Powering ***Growth***

FORTRESS

REIT LIMITED

Summarised audited consolidated financial statements

for the year ended 30 June 2022

Directors' commentary

"The 2022 financial year has seen historic events, both locally and abroad, from the riots and looting seen in South Africa to the war in Ukraine impacting many European nations and further impacting global rates of inflation not seen in multiple generations. We certainly are living in interesting times. COVID-19 and the concern around the Omicron variant seem to be a distant memory in a volatile global environment where a perpetual increase in the pace of change seems to be the only constant. In this global environment of uncertainty, we continually strive for a simple and robust business that seeks to add real economic value for our stakeholders, as well as to impact the broader environment and communities in which we operate in a positive manner.

The core Fortress business has seen an improvement in conditions. The strategic focus on logistics, logistics developments and retail real estate is beginning to pay off and the operational metrics for the year are testament to this. The team has worked tirelessly to execute our strategy, while dealing with a variety of unforeseen events. We are constantly striving to optimise our assets to ensure both current tenant appeal and longevity, through investment in technology, as well as more sustainable building designs.

It is remarkable to be part of an organisation with people who give so much of themselves to create and protect value for all of our stakeholders."

Steven Brown, *CEO*

Nature of the business

Fortress REIT Limited ("Fortress") is a Real Estate Investment Trust ("REIT"), at 30 June 2022 and at the date of this report, specialising in the logistics and retail property sectors with an established in-house development track record.

Our focus is on developing and in letting premium-grade logistics real estate in South Africa ("SA") and Central and Eastern Europe ("CEE"), as well as growing our convenience and commuter-oriented retail portfolio which currently comprises 52 shopping centres, and includes properties co-owned with partners.

At 30 June 2022, our property portfolio comprised the following:

	Jun 2022		Jun 2021	
Sector	**Direct property portfolio by value R'billion***	**As a % of total direct property assets**	**Direct property portfolio by value R'billion***	**As a % of total direct property assets**
Logistics – SA^	**13,8**	**43,9**	12,7	44,2
Logistics – CEE@	**2,1**	**6,7**	0,8	2,8
Logistics – total	**15,9**	**50,6**	13,5	47,0
Retail	**10,2**	**32,5**	9,9	34,5
Industrial**	**3,1**	**9,9**	2,9	10,1
Office&	**1,9**	**6,0**	2,0	7,0
Other#	**0,3**	**1,0**	0,4	1,4
Total direct property portfolio	**31,4**	**100,0**	28,7	100,0

* *Based on management accounts.*
^ *Includes landholdings and work-in-progress of R3,5 billion (Jun 2021: R2,6 billion).*
** *From 1 July 2021, we reclassified Isando Business Park and City Deep Industrial Park to industrial from logistics.*
@ *Includes development sites of R0,5 billion (Jun 2021: R0,1 billion).*
& *Includes development sites of R0,3 billion (Jun 2021: R0,2 billion).*
# *Comprises a hotel, residential units and serviced apartment properties.*

In addition to our property portfolio, we have a 23,6% interest in NEPI Rockcastle S.A. ("NEPI Rockcastle"), valued at R12,5 billion at 30 June 2022.

	Jun 2022			Jun 2021		
Listed portfolio	**Number of shares**	**Fair value R'000**	**Effective holding %**	**Number of shares**	**Fair value R'000**	**Effective holding %**
NEPI Rockcastle	**144 008 793**	**12 541 725**	**23,6**	144 008 793	14 576 570	23,6

Capital structure and REIT status

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

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

Other than these differences mentioned above, as provided in the MOI, all shares rank *pari passu* in all respects in accordance with clause 34.7 of the MOI.

The board recently proposed a scheme of arrangement to shareholders, requiring 75% approval, to collapse the dual-share structure into a single share. However, this scheme failed to pass and as such Fortress remains listed with the dual-share structure in place. Fortress is required to meet the Minimum Distribution Requirement, per the JSE Listings Requirements, of a REIT ("minimum distribution requirement") in respect of FY2022 by 31 October 2022. Fortress' MOI prevents the payment of a distribution where distributable earnings are less than the FFA dividend benchmark in respect of that period, which was the case for both the interim six-month period ended 31 December 2021 ("1H2022") and the final six-month period ended 30 June 2022 ("2H2022") of the financial year ended 30 June 2022 ("FY2022"). In these circumstances, Fortress cannot comply with the minimum distribution requirement.

The board has not resolved to make any other proposal to facilitate the payment of a distribution in respect of FY2022. Accordingly, the company will engage with the JSE given its inability to comply with the JSE Listings Requirements pertaining to REITs, to proactively manage the process.

For so long as Fortress is not a REIT, it will retain distributable earnings rather than make distributions, until such time as the ratio of distributable earnings to the FFA dividend benchmark has increased to a level which mitigates the risk of distributable earnings being below the FFA dividend benchmark for the foreseeable future, at the time of electing to resume dividend payments. Distributable earnings will be applied to reduce debt or pursuant to other capital allocation decisions of the board.

Review of the 2022 financial year

Highlights for FY2022 and to the date of this report include:

- Completed 108 966m² of new logistics facilities, including a development of 15 727m² in Poland;
- Signed pre-let deals over 86 442m² of logistics space;
- Expanded our European logistics portfolio by acquiring ELI Park 1 in Bucharest, Romania measuring 50 130m² at a forward yield of 8,0%;
- Acquired additional prime logistics development land in Zabrze and Łódz, both in Poland, which can accommodate up to 160 000m² of prime warehousing space;
- Continued the development of the 164 470m² distribution centre for Pick n Pay, the largest single-phase distribution centre development in South Africa;

- Commenced the R212 million redevelopment of Vryheid Plaza;
- Completed the reconstruction of Evaton Mall and Biyela Shopping Centre, which suffered damage during the civil unrest experienced in July 2021;
- Commenced construction of a new Pick n Pay store at Palm Springs Mall and a Shoprite store at Mahikeng Station Boulevard Centre;
- Disposed of 24 properties with total net proceeds of c.R577 million, with a further 13 properties held for sale at net proceeds of c.R1,4 billion;
- Reduced the overall portfolio vacancy to 5,4% at 30 June 2022 from 6,5% at 31 December 2021 (30 June 2021: 7,4%), based on gross lettable area ("GLA"), including a record low vacancy in the South African logistics portfolio of 1,2%;
- Issued five sustainability-linked bonds totalling R2,2 billion in tenors ranging from three to five and a half years; and
- Maintained our Broad-based Black Economic Empowerment ("B-BBEE") rating of Level 4.

Summary of financial performance

	Jun 2022	Dec 2021	Jun 2021	Dec 2020
Dividend declared per FFA share (cents)	**–**	–	74,70	–
FFA dividend benchmark (cents)[$]	**83,10**	84,11	79,14	80,10
Dividend declared per FFB share (cents)	**–**	–	–	–
Shares in issue at the end of the period				
– FFA	**1 191 595 172**	1 191 595 172	1 191 595 172	1 191 595 172
– FFB	**1 093 213 028**	1 093 213 028	1 093 213 028	1 093 213 028
– FFA shares held in treasury	**26 861 996**	26 861 996	–	–
– FFB shares held in treasury[#]	**87 536 353**	87 536 353	62 163 124	62 163 124
Management accounts information				
Net asset value ("NAV") per equity share (going concern)[^]	**R12,43**	R12,76	R12,34	R11,35
Loan-to-value ("LTV") ratio** (%)	**40,0**	38,8	36,7	38,1
Net property expense ratio (%)	**22,0**	25,7	23,1	24,6
Gross property expense ratio (%)	**39,2**	42,3	39,9	41,4
Net total expense ratio (%)	**22,7**	25,3	26,3[^^]	32,1[^^]
Gross total expense ratio (%)	**36,4**	38,6	35,3[^^]	36,7[^^]
SA REIT Best Practice disclosure				
SA REIT NAV per share	**R12,22**	R12,93	R12,17	R11,29
SA REIT LTV (%)	**38,7**	38,9	36,6	40,5
SA REIT funds from operations ("FFO") (R'000)	**1 911 378**	814 582	1 746 465	837 443
International Financial Reporting Standards ("IFRS") accounting				
NAV per equity share (going concern)[^]	**R12,70**	R13,05	R12,63	R11,59

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

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

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

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

^^ Had NEPI Rockcastle's capitalisation issue in 1H2021 been accounted for as dividends received, the net total expense ratio and gross total expense ratio would have been Jun 2021: 22,4% (Dec 2020: 22,9%) and Jun 2021: 31,4% (Dec 2020: 29,5%), respectively.

Distributable earnings and dividend benchmark

Distributable earnings, based on our communicated Fortress distribution methodology for FY2022 were R1,707 billion, compared to R1,713 billion for FY2021.

Distributable earnings for 2H2022 were R876,9 million, which was below the FFA dividend benchmark of R967,9 million and accordingly no dividends may be declared by the board. Distributable earnings were R830,5 million in 1H2022 which were also below the 1H2022 FFA dividend benchmark of R979,7 million for that income period.

The dividend benchmark for the FFA share is increased by the lower of CPI or 5,0% over the prior comparable income period, using the CPI figures supplied by Statistics SA. CPI growth for the 2H2022 income period was 6,19% and therefore the FFA benchmark has been escalated by 5,0%. On this basis, the FFA benchmark base is 83,10 cents per share for future comparable income periods.

