 years, and WALE to break has increased to 3.3 years due to strong negotiations with tenants
- Reversions have been achieved 7.5% above previous rentals during the period at an average rent/m^2 of €25.03/m^2 for renewals, relocations and replacements
- Maintaining average base rentals at €14.2/m^2 despite tough trading conditions
- A strong rebound in footfall and sales was evident as soon as customers were able to return to centres. Larger basket sizes are contributing to strong sales performance with retail parks trading above pre-COVID-19 levels
- Letting activity has kept pace despite the pandemic. In total 116 leases amounting to 34 975m^2 of GLA have been leased and renewed during the period, with an incremental annualised net operating income of €4.5 million
- The redevelopment projects were completed with 92.8% tenants in place (by GLA)
- Opening of new anchor units such as Zara and Lefties in Bahía Sur, Mercadona and Media Markt in Los Arcos, or Yelmo Cines Premium in Bahia Sur and El Faro have improved the portfolio tenant mix
- Rental discount agreements were concluded in respect of 95% of the portfolio, allowing for visibility and predictability of future income
- The retail park portfolio has maintained occupancy levels at 98.7%

Tenant arrears

Tenant arrears (including tenant recharge accruals) amounted to €3.3 million (R64 million) at 31 March 2021 (31 March 2020: €2.3 million). Castellana's in-house property administration team collected 95.23% of monthly rental invoices during the year.

The allowance for the impairment of tenant receivables at 31 March 2021 increased to €1.5 million (R26.1million) (31 March 2020: €0.3 million).

Projects

Castellana has secured 92.8% of the leases on its value-added redevelopment projects in Los Arcos, Bahía Sur and El Faro. The projects aim to strengthen the existing offerings and dominance of the centres through the addition of new and exciting retailers, the creation of pedestrianised open space, and the introduction of attractive fashion, food and beverage and leisure operators in the centres. These projects have already demonstrated their potential to enhance the customer experience and improve the number and quality of retailers in the centres, with a number of store openings that have already been completed.

In Los Arcos, 89% of the GLA has been signed and committed. There have been 11 new openings in Los Arcos SC due to the refurbishment project. Having commenced in mid-July with the opening of Mercadona, and followed by Etam, Movistar, Décimas, Soloptical, Espacio Casa and Media Markt, offering an enhanced experience for our customers. The centre has reinforced its position in the city as the best, most complete and most convenient shopping centre in the area.

El Faro has 92% of the project GLA secured under signed leases. There has been significant progress made and the project is essentially complete. Yelmo Premium cinema opened last December, the only premium cinema in the region, and new restaurants such as Burger King, Foster Hollywood, Pomodoro and Pepe Taco have opened their doors in the past few months. The offering includes bowling and video games by Galaxy Park, which add value for our customers and complement the food offering coming into the new space.

Bahía Sur has 95% of tenants signed and committed. The project offers a new and more complete fashion offer to customers with new openings such as the new Zara flagship, the biggest store in Cadiz region with a focus on the omnichannel strategy of the brand. The Primark store is already under works and will open at the end of 2021, highly anticipated by customers. Additional new brands Espacio Casa, Kiko, Primor or Yelmo Premium cinemas in the Bahía Sur shopping centre have opened their stores in the past few months, exceeding initial expectations on performance.

COVID-19 in Spain

As at 2 June 2021 Spain had vaccinated 40% of its population with one dose, with 20% fully vaccinated. The Spanish government announced the goal of vaccinating 70% of its population will be achieved by 18 August 2021. Cases in Spain are currently declining with incidence rates falling across most of the country.

The Spanish government recently ended the state of alarm that has been in place since March 2020, and there are currently no restrictions on inter-regional travel. However, each autonomous region is applying to impose its own restrictions in the form of, border controls, limits on the number of people able to gather, or other measures. The measures vary across each region.

Economic overview

While Spain's gross domestic product (GDP) fell by 10.8% in 2020, the rebound expected in 2021 will take GDP 5.5% higher, with further growth of 7.0% expected in 2022.

Employment seems to be holding steady with an unemployment rate of 15.98%. People in ERTE (Temporary Employment Regulation Filings) amounted to 743 628 people as at 31 March 2021, which has remained fairly stable since September 2020.

Spain's consumer confidence has increased in recent months, but uncertainty still remains on when the country will fully reopen, especially with regard to tourism over the coming months.

Spain, along with the rest of the EU, will continue to implement an expansionary macro-economic policy by keeping interest rates low. The European recovery programme (Next Generation EU) has made a total of €140 billion available to Spain in exchange for Spain implementing various reforms to its economy.

On 21 July 2020, the European Council agreed on a €750 billion recovery plan (Next Generation EU) and a €1 074 billion long-term budget for 2021 – 2027. With €140 billion in grants (€72.7 billion) and loans (€67.3 billion), Spain has been among the largest recipients of benefits, second only to Italy. Overall, this deal is symbolically a major step for the EU because it overcomes two historic taboos of European integration: (i) long-term opposition to large-size EU common issuance or Eurobonds; and (ii) opposition to explicit fiscal transfers across countries.

Political environment

The main political event in Spain in the preceding months has been the comprehensive victory of the centre-right People's Party (PP) in the regional election for Madrid. Isabel Diaz Ayuso, the president of Madrid and the head of the PP in Madrid, beat the other parties with 45% of the vote achieving 65 seats at the regional parliament, increasing by 101% from the previous elections in 2019. The other right-wing party, Vox, gained 13 seats and, just with the abstention of this party at the investiture, Ayuso should lead the region for the next two years. The three left-wing parties, which were expected to form a coalition to rule, did not get to the majority (69 seats) together so they will not form part of the new government. Centrist party Ciudadanos did not reach the minimum number of votes to occupy a seat at parliament. Elections were called by Ayuso back in March 2021 in the face of a risk of having a vote of non-confidence from the left wing who would rule until the end of the legislature if the no confidence succeeded.

The primary impacts will be on taxation. The centre right parties tend to focus on employment and ease the creation of companies to create jobs, hence they maintain or even decrease taxes to promote new economic activity.

Castellana COVID-19 response plan

Castellana's portfolio is now fully open and trading following various regional restrictions on shopping centres implemented over the course of the past 12 months. Sales and footfall saw marked increases once restrictions were lifted, with customers immediately returning to our malls.

Shops in Castellana's retail centres closed on 14 March 2020 apart from essential services (mainly supermarkets and pharmacies), which have remained open throughout. On 25 May 2020, 12 of the 16 assets reopened with some restrictions, however, during the second and third waves some centres were closed for a few weeks at a time. Recently, with the state of alarm ending, Castellana's portfolio is completely open and trading.

Castellana continues to engage with all stakeholders to strategically manage the portfolio through the pandemic, including its tenants, banking partners and others, to ensure a smooth and consistent performance.

