



UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2022

DIRECTORS' COMMENTARY

NATURE OF BUSINESS

At the date of reporting, Castlevue is a property holding and investment company that is invested in two well-located shopping centres, the first, a small regional shopping centre in Gqeberha (formerly Port Elizabeth), the second, a convenience centre in Goodwood, Cape Town.

Subsequent to the date of reporting, Castlevue has concluded the acquisition of a portfolio of direct and indirect property assets from subsidiaries of I Group Investments Proprietary Limited ("I Group") ("the Transaction"). In addition to the Transaction, Castlevue has entered into share subscription agreements with two companies in terms of which those companies have subscribed for an aggregate of 51 908 876 new Castlevue shares in terms of a specific authority to issue shares for cash (the "Share Subscription").

PROPERTY PORTFOLIO

Castlevue's property portfolio consists of two properties, namely: Pier 14 Shopping Centre in Govan Mbeki Road, Gqeberha (formerly Port Elizabeth), which is defined as a small regional shopping centre with 29 690m² of rentable space and is anchored by large national tenants such as Shoprite, Pep, Ackermans and Mr Price, and, secondly, Cravenby Shoprite, which is a convenience shopping centre of 3 301m², located in Goodwood, Cape Town, anchor tenanted by Shoprite.

The Transaction, which concluded effective on 1 September 2022, will result in Castlevue acquiring a diversified, well-located and quality portfolio of direct and indirect assets across all property sectors and will reposition the company as a mid-tier REIT with a net asset value of c.R5.7 billion. The portfolio will comprise of: a 50.1% shareholding in Emira Property Fund Limited ("Emira"), a JSE-listed REIT with total assets of R14.1 billion; a joint-venture in EPP Community Properties ("EPPCP"), a Polish company with 15 retail and office properties and total assets of €675 million, with Redefine Properties; a 25.7% shareholding in Collins Property Projects, a private South African company investing in industrial, logistics, retail and office assets in South Africa and Europe with assets of R9 billion; shareholdings in five South African shopping centres worth R1 billion in aggregate; an 85% interest in iRes Fund, a long-term residential investment fund focusing on mid-to-upper level residential investment properties, based in Cape Town with assets of R275 million; and, 5 residential development opportunities along Cape Town's Atlantic seaboard worth R337 million.

COMMENTARY ON RESULTS, DISTRIBUTABLE EARNINGS AND NET ASSET VALUE

The period under review was characterised by the continued improvement in the performance of the retail centres owned by the fund following the COVID-19 pandemic. Notwithstanding the return of loadshedding, which negatively impacted trading at the fund's shopping centres, turnovers increased compared to the same period last year. Turnover of tenants at Pier 14 increased by 4.4% year-on-year, with foot traffic increasing by 11.1%.

Total vacancies at Pier 14 increased from 5.7% in February 2022 to 6.2% by end August 2022. Retail vacancies increased from 4.2% to 5.5%, offices were static at 14.2%, whilst vacancies in the residential tower decreased from 5.8% to 0.8%. Cravenby Shoprite, which transferred to the fund on 19 May 2021, has one vacancy of 47m².

Revenue for the period of R30.2 million was 8.4% higher than that for August 2021 of R27.9 million as a result of the inclusion of Cravenby Shoprite for the full six-months and only a portion of the comparable reporting period. Operating costs rose by 31.8% from R13.6 million to R17.9 million, largely as a result of: costs of R0.85 million associated with the Transaction being expensed during the period; higher municipal costs at Pier 14; costs associated with Cravenby Shoprite for the full reporting period; and, budgeted annual repairs and maintenance being carried out earlier in the financial year than in the twelve months to 28 February 2022.

Finance costs rose by 11.2% to R6.5 million as a result of the debt used to purchase Cravenby Shoprite, as well as the rise in borrowing rates during the period. Between November 2021 and the end of the reporting period, the prime interest rate in South Africa rose from 7% to 9%.

Taking into consideration the gains on fair value adjustment attributable to the investment property of R69.2 million and on interest rate derivatives of R2.9 million, the profit attributable to shareholders for the year was R78.0m, compared to a R16.2 million in the same period last year. Distributable earnings for the period equated to 21.52 cents (Feb 2022: 44.74 cents). SA REIT Funds from operations for the six-month period equated to R6.63 million or 16.17 cents per share (12-months to Feb 2022: R16.73 million or 44.74 cents).