Consistent with the distribution policy of recent reporting periods and as previously communicated, we do not distribute capitalised interest and include the dividends received from listed investments in distributable earnings in the period in which they are received.

NAV

We have no intangible assets on our balance sheet and accordingly our NAV and tangible net asset value are the same. Our NAV has decreased marginally by 1,5% from R27,4 billion at 30 June 2021 to R27,0 billion at 30 June 2022, principally due to a decrease in the NEPI Rockcastle share price from R101,22 to R87,09 at the two respective reporting dates, offset by retained earnings not distributed and a 2,2% valuation uplift in our standing direct property portfolio.

The NAV per equity share at 30 June 2022 was R12,43, calculated as NAV divided by all shares in issue, net of treasury shares. The NAV per equity share, outside of a redemption or winding-up event, provides the fairest reflection of the per share NAV for both FFA and FFB shares.

Information based on management accounts.

LTV ratio

The LTV ratio has increased from 36,7% at 30 June 2021 to 40,0% at 30 June 2022. The increase is primarily as a result of:

- The repurchase of 26 861 996 FFA and 25 373 229 FFB shares during the year;
- The conclusion of the acquisition of ELI Park 1 in Romania;
- Acquisition of the Zabrze and Łódz land parcels in Poland;
- Development spend of c.R2,1 billion mostly at Eastport, Longlake, Clairwood and Cornubia; and
- A decrease in the share price of NEPI Rockcastle as noted previously.

In the absence of a dividend being declared for FY2022 and the consequent retention of cash generated by the business, the LTV is expected to reduce over time.

We will continue to assess our gearing level going forward and will evaluate capital allocation decisions based on the merits at the time. We are not in breach of any of our debt covenants. Two existing lenders have a covenant requiring REIT status and discussions are positive on removing this covenant. We continue to have strong relationships with our funders.

Information based on management accounts.

Direct property portfolio (SA)

Logistics portfolio

(R10,3 billion asset value)

The demand for latest-generation, high-quality logistics and warehousing facilities remains strong as evidenced by the 77 560m² of GLA which was let during FY2022 and a further 37 965m² of pre-let transactions closed shortly after year-end. Our warehousing facilities offer tenants the best-in-class flooring, large yards and 15 metre eaves height to facilitate more racking and increase the warehouse volume, all with easy access to established transport infrastructure. The secure logistics parks have proven particularly successful due to tenant demand for security in a comfortable environment. The rise in construction costs has been marked over the past six months. For the majority of our projects we have either mitigated this or passed the increase onto the tenants in the form of higher rentals. However, two projects have marginally lower yields as a result of the rise in construction costs not being passed on or mitigated.

The positive effect of the higher construction costs is an uptick in net asking rentals on our new speculative developments, as well as better rentals on prime logistics assets in our standing portfolio.

We continue to successfully develop our pipeline of logistics real estate through a balance of pre-let and speculative warehousing facilities, while allowing tenants the option to purchase a portion of the property on completion. This remains an effective method of securing long-term leases, entrenching tenants into the properties and recycling capital profitably.

Logistics developments

(R3,5 billion asset value)

The table below provides a summary of our logistics park developments in South Africa.

Logistics park	Fortress ownership %	Total GLA of the park m²	Completed developments (including sold developments) m²	Available GLA for development m²	Currently under development or redevelopment: Let/under offer* m²	Currently under development or redevelopment: Speculative/ unlet m²	Remaining GLA to be developed m²
Louwlardia	100	89 656	89 656	–	–	–	–
Eastport	65	420 000	95 191	**324 809**	**184 257**	**18 573**	**121 979**
Longlake	100	96 562	36 562	**60 000**	**–**	**19 232**	**40 768**
Clairwood	100	300 000	149 047	**150 953**	**82 712**	**–**	**68 241**
Cornubia	50,1	103 568	18 900	**84 668**	**13 026**	**–**	**71 642**
Total: SA		1 009 786	389 356	**620 430**	**279 995**	**37 805**	**302 630**

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

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

Eastport is located along the R21 highway in close proximity to OR Tambo International Airport and benefits from excellent road infrastructure. The park is situated between Johannesburg and Pretoria in a sought-after logistics corridor with several blue-chip tenants in the immediate vicinity.

Our largest development to date is the new, state-of-the-art Pick n Pay super distribution centre. This 164 470m² logistics facility will serve as the anchor warehouse for Eastport. On completion of the development, Pick n Pay will purchase a 60% undivided share in the property at a predetermined yield of 7,0% on cost, with appropriate compensation for the funding and development risk. This development demonstrates our ability to deliver a world-class warehousing solution for a large user, on time and within budget.

During the year, we concluded a lease for the development of a new warehouse for Crusader Logistics. This development will comprise a new 19 787m² warehouse with exceptional highway frontage and the benefit of being in a secure park. The transaction was concluded on a pre-agreed development yield of 8,25% with the tenant having the option to purchase a 50% undivided share in the property in the third year of the lease at an agreed yield of 7,0%, on the then forward net operating income.

In addition to this development, we will be completing our latest speculative warehouse of 18 573m² in the coming year. Demand is strong from several high-profile end users for this latest addition to the park.

Clairwood Logistics Park ("Clairwood")

Clairwood is situated approximately 11 kilometres from the Durban Port and offers tenants a safe and secure logistics park. The park was not affected by the civil unrest of July 2021 and leases over 93 239m² of GLA were concluded in the first half of FY2022. This includes the development and letting of a new container terminal of 56 792m² to Kings Rest Container Terminals.

In addition, we completed the development of 23 164m² of warehouse space which was let to Super Group Consumer division and African Sugar Logistics prior to completion. The smaller format midi-units, of which we built four totalling 13 283m² of GLA, are now also fully let.

The development of a new 29 083m² subdivisible warehouse is scheduled for completion in November 2022. This warehouse has been let prior to completion to RB Logistics and Imperial Logistics, demonstrating the success of developing speculatively in a measured manner.

The development of the new 15 664m² ZacPak warehouse is underway. ZacPak is a current tenant in an older property and will be relocating to Clairwood in May 2023 at which point a 15-year lease will commence. Soil improvements and bulk earthworks are currently being undertaken for the development.

We have furthermore concluded a new pre-let development of 37 965m² subsequent to year-end. Sammar Investments, a current tenant in the park, will enter into a 15-year lease agreement underpinned by Sasol South Africa for the consolidation of their warehousing in the Durban south basin. Sasol is a prominent tenant in the immediate vicinity and identified Clairwood as their preferred location when they requested proposals for their new warehousing solution, operated by a third-party logistics provider.

On completion of the park, Clairwood will be the flagship of our South African logistics portfolio with no immediate competition in the surrounding area. We are pleased with the current momentum at Clairwood and we are confident that this will continue, allowing us to complete the park and entrench our dominance in the KwaZulu-Natal logistics real estate market.

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

This co-owned park offers a development pipeline of 103 568m² of logistics warehousing facilities that benefit from excellent highway frontage and new road infrastructure that links Cornubia to the Umhlanga central business district ("CBD"). We completed a new Makro development in 2018 and a new 23 727m² warehouse in the prior year. Regrettably, this warehouse was destroyed in the civil unrest of July 2021. We have commenced the demolition of the warehouse and anticipate commencing with the redevelopment of the park in FY2023.

Planning is underway to improve the perimeter security of the lower platforms, to redevelop the existing gatehouse and to rebrand the park which will re-energise this prominent site. One of the existing tenants, Retailability, will reoccupy the rebuilt space and has requested a larger warehouse which will be developed in FY2023 on the adjacent platform to their former warehouse destroyed in the riots of July 2021.

Longlake Logistics Park ("Longlake")

Situated on Marlboro Drive between Linbro and Longmeadow, construction commenced on the next phase of this precinct, a speculative development of 19 232m², as well as completion of the bulk earthworks on the remaining portion of this site. This building will be completed in October 2022 and we are in negotiations with several tenants to occupy the premises on completion.

Retail

(R10,2 billion asset value)

Our retail portfolio has experienced continued positive trading momentum. Retail tenant turnover figures increased by 6,8% in FY2022 compared to FY2021, and by 17,0% compared to FY2019. This growth was achieved in a challenging trading environment, which included the civil unrest experienced in July 2021, intensified load shedding, increasing frequency of community protests and higher inflation brought about by increasing energy, transport and food prices. All these factors negatively affect consumer confidence and spending.

Grocery and pharmaceutical retailers continue to trade well, with inflationary pressures and higher interest rates forcing consumers to focus their spending on essential goods and services. Grocery retailer turnovers increased by 7,0%, while pharmaceutical retailer turnovers increased by 9,0% year-on-year.

Turnover performance by portfolio is split as follows:

Portfolio split	Comparative turnover growth* %	Retail portfolio by value^ %
Township centres	(1,7)	15,1
CBD centres	6,3	27,7
Suburban centres	10,5	35,2
Rural centres	4,0	22,0
Overall retail portfolio	**6,8**	**100,0**

* *Year-on-year growth from FY2021 to FY2022.*
^ *Based on management accounts.*

Growth in our township centre portfolio has slowed due to low employment levels, persistent poor service delivery and the overhanging effects of the July 2021 riots in KwaZulu-Natal and Gauteng. The CBD market is benefiting from recovering foot traffic following the easing of COVID-19 restrictions and more people returning to their places of employment. The suburban centres continue to benefit from their convenience offering and a strong recovery from fast food outlets and restaurants.