COMMENTARY continued

Business review

Castellana remains well capitalised and continues to operate from a position of strength due to the quality of its retail portfolio. Early engagement with tenants, banks and others at the start of the state of alarm in March supported the right strategic decisions, with the business having now recovered most of its footfall and sales compared to the prior year. Castellana continues to update its scenario modelling, which has confirmed and strengthened management's view that the business is well positioned to withstand the economic impact of the pandemic. Notwithstanding the current economic situation, Castellana has ensured a "business as usual" environment across the vast majority of its portfolio.

Tenant and industry engagement

Castellana granted 100% discounts in Minimum Guaranteed Rent (MGR) to tenants affected by the lockdown in April 2020 and some further discounts for May. Throughout the lockdown all tenants were invoiced 100% of their regular service charges. The MGR discounts were granted in exchange for longer lease terms, more regular sales reporting, and break option waivers. From 1 June 2020 onwards, normal invoicing resumed, with collections normalising over the remainder of the year. Notwithstanding the economic effects of the pandemic, Castellana's mandatory lease periods remained stable, offering long-term stability and predictability of cash flows. Castellana continues to engage regularly with its tenants, to gauge performance and to exchange strategic management ideas.

Debt provider engagement

Castellana continues to engage with its debt providers. The response has been positive, and they are satisfied with Castellana's balance sheet strength and cash position. We remain confident of Castellana's ability to remain well within its LTV and ICR covenant levels. Aareal and Allianz have agreed to waive all covenant tests until 30 September 2021 and have committed to continue financing the "El Corte Ingles value-add projects". The syndicated loan banks (Santander and Caixabank) have agreed to defer the amortisation schedule on the main facility of the syndicated loan, rolling the maturity for 12 months. While this deferral was not mandatory to undertake, these actions ensure that Castellana continues to be in a strong position to navigate the effects of the pandemic.

Footfall, sales and collections performance (October 2020 to March 2021)

Footfall and sales

	2020			**2021**		
	Oct 2020 %	Nov 2020 %	Dec 2020 %	**Jan 2021 %**	**Feb 2021 %**	**Mar 2021 %**
Change in footfall October 2020 to March 2021 (vs corresponding month previous year)	(16.4)	(40.3)	(23.6)	**(41.4)**	**(50.1)**	**98.3**

Castellana has seen a continuous improvement in footfall and sales since reopening centres. By 31 March 2021 footfall was at 74% of levels seen in 2019.

While further restrictions have been imposed since November 2020, our customers consider our centres to be safe places and continue to visit, albeit more frequently per week for shorter dwell times with larger basket sizes.

	2020			**2021**		
	Oct 2020 %	Nov 2020 %	Dec 2020 %	**Jan 2021 %**	**Feb 2021 %**	**Mar 2021 %**
Change in sales October 2020 to March 2021 (vs corresponding month previous year)	(5.7)	(30.1)	15.9	**(34.6)**	**(41.9)**	**93.0**

The recovery of sales has been faster than footfall, with average basket size increasing as a result of customers spending higher amounts more frequently. Retail parks are currently performing better than pre-COVID levels. Shopping centres continue to show consistent improvement each month. DIY, electronics, pets and household goods have shown the strongest performance. Portfolio sales in March were at 80% of levels seen in 2019.

94% of Castellana's tenants are national and international brands.

Collections

Collections April 2020 to March 2021	June 2020**	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021
Total net invoiced amount (€m)*	4.4	4.7	5.0	5.2	5.2	4.9	5.5	5.8	5.3	5.6
Total collected (%)	96.7	98.5	98.0	96.6	96.4	95.4	94.1	95.6	92.2	91.7
Total outstanding (%)	3.3	1.5	2.0	3.4	3.6	4.6	5.9	4.4	7.8	8.3

** Not considering net turnover rent, €1.4 million invoiced in May 2020.*
*** June 2020 invoiced during October 2020.*

What became evident in the collections process was that over time, the longer the administration team worked on collecting outstanding rents, the higher the recovery rate ultimately became.

Valuation of Spanish portfolio

The Spanish portfolio has been independently valued by Colliers at €987.0 million (R17.1 billion) at 31 March 2021 (31 March 2020: €1 003.5 million or R19.8 billion), representing a -1.6% decline in value over the last financial year.

Overall the portfolio has declined in value by 4% since 30 September 2019 if capex spent per annum is included. Excluding capex spent the decline has been 5.5%.

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

Real estate market in Spain

The retail investment market is undergoing a challenging period, where investors are predominantly taking a “wait and see” approach. In an environment of low interest rates, high liquidity and LTVs far below the levels of 2007 to 2012, sellers are resisting lowering prices for the moment, while buyers expect that the uncertainty should be reflected in the price. This is the main impediment to market activity. While the total retail investment volume reached €2.3 billion, this was mainly due to large shopping centre transactions that closed prior to the pandemic. The remaining portion of the transactions were largely long leased supermarket portfolios.

Yields are being driven more by sentiment rather than operational performance. In Q3 and Q4 2020, both prime shopping centres and good secondary centres have seen their yields rise between 25bps and 50bps, despite a very low level of transaction evidence available in the market. The retail assets that have transacted tend to be long-leased supermarket portfolios that tend to trade at lower yields of 5.5% to 6%. This is reflective of the preference for stability and safety from investors in an uncertain market environment.

Portfolio overview

Top 10 properties by value

All of our top 10 properties are retail assets. Cumulatively, 97% of their tenants are international and national tenants. These properties comprise 90% of the total portfolio value, 88% of the total portfolio rent and 80% of the total portfolio GLA.

Property	Location	GLA m^2	Value €m	% of total portfolio	Valuation €/m^2
El Faro	Extremadura	40 318	159.0	16.1	3 944
Bahía Sur	Andalucia	35 333	141.0	14.3	3 991
Los Arcos	Andalucia	26 680	136.0	13.8	5 097
Granaita Retail Park	Andalucia	54 807	106.0	10.7	1 934
Vallsur	Castilla Leon	35 212	87.0	8.8	2 471
Habaneras	Com. Valenciana	25 021	84.0	8.5	3 357
Puerta Europa	Andalucia	29 783	65.0	6.6	2 182
Parque Oeste	Madrid	13 604	49.0	5.0	3 602
Parque Principado	Asturias	16 090	35.0	3.5	2 175
Marismas del Polvorín	Andalucia	18 220	27.0	2.7	1 482
Total top 10 properties		**295 068**	**889.0**	**90.0**	**3 013**
% of total portfolio		80	90		

COMMENTARY continued

Summary of portfolio changes

GLA reconciliation	GLA m^2
Balance as at 31 March 2020	373 419
GLA adjustments	(6 404)
Balance as at 31 March 2021	**367 015**
Areas under development	5 212
Non-lettable area	7 038
GLA excluding areas under development	361 802

Vacancy reconciliation	GLA m^2	%
Balance as at 31 March 2020	5 647	1.7
Vacancy movement	539	
Balance as at 31 March 2021	**6 186**	**1.7**

Portfolio profiles

Geographic profile

The geographic distribution of the Spanish portfolio is indicated in the table below. Some 87% of the gross income comes from Andalucia, Extremadura, Com. Valenciana and Castilla Leon.