The Fund's properties were independently valued during the period for the Transaction, resulting in the portfolio value increasing to R431.9 million. As a result, the company's net asset value per share has increased from 461 cents to 610 cents.

For the foreseeable future, the Castlevue board has resolved to declare dividends to shareholders on an annual basis after the publication of February year-end results rather than six-monthly. Therefore no dividend will be payable with the announcement of these interim results

ACQUISITION OF A PORTFOLIO OF DIRECT AND INDIRECT PROPERTY ASSETS FROM SUBSIDIARIES OF I GROUP

Shareholders are referred to the SENS announcements published on 28 July 2022, 5 September 2022 and 13 September 2022 outlining the details of the Transaction and the Share Subscription. The suspensive conditions relating to the Transaction and Share Subscription were completed in October 2022 and the transaction therefore became effective from 1 September 2022.

CHANGES TO THE BOARD OF DIRECTORS

Shareholders are advised that Colin Dockrall, the current financial director ("FD") of the Company, resigned from his role with effect from Friday, 4 November 2022. The board of directors of Castlevue (the "Board") thanks Colin for his invaluable contribution to Castlevue and wishes him well in his future endeavours.

James Day will assume the role of FD with effect from Monday, 7 November 2022. James is a CA(SA) with extensive experience in the listed property sector, as well as key commercial expertise in executing on commercial asset acquisitions and developments.

The Board welcomes James and looks forward to his future contributions to Castlevue.

DIRECTORS' COMMENTARY (continued)

SUMMARY OF FINANCIAL INDICATORS

	31 August 2022	28 February 2022
Shares in issue	41 042 547	37 411 169
SA REIT funds from operations per share (cents)***	16.17	44.74
Net asset value per share* (cents)	610.13	460.92
SA REIT Loan-to-value ratio**	42.14%	50.63%
SA REIT cost-to-income ratio****	43.52%	48.82%

* Net asset value per share is calculated by dividing the net assets by the total number of shares in issue at period end. Net assets comprise total assets less total liabilities, less equity attributable to non-controlling interests.

** SA REIT loan-to-value ratio is calculated by dividing interest bearing borrowing net of cash on hand by the total of investment property.

*** SA REIT funds from operations per share is calculated by dividing the SA REIT funds from operations by the number of shares outstanding at the end of the period (net of treasury shares).

**** SA REIT cost-to-income ratio is calculated by dividing total direct operating costs by the gross contractual revenue

SECTORAL SPLIT, LEASE EXPIRY PROFILE AND VACANCIES

	31 August 2022		28 February 2022	
	GLA	Gross rentals	GLA	Gross rentals
Sectoral split				
Based on:				
Retail	80.4%	82.5%	80.4%	82.6%
Office	12.5%	9.1%	12.5%	9.0%
Residential	7.1%	8.4%	7.1%	8.4%
Total	100.0%	100.0%	100.0%	100.0%
Lease expiry profile				
Based on:				
Vacant	6.2%	4.2%	5.7%	4.6%
Month-to-month	3.4%	3.6%	2.7%	2.4%
Within 12 months	25.2%	27.6%	24.3%	30.1%
Between 12 and 24 months	17.6%	21.7%	11.6%	21.5%
Between 24 and 36 months	8.4%	10.2%	14.8%	11.6%
Between 36 and 48 months	21.3%	16.5%	20.1%	14.0%
Greater than 48 months	17.9%	16.2%	20.8%	15.8%
Total	100.0%	100.0%	100.0%	100.0%

LOAN FUNDING

Facility	Property	Approved loan R'm	Amount outstanding at 31 August 2022 R'm	Interest rate
ABSA Bank	Pier 14	165.0 (Feb 2022: 165.0)	148.1 (Feb 2022: 152.5)	R150m at 3m JIBAR + 2.4%; R15m at Prime +1% 3m JIBAR + 2.4%
ABSA Bank	Cravenby Shopping Centre	48.4 (Feb 2022: 48.4)	39.2 (Feb 2022: 39.2)	

The ABSA Pier 14 facility is secured by a first mortgage bond and security cessions over the fixed property comprising Pier 14 Shopping Centre. The ABSA Cravenby loan facility is secured by a first mortgage bond and security cessions over the fixed property comprising Cravenby Shopping Centre.