The majority of the six buildings damaged during July 2021 have reopened and are trading. The 225 Pine Street building (formerly West Street Durban), which suffered extensive fire damage, was rebuilt and has been handed over to tenants who will commence trading in October 2022.

Vacancies and reversions

Retail portfolio vacancies have decreased to 3,6% at 30 June 2022 from 3,7% at 31 December 2021. During FY2022, we concluded 466 leases, both renewals and new lettings, while managing to contain negative rental reversions to -2,8% in a difficult trading environment. However, we are encouraged by the recovery and increase in turnover figures, which should lead to positive rental reversions in due course.

Redevelopments and extensions

The redevelopment and extension of Palm Springs Mall are nearing completion and beneficial occupation will be given to Pick n Pay at the end of August 2022.

We are in the process of redeveloping the ex-Edgars premises at Weskus Mall to accommodate Food Lover's Market in 2 700m^2 of space. Food Lover's Market is expected to commence trading in November 2022. Furthermore, construction of a new McDonald's drive-through outlet at Weskus Mall is underway, with planned opening in November 2022. Negotiations for development of a further drive-through premises at Weskus Mall are in progress with a national fast food retailer.

Construction to redevelop Mahikeng Station Boulevard Centre has commenced, which will accommodate new tenants to the centre, including Shoprite and Clicks. The estimated cost of this extension is R30 million.

Earthworks for the redevelopment and extension of Vryheid Plaza are under way and will involve enclosing the centre and extending it by 8 370m^2 to 16 900m^2, once completed. New tenants will include Shoprite, Clicks, Sportscene, Studio 88, Jet and Markham. The planned opening date is October 2023. The Vryheid extension is estimated to cost R212 million and generate a yield of 8,6%.

Solar photovoltaic ("solar PV") plants have been installed and commissioned at 15 retail centres. The current retail portfolio installed capacity is 7.49 MWac. During FY2022, six new installations with a capacity of 3.23 MWac were completed with internal rates of return varying between 14,5% and 23,0%.

We expect that the trading environment will remain under pressure in the short term, due to political uncertainty and various economic challenges. Consumers will likely focus on essential goods and services, which benefits our defensive retail portfolio given its commuter and convenience market focus and larger exposure to essential tenants.

Office (including office developments)

(R1,9 billion asset value)

The office portfolio continues to face headwinds. Despite these challenges, we have concluded a new lease at Oak Avenue in Highveld, Centurion, which has been one of our largest vacancies over the past three years. OUTsurance has entered into a three-year lease for the entire property of 11 700m^2, with an option to extend for a further two years.

We have concluded a transaction with a private residential developer to purchase one of our vacant Sandton sites situated on Rivonia Road, subject to fulfilment of the funding condition.

Construction of a portion of the basement at our Sandton Gautrain site is nearing completion. The engineering complexities of this particular site necessitated the construction of this basement to avoid any failure of the lateral supports. The property has excellent exposure in the heart of Sandton and continues to be marketed as for sale to potential purchasers.

We have commenced the municipal infrastructure upgrades to allow us to obtain zoning to convert our Oxford Manor Illovo office property to residential. We are in negotiations for the disposal of this property to a developer for a residential conversion.

The office portfolio comprises less than 4% of our total assets and we have sold two office properties during FY2022. We continue to dispose of these properties individually, given the lack of market demand for portfolio transactions. We anticipate that the current load shedding being experienced, will encourage workers back to offices which are generally better equipped to cope with electricity interruptions.

Industrial

(R3,1 billion asset value)

Demand for our older, good quality industrial space is robust, with vacancies in the portfolio reducing further from 10,7% at 31 December 2021 to 8,2% at 30 June 2022 (30 June 2021: 13,0%). In the current challenging economic environment, tenants are sensitive to both quality of the properties they occupy and total cost of occupation. Although our industrial portfolio is non-core and is in the process of being sold, it continues to offer good value to tenants. Our smaller industrial parks are well-occupied and generally located in established industrial areas with good access to public transport and road infrastructure and are popular among the private investor market.

During the year, we concluded a transaction with Inospace, the leading provider of last-mile logistics space to small and medium enterprises. In light of the success of the pilot project which began in 2019, we formed a joint venture where both Inospace and Fortress contributed 8 and 12 assets, respectively, valued at R1,2 billion to a new company. Fortress holds 52,41% of the shares in the new entity and has provided a mezzanine loan of up to R300 million.

We are confident that the entrepreneurial nature of Inospace, combined with the strong asset management expertise of Fortress, will yield success through the uplift in both NAV and net operating income of the underlying portfolio.

Direct property portfolio (CEE)

(R2,1 billion asset value)

In 2020, we embarked on a strategy of owning and developing secure logistics parks in CEE. Our first acquisitions were Bydgoszcz Logistics Park and Stargard Logistics Park in Poland. In 1H2022, we acquired ELI Park 1 in Romania on the back of our understanding and knowledge of the CEE markets, coupled with our specialist logistics development expertise.

During FY2022, we completed a new 15 727m^2 warehouse at Stargard. EcoReadyBath, an existing tenant in the first building, relocated from their existing premises into a larger 9 080m^2 facility in this new hall. We have also completed 7 713m^2 of speculative warehousing in Bydgoszcz after year-end, which was let prior to completion to Volcano and Bidfood Farutex.

A leading food retailer will occupy the remaining space in phase 1 of this newly constructed hall and has entered into a pre-lease for a portion of phase 2, for which construction will commence shortly with completion estimated for March 2023.

These successful developments are all led by our in-house development and leasing team based in Warsaw.

Marketing of our two new parks in Zabrze and Łódz in Poland has commenced and we have been invited to bid for new developments for leading international tenants. These two prime sites can accommodate developments of approximately 80 000m^2 each.

Vacancies

Total vacancies, measured as a percentage of GLA, decreased from 6,5% at 31 December 2021 to 5,4% at 30 June 2022.

Sectoral vacancy	Based on GLA Jun 2022 %	Based on GLA Dec 2021 %	Based on value per m² of building Jun 2022# %	Based on value per m² of building Dec 2021# %
Total (including CEE)	**5,4**	6,5	**3,8**	4,5
Logistics – SA	**1,2**	2,6	**1,0**	2,1
Retail	**3,6**	3,7	**2,6**	2,7
Industrial	**8,2**	10,7	**7,4**	10,5
Office	**28,6**	29,1	**26,7**	27,2
Other^	**4,1**	3,5	**2,5**	0,8
Logistics – CEE	**8,3**	0,2	**7,6**	0,2

Information based on management accounts.

Vacancy based on the Rand value rate per square metre (100% of GLA and value) of the building.
^ *Includes a hotel, residential units and serviced apartment properties.*

Weighted average lease expiry ("WALE")

The WALE per sector, based on GLA, was as follows:

	Based on GLA Jun 2022 years	Based on GLA Jun 2021 years
Total (including CEE)	**3,3**	3,4
Logistics – SA	**4,0**	4,6
Retail	**2,9**	3,0
Industrial	**2,0**	1,5
Office	**1,8**	1,5
Other^	**4,8**	4,4
Logistics – CEE	**5,1**	3,9

Information based on management accounts.

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

Property disposals

A total of 24 properties were sold during FY2022 at a premium to book value of 4,9%. This is a pleasing result, given the numerous challenges experienced, including regular deeds office closures due to the pandemic, continuous load shedding and delays in obtaining rates and taxes clearance certificates.

The following properties have transferred during FY2022:

Property name	Sector	Net proceeds R'000	Book value Jun 2021 R'000	Transfer date
3 & 6 Cedarfield Close Springfield Park	Logistics	**108 000**	108 000	Sep 2021
Harries Street Germiston	Industrial	**64 000**	51 340	Apr 2022
47 Jeffels Road Prospecton^	Logistics	**54 400**	55 000	Jan 2022
Cambridge Motor Paulshof	Other – motor dealership	**47 900**	44 000	Dec 2021
James Crescent Midrand	Industrial	**37 450**	37 330	Dec 2021
Cambridge Manor Paulshof^	Office	**28 750**	28 750	Jun 2022
4 6th St Wynberg^	Industrial	**27 600**	27 230	Feb 2022
12 Stockwell Road Pinetown^	Logistics	**23 877**	20 400	Jan 2022
286 Sixteenth Road	Logistics	**21 500**	21 500	Aug 2021
56 Kelly Road Jet Park	Industrial	**19 600**	16 500	Nov 2021
488 Sixteenth Road	Logistics	**16 400**	14 620	Jun 2022
Latei Street Isando^	Industrial	**15 600**	14 250	Jan 2022
Rudo Nel Jet Park (Erf 84 Hughes only)	Industrial	**14 000**	13 000	May 2022
Lakeview Business Park 15	Industrial	**13 200**	10 850	Nov 2021
Highveld Technopark	Office	**13 100**	14 500	May 2022
19 Spartan Road	Industrial	**13 000**	12 980	Nov 2021
Unit 5 Northlands Décor Park	Industrial	**13 000**	12 710	May 2022
Selby Mini Units^	Industrial	**10 525**	12 200	May 2022
64 Kelly Road Jet Park	Industrial	**9 800**	9 090	Nov 2021
Director Road Spartan^	Industrial	**8 150**	8 230	Mar 2022
Bevan Road Roodekop (vacant land only)	Logistics – land	**8 070**	8 100	Sep 2021
City Deep Production Park	Industrial	**5 000**	5 000	Oct 2021
London Lane (Erf 129 Park Central only)	Industrial	**3 230**	2 958	Nov 2021
London Lane (Erf 128 Park Central only)	Industrial	**1 100**	1 552	Jun 2022
		577 252	550 090	