Geographic portfolio	% of rental income	% of GLA
Andalucia	**49**	**48**
Extremadura	**20**	**20**
Com. Valenciana	**9**	**8**
Castilla Leon	**9**	**10**
Madrid	**7**	**7**
Asturias	**4**	**4**
Murcia	**2**	**3**

Sectoral profile

Based on value, 97% of the Spanish portfolio is in the retail sector and 3% in the office sector.

Tenant profile

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

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

Expiry profile

Castellana has a 13-year retail tenant expiry profile and 3.0 years to break with 52% (54% including the office tenant expiry profile) of contractual rental expiring in 2029 and beyond.

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

Retail portfolio

	March 2022 %	March 2023 %	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	March 2030 %	March 2031 %	Beyond March 2031 %
% of contractual rent	7	5	5	8	6	3	5	5	4	4	48
Cumulative	7	12	17	25	31	34	39	44	48	52	100

	Vacant %	March 2022 %	March 2023 %	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	March 2030 %	March 2031 %	Beyond March 2031 %
% of GLA	2	5	3	2	6	3	2	4	5	3	3	62
Cumulative	2	7	10	12	18	21	23	27	32	35	38	100

Total portfolio

	March 2022 %	March 2023 %	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	March 2030 %	March 2031 %	Beyond March 2031 %
% of contractual rent	7	5	5	7	6	3	4	5	4	4	50
Cumulative	7	12	17	24	30	33	37	42	46	50	100

	Vacant %	March 2022 %	March 2023 %	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	March 2030 %	March 2031 %	Beyond March 2031 %
% of GLA	2	5	3	2	6	3	2	4	4	3	3	63
Cumulative	2	7	10	12	18	21	23	27	31	34	37	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. The break profile has improved due to the concessions granted to tenants at the start of the state of alarm in March 2020. Castellana negotiated more favourable lease terms in exchange for granting these temporary concessions.

Retail portfolio

	March 2021 %	March 2022 %	March 2023 %	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	March 2030 %	Beyond March 2030 %
% of contractual rent	29	20	16	11	11	2	5	2	2	1	1
Cumulative	29	49	65	76	87	89	94	96	98	99	100

COMMENTARY continued

Total portfolio

	March 2022 %	March 2023 %	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	March 2030 %	March 2031 %	Beyond March 2031 %
% of contractual rent	28	19	15	11	11	2	5	2	2	2	3
Cumulative	28	47	62	73	84	86	91	93	95	97	100

Vacancy profile

The portfolio's vacancy remained at 1.7% at 31 March 2021.

Vacancies (% of GLA)	March 2021 %	March 2020 %
Shopping centres	**2.2**	2.8
Retail parks	**1.3**	0.8
Offices	**—**	—
Total	**1.7**	1.7

Rental profile

The Castellana portfolio's weighted average rental is €14.22/m². We believe that a significant portion of the portfolio is at below-market rentals. We anticipate rental growth to come through over the medium term. Shopping centre rents per sqm have decreased due to tenants with larger boxes entering the portfolio, while overall rental has increased.

	31 March 2021 €/m²	31 March 2020 €/m²	Escalation (%)
Shopping centres	**18.58**	19.63	(5.3)
Retail parks	**9.56**	9.50	0.6
Offices	**9.89**	9.60	3.0
Portfolio weighted average base rentals	**14.22**	14.27	(0.4)

Costs

Service charges are the most significant expense and represent 78.76% of total property expenses. Service charges mainly include utilities, cleaning, marketing, security and management. Property tax is another significant expense and represents 13.86% of the total property expenses.

Like-for-like net operating income growth (without rent concessions)

Like-for-like growth (stable portfolio)	31 March 2021	31 March 2020	% change
Property revenue (€m)	**59.28**	55.95	5.95
Net property expenses (€m)	**(3.66)**	(2.84)	28.87
Net property income (€m)	**55.62**	53.11	4.73
Net cost to income ratio (%)	**6.17**	5.08	21.46

Like-for-like net operating income growth (with rent concessions)

Like-for-like growth (stable portfolio)	31 March 2021	31 March 2020	% change
Property revenue (€m)	**40.48**	55.95	(27.65)
Net property expenses (€m)	**(3.66)**	(2.84)	28.87
Net property income (€m)	**36.82**	53.11	(30.67)
Net cost to income ratio (%)	**9.04**	5.08	77.95

THE VUKILE ACADEMY

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

The academy's focus is to contribute highly skilled, motivated and passionate young black professionals and entrepreneurs to the South African property sector each year. It is a platform that improves access to quality education and by creating access to job opportunities for youth, facilitates education, work experience, career advancement and economic growth, and thereby reduces inequality.

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

The academy focuses on the following areas:

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

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

> **Training programmes for aspiring, young developers**
> The Vukile Academy has partnered with uMastandi, a training programme for aspiring township developers managed by Avocado Vision. The main aim of this programme is to impart financial feasibility training to the respective developers. The programme currently has four participants, who have developed 58 backroom units in the township in Vosloorus and Soweto. The Academy will continue to transfer project management skills to these participants, an exciting initiative in a fast developing area in our townships.

Vukile BEE certification

Vukile Property Fund is a level 4 B-BBEE entity, with a 100% recognition level.

CHANGE TO BOARD OF DIRECTORS

Effective 1 September 2020, Dr Sedise Moseneke stepped down as an executive director of the company and assumed the position of non-independent non-executive director and member of the Property and Investment Committee.

PROSPECTS FOR THE GROUP

Vukile remains in very good shape operationally and financially, and with a clear strategic focus, the group is well positioned for long-term growth. The macro-economic benefits of diversification will continue to be advantageous for our South African investors. The clearly focused retail specialisation strategy, in Southern Africa and Spain, is providing benefits in each of these markets, as seen by the strong operational results delivered in the worst of the COVID-19 crisis.

Management's decision making is geared to making the right decisions for the long-term sustainability of the business and ensuring that we are not caught up in short-termism. We will continue to invest so that we make the transition to a customer-led organisation, with the right skills for a changing retail environment. We remain focused on balance sheet strength, risk management and the effective deployment of retained cash to ensure long-term growth and strategic strength.