OUTLOOK

The Castlevue Board of Directors is optimistic about Castlevue's prospects following the conclusion of the Transaction, which has seen Castlevue acquire a diversified, well-located and quality portfolio of direct and indirect assets across all property sectors in South Africa and Poland. Together with the Share Subscription, this has repositioned the company as a mid-tier REIT with a net asset value of c. R5.75 billion. As it has successfully achieved for shareholders since listing in 2017, Castlevue will continue to focus on a disciplined approach to the management of its existing asset and the growth of the portfolio in order to grow capital and income to shareholders.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 AUGUST 2022

	Notes	Unaudited 31 August 2022 R	Unaudited 31 August 2021 R	Audited 28 February 2022 R
ASSETS				
Non-current assets				
Investment property	3	421 827 195	360 726 990	348 385 534
Derivatives		6 653 967	1 122 657	3 756 264
Operating lease asset		10 024 987	6 492 668	10 024 987
Total non-current assets		438 506 149	368 342 315	362 166 785
Current assets				
Trade and other receivables		2 448 114	4 820 509	2 447 819
Operating lease asset		647 818	440 104	1 419 834
Cash and cash equivalents		5 027 350	7 050 035	5 765 340
Total current assets		8 123 282	12 310 648	9 632 993
Total assets		446 629 431	380 652 963	371 799 778
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of parent				
Share capital		202 685 895	185 948 148	185 948 148
Accumulated (loss) profit		47 727 779	(15 935 453)	(13 511 552)
		250 413 674	170 012 695	172 436 596
Non-controlling interest		–	–	–
Total equity		250 413 674	170 012 695	172 436 596
Liabilities				
Non-current liabilities				
Mortgage bond	4	187 300 549	190 854 042	191 693 220
Loan from parent company		–	–	–
Total non-current liabilities		187 300 549	190 854 042	191 693 220
Current liabilities				
Trade and other payables		8 915 207	9 738 450	7 669 962
Loan from parent company		–	10 047 776	–
Mortgage bond	4	–	–	–
Total current liabilities		8 915 207	19 786 226	7 669 962
Total liabilities		196 215 757	210 640 268	199 363 182
Total equity and liabilities		446 629 431	380 652 963	371 799 778

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 AUGUST 2022

	Notes	Unaudited six months ended 31 August 2022 R	Unaudited six months ended 31 August 2021 R	Audited 12 months ended 28 February 2022 R
Revenue		30 248 874	27 903 754	57 619 071
Operating expenses		(17 772 807)	(13 580 882)	(27 813 032)
Operating profit		12 476 067	14 322 872	29 806 039
Gain (loss) on fair value adjustment	3	69 216 341	8 521 217	(582 410)
Investment income		14 778	16 080	28 725
(Loss) gain on interest rate swap		2 897 703	(845 006)	1 788 602
Finance costs		(6 627 801)	(5 843 852)	(12 445 744)
(Loss)/profit before taxation		77 977 088	16 171 311	18 595 212
Taxation		–	–	–
(Loss)/profit and total comprehensive (loss)/income for the period		77 977 088	16 171 311	18 595 212
Total profit and comprehensive income attributable to:				
Owners of the parent		77 977 088	16 171 311	18 595 212
		77 977 088	16 171 311	18 595 212
Earnings per share information (cents per share)				
Basic and diluted earnings per share	5	199.21	44.75	50.57

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 AUGUST 2022

	Share capital R	Accumulated profit/(loss) R	Total attributable to equity holders of the group R	Non- controlling interest R	Total equity R
Audited					
Balance at 1 March 2021	176 567 759	22 726 375	153 841 384	158 670	154 000 054
Issue of shares	9 380 389	–	9 380 389	–	9 380 389
Reduction of non-controlling interest	–	–	–	(158 670)	(158 670)
Dividends paid	–	(9 380 389)	(9 380 389)	–	(9 380 389)
Profit and total comprehensive profit for the period	–	18 595 212	18 595 212	–	18 595 212
Unaudited					
Balance at 01 March 2022	185 948 148	(13 511 552)	172 436 596	–	172 436 596
Issue of shares	16 737 747	–	16 737 747	–	16 737 747
Dividends paid	–	(16 737 757)	(16 737 757)	–	(16 737 757)
Profit and total comprehensive profit for the period	–	77 977 088	77 977 088	–	77 977 088
Balance at 31 August 2022	202 685 895	47 727 779	250 413 674	–	250 413 674