^ *Held for sale at 31 December 2021.*

The following properties were held for sale at 30 June 2022:

Property name	Sector	Net proceeds R'000	Book value Jun 2021 R'000	Transfer date
Eastport Logistics Park[&] – Pick n Pay (60% undivided share)	Logistics	**860 201**	816 066	Jun 2023
Market Square Grahamstown	Retail	**117 700**	107 000	#
Midrand Protea Hotel[^@]	Other – hotel	**117 500**	120 000	#
Philippi Shopping Centre	Retail	**91 080**	90 000	#
2 Joyner Road Prospecton	Industrial	**79 000**	77 954	#
Eastport Logistics Park – Clippa[*^]	Logistics	**55 380**	57 525	Aug 2022
38 Milkyway Ave Linbro Park	Industrial	**33 500**	36 360	#
Chelsea Office Park Rivonia[^]	Office	**17 890**	15 400	Jul 2022
Megawatt Road Spartan	Logistics	**15 050**	13 600	Jul 2022
Le Roux Avenue Midrand[^]	Industrial	**7 970**	6 810	#
6 Ivanseth Road	Industrial	**4 000**	5 820	#
39 Loper Street Spartan	Industrial	**3 900**	4 760	#
13 Wessels Road Rivonia (50% undivided share)	Office	**3 500**	4 500	#
		1 406 671	1 355 795	

& *Construction of the new Pick n Pay super distribution centre is well under way. On completion of the development, Pick n Pay will purchase a 60% undivided share in the property. The estimated transfer date is June 2023. Net proceeds and book value represent the selling price and cost respectively, less costs to complete.*

Not yet transferred.

^ *Held for sale at 31 December 2021.*

@ *Final payment of the purchase price is expected end of September 2022.*

* *Clippa exercised its option to purchase a 50% undivided share in this property, in which Fortress group owns a 65% undivided share.*

Environmental, social and corporate governance ("ESG")

Environmental

At 30 June 2022, we had 18 operational solar PV installations, with another seven under construction. Moreover, seven additional feasibility studies are being conducted and we are in various stages of Eskom approvals on a further seven projects.

Our installed capacity was 7.248 MWac at 30 June 2022 compared to 4.735 MWac at 30 June 2021. We generated 10 773 MWh from our solar PV plants during FY2022, compared to 5 659 MWh in FY2021.

We have registered our first EDGE Green Building Certification at Longlake Logistics Park, and we are looking to use this rating tool on our logistics buildings going forward.

In line with our commitment to align our reporting with the Task Force on Climate-related Financial Disclosures framework, we have completed an externally facilitated climate-related risks and opportunities workshop.

Social

As part of Fortress' ESG strategy, our social initiatives focus on a multipronged approach towards skills development. We sponsor educational initiatives that assist children and young adults. Our enterprise development partnerships are supporting owners of small businesses, some of whom have subsequently assisted on our community projects. In partnership with Food & Trees for Africa, we have been able to implement scalable and sustainable holistic community programmes.

Our current B-BBEE rating is Level 4.

Governance

There have been no changes to the board of directors during FY2022. Mr Jan Potgieter was appointed as the lead independent director in January 2022. Mr Bram Goossens was elected as the chairman of the remuneration committee during 2H2022 with Mr Robin Lockhart-Ross remaining a member of the remuneration committee. Mrs Ina Lopion stepped down from the remuneration committee.

Currency derivatives

We employ no long-term hedging products against foreign assets or liabilities. Short-term cash flow requirements and, therefore, foreign exchange exposure, are managed through foreign exchange contracts or direct Euro currency, once commitments become unconditional.

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

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

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

Forward rate against Rand	EUR
Jun 2022	20,71
Dec 2022	20,68
Jun 2023	19,60
Dec 2023	20,34
Jun 2024	20,10
Dec 2024	21,07
Jun 2024	20,90

Funding and liquidity – South Africa

During 2H2022, all the Sanlam facilities, totalling R746 million, were repaid. In February 2022, we issued three new sustainability-linked bonds of R450 million, R500 million and R350 million, with maturities in February 2025, February 2027 and August 2027, respectively.

In addition, Standard Bank facilities of R1,647 billion, expiring in November 2022, have been refinanced for tenors of four years and five years in equal amounts of R823,5 million.

We have also secured a facility of R1,126 billion specifically relating to the construction of the new Pick n Pay distribution warehouse at Eastport, which is available for drawdown as construction progresses. An amount of R790 million is currently available based on construction progress. The facility is not ring-fenced and is available to the group for general corporate purposes. To date, no draws have been made against this facility.

A new ring-fenced facility of R355 million (R177,5 million in three years and R177,5 million in five years) has been secured against the co-owned Bridge development, but is undrawn currently.

Subsequent to year-end, in August 2022, an expiring bond of R400 million under our domestic medium-term note ("DMTN") programme was repaid from existing facilities.

At the date of this report, we have approximately R3,4 billion available under our existing South African facilities, which includes the signed new R1,126 billion Pick n Pay development facility, of which R790 million is available for drawdown, and the R355 million Bridge facility which is also available for drawdown. The table below excludes these two facilities, as, although signed, they have not been implemented.

Facility expiry	Amount R'million	Average margin over 3-month JIBAR %
Jun 2023	5 002	1,91
Jun 2024	5 823	1,73
Jun 2025	6 259	1,91
Jun 2026	1 250	2,11
Jun 2027	1 758	2,27
Jun 2028	350	2,30
Jun 2029	250	1,95
	20 692	**1,91**

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

Repayment date	Financial year	Amount R'million
Nov 2022	Jun 2023	500
Oct 2023	Jun 2024	560
Aug 2024	Jun 2025	795
Oct 2024	Jun 2025	200
Feb 2025	Jun 2025	450
Aug 2026	Jun 2027	405
Feb 2027	Jun 2027	500
Aug 2027	Jun 2028	350
		3 760

Interest rate hedging

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

Interest rate swap expiry	Amount R'million	Average swap rate %
Jun 2023	300	7,79
Jun 2024	200	7,47
Jun 2025	950	7,03
Jun 2026	1 950	6,99
Jun 2027	1 050	6,82
Jun 2028	600	6,18
	5 050	**6,93**

Interest rate cap expiry	Amount R'million	Average cap rate %
Jun 2023	300	7,71
Jun 2024	400	7,98
Jun 2025	700	7,50
Jun 2026	563	5,11
Jun 2027	1 925	6,23
Jun 2028	3 062	6,81
Jun 2029	600	6,45
	7 550	**6,67**

The combined weighted average swap and cap maturity profile is 4,1 years and the combined weighted average swap and cap rate is 6,77%.

The all-in weighted average cost of local funding of Fortress was 7,68% at 30 June 2022.

Hedging of variable interest rates	Group R'000
Interest-bearing borrowings	18 578 245
Reduction in interest-bearing borrowings from cash generated from operations^	(750 000)
Fixed-rate funding (collar over NEPI Rockcastle shares)	(833 150)
Loans to co-owners	(241 731)
Cash and cash equivalents	(691 116)
Capital commitments contracted for	1 223 481
Capital commitments approved	665 873
Investment property held for sale	(1 406 671)
Estimated disposal of assets*	(648 647)
	15 896 284
Interest rate derivatives (swaps/caps) – SA	12 600 000@
Interest rate derivatives (swaps/caps) – CEE	465 453@&
Total interest rate derivatives (swaps/caps)	**13 065 453**
Percentage hedged (%)	**82,2**

Information based on management accounts.

^ *Assumption based on retention of 50% cash generated from operations in the next 12 months in the absence of dividend flow to shareholders.*

@ *At the date of this report.*

* *Capital commitments include amounts to be spent to complete current developments. We have an established asset disposals programme, and in order to match capital commitments with proceeds from disposals, an assumption of asset sales is made for this purpose.*

& *Converted at the 30 June 2022 spot exchange rate of EUR/ZAR17,06.*

Funding and liquidity – CEE

Our Euro debt exposure consists of EUR30,3 million senior, amortising debt, with an average margin over three-month EURIBOR of 2,69% and maturities in 2025 and 2026.

Our foreign interest rate exposure is hedged through Euro interest rate swaps and caps of EUR27,3 million, equating to 90,1% and an average expiry of 4,2 years. The weighted average hedge rate is -0,25%.

The all-in weighted average cost of Euro-dominated funding is 3,08%.

Prospects

We have revised our distributable earnings guidance for the year ending 30 June 2023 ("FY2023") as published on SENS on 6 June 2022 from R1,91 billion to R1,60 billion.

The downward revision primarily results from an estimated tax charge of approximately R350 million included in the FY2023 forecast of R1,60 billion above. This FY2023 tax charge stems from Fortress' current inability to meet the Minimum Distribution Requirements for a REIT per the JSE Listings Requirements in respect of FY2022. The cash retained in the business due to no dividends being paid for FY2022 has been conservatively assumed to repay debt and therefore lowers the absolute interest cost. However, the sharp rise in interest rates since the previous guidance was published, largely negates this assumed interest saving on cash retained. The revised upward distribution guidance published by NEPI Rockcastle on 23 August 2022 has been taken into account in our forecast.