We are very pleased with the operational performance of the business and how we have navigated the COVID-19 crisis so far, and believe we have the right platform and approach to restore profitability to pre-pandemic levels over the next few years. Given the ongoing uncertainty in the operating environment, the possibility of further COVID-19 waves and uncertainty regarding the pace and extent of vaccine roll-outs, we believe it is prudent not to provide dividend guidance for FY2022. The dividend payout ratio going forward will approximate 60% - 70% of total group FFO (while still maintaining the minimum 75% of JSE defined distributable income requirement), thus lower than the current year's 79%.

COMMENTARY continued

SUBSEQUENT EVENTS

i. Declaration of dividend

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

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

ii. Sale of investment property

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

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

iii. Extension of MEREV put option

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

iv. Settlement of CCIRS

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

v. Investment in Arrowhead

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

BASIS OF PREPARATION

The summarised consolidated financial statements for the year ended 31 March 2021, and comparative information, have been prepared in accordance with, and containing the information required by, International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Announcements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, IAS 34, and relevant sections of the Companies Act, 71 of 2008, as amended (Companies Act). All accounting policies applied by the group in the preparation of these summarised consolidated financial statements are consistent with those applied by the group in its consolidated financial statements as at and for the year ended 31 March 2020, except where new standards have been introduced as disclosed in the notes.

These statements, which comprise the statement of financial position at 31 March 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the 12 months then ended, are extracted from audited information, but are themselves not audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unqualified opinion thereon. The auditor's report does not necessarily cover all of the information included in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of the audit report together with the accompanying financial information from the registered office of the company situated at 4th Floor, 11 Ninth Street, Houghton Estate.

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

The directors are not aware of any matters or circumstances arising subsequent to 31 March 2021 that require any additional disclosure or adjustment to the financial statements and which are not disclosed in this announcement.

On behalf of the board

NG Payne
Chairman

LG Rapp
Chief executive officer

Houghton Estate

9 June 2021

VUKILE PROPERTY FUND LIMITED

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

JSE sponsor: Java Capital
NSX sponsor: IJG Group, Windhoek, Namibia
Executive directors: LG Rapp (chief executive), LR Cohen (chief financial officer), IU Mothibeli (managing director: Southern Africa)
Non-executive directors: NG Payne (chairman)*, PS Moyanga*, SF Booysen*, RD Mokate*, H Ntene*, HM Serebro*, B Ngonyama*, GS Moseneke
**Independent*
Registered office: 4th Floor, 11 Ninth Street, Houghton Estate, 2198
Company secretary: J Neethling
Transfer secretaries: Link Market Services South Africa (Pty) Ltd, Braamfontein, Johannesburg
Investor relations: Instinctif Partners, The Firs, 3rd Floor, Corner Craddock Avenue and Biermann Road, Rosebank, Johannesburg, South Africa, Tel: +27 11 447 3030
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www.vukile.co.za

CONSOLIDATED statement of financial position

as at 31 March 2021

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

CONSOLIDATED statement of profit or loss

for the year ended 31 March 2021

Group	31 March 2021 Rm	31 March 2020 Rm
Property revenue	**3 117**	3 446
Straight-line rental income accrual	**(67)**	55
Gross property revenue	**3 050**	3 501
Property expenses	**(1 203)**	(1 144)
Expected credit loss (ECL): tenant receivables	**(51)**	15
Net profit from property operations	**1 796**	2 372
Corporate and administrative expenses	**(286)**	(279)
Total investment and other income	**318**	422
Fair value movement on non-designated portion of CCIRS	**(32)**	113
Profit before finance costs	**1 796**	2 628
Finance costs	**(707)**	(615)
Profit after finance costs	**1 089**	2 013
Profit/(loss) on sale of investment property	**2**	(9)
Loss on sale of equity-accounted associate	**(32)**	—
Fair value gain/(loss) on financial instruments	**233**	(744)
Impairments	**(13)**	(30)
Foreign exchange gain/(loss) on GBP loans	**9**	(65)
Profit before changes in fair value of investment property	**1 288**	1 165
Fair value adjustments:	**(847)**	(1 291)
Gross change in fair value of investment property	**(920)**	(1 243)
Change in fair value of right-of-use asset	**6**	7
Straight-line rental income adjustment	**67**	(55)
Profit/(loss) before equity-accounted investment	**441**	(126)
Share of income from associate	**18**	127
Share of loss from joint venture	**(1)**	—
Profit before taxation	**458**	1
Taxation	**(40)**	(40)
Profit/(loss) for the year	**418**	(39)
Attributable to owners of the parent	**584**	(103)
Attributable to non-controlling interest	**(166)**	64

CONSOLIDATED statement of comprehensive income

for the year ended 31 March 2021

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

RECONCILIATION of earnings to headline earnings

for the year ended 31 March 2021

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

There are no dilutionary shares in issue.

CONSOLIDATED statement of changes in equity

for the year ended 31 March 2021

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

CONDENSED consolidated statement of cash flow

for the year ended 31 March 2021

	31 March 2021 Rm	31 March 2020 Rm
Cash flow from operating activities	**1 178**	2 417
Cash flow from investing activities	**930**	(2 359)
Cash flow from financing activities	**(2 739)**	247
Net increase in cash and cash equivalents	**(631)**	305
Foreign currency movements in cash	**75**	117
Cash and cash equivalents at the beginning of the period	**1 559**	1 137
Cash and cash equivalents at the end of the period	**1 003**	1 559
Major items included in the above:		
Cash flow from operating activities	**1 178**	2 417
Profit before tax	**458**	1
Adjustments[i]	**1 034**	2 256
Working capital adjustments	**(288)**	186
Taxation paid	**(26)**	(26)
Cash flow from investing activities	**930**	(2 359)
Disposal of investment in equity-accounted associate	**1 103**	—
Acquisition of investment property and development costs	**(665)**	(2 920)
Investment and other income	**323**	422
Proceeds on sale of investment property	**211**	56
Other	**(42)**	83
Cash flow from financing activities	**(2 739)**	247
Interest-bearing borrowings advanced	**2 647**	3 102
Interest-bearing borrowings repaid	**(4 173)**	(448)
Finance costs paid	**(591)**	(570)
Dividends paid	**(556)**	(1 867)
Other	**(66)**	30

[i] *Adjustments to cash flows from operating activities for 31 March 2021 include fair value loss on investment property of R920 million, finance costs of R707 million and fair value gain on equity investments of R303 million.*