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 AUGUST 2022

	Unaudited 6 months ended 31 August 2022 R	Unaudited 6 months ended 31 August 2021 R	Audited 12 months ended 28 February 2022 R
Cash flows from operating activities			
Cash generated from operations	14 493 034	18 795 566	31 105 507
Interest received	14 778	16 080	28 725
Interest paid	(6 627 801)	(5 499 716)	(12 445 744)
Net cash from operating activities	7 880 011	13 311 930	18 688 488
Cash flows from investing activities			
Additions to investment property	(4 225 320)	(41 645 293)	(3 713 226)
Net cash from investing activities	(4 225 320)	(41 645 293)	(3 713 226)
Cash flows from financing activities			
Dividends paid	–	–	–
Proceeds from mortgage bond	–	50 273 993	33 866 453
Repayment of mortgage bond	(4 392 681)	(16 693 936)	(34 523 496)
Repayment of loan from parent company	–	–	(10 356 220)
Net cash from financing activities	(4 392 681)	33 580 057	(11 013 263)
Total cash movement for the period	(737 990)	5 246 694	3 961 999
Total cash and cash equivalents at the beginning of the period	5 765 340	1 803 341	1 803 341
Total cash and cash equivalents at the end of the period	5 027 350	7 050 035	5 765 340

SIGNIFICANT FINANCIAL STATEMENT NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 31 August 2022 ("interim report") are prepared in accordance with the requirements of the JSE Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The interim report has been prepared in accordance with IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the unaudited condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the preparation of the previous year's consolidated annual financial statements.

These results have been prepared under the historical cost convention, except for investment properties, which are measured at fair value. These condensed consolidated interim financial statements for the period ended 31 August 2022 have not been reviewed or audited by the company's independent external auditors.

1.1 General

The unaudited condensed consolidated interim financial statements were compiled by Colin Dockrall CA(SA), the financial director.

A dividend of 44.74000 cents was declared on 13 May 2022 and paid on 13 June 2022. The board has resolved not to declare an interim distribution for the 6 months ended 31 August 2022.

The directors are not aware of any other matters or circumstances arising subsequent to the period-end that require any additional disclosure or adjustment to the unaudited condensed consolidated interim financial statements.

2. SEGMENT ANALYSIS

Segment information

At 31 August 2022, the group is organised into two operating segments, being retail and residential. These are the only reportable segments whose information is considered by the Chief Executive Officer.

Unaudited 31 August 2022	Retail R	Residential R	Administration/ other* R	Total R
Revenue	28 056 493	2 192 381	–	30 248 874
Property operating expenses	(12 270 890)	(900 818)	–	(13 171 708)
Administrative expenses	–	–	(4 601 099)	(4 601 099)
Operating profit/(loss)	15 785 603	1 291 563	(4 601 099)	12 476 067
Investment income	–	–	14 778	14 778
Gain on fair value adjustment	69 216 341	–	–	69 216 341
Finance costs	–	–	(6 627 801)	(6 627 801)
Gain on interest rate swap	–	–	2 897 703	2 897 703
(Loss)/profit before taxation	85 001 944	1 291 563	(8 316 419)	77 977 088
Taxation	–	–	–	–
(Loss)/profit for the year	85 001 944	1 291 563	(8 316 419)	77 977 088
Non-controlling interest	–	–	–	–
(Loss)/profit attributable to owners of the parent	85 001 944	1 291 563	(8 316 419)	77 977 088
Reconciliation of profit for the year to distributable income:				
Gain on fair value adjustment				(69 216 341)
Total non-controlling interest effects of adjustments				–
Headline earnings				8 760 747
Lease straight-lining adjustment				772 016
Gain on interest rate swap				(2 897 703)
Total non-controlling interest effect of adjustments				–
SA REIT funds from operations				6 635 060

* Administration and other costs includes expenses and investment income that cannot be allocated specifically to the operating segments.