This forecast is based on the following assumptions:

Fortress specific assumptions

- Fortress ceases to be a REIT on or about 31 October 2022;
- No material sales nor acquisitions, outside of our planned pipeline, occur which necessitate a revision to this forecast;
- There is no unforeseen failure of material tenants in our portfolio;
- Contractual escalations and market-related renewals will be achieved with no major change in vacancy rates; and
- Tenants will be able to absorb the recovery of rising utility costs and municipal rates.

Macroeconomic and regulatory assumptions

- There is no unforeseen material macroeconomic deterioration in the markets in which Fortress has exposure; and
- The South African Reserve Bank increases the repurchase rate by a further 75 basis points during the remainder of FY2023.

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

By order of the board

Steven Brown
CEO

Ian Vorster
CFO

Johannesburg
1 September 2022

Consolidated statement of financial position

at 30 June 2022

	2022 R'000	2021 R'000
Assets		
Non-current assets	**43 789 250**	43 600 772
Investment property	**26 142 519**	24 541 623
Straight-lining of rental revenue adjustment	**462 339**	514 140
Investment property under development	**3 623 753**	3 073 775
Property	**25 778**	25 778
Investment in and loans to associates	**13 275 793**	15 243 147
Staff scheme loans	**31 166**	23 197
Investment in BEE preference shares	**227 902**	179 112
Current assets	**2 392 908**	1 735 479
Staff scheme loans	**15 795**	13 712
Trade and other receivables	**1 683 512**	1 178 754
Cash and cash equivalents	**693 601**	543 013
Non-current assets held for sale	**1 406 671**	289 850
Investment property and investment property under development held for sale	**1 396 384**	288 813
Straight-lining of rental revenue adjustment	**10 287**	1 037
Total assets	**47 588 829**	45 626 101
Equity and liabilities		
Total equity attributable to equity holders	**26 740 401**	27 257 162
Stated capital	**45 571 743**	45 571 743
Treasury shares	**(2 040 884)**	(1 578 517)
Currency translation reserve	**115 400**	128 675
Reserves	**(16 905 858)**	(16 864 739)
Non-controlling interests	**219 300**	122 844
Total equity	**26 959 701**	27 380 006
Total liabilities	**20 629 128**	18 246 095
Non-current liabilities	**13 867 421**	15 284 684
Interest-bearing borrowings	**13 787 328**	15 236 581
Deferred tax	**80 093**	48 103
Current liabilities	**6 761 707**	2 961 411
Trade and other payables	**1 231 863**	1 436 129
Income tax payable	**200 105**	188 820
Interest-bearing borrowings	**5 329 739**	1 336 462
Total equity and liabilities	**47 588 829**	45 626 101

Consolidated statement of comprehensive income

for the year ended June 2022

	2022 R'000	2021 R'000
Recoveries and contractual rental revenue	**3 498 823**	3 304 394
Straight-lining of rental revenue adjustment	**(52 352)**	(73 038)
Revenue from direct property operations	**3 446 471**	3 231 356
Revenue from investments	**–**	2 098
Total revenue	**3 446 471**	3 233 454
Other income	**246 702**	–
Fair value gain/(loss) on investment property, investments and derivative financial instruments	**813 006**	(228 423)
Fair value gain/(loss) on investment property	**223 601**	(382 415)
Adjustment resulting from straight-lining of rental revenue	**52 352**	73 038
Fair value gain/(loss) on investments	**48 790**	(10 271)
Fair value gain on derivative financial instruments	**488 263**	91 225
Property operating expenses	**(1 365 912)**	(1 313 672)
Administrative expenses	**(214 783)**	(200 943)
Impairment of staff scheme loans	**(6 522)**	(12 180)
IFRS 2: *Share-based Payment* – employee incentive scheme	**(49 177)**	(45 753)
(Impairment)/reversal of impairment of investments in associates	**(2 338 164)**	2 070 946
Loss on sale of interest in associate	**–**	(33 632)
Income from associates	**1 246 336**	705 982
– Distributable	**899 616**	493 703
– Non-distributable	**346 720**	212 279
Profit before net finance costs	**1 777 957**	4 175 779
Net finance costs	**(933 089)**	(800 623)
Finance income	**42 240**	50 612
– Interest on staff scheme and other	**42 240**	50 612
Finance costs	**(975 329)**	(851 235)
– Interest on borrowings	**(1 068 845)**	(935 070)
– Capitalised interest	**93 516**	83 835
Profit before income tax	**844 868**	3 375 156
Income tax	**(43 071)**	21 995
Profit for the year	**801 797**	3 397 151

Consolidated statement of comprehensive income continued

for the year ended June 2022

	2022 R'000	2021 R'000
Other comprehensive income net of tax		
Items that may subsequently be reclassified to profit or loss		
Exchange (loss)/gain on translation of associate and subsidiaries	**(13 275)**	15 283
Total comprehensive income for the year	**788 522**	3 412 434
Profit for the year attributable to:		
Equity holders of the company	**777 817**	3 352 901
Non-controlling interests	**23 980**	44 250
	801 797	3 397 151
Total comprehensive income for the year attributable to:		
Equity holders of the company	**764 542**	3 368 184
Non-controlling interests	**23 980**	44 250
	788 522	3 412 434
Basic earnings per FFA share (cents)	**36,94**	156,17
Basic earnings per FFB share (cents)	**36,94**	156,17
Diluted earnings per FFA share (cents)	**36,76**	155,93
Diluted earnings per FFB share (cents)	**36,76**	155,93

Consolidated statement of cash flows

for the year ended 30 June 2022

	2022 R'000	2021 R'000
Operating activities		
Cash generated from operations	**3 031 007**	2 342 983
Interest on staff scheme and other	**25 666**	41 929
Interest on borrowings (excluding capitalised interest)	**(863 101)**	(871 046)
Dividends paid	**(879 356)**	(281 325)
Income tax received/(paid)	**3 385**	(52 019)
Cash inflow from operating activities	**1 317 601**	1 180 522
Investing activities		
Development and improvement of investment property	**(2 079 822)**	(1 093 828)
Capitalised interest paid on development of investment property	**(93 516)**	(83 835)
Acquisition of investment property	**(1 388 326)**	(766 021)
Disposal of investment property	**577 252**	1 519 626
Decrease/(increase) of interest in and loans advanced to associate	**53 176**	(3 074)
Proceeds from disposal of interest in associate	**–**	153 368
Staff scheme loans repaid	**–**	63 174
Cash outflow from derivative financial instruments	**(205 206)**	(778 162)
Acquisition of investments	**–**	(70 103)
Proceeds on disposal of investments	**–**	50 193
Cash outflow from investing activities	**(3 136 442)**	(1 008 662)
Financing activities		
Increase/(decrease) in interest-bearing borrowings	**2 431 796**	(113 473)
Return of capital (non-controlling interest)	**–**	(2 295)
Acquisition of treasury shares	**(462 367)**	–
Cash inflow/(outflow) from financing activities	**1 969 429**	(115 768)
Increase in cash and cash equivalents	**150 588**	56 092
Cash and cash equivalents at the beginning of the year	**543 013**	486 921
Cash and cash equivalents at the end of the year	**693 601**	543 013
Cash and cash equivalents consist of:		
Current accounts	**693 601**	262 947
Restricted cash[#]	**–**	280 066
	693 601	543 013

[#] *No restricted cash was held at 30 June 2022. Restricted cash at 30 June 2021 was held as collateral by Sanlam against secured facilities.*

Consolidated statement of changes in equity

for the year ended June 2022

	Stated capital R'000	Treasury shares R'000	Currency translation reserve R'000	Reserves R'000	Equity attributable to equity holders R'000	Non-controlling interests R'000	Total equity R'000
GROUP							
Balance at 30 June 2020	45 571 743	(1 578 517)	113 392	(19 989 847)	24 116 771	88 668	24 205 439
Profit for the year				3 352 901	3 352 901	44 250	3 397 151
IFRS 2: *Share-based Payment* – employee incentive scheme				45 753	45 753		45 753
Exchange gain on translation of associate and subsidiaries			15 283		15 283		15 283
Return of capital						(2 295)	(2 295)
Dividends paid				(273 546)	(273 546)	(7 779)	(281 325)
Balance at 30 June 2021	**45 571 743**	**(1 578 517)**	**128 675**	**(16 864 739)**	**27 257 162**	**122 844**	**27 380 006**
Profit for the year				**777 817**	**777 817**	**23 980**	**801 797**
IFRS 2: *Share-based Payment* – employee incentive scheme				**49 177**	**49 177**		**49 177**
FFA and FFB share buy-back		**(462 367)**			**(462 367)**		**(462 367)**
Non-controlling interest on Inofort Proprietary Limited consolidation						**83 719**	**83 719**
Exchange loss on translation of associate and subsidiaries			**(13 275)**		**(13 275)**		**(13 275)**
Dividends paid				**(868 113)**	**(868 113)**	**(11 243)**	**(879 356)**
Balance at 30 June 2022	**45 571 743**	**(2 040 884)**	**115 400**	**(16 905 858)**	**26 740 401**	**219 300**	**26 959 701**

Notes

1. Preparation and accounting policies

The preliminary summarised audited consolidated financial statements for the year ended 30 June 2022 have been prepared in accordance with the JSE Listings Requirements for preliminary reports, the JSE Debt Listings Requirements, SA REIT Association Best Practice Recommendations and the requirements of the Companies Act of South Africa, Act 71 of 2008 ("Companies Act") applicable to summary financial statements. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*.