SUMMARISED operating segment report

for the year ended 31 March 2021

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

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

	Southern Africa			Spain			Total group
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	Rm
Group statement of financial position at 31 March 2021							
ASSETS							
Non-current assets	15 028	1 735	16 763	15 752	1 474	17 226	33 989
Investment property	14 705	273	14 978	15 642	1 453	17 095	32 073
Straight-line rental income accrual	323	18	341	—	—	—	341
Equity investment at fair value through profit and loss	—	340	340	—	—	—	340
Investment in associate at fair value	—	538	538	—	—	—	538
Investment in associate	—	16	16	—	—	—	16
Executive share scheme financial asset	—	55	55	—	—	—	55
Derivative financial instruments	—	168	168	—	—	—	168
Financial assets at amortised cost	—	254	254	—	—	—	254
Deferred taxation	—	3	3	—	—	—	3
Other non-current assets	—	70	70	110	21	131	201
Current assets	243	1 051	1 294	547	162	709	2 003
Trade and other receivables	210	52	262	130	(1)	129	391
Derivative financial instruments	—	47	47	—	—	—	47
Cash and cash equivalents	33	390	423	417	163	580	1 003
Non-current assets held for sale	—	562	562	—	—	—	562
Total assets							35 992
EQUITY AND LIABILITIES							
Equity attributable to the owners of the parent							17 361
Non-controlling interest							1 559
Non-current liabilities	201	5 200	5 401	231	7 724	7 955	13 356
Interest-bearing borrowings	—	4 939	4 939	—	7 683	7 683	12 622
Lease liability	201	—	201	—	—	—	201
Derivative financial instruments	—	246	246	—	33	33	279
Deferred taxation liabilities	—	15	15	—	8	8	23
Other non-current liabilities	—	—	—	231	—	231	231
Current liabilities	345	2 322	2 667	1 044	5	1 049	3 716
Trade and other payables	326	66	392	188	5	193	585
Short-term portion of interest-bearing borrowings	—	1 749	1 749	855	—	855	2 604
Short-term portion of lease liability	19	—	19	—	—	—	19
Derivative financial instruments	—	500	500	1	—	1	501
Current taxation liabilities	—	4	4	—	—	—	4
Shareholder for dividends	—	3	3	—	—	—	3
Total equities and liabilities							35 992

SUMMARISED operating segment report continued

for the year ended 31 March 2021

	Southern Africa			Spain			Total group
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	Rm
Group income for the year ended 31 March 2020							
Revenue(i)	1 480	90	1 570	981	84	1 065	2 635
Property expenses(i)	(226)	(14)	(240)	(71)	(7)	(78)	(318)
Net distributable income from property operations	1 254	76	1 330	910	77	987	2 317
Corporate and administrative expenses	(152)	(9)	(161)	(69)	(49)	(118)	(279)
Investment and other income	166	10	176	1	—	1	177
Finance income	10	50	60	—	—	—	60
Net interest from cross-currency interest rate swaps	173	12	185	—	—	—	185
Distributable income before finance costs	1 451	139	1 590	842	28	870	2 460
Finance costs	(55)	(355)	(410)	(198)	(7)	(205)	(615)
Distributable income before equity-accounted income	1 396	(216)	1 180	644	21	665	1 845
Share of income from associate (Atlantic Leaf)	—	127	127	—	—	—	127
Distributable Income before taxation	1 396	(89)	1 307	644	21	665	1 972
Taxation	(40)	—	(40)	—	—	—	(40)
Distribution income	1 356	(89)	1 267	644	21	665	1 932
Net distributable income attributable to non-controlling interests		(3)	(3)	—	(127)	(127)	(130)
Attributable to Vukile Group	1 356	(92)	1 264	644	(106)	538	1 802
Non-IFRS adjustments	—	(11)	(11)	—	—	—	(11)
Antecedent dividend	—	2	2	—	—	—	2
Accrued dividends	—	(19)	(19)	—	—	—	(19)
Non-cash impact of IFRS 16 – *Leases*	—	6	6	—	—	—	6
Available for distribution	1 356	(103)	1 253	644	(106)	538	1 791

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

	Southern Africa			Spain			Total group
	Retail Rm	Other Rm	Total Rm	Retail Rm	Other Rm	Total Rm	Rm
Group statement of financial position at 31 March 2020							
ASSETS							
Non-current assets	14 933	3 478	18 411	18 116	1 655	19 771	38 182
Investment property	14 547	1 002	15 549	18 115	1 653	19 768	35 317
Straight-line rental income accrual	386	33	419	—	—	—	419
Financial assets at fair value through profit or loss	—	246	246	—	—	—	246
Executive share scheme financial asset	—	18	18	—	—	—	18
Investment in associate at fair value	—	338	338	—	—	—	338
Investment in associate (equity-accounted)	—	1 518	1 518	—	—	—	1 518
Derivative financial instruments	—	29	29	—	—	—	29
Financial assets at amortised cost	—	260	260	—	—	—	260
Deferred taxation	—	7	7	—	—	—	7
Property, plant and equipment and intangible assets	—	27	27	1	2	3	30
Current assets	322	363	685	842	347	1 189	1 874
Trade and other receivables	277	(48)	229	83	2	85	314
Derivative financial instruments	—	1	1	—	—	—	1
Cash and cash equivalents	45	410	455	759	345	1 104	1 559
Total assets							40 056
EQUITY AND LIABILITIES							
Equity attributable to the owners of the parent							17 542
Non-controlling interest							1 957
Non-current liabilities	196	7 663	7 859	—	9 465	9 465	17 324
Interest-bearing borrowings	—	6 554	6 554	—	9 404	9 404	15 958
Lease liability	196	—	196	—	—	—	196
Derivative financial instruments	—	1 107	1 107	—	52	52	1 159
Deferred tax	—	2	2	—	9	9	11
Current liabilities	292	2 400	2 692	532	9	541	3 233
Trade and other payables	292	85	377	466	9	475	852
Short-term portion of interest-bearing borrowings	—	2 225	2 225	66	—	66	2 291
Short-term portion of lease liability	—	18	18	—		—	18
Derivative financial instruments	—	64	64	—	—	—	64
Current taxation liabilities	—	6	6	—	—	—	6
Shareholders for dividends	—	2	2	—	—	—	2
Total equity and liabilities							40 056

NOTES to the condensed financial statements

for the year ended 31 March 2021

1 GENERAL ACCOUNTING POLICIES

1.1 Basis of preparation

Estimates

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

Except for the amendments adopted as set out below in point 1.2, all accounting policies applied by the group in the preparation of these consolidated financial statements are consistent with those applied by the group in its consolidated financial statements as at and for the year ended 31 March 2020.

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

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

Judgements

Judgement is applied in certain areas based on historical experience and reasonable expectations relating to future events. Uncertainty around the future economic impact as a result of the COVID-19 pandemic has also been considered.

Management applied judgement in accounting for the impact of the COVID-19-related rent concessions. Vukile is of the view that the rental discounts provided to Southern African tenants did not constitute lease modifications, thus recognising the discounts as a reduction in income from leases. The deferral of Southern African rent payments has also been treated as a non-modification of leases. In Spain, the scope of certain leases were changed, resulting in lease modifications, thus recognising rental income in accordance with the updated lease terms.