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

2. SEGMENT ANALYSIS (CONTINUED)

The amounts provided to management with respect to total assets are measured in a manner consistent with that in the statement of financial position.

These assets are allocated on the operations of the segment.

Unaudited 31 August 2022	Retail R	Residential R	Administration/ other* R	Total R
Investment property	391 314 521	30 512 674	–	421 827 195
Operating lease asset	10 672 805	–	–	10 672 805
Derivatives	–	–	6 653 967	6 653 967
Trade and other receivables	2 143 352	–	304 762	2 448 114
Cash and cash equivalents	–	–	5 027 350	5 027 350
	404 130 677	30 512 674	11 986 079	446 629 431

* Administration and other costs includes assets that cannot be allocated specifically to the operating segments.

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that in the statement of financial position.

These liabilities are allocated on the operations of the segment.

Unaudited 31 August 2022	Retail R	Residential R	Administration/ other* R	Total R
Mortgage bond	–	–	187 300 549	187 300 549
Loan from parent company	–	–	–	–
Trade and other payables	8 915 207	–	–	8 915 207
	8 915 207	–	187 300 549	196 215 757

* Administration and other costs includes liabilities that cannot be allocated specifically to the operating segments.

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

2. SEGMENT ANALYSIS (CONTINUED)

Unaudited 31 August 2021	Retail R	Residential R	Administration/ other* R	Total R
Revenue	25 753 759	2 149 995	–	27 903 754
Property operating expenses	(9 960 691)	(394 001)	–	(10 354 692)
Administrative expenses	–	–	(3 226 190)	(3 226 190)
Operating profit/(loss)	15 793 068	1 755 994	3 226 190	14 322 872
Investment income	–	–	16 080	16 080
Gain on fair value adjustment	8 521 217	–	–	8 521 217
Finance costs	–	–	(5 843 852)	(5 843 852)
Loss on interest rate swap	–	–	(845 006)	(845 006)
(Loss)/profit before taxation	24 314 285	1 755 994	(9 898 968)	16 171 311
Taxation	–	–	–	–
(Loss)/profit for the year	24 314 285	1 755 994	(9 898 968)	16 171 311
Non-controlling interest	–	–	–	–
(Loss)/profit attributable to owners of the parent				16 171 311
Reconciliation of profit for the year to distributable income:				
Gain on fair value adjustment				(8 521 217)
Total non-controlling interest effects of adjustments				–
Headline earnings				7 650 094
Lease straight-lining adjustment				(445 247)
Loss on interest rate swap				845 006
Total non-controlling interest effect of adjustments				–
SA REIT funds from operations				8 049 853

* Administration and other costs includes expenses and investment income that cannot be allocated specifically to the operating segments..

The amounts provided to management with respect to total assets are measured in a manner consistent with that in the statement of financial position.

These assets are allocated on the operations of the segment.

Unaudited 31 August 2021	Retail R	Residential R	Administration/ other* R	Total R
Investment property	331 157 423	29 569 567	–	360 726 990
Operating lease asset	6 932 772	–	–	6 932 772
Derivatives	–	–	1 122 657	1 122 657
Trade and other receivables	4 515 747	–	304 762	4 820 509
Cash and cash equivalents	–	–	7 050 035	7 050 035
	342 605 942	29 569 567	8 477 454	380 652 963

* Administration and other costs includes assets that cannot be allocated specifically to the operating segments..

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

2. SEGMENT ANALYSIS (CONTINUED)

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that in the statement of financial position.

These liabilities are allocated on the operations of the segment.

Unaudited 31 August 2021	Retail R	Residential R	Administration/ other* R	Total R
Mortgage bond	–	–	190 854 042	190 854 042
Loan from parent company	–	–	10 047 776	10 047 776
Trade and other payables	9 738 450	–	–	9 738 450
	9 738 450	–	200 901 818	210 640 268

* Administration and other costs includes liabilities that cannot be allocated specifically to the operating segments.