This report and the full set of consolidated financial statements were compiled under the supervision of Ian Vorster CA(SA), the financial director and CFO of Fortress. The accounting policies applied in the preparation of the consolidated financial statements, from which the preliminary summarised consolidated financial statements were derived, are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements with the exception of new and revised standards which became effective during the year. Standards which became effective in the current reporting period had no material effect on previously reported results, nor on the preliminary summarised audited consolidated financial statements for the year ended 30 June 2022.

The group's investment properties are valued externally by independent valuers at each financial year-end, other than investment properties under development. The fair value of investment properties under development is determined internally by directors for year-end reporting periods, and is assumed to be the cost thereof, unless market factors indicate that the fair value of investment properties under development is materially different to the carrying value, in which case an internal valuation is performed, and investment properties under development are revalued to fair value.

In terms of IAS 40: *Investment Property* and IFRS 7: *Financial Instruments: Disclosure*, investment properties are measured at fair value and are categorised as a level 3 fair value measurement. The revaluation of investment property requires judgement in the determination of future cash flows from leases and application of an appropriate capitalisation rate and discount rate. Refer to note 6 for disclosure of significant unobservable inputs on the valuations of investment properties and the effects on the valuations of the sensitivity analysis performed on these inputs.

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

These summarised consolidated financial statements for the year ended 30 June 2022 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the consolidated annual financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports. The audited consolidated annual financial statements, together with the audit report thereon, have been published on Fortress' website and are available at: https://fortressfund.co.za/financials.

The audit report on the consolidated annual financial statements in respect of which an unmodified opinion was expressed, notes the valuation of investment properties as a key audit matter. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders and noteholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

2. Subsequent events

The directors are not aware of any other events subsequent to 30 June 2022, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report, other than the following:

Subsequent to year-end, Fortress proposed a scheme of arrangement in terms of section 114 of the Companies Act to FFA shareholders, the result of which would have had Fortress repurchasing all of the FFA shares in consideration for the issue of 3,01281 FFB shares for every 1 FFA share. The scheme did not achieve the necessary approval thresholds. Given the prohibition per the Fortress MOI to pay a dividend, while distributable earnings are under the FFA dividend benchmark, Fortress will be unable to meet the Minimum Distribution Requirement of a REIT per the JSE Listings Requirements in respect of the 2022 financial year by 31 October 2022. Therefore, Fortress will not be entitled to the section 25BB deduction provided to a REIT when paying a dividend and will be required to pay corporate income tax. The tax payable in respect of the 2022 financial year is R247,7 million.

3. Lease expiry profile

Based on	Rentable area %	Contractual rental revenue %
Vacant	5,4	
Jun 2023	25,7	25,8
Jun 2024	17,7	17,8
Jun 2025	15,4	16,0
Jun 2026	10,6	11,2
Jun 2027	9,8	10,3
> Jun 2027	15,4	18,9
	100,0	100,0

4. Segmental analysis

	Jun 2022 R'000	Jun 2021 R'000
Total revenue		
Retail	1 328 847	1 250 256
Logistics – SA	1 190 086	1 123 953
Industrial	532 468	485 521
Office	230 579	268 377
Logistics – CEE	96 737	30 717
Other	67 754	72 532
Corporate	–	2 098
Total	3 446 471	3 233 454
Profit/(loss) after tax		
Retail	1 048 216	868 742
Logistics – SA	1 197 369	847 197
Industrial	222 643	91 666
Office	(3 777)	(210 188)
Logistics – CEE	215 542	48 436
Other	43 888	21 199
Corporate	(1 922 084)	1 730 099
Total	801 797	3 397 151
Total assets		
Retail	10 307 337	10 032 029
Logistics – SA	14 189 612	13 032 419
Industrial	3 751 637	2 916 448
Office	1 952 844	2 069 183
Logistics – CEE	2 087 351	886 056
Other	502 898	550 666
Corporate	14 797 150	16 139 300
Total	47 588 829	45 626 101

5. Earnings and headline earnings

Reconciliation of profit for the year to headline earnings

	Jun 2022 R'000	Jun 2021 R'000
Basic earnings for the year attributable to equity holders	**777 817**	3 352 901
Adjusted for:	**1 745 593**	(1 431 298)
– Fair value (gain)/loss on investment property (net of straight-lining adjustment)	**(275 953)**	309 377
– Loss on sale of interest in associate	**–**	33 632
– Impairment/(reversal of impairment) of investment in associate	**2 338 164**	(2 070 946)
– Fair value (gain)/loss on investment property of associates	**(355 795)**	362 457
– Income tax effects	**39 177**	(65 818)
Headline earnings	**2 523 410**	1 921 603
Headline earnings per FFA share (cents)	**119,84**	89,50
Headline earnings per FFB share (cents)	**119,84**	89,50
Diluted headline earnings per FFA share (cents)	**119,25**	89,37
Diluted headline earnings per FFB share (cents)	**119,25**	89,37

Weighted average number of shares

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

	Jun 2022	Jun 2021
Weighted average number of shares		
– FFA shares	**1 164 536 717**	1 185 868 079
– FFB shares	**941 033 619**	961 125 021
Diluted weighted average number of shares		
– FFA shares	**1 168 927 203**	1 188 141 795
– FFB shares	**947 136 455**	962 110 020
Reconciliation of weighted average number of shares:		
– FFA shares		
Weighted average number of shares used in calculation for basic and headline earnings per share	**1 164 536 717**	1 185 868 079
Long-term incentive plan ("LTIP") share scheme award – dilutive shares	**1 395 830**	1 718 973
Conditional share plan ("CSP") share scheme award – dilutive shares	**2 994 656**	554 743
Diluted weighted average number of shares used in calculation of diluted earnings and diluted headline earnings per share	**1 168 927 203**	1 188 141 795

	Jun 2022	Jun 2021
Reconciliation of weighted average number of shares:		
– FFB shares		
Weighted average number of shares used in calculation for basic and headline earnings per share	**941 033 619**	961 125 021
LTIP share scheme award – dilutive shares	**520 659**	–
CSP share scheme award – dilutive shares	**5 582 177**	984 999
Diluted weighted average number of shares used in calculation of diluted earnings per share	**947 136 455**	962 110 020

Reconciliation of profit for the year to dividend declared

	Jun 2022 R'000	Jun 2021 R'000
Profit for the year	**801 797**	3 397 151
Fair value (gain)/loss on investment property	**(223 601)**	382 415
Fair value (gain)/loss on investments	**(48 790)**	10 271
Fair value gain on derivative financial instruments	**(488 263)**	(91 225)
Impairment of staff scheme loans	**6 522**	12 180
Insurance right to receive – capital	**(246 702)**	–
Impairment/(reversal of impairment) of investments in associates	**2 338 164**	(2 070 946)
Loss on sale of interest in associate	**–**	33 632
Non-distributable income from associates	**(346 720)**	(212 279)
Interest received on LTIP (reversed for IFRS 2 charge)	**3 590**	2 043
IFRS 2: *Share-based Payment* – employee incentive scheme	**49 177**	45 753
Income tax	**37 400**	(21 995)
Non-controlling interests	**(8 269)**	(4 932)
Staff scheme interest limitation	**(20 167)**	(16 827)
Dividends accrued	**–**	550 248
Interest on cross-currency swaps	**–**	61 782
Foreign dividend hedging	**159 306**	(39 710)
Interest rate derivatives	**(234 669)**	(286 525)
Capitalised interest limitation	**(93 516)**	(83 835)
NEPI Rockcastle collar – dividend protection	**22 196**	45 508
Amount available for distribution	**1 707 455**	1 712 709
Amount available for interim distribution – first income period	**830 507**	820 514
Amount available for final distribution – second income period	**876 948**	892 195
	1 707 455	1 712 709
Less: interim dividend declared	**–**	–
– FFA shares	**–**	–
– FFB shares	**–**	–
Less: final dividend declared	**–**	(870 056)
– FFA shares	**–**	(870 056)
– FFB shares	**–**	–
Amount available for distribution retained by Fortress	**1 707 455**	842 653

6. Valuation of investment property – significant unobservable inputs

6.1 Significant unobservable inputs in respect of the valuation of investment properties is summarised below:

Portfolio	Sector or location valued	Valuation methodology	Discount rate range	Exit capitalisation rate range	Equivalent yield range
A	Gauteng logistics and industrial portfolio	Discounted cash flow	13,0% to 17,0%	8,5% to 12,5%	#
B	Large retail portfolio and large logistics portfolio in Gauteng, KwaZulu-Natal and Western Cape	Discounted cash flow	11,0% to 16,0%*	8,3% to 9,5%*	#
C	Retail portfolio (smaller non-metropolitan centres)	Discounted cash flow	13,5% to 17,5%	8,0% to 13,0%*	#
D	Office portfolio	Discounted cash flow	14,0% to 16,5%	9,5% to 12,0%	#
E	Romanian logistics portfolio	Discounted cash flow	9,4%	7,5%	#
F	Polish logistics portfolio	Hardcore/layer method	N/A	N/A	5,5% to 6,1%

Valuations performed applying discounted cash flow methodology.