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

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

1.2 New standards and amendments

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

1.2.1 Management has assessed the changes to IFRS 7 relating to the interest rate benchmark reform which is to result in amendments to the following standards:

- Amendments to IFRS 7 — *Financial Instruments: Disclosures;*
- Amendments to IFRS 9 — *Financial Instruments; and*
- IFRS 16 — *Leases.*

IFRS 7 — *Financial Instruments: Disclosure* relates to instances where IBORs are expected to be replaced by an alternative benchmark. This amendment permits the continuation of hedge accounting for such hedge relationships for phase 1. This had no impact on the group. Amendments related to phase 2 result in a change to the effective date being financial periods beginning on or after 1 January 2020, which was amended to 1 January 2021.

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.

	2021				2020			
Group	**Level 1 Rm**	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets								
Investment in associate at fair value	**538**	**—**	**—**	**538**	338	—	—	338
Equity investment at fair value	**309**	**—**	**—**	**309**	246	—	—	246
Executive share scheme financial asset	**57**	**—**	**—**	**57**	36	—	—	36
Derivative financial instruments	**—**	**214**	**1**	**215**	—	12	18	30
Total	**904**	**214**	**1**	**1 119**	620	12	18	650
Liabilities								
Executive share scheme financial liability	**—**	**(26)**	**—**	**(26)**	—	(18)	—	(18)
Derivative financial instruments	**—**	**(578)**	**(202)**	**(780)**	—	(1 060)	(163)	(1 222)
Total	**—**	**(604)**	**(202**	**(806)**	—	(1 078)	(163)	(1 241)
Net fair value	**904**	**(390)**	**(201)**	**313**	620	(1 066)	(145)	(591)

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

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

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

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

NOTES to the condensed financial statements continued

for the year ended 31 March 2021

2 FAIR VALUE MEASUREMENT continued

2.2 Fair value hierarchy continued

Derivative financial instruments

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

Measurement of fair value

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

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

At 31 March 2021, the directors valued the Southern African property portfolio at R15.6 billion (31 March 2020: R15.6 billion), and an external valuer valued the Spanish portfolio at R17.1 billion (31 March 2020: R19.8 billion).

The external valuations performed by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd at 31 March 2021 on 54% of the Southern African portfolio were in line with the directors' valuations. The Spanish portfolio was valued by Colliers International.

The fair values of commercial buildings are estimated using a 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:

	2021				2020			
	Discount rate (%)		**Reversionary capitalisation rate (%)**		Discount rate (%)		Reversionary capitalisation rate (%)	
	Range	**Weighted average**	**Range**	**Weighted average**	Range	Weighted average	Range	Weighted average
Southern Africa	**12.7 to 19.6**	**13.8**	**7.7 to 15.3**	**9.2**	12.7 to 19.6	13.8	7.7 to 15.5	9.1
Spain	**7.3 to 9.0**	**8.2**	**5.0 to 9.3**	**6.2**	7.3 to 9.0	8.0	5.0 to 9.3	6.1

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

Southern Africa

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

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

The above information has been further disaggregated based on risk (discount rates). 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	59.0	13.0	8.4	(5.7)	(3.9)	(3.5)	(5.1)
Retail	56.0	13.0	8.4	(5.7)	(3.8)	(3.6)	(5.1)
Other	3.0	13.1	9.2	(5.6)	(4.2)	(2.4)	(5.3)
Gauteng	25.0	13.0	8.5	(5.8)	(3.8)	(3.6)	(5.1)
KwaZulu-Natal	15.0	13.2	8.5	(5.4)	(4.0)	(3.2)	(5.1)
Western Cape	4.0	12.7	8.7	(5.7)	(3.9)	(3.4)	(5.1)
Free State	5.0	12.7	7.9	(6.1)	(3.6)	(3.7)	(5.0)
Limpopo	3.0	12.7	8.1	(5.9)	(3.7)	(3.7)	(5.0)
Eastern Cape	4.0	13.2	8.3	(5.9)	(3.7)	(3.7)	(5.1)
North West	3.0	13.2	8.3	(5.8)	(3.9)	(3.7)	(5.0)

NOTES to the condensed financial statements continued

for the year ended 31 March 2021

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 capitalisation rate %	Valuation impact if base discount rate is increased by 50bps %	Valuation impact of 50% NOI reduction in year one %	Valuation impact of 5% NOI reduction in capitalisation year %	Valuation impact of 5% NOI reduction in cash flow in capitalisation year %
Total portfolio	34.0	14.4	9.9	(4.5)	(4.5)	(3.4)	(5.1)
Retail	33.0	14.4	9.8	(4.5)	(4.5)	(3.4)	(5.1)
Other	1.0	14.4	12.4	(4.1)	(4.8)	(3.2)	(5.1)
Gauteng	9.0	14.2	9.6	(5.1)	(4.2)	(3.5)	(5.1)
KwaZulu-Natal	6.0	14.5	9.9	(3.4)	(4.6)	(3.5)	(5.1)
Western Cape	3.0	14.0	9.8	(5.0)	(4.6)	(3.5)	(5.1)
Free State	3.0	14.0	10.0	(4.9)	(4.5)	(3.5)	(5.0)
Limpopo	3.0	14.9	10.3	(4.2)	(5.2)	(2.9)	(5.0)
Eastern Cape	3.0	14.0	9.5	(5.2)	(4.2)	(3.6)	(5.1)
Namibia	4.0	15.2	10.3	(4.4)	(4.7)	(2.7)	(5.1)
North West	1.0	15.0	10.2		(4.5)	(3.4)	(5.1)
Mpumalanga	2.0	14.3	9.6	(5.1)	(4.3)	(3.5)	(5.1)

Discount rate above 16%	Portfolio exposure %	Average discount rate %	Average exit capitalisation rate %	Valuation impact if base discount rate is increased by 50bps %	Valuation impact of 50% NOI reduction in year one %	Valuation impact of 5% NOI reduction in capitalisation year %	Valuation impact of 5% NOI reduction in cash flow in capitalisation year %
Total portfolio	7.0	16.8	12.8	(4.0)	(5.5)	(3.1)	(5.2)
Retail	6.0	17.0	12.7	(4.0)	(5.5)	(3.1)	(5.2)
Other	1.0	16.3	13.2	(3.9)	(5.6)	(3.3)	(5.2)
Gauteng	4.0	16.3	12.2	(4.1)	(5.3)	(3.3)	(5.2)
Limpopo	1.0	16.3	11.9	(4.1)	(5.4)	(3.2)	(5.0)
Namibia	1.0	18.1	14.1	(3.6)	(5.4)	(3.1)	(5.2)
North West		19.6	15.3	(3.4)	(7.0)	(1.4)	(5.2)
Mpumalanga	1.0	16.3	12.6	(4.1)	(5.8)	(3.1)	(5.3)