Audited 28 February 2022	Retail R	Residential R	Administration/ other* R	Total R
Revenue	53 330 287	4 287 538	1 246	57 619 071
Property operating expenses	(22 156 527)	(817 546)	–	(22 974 073)
Administrative expenses	(4 495 393)	(343 566)	–	(4 838 959)
Operating profit/(loss)	26 678 367	3 126 426	1 246	29 806 039
Investment income	–	–	28 725	28 725
Loss on fair value adjustment	(582 410)	–	–	(582 410)
Finance costs	–	–	(12 445 744)	(12 445 744)
Gain on interest rate swap	–	–	1 788 602	1 788 602
(Loss)/profit before taxation	26 095 957	3 126 426	(10 627 171)	18 595 212
Taxation	–	–	–	–
(Loss)/profit for the year	26 095 957	3 126 426	(10 627 171)	18 595 212
Non-controlling interest	–	–	–	–
(Loss)/profit attributable to owners of the parent	26 095 957	3 126 426	(10 627 171)	18 595 212
Reconciliation of profit for the year to distributable income:				
Loss on fair value adjustment				582 410
Headline earnings				19 177 622
Lease straight-lining adjustment				(651 534)
Gain on interest rate swap				(1 788 602)
SA REIT funds from operations				16 737 486

* Administration and other costs includes expenses and investment income that cannot be allocated specifically to the operating segments.

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

2. SEGMENT ANALYSIS (CONTINUED)

The amounts provided to management with respect to total assets are measured in a manner consistent with that in the statement of financial position.

These assets are allocated on the operations of the segment.

Audited 28 February 2022	Retail R	Residential R	Administration/ other* R	Total R
Investment property	323 185 228	25 200 306	–	348 385 534
Operating lease asset	11 444 821	–	–	11 444 821
Derivatives	–	–	3 756 264	3 756 264
Trade and other receivables	2 143 057	–	304 762	2 447 819
Cash and cash equivalents	–	–	5 765 340	5 765 340
	336 773 106	25 200 306	9 826 366	371 799 778

* Administration and other costs includes assets that cannot be allocated specifically to the operating segments.

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that in the statement of financial position.

These liabilities are allocated on the operations of the segment.

Audited 28 February 2022	Retail R	Residential R	Administration/ other* R	Total R
Mortgage bond	–	–	191 693 220	191 693 220
Trade and other payables	7 645 887	–	24 075	7 669 962
	7 645 887	–	191 717 295	199 363 182

* Administration and other costs includes liabilities that cannot be allocated specifically to the operating segments.

3. INVESTMENT PROPERTY

Group	Unaudited 31 August 2022 Carrying value R	Unaudited 31 August 2021 Carrying value R	Audited 28 February 2022 Carrying value R
Investment property at fair value	421 827 195	360 726 990	348 385 534
<u>Reconciliation of investment property</u>			
Opening carrying value	348 385 534	310 560 482	310 560 482
Additions	–	39 985 760	36 006 009
Improvements	4 225 320	1 659 534	2 401 453
Fair value adjustment	69 216 341	8 521 215	(582 410)
Investment property valuation at year end	421 827 195	360 726 990	348 385 534
Operating lease asset	10 672 805	6 932 772	11 444 821
Valuation	432 500 000	367 659 762	359 830 355

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

3. INVESTMENT PROPERTY (CONTINUED)

Pledged as security

Mortgage bonds have been registered over the entire investment property as security for the ABSA bond (see note 4).

Details of property

Pier 14 shopping centre

A shopping centre located in Gqeberha (formerly Port Elizabeth) with a GLA of 29 690m² and a residential tower comprising of 111 apartments.

Details of valuation

At the interim reporting stage, the properties are valued independently by a professional valuer.

The property was revalued using the net income capitalisation method (Feb 2022: discounted cash flow of future income streams method). The key assumptions used by directors in determining fair value were as follows:

August 2022:

- Exit cap rate 9.25%
- Vacancies 5%

February 2022:

- Discount rate 14.33%
- Exit cap rate 10.55%
- Income growth rate Between 5.00% to 5.25%
- Expense growth rate 5.00%
- Discounted cash flow term 10 years

Inter-relationship between key unobservable inputs and fair value measurements

The estimated fair value would increase/(decrease) if:

- Discount rate was lower/(higher);
- Capitalisation rate was lower/(higher);
- Expected expense growth rate was lower/(higher);
- Expected market rental growth rate was higher/(lower);

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

3. INVESTMENT PROPERTY (CONTINUED)

Pledged as security (continued)

Cravenby shopping centre

A shopping centre located in Goodwood, Cape Town with a GLA of 3 001m².