* *Refer below for exceptions.*

By exception, valuations of the following properties fell outside of the discount rate range reflected in the table above:

- Cunningham Street Uitenhage, which has a discount rate of 19,0% (portfolio B);
- Clairwood Logistics Park - Building 4A and 4B (ASL), which has a discount rate of 10,5% (portfolio B);
- CiplaMED Rivergate, which has a discount rate of 10,3% (portfolio B); and
- Pineslopes Shopping Centre, which has a discount rate of 10,8% (portfolio B).

By exception, the valuation of the following property fell outside of the exit capitalisation rate range reflected in the table above:

- Cunningham Street Uitenhage, which has an exit capitalisation rate of 19,0% (portfolio B); and
- Secunda Town Centre, which has an exit capitalisation rate of 13,3% (portfolio C).

6.2 The most significant unobservable inputs in respect of the external valuations performed for investment property are discount rates, exit capitalisation rates and equivalent yields. The sensitivity of these valuation inputs is disclosed below.

Sector	Valuation R'000	Weighted average exit capitalisation rate %	Weighted average discount rate %	Change in discount rate: Decrease of 50bps* R'000	Change in discount rate: Increase of 50bps* R'000	Change in exit capitalisation rate: Decrease of 50bps* R'000	Change in exit capitalisation rate: Increase of 50bps* R'000
SA portfolio							
Office	1 626 440	11,1	15,8	30 207	(29 503)	49 210	(44 934)
Logistics	10 491 488	9,0	12,8	193 435	(188 337)	404 642	(351 686)
Retail	9 318 727	9,2	12,8	177 019	(172 448)	354 202	(317 061)
Industrial	3 708 741	10,0	14,1	67 188	(65 942)	124 509	(112 475)
Other	498 000	10,3	15,3	9 261	(9 045)	16 818	(15 169)
Total	25 643 396			477 110	(465 275)	949 381	(841 325)
Romanian portfolio							
Romania	577 326	7,5	9,4	25 938	(24 915)	20 478	(18 089)
Total	577 326			25 938	(24 915)	20 478	(18 089)

Sector	Valuation R'000	Weighted average equivalent yield %	Change in equivalent yield: Decrease of 50bps* R'000	Change in equivalent yield: Increase of 50bps* R'000
Polish portfolio				
Poland	956 384	5,6	100 341	(84 129)
Total	956 384		100 341	(84 129)

* *Basis points.*

Directors

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

* *Executive director.*

Annexure 1
Management accounts

Basis of preparation

In order to provide information of relevance to investors, we present management accounts in addition to IFRS accounts. While the management accounts have been extracted from the audited financial information for the year ended 30 June 2022, they are not IFRS compliant and therefore constitute *pro forma* financial information per the JSE Listings Requirements. The management accounts have been prepared on the following basis:

- The group's interest in Arbour Town, an associate, accounted for using the equity method for IFRS purposes, is proportionately consolidated;
- The group's listed investment in NEPI Rockcastle that is accounted for using the equity method for IFRS purposes, is fair valued;
- The group accounts for its share of the assets, liabilities and results of partially-owned subsidiaries (Bridge, Cornubia, Mantraweb Residential, Inofort and The Prism) on a proportionately consolidated basis instead of consolidating them;
- The consolidated financial position and performance of Fortress Empowerment 2 and Fortress Empowerment 4 have been deconsolidated;
- Revenue and expenses recognised for IFRS purposes in respect of COVID-19-related discounts are reversed; and
- SASRIA insurance proceeds to be received are reallocated from trade and other receivables to investment property under development.

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

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

Directors' responsibility statement

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

Management accounts adjustments

Adjustment 1

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

It effectively discloses the group's interest in the assets, liabilities and results of operations from these investments by disclosing the management accounts for the year ended 30 June 2022 on a line-by-line basis.

This is a continuing adjustment for management accounts purposes.

Adjustment 2

The investment in NEPI Rockcastle is reflected at fair value by multiplying the 144 008 793 shares held by the quoted closing price of R87,09 per share at 30 June 2022. All entries relating to accounting for this investment using the equity method are reversed. This more accurately reflects the group's LTV ratio and NAV.

This is a continuing adjustment for management accounts purposes.

Adjustment 3

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

It uses the audited financial statements for the year ended 30 June 2022 of Bridge, Cornubia, Mantraweb Residential, Inofort and The Prism to reverse the non-controlling interests to reflect the group's interest in the assets, liabilities and results of operations from these investments.

This is a continuing adjustment for management accounts purposes.

Adjustment 4

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

This is a continuing adjustment for management accounts purposes.

Adjustment 5

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

This is a once-off adjustment for management accounts purposes.

Adjustment 6

The adjustment reallocates SASRIA insurance proceeds, to be received as a consequence of riot damage in July 2021, from trade and other receivables as required by IFRS to investment property under development. This adjustment only affects the statement of financial position.

This is a once-off adjustment for management accounts purposes.

Condensed consolidated statement of financial position

	IFRS Jun 2022 R'000	Adj 1 Fair value accounting for investment in associate – Arbour Town Jun 2022 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle Jun 2022 R'000	Adj 3 Proportionate consolidation of partially-owned subsidiaries Jun 2022 R'000	Adj 4 Deconsolidation of BEE vehicles Jun 2022 R'000	Adj 6 Adjustments to IFRS accounting due to riots Jun 2022 R'000	Management accounts Jun 2022 R'000
Assets							
Non-current assets	43 789 250	1 447	–	(762 645)	227 902	84 267	43 340 221
Investment property	26 142 519	719 904		(1 002 771)			25 859 652
Straight-lining of rental revenue adjustment	462 339	15 611		(1 605)			476 345
Investment property under development	3 623 753					84 267	3 708 020
Property, plant and equipment	25 778						25 778
Investment in and loans to associates	13 275 793	(734 068)	(12 541 725)				–
Investments	–		12 541 725				12 541 725
Staff scheme loans	31 166						31 166
Investment in BEE preference shares	227 902				227 902		455 804
Loans to co-owners	–			241 731			241 731
Current assets	2 392 908	5 806	–	(15 962)	–	(84 267)	2 298 485
Staff scheme loans	15 795						15 795
Trade and other receivables	1 683 512	4 156		(11 827)		(84 267)	1 591 574
Cash and cash equivalents	693 601	1 650		(4 135)			691 116
Non-current assets held for sale	1 406 671	–	–	–	–	–	1 406 671
Investment property held for sale	1 396 384						1 396 384
Straight-lining of rental revenue adjustment	10 287						10 287
Total assets	47 588 829	7 253	–	(778 607)	227 902	–	47 045 377

Condensed consolidated statement of financial position continued

	IFRS Jun 2022 R'000	Adj 1 Fair value accounting for investment in associate – Arbour Town Jun 2022 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle Jun 2022 R'000	Adj 3 Proportionate consolidation of partially-owned subsidiaries Jun 2022 R'000	Adj 4 Deconsolidation of BEE vehicles Jun 2022 R'000	Adj 6 Adjustments to IFRS accounting due to riots Jun 2022 R'000	Management accounts Jun 2022 R'000
Equity and liabilities							
Total equity attributable to equity holders	26 740 401	–	–	–	227 902	–	26 968 303
Share capital	45 571 743						45 571 743
Treasury shares	(2 040 884)				227 902		(1 812 982)
Currency translation reserve	115 400		(202 901)				(87 501)
Reserves	(16 905 858)		202 901				(16 702 957)
Non-controlling interests	219 300			(219 300)			–
Total equity	26 959 701	–	–	(219 300)	227 902	–	26 968 303
Total liabilities	20 629 128	7 253		(559 307)			20 077 074
Non-current liabilities	13 867 421	–	–	(538 822)	–	–	13 328 599
Interest-bearing borrowings	13 787 328			(538 822)			13 248 506
Deferred tax	80 093						80 093
Current liabilities	6 761 707	7 253	–	(20 485)	–	–	6 748 475
Trade and other payables	1 231 863	7 253		(20 485)			1 218 631
Income tax payable	200 105						200 105
Interest-bearing borrowings	5 329 739						5 329 739
Total equity and liabilities	47 588 829	7 253	–	(778 607)	227 902	–	47 045 377
NAV per equity share (going concern) (Rand)	12,70						12,43

Management accounts continued

Condensed consolidated statement of comprehensive income

Income statement	IFRS for the year ended Jun 2022 R'000	Adj 1 Fair value accounting for investment in associate – Arbour Town for the year ended Jun 2022 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle for the year ended Jun 2022 R'000	Adj 3 Proportionate consolidation of partially-owned subsidiaries for the year ended Jun 2022 R'000	Adj 5 Reversal of COVID-19 revenue and expenses for the year ended Jun 2022 R'000	Management accounts for the year ended Jun 2022 R'000
Recoveries and contractual rental revenue	3 498 823	94 324		(76 042)	(7 508)	3 509 597
Straight-lining of rental revenue adjustment	(52 352)	140		29 346		(22 866)
Revenue from direct property operations	3 446 471	94 464	–	(46 696)	(7 508)	3 486 731
Revenue from investments	–		845 627			845 627
Total revenue	3 446 471	94 464	845 627	(46 696)	(7 508)	4 332 358
Other income	246 702					246 702
Fair value (loss)/gain on investment property, investments and derivative financial instruments	813 006	66 538	(2 034 844)	(45 057)	–	(1 200 357)
Fair value gain on investment property	223 601	66 678		(15 711)		274 568
Adjustment resulting from straight-lining of rental revenue	52 352	(140)		(29 346)		22 866
Fair value loss on investments	48 790		(2 034 844)			(1 986 054)
Fair value gain on derivative financial instruments	488 263					488 263
Property operating expenses	(1 365 912)	(40 123)		24 485	7 508	(1 374 042)
Administrative expenses	(214 783)	(287)		2 195		(212 875)
Impairment of staff scheme loans	(6 522)					(6 522)
IFRS 2: *Share-based Payment* – employee incentive scheme	(49 177)					(49 177)
Reversal of impairment of investment in associate	(2 338 164)		2 338 164			–
Income from associates	1 246 336	(120 667)	(1 125 669)	–	–	–
– Distributable	899 616	(53 989)	(845 627)			–
– Non-distributable	346 720	(66 678)	(280 042)			–
Profit before net finance costs	1 777 957	(75)	23 278	(65 073)	–	1 736 087