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

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

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

	2020						
Discount rate below 14%	Portfolio exposure %	Average discount rate %	Average exit 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 and capitali-sation year %
Total portfolio	59.0	13.0	8.3	(5.9)	(3.3)	(3.6)	(5.1)
Retail	55.0	13.0	8.2	(5.9)	(3.3)	(3.6)	(5.1)
Other	4.0	13.1	9.2	(5.6)	(3.7)	(2.6)	(5.2)
Gauteng	26.0	13.0	8.3	(6.0)	(3.3)	(3.7)	(5.1)
KwaZulu-Natal	15.0	13.2	8.3	(5.5)	(3.4)	(3.2)	(5.1)
Western Cape	5.0	12.7	8.2	(6.2)	(3.2)	(3.5)	(5.2)
Free State	4.0	13.2	8.2	(6.0)	(3.1)	(3.7)	(5.0)
Limpopo	3.0	12.7	8.0	(6.1)	(3.2)	(3.7)	(5.0)
Eastern Cape	3.0	13.2	8.2	(6.2)	(3.4)	(3.9)	(5.2)
North West	3.0	13.2	8.3	(5.9)	(3.3)	(3.7)	(5.0)

NOTES to the condensed financial statements continued

for the year ended 31 March 2021

2 FAIR VALUE MEASUREMENT continued

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

	2020						
Discount rate between 14% and 16%	Portfolio exposure %	Average discount rate %	Average exit capitalisation rate %	Valuation impact if base discount rate is increased by 50bps %	Valuation impact of 50% NOI reduction in year one %	Valuation impact of 5% NOI reduction in capitalisation year %	Valuation impact of 5% NOI reduction in cash flow and capitalisation year %
Total portfolio	35.0	14.4	9.7	(5.1)	(3.9)	(3.4)	(5.1)
Retail	33.0	14.4	9.6	(5.1)	(3.9)	(3.4)	(5.1)
Other	2.0	14.7	11.6	(4.3)	(4.4)	(3.2)	(5.1)
Gauteng	10.0	14.2	9.8	(5.2)	(3.8)	(3.6)	(5.1)
KwaZulu-Natal	6.0	14.5	9.6	(5.1)	(3.7)	(3.6)	(5.0)
Western Cape	3.0	14.0	9.8	(5.1)	(3.9)	(3.5)	(5.1)
Free State	3.0	14.0	9.4	(5.3)	(3.6)	(3.6)	(5.1)
Limpopo	3.0	14.9	10.0	(4.4)	(4.5)	(2.9)	(5.1)
Eastern Cape	3.0	14.0	9.3	(5.4)	(3.8)	(3.7)	(5.2)
Namibia	4.0	15.2	10.2	(4.5)	(4.1)	(2.7)	(5.0)
North West	1.0	15.0	10.0	(5.0)	(4.0)	(3.5)	(5.1)
Mpumalanga	2.0	14.3	9.4	(5.5)	(3.9)	(3.8)	(5.3)

	2020						
Discount rate above 16%	Portfolio exposure %	Average discount rate %	Average exit capitalisation rate %	Valuation impact if base discount rate is increased by 50bps %	Valuation impact of 50% NOI reduction in year one %	Valuation impact of 5% NOI reduction in capitalisation year %	Valuation impact of 5% NOI reduction in cash flow and capitalisation year %
Total portfolio	6.0	17.0	12.6	(4.0)	(5.0)	(3.1)	(5.1)
Retail	5.0	17.1	12.6	(4.1)	(4.9)	(3.1)	(5.1)
Other	1.0	16.3	12.8	(4.0)	(5.0)	(2.9)	(5.2)
Gauteng	2.0	16.3	11.9	(4.2)	(4.9)	(3.2)	(5.1)
Limpopo	1.0	16.3	11.3	(4.5)	(4.4)	(3.4)	(5.2)
Namibia	2.0	18.1	13.7	(3.7)	(5.3)	(3.1)	(5.1)
North West		19.6	15.5	(3.4)	(5.5)	(1.5)	(5.1)
Mpumalanga	1.0	16.3	12.1	(4.2)	(4.8)	(3.1)	(5.2)

Spain

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

	2021	
	Variation of discount rate	
	25bps decrease €'000	**25bps increase €'000**
Retail	**17**	**(17)**
Office	**410**	**(410)**
Land and purchase option	**330**	**(320)**
Theoretical result	**18**	**(18)**

	2020	
	Variation of discount rate	
	25bps decrease €'000	25bps increase €'000
Retail	18	(18)
Office	430	(410)
Land and purchase option	350	(325)
Theoretical result	19	(19)

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

		25bps increase			**25bps decrease**		
Southern Africa[1]	**Fair value Rm**	**Decreased fair value Rm**	**Decrease Rm**	**% decrease**	**Increased fair value Rm**	**Increase Rm**	**% increase**
2021	**15 554**	**15 143**	**(411)**	**(2.6)**	**15 991**	**437**	**2.8**
2020	15 621	15 182	(439)	(2.8)	16 105	484	3.1

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

[1] *Fair value excludes non-controlling interest in Clidet.*
[2] *Fair value sensitivity analysis at 25bps increase/decrease for standing investments and c.100bps increase/decrease for land and related options.*

NOTES to the condensed financial statements continued

for the year ended 31 March 2021

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 at 31 March:

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

	31 March 2021 Non-recurring fair value measurements Level 3 Rm	30 March 2020 Non-recurring fair value measurements Level 3 Rm
Investment property held for sale	**562**	—

3 RELATED-PARTY TRANSACTIONS AND BALANCES

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

SA REIT ratios

for the year ended 31 March 2021

SA REIT FUNDS FROM OPERATIONS (SA REIT FFO)

Group	2021 Rm	2020 Rm
Profit/(loss) per IFRS statement of comprehensive income attributable to the parent	**584**	(103)
Adjusted for:		
Accounting/specific:		
Fair value adjustments to:	**1 079**	2 061
Investment property	**854**	1 297
Debt and equity instruments held at fair value through profit or loss	**(289)**	792
Depreciation and amortisation of intangible assets	**4**	5
Impairment of goodwill or the recognition of a bargain purchase gain	**—**	17
Asset impairments (excluding goodwill) and reversals of impairment	**13**	13
Impact of asset reclassifications and asset transfers on profit or loss	**314**	—
Deferred tax movement recognised in profit or loss	**18**	11
Straight-lining operating lease adjustment	**67**	(55)
Adjustments to dividends from equity interests held	**98**	(19)
Adjustments arising from investing:		
Gains or losses on disposal of:	**46**	9
Investment property and property, plant and equipment	**(2)**	9
Debt and equity instruments	**48**	—
Foreign exchange and hedging items:	**(251)**	(96)
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**49**	(113)
Reclassified foreign currency translation reserve upon disposal of a foreign operation	**(330)**	—
Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	**39**	(48)
Foreign exchange gains or losses relating to capital items – realised and unrealised	**(9)**	65
Other adjustments:	**(216)**	(64)
Non-controlling interests in respect of the above adjustments	**(216)**	(66)
Antecedent earnings adjustment	**—**	2
SA REIT FFO	**1 242**	1 807
Number of shares outstanding at end of year (net of treasury shares)	**956 226 628**	956 226 628
SA REIT FFO cents per share	**129.89**	188.97
Company-specific adjustments	**(22)**	(16)
Depreciation	**(4)**	(5)
Deferred tax	**(18)**	(11)
Distributable income	**1 220**	1 792
Distributable income per share (cents)	**127.58**	187.30