Details of valuation

At the interim reporting stage, the properties are valued independently by a professional valuer.

The property was revalued using the net income capitalisation method (Feb 2022: discounted cash flow of future income streams method). The key assumptions used by directors in determining fair value were as follows:

August 2022:

- Exit cap rate 9.25%
- Vacancies 2.75%

Feb 2022:

- Discount rate 14.00%
- Exit cap rate 10.00%
- Income growth rate 4.50%
- Expense growth rate 5.30%
- Discounted cash flow term 10 years

Inter-relationship between key unobservable inputs and fair value measurements

The estimated fair value would increase/(decrease) if:

- Discount rate was lower/(higher);
- Capitalisation rate was lower/(higher);
- Expected expense growth rate was lower/(higher);
- Expected market rental growth rate was higher/(lower);

	Unaudited 31 August 2022 R	Unaudited 31 August 2021 R	Audited 28 February 2022 R
Amounts recognised in profit and loss for the period			
Rental income from investment property	30 266 157	27 903 754	56 966 290
Direct operating expenses from rental generating property	(13 171 708)	(10 354 692)	(27 813 032)
	17 094 449	17 549 062	29 153 258

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

3. INVESTMENT PROPERTY (CONTINUED)

Pledged as security (continued)

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value

The levels are defined as follows:

Level 2: Inputs other than quoted prices included within level 1.

Level 3: Unobservable inputs for the assets and liabilities.

	Unaudited 31 August 2022 R	Unaudited 31 August 2021 R	Audited 28 February 2022 R
Level 3			
Recurring fair value adjustments			
Assets			
Investment property			
Pier 14 Shopping Centre (*)	388 500 000	325 305 195	320 651 391
Cravenby Shopping Centre	44 000 000	42 354 567	39 178 964
Level 2			
Derivatives			
Interest rate swaps	6 653 967	1 122 657	3 756 264

* Includes investment property and operating lease asset

Reconciliation of asset and liabilities measure at level 3

	Unaudited 31 August 2022 R	Unaudited 31 August 2021 R	Audited 28 February 2022 R
Investment property			
Opening carrying value	359 830 355	317 048 005	317 048 005
Fair value adjustment	69 216 341	8 521 215	(582 410)
Operating lease asset acquired	–	–	4 305 764
Movement in operating lease asset	(772 016)	445 249	651 534
Additions	–	39 985 760	36 006 009
Improvements	4 225 320	1 659 534	2 401 453
	432 500 000	367 659 762	359 830 355

The fair value of trade and other receivables, cash and cash equivalents and trade and other payables approximate their carrying value and are not included in the hierarchy analysis as their settlement terms are short-term and therefore from a materiality perspective their fair values are not required to be modelled.

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

3. INVESTMENT PROPERTY (CONTINUED)

Valuation sensitivity

The estimated impact of a change in the following significant unobservable inputs would result in a change in the valuation as follows:

Unaudited 31 August 2022	Increase (decrease) in valuation R
Sensitivity analyses	
An increase of 100 basis points on the vacancy rate	(5 700 000)
A decrease of 100 basis points on the vacancy	5 700 000
An increase of 100 basis points on the capitalisation rate	(42 000 000)
A decrease of 100 basis points on the capitalisation rate	52 200 000
Unaudited 31 August 2021	Increase (decrease) in valuation R
Sensitivity analyses	
An increase of 100 basis points on the discount rate	(20 956 210)
A decrease of 100 basis points on the discount rate	22 716 410
An increase of 100 basis points on the capitalisation rate	(13 409 770)
A decrease of 100 basis points on the capitalisation rate	16 051 277
Audited 28 February 2022	Increase (decrease) in valuation R
Sensitivity analyses	
An increase of 100 basis points on the discount rate	(21 099 761)
A decrease of 100 basis points on the discount rate	22 933 987
An increase of 100 basis points on the capitalisation rate	(12 727 546)
A decrease of 100 basis points on the capitalisation rate	15 410 985