SA REIT NAV

	2021 Rm	2020 Rm
Reported NAV attributable to the parent	**17 361**	17 542
Adjustments:		
Dividend declared	**(966)**	(461)
Fair value of certain derivative financial instruments	**28**	308
Goodwill and intangible assets	**(3)**	(5)
SA REIT NAV	**16 420**	17 384
Shares outstanding		
Number of shares in issue at year-end (net of treasury shares)	**956 226 628**	956 226 628
Dilutive number of shares in issue	**956 226 628**	956 226 628
SA REIT NAV per share	**17.17**	18.18

SA REIT COST-TO-INCOME RATIO

Southern Africa portfolio	2021 Rm	2020 Rm
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**870**	807
Administrative expenses per IFRS income statement	**154**	161
Excluding:		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	**(5)**	(4)
Operating costs	**1 019**	964
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 501**	1 570
Utility and operating recoveries per IFRS income statement	**598**	566
Gross rental income	**2 099**	2 136
SA REIT cost-to-income ratio[1]	**48.5%**	45.1%

Spain portfolio	2021 Rm	2020 Rm
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**384**	323
Administrative expenses per IFRS income statement	**132**	118
Operating costs	**516**	441
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**740**	1 065
Utility and operating recoveries per IFRS income statement	**278**	245
Gross rental income	**1 018**	1 310
SA REIT cost-to-income ratio[1]	**50.7%**	33.7%

[1] 2021 SA REIT cost-to-income ratio includes the impact of rent concessions granted to tenants (in Southern Africa and Spain), resulting in a higher cost-to-income ratio. The cost-to-incomes ratios for 2021 excluding the impact of rent concessions would be as follows: Southern Africa 45.4% and Spain 37.5%.

SA REIT ratios continued

for the year ended 31 March 2021

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

Southern Africa portfolio	2021 Rm	2020 Rm
Administrative costs		
Administrative expenses as per IFRS income statement	**154**	161
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 501**	1 570
Utility and operating recoveries per IFRS income statement	**598**	566
Gross rental income	**2 099**	2 136
SA REIT administrative cost-to-income ratio[(2)(3)]	**7.3**	7.5

Spain portfolio	2021 Rm	2020 Rm
Administrative costs		
Administrative expenses as per IFRS income statement	**132**	118
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**740**	1 065
Utility and operating recoveries per IFRS income statement	**278**	245
Gross rental income	**1 018**	1 310
SA REIT administrative cost-to-income ratio[(2)(3)]	**13.0**	9.0

(2) 2021 SA REIT administrative cost-to-income ratio includes the impact of rent concessions granted to tenants (in Southern Africa and Spain), resulting in a higher administrative cost-to-income ratio. The 2021 administrative cost-to-incomes ratios excluding the impact of rent concessions would be as follows: Southern Africa 6.9% and Spain 9.6%.

(3) SA REIT administrative cost-to-income ratio for the Southern Africa portfolio (2021 and 2020) is inflated since the numerator includes administrative overheads related to executive remuneration (in South Africa) that benefits both the Southern Africa and Spain portfolios (while the denominator in the ratio includes gross rental income from the Southern Africa portfolio only)

SA REIT GLA VACANCY – SOUTHERN AFRICA

	2021 m^2	2020 m^2
GLA of vacant space	**38 123**	34 017
GLA of total property portfolio	**958 001**	944 220
SA REIT GLA vacancy rate	**4.0%**	3.6%

SA REIT GLA VACANCY – SPAIN

	2021 m^2	2020 m^2
GLA of vacant space	**6 186**	5 647
GLA of total property portfolio	**329 118**	330 848
SA REIT GLA vacancy rate	**1.9%**	1.7%

SA REIT COST OF DEBT

2021	ZAR %	EUR %	GBP %
Variable interest rate borrowings			
Floating reference rate plus weighted average margin	**5.6**	**0.8**	**N/A**
Fixed interest rate borrowings			
Weighted average fixed rate	**0.0**	**0.9**	**N/A**
Pre-adjusted weighted average cost of debt	**5.6**	**1.7**	**N/A**
Adjustments:			
Impact of interest rate derivatives	**2.6**	**0.2**	**N/A**
Amortised transaction costs imputed into the effective interest rate	**0.1**	**0.4**	**N/A**
SA REIT all-in weighted average cost of debt[(1)]	**8.3**	**2.3**	**N/A**

2020	ZAR %	EUR %	GBP %
Variable interest rate borrowings			
Floating reference rate plus weighted average margin	7.3	1.1	2.9
Fixed interest rate borrowings			
Weighted average fixed rate	0.0	0.7	0.0
Pre-adjusted weighted average cost of debt	7.3	1.8	2.9
Adjustments:			
Impact of interest rate derivatives	1.5	0.1	0.6
Amortised transaction costs imputed into the effective interest rate	0.0	0.4	0.0
SA REIT all-in weighted average cost of debt [(1)]	8.8	2.3	3.5

[(1)] *Excludes impact of CCIRS.*

SA REIT ratios continued

for the year ended 31 March 2021

SA REIT LTV

	2021 Rm	2020 Rm
Gross debt	**15 404**	18 522
Less:		
Cash and cash equivalents	**(987)**	(1 414)
Cash and cash equivalents balance sheet	**(1 003)**	(1 559)
Less restricted cash	**16**	145
Add/less:		
Net derivative financial instruments liability/(asset)	**365**	1 049
Forward exchange contracts	**(212)**	164
CCIRS	**337**	740
Interest rate swaps	**240**	145
Net debt	**14 782**	18 157
Total assets – per statement of financial position	**35 992**	40 056
Less:		
Cash and cash equivalents	**(1 003)**	(1 559)
Derivative financial assets:	**(214)**	(11)
Forward exchange contracts	**(212)**	—
Interest rate swaps	**(2)**	(11)
Goodwill and intangible assets	**(3)**	(5)
Trade and other receivables	**(391)**	(314)
Carrying amount of property-related assets	**34 381**	38 167
SA REIT LTV %	**43.0**	47.6