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

4. MORTGAGE BOND

	Unaudited 31 August 2022 R	Unaudited 31 August 2021 R	Audited 28 February 2022 R
Held at amortised cost			
ABSA Bank Limited	148 825 712	145 405 211	149 036 025
The loan bears interest at the 3 month Jibar rate plus 2.4% per annum. Interest is payable monthly with final capital repayments on 30 April 2024 and 30 April 2025.			
ABSA Bank Limited	(758 763)	6 224 230	3 595 420
The loan bears interest at the South African prime interest rate less 1% per annum. Interest is payable monthly with a final capital repayment on 10 April 2024.			
ABSA Bank Limited	39 233 600	39 224 600	39 061 775
The loan bears interest at the 3 month Jibar rate plus 2.4% per annum. Interest is payable monthly with a final capital repayment on 31 May 2024.			
Total	187 300 549	190 854 042	191 693 220

5. PER SHARE INFORMATION

	Unaudited 31 August 2022 R	Unaudited 31 August 2021 R	Audited 28 February 2022 R
(Loss) profit attributable to shareholders	77 977 088	16 171 311	18 595 212
Loss (gain) on fair value adjustment	(69 216 341)	(8 521 217)	582 410
Headline earnings	8 760 747	7 650 094	19 177 622
Lease straight-lining adjustment	772 016	(445 247)	(651 534)
Depreciation	–	845 006	–
(Gain) loss on interest rate swap	(2 897 703)	–	(1 788 602)
SA REIT funds from operations	6 635 060	8 049 853	16 737 486
Number of shares in issue	41 042 547	37 411 169	37 411 169
Weighted average number of ordinary shares in issue	39 142 189	36 139 576	36 770 147
Earnings per share (c)	199.21	44.75	50.57
Headline earnings per share (c)	22.38	21.17	52.16
SA REIT funds from operations per share (c)*	16.17	21.52	44.74
Net asset value per share (c)**	610.13	454.44	460.92
Distribution per share (c)	–	–	44.74

The company does not have any potential dilutionary instruments in issue.

* SA REIT funds from operations per share is calculated by dividing the SA REIT funds from operations by the total number of shares in issue at period end. SA REIT funds from operations is calculated in compliance with the recommendations of best practice from the SA REIT Association and exclude all those items that are traditionally not distributed, such as capital profits/losses from the disposal of investment property and fair value adjustments.

** Net asset value per share is calculated by dividing the net assets by the total number of shares in issue at period end. Net assets comprise total assets less total liabilities, less equity attributable to non-controlling interest.

CORPORATE INFORMATION

6. RELATED PARTIES

	Unaudited 31 August 2022 R	Unaudited 31 August 2021 R	Audited 28 February 2022 R
Relationship			
Ultimate holding company: Urban Retail Property Investments 1 (Pty) Ltd			
Companies under common directorships: Castlevue Asset Managers (Pty) Ltd			
Loan account owing to parent company			
Ultimate holding company	–	(10 047 776)	–
Other receivables owing by companies under common directorships			
Companies under common directorship	304 762	304 762	384 762
Interest capitalised on loan owing to parent company			
Ultimate holding company	–	344 136	652 580
Asset management fees paid to companies under common directorships			
Companies under common directorship	970 638	924 318	1 894 956
Compensation to directors and other key management			
Short-term employee benefits	463 170	381 747	708 244

7. PAYMENT OF DIVIDEND

The board has resolved not to declare an interim distribution for the 6 months ended 31 August 2022.

8. EVENTS AFTER REPORTING PERIOD

Subsequent to the date of reporting, Castlevue has concluded the acquisition of a portfolio of direct and indirect property assets from subsidiaries of I Group. In addition to the Transaction, Castlevue has entered into share subscription agreements with two companies in terms of which those companies have subscribed for an aggregate of 51 908 876 new Castlevue shares in terms of a specific authority to issue shares for cash.

By order of the board

James Templeton
Chief executive officer

Colin Dockrall
Financial director

Cape Town
7 November 2022

CASTLEVIEW PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2017/290413/06)
JSE share code: CVW ISIN: ZAE000251633
(Approved as a REIT by JSE)
("Castlevue" or "the Company" or "the group")

DIRECTORS

JWA Templeton, C Dockrall, GC Bayly,
DJ Green, A Mahomed, A Padayachee

REGISTERED OFFICE

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COMPANY SECRETARY

Statucor

TRANSFER SECRETARY

JSE Investor Services

DESIGNATED ADVISER

Java Capital



castleview.co.za