Condensed consolidated statement of comprehensive income continued

Income statement continued	**IFRS for the year ended Jun 2022 R'000**	**Adj 1 Fair value accounting for investment in associate – Arbour Town for the year ended Jun 2022 R'000**	**Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle for the year ended Jun 2022 R'000**	**Adj 3 Proportionate consolidation of partially-owned subsidiaries for the year ended Jun 2022 R'000**	**Adj 5 Reversal of COVID-19 revenue and expenses for the year ended Jun 2022 R'000**	**Management accounts for the year ended Jun 2022 R'000**
Profit before net finance costs	1 777 957	(75)	23 278	(65 073)	–	1 736 087
Net finance costs	(933 089)	75	–	41 093	–	(891 921)
Finance income	42 240		–	(210)	–	42 030
– Interest on staff scheme and other	42 240			(210)		42 030
Finance costs	(975 329)	75	–	41 303	–	(933 951)
– Interest on borrowings	(1 068 845)	75		41 303		(1 027 467)
– Capitalised interest	93 516					93 516
Profit before income tax	844 868	–	23 278	(23 980)	–	844 166
Income tax	(43 071)					(43 071)
Profit for the year	801 797	–	23 278	(23 980)	–	801 095
Profit for the period attributable to:						
Equity holders of the company	777 817		23 278			801 095
Non-controlling interests	23 980			(23 980)		–
Profit for the year	801 797	–	23 278	(23 980)	–	801 095
Basic earnings per FFA share (cents)	36,94					36,92
Basic earnings per FFB share (cents)	36,94					36,92
Diluted earnings per FFA share (cents)	36,76					36,74
Diluted earnings per FFB share (cents)	36,76					36,74
Headline earnings per FFA share (cents)	119,84					23,21
Headline earnings per FFB share (cents)	119,84					23,21
Diluted headline earnings per FFA share (cents)	119,25					23,10
Diluted headline earnings per FFB share (cents)	119,25					23,10
Headline earnings						
Profit for the year attributable to equity holders	777 817					801 095
Adjusted for:	1 745 593					(297 434)
– Fair value loss on investment property (net of straight-lining adjustment)	(275 953)					(297 434)
– Reversal of impairment of associate	2 338 164					
– Fair value gain on investment property of associates	(355 795)					
– Income tax effect	39 177					
Headline earnings	2 523 410					503 661

Annexure 2

SA REIT Best Practice disclosure

SA REIT funds from operations ("SA REIT FFO") per share	Jun 2022 R'000	Jun 2021 R'000
Profit for the year attributable to the parent	777 817	3 352 901
Adjusted for:		
Accounting/specific adjustments:	2 006 000	(1 156 937)
Fair value adjustments to:		
– Investment property	(275 953)	309 377
– Fair value loss on investments	(48 790)	10 271
Insurance right to receive – capital	(246 702)	–
Impairment of staff scheme loans	6 522	12 180
Reversal of impairment of investment in associates	2 338 164	(2 070 946)
Deferred tax movement recognised in profit or loss	35 171	(41 105)
Straight-lining operating lease adjustment	52 352	73 038
Dividend accrual	145 236	550 248
Adjustments arising from investing activities:	–	33 632
– Loss on sale of interest in associate	–	33 632
Foreign exchange and hedging items:	(541 430)	(310 170)
– Fair value adjustments on derivative financial instruments employed solely for hedging purposes	(75 363)	(264 453)
– Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	(466 067)	(45 717)
Other adjustments:	(331 009)	(172 961)
– Non-distributable income from associates	(346 720)	(212 279)
– Non-controlling interests in respect of the above adjustments	15 711	39 318
SA REIT FFO	1 911 378	1 746 465
Company-specific adjustments	(203 923)	(33 756)
– Interest received on LTIP (reversed for IFRS 2 charge)	3 590	2 043
– IFRS 2: *Share-based Payment* – employee incentive scheme	49 177	45 753
– Dividend accrual	(145 236)	–
– Income tax – current	2 229	19 110
– Staff scheme interest limitation	(20 167)	(16 827)
– Capitalised interest	(93 516)	(83 835)
Fortress' amount available for distribution	1 707 455	1 712 709

SA REIT funds from operations ("SA REIT FFO") per share continued	Jun 2022 R'000	Jun 2021 R'000
Number of shares outstanding at the end of the year (net of treasury shares)	2 170 409 851	2 222 645 076
– FFA	1 164 733 176	1 191 595 172
– FFB	1 005 676 675	1 031 049 904

SA REIT net asset value ("SA REIT NAV")	Jun 2022 R'000	Jun 2021 R'000
Reported NAV attributable to the parent	26 740 401	27 257 162
Adjustments:		
– Dividend to be declared (net of treasury shares)	–	(870 056)
– Fair value of certain derivative financial instruments	(948 277)	(124 665)
– Deferred tax	80 093	48 103
SA REIT NAV	25 872 217	26 310 544
Shares outstanding		
Number of shares in issue at year-end (net of treasury shares)	2 106 212 061	2 158 447 286
Effect of dilutive instruments (options, convertibles and equity interests)	10 493 322	3 258 715
Dilutive number of shares in issue	2 116 705 383	2 161 706 001
SA REIT NAV per share (Rand)	12,22	12,17

SA REIT loan-to-value ("SA REIT LTV")	Jun 2022 R'000	Jun 2021 R'000
Gross debt	19 117 067	16 573 043
Less:		
Cash and cash equivalents	(693 601)	(262 947)
Less:		
Derivative financial instruments	(948 277)	(124 665)
Net debt	17 475 189	16 185 431
Total assets per statement of financial position	47 588 829	45 626 101
Less:		
Cash and cash equivalents	(693 601)	(262 947)
Derivative financial assets	(1 130 441)	(704 520)
Trade and other receivables	(553 071)	(474 234)
Carrying amount of property-related assets	45 211 716	44 184 400
SA REIT LTV %	38,65	36,63

SA REIT Best Practice disclosure continued

SA REIT cost-to-income ratio	Jun 2022 R'000	Jun 2021 R'000
Expenses		
Operating expenses per IFRS statement of comprehensive income (includes municipal expenses)	**1 365 912**	1 313 672
Administrative expenses per IFRS statement of comprehensive income	**214 783**	200 943
Operating costs	**1 580 695**	1 514 615
Rental income		
Contractual rental income per IFRS statement of comprehensive income (excluding straight-lining)	**2 601 109**	2 479 196
Utility and operating recoveries per IFRS statement of comprehensive income	**897 714**	825 198
Gross rental income	**3 498 823**	3 304 394
SA REIT cost-to-income ratio (%)	**45,18**	45,84

SA REIT administrative cost-to-income ratio	Jun 2022 R'000	Jun 2021 R'000
Expenses		
Administrative expenses per IFRS statement of comprehensive income	**214 783**	200 943
Administrative costs	**214 783**	200 943
Rental income		
Contractual rental income per IFRS statement of comprehensive income (excluding straight-lining)	**2 601 109**	2 479 196
Utility and operating recoveries per IFRS statement of comprehensive income	**897 714**	825 198
Gross rental income	**3 498 823**	3 304 394
SA REIT administrative cost-to-income ratio (%)	**6,14**	6,08

SA REIT GLA vacancy rate	Jun 2022 m^2	Jun 2021 m^2
Gross lettable area of vacant space	**149 569**	201 448
Gross lettable area of total property portfolio	**2 772 482**	2 731 574
SA REIT GLA vacancy rate (%)	**5,39**	7,37

* *South African and CEE portfolio.*

Weighted average cost of debt

Cost of debt – Rand-denominated	Jun 2022 %	Jun 2021 %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	**6,74**	5,59
Pre-adjusted weighted average cost of debt	**6,74**	5,59
Adjustments		
Impact of interest rate derivatives	**0,65**	1,12
Amortised transaction costs imputed into the effective interest rate	**0,46**	0,34
All-in weighted average cost of debt*	**7,85**	7,05

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

Cost of debt – Euro-denominated	Jun 2022 %	Jun 2021 %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	**2,49**	1,76
Pre-adjusted weighted average cost of debt	**2,49**	1,76
Adjustments		
Impact of interest rate derivatives	**0,59**	0,44
All-in weighted average cost of debt	**3,08**	2,20

** *Calculated using 3-month/1-month EURIBOR reference rate at 30 June.*

Corporate information

Company details

Fortress REIT Limited

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

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

Commercial bankers

The Standard Bank of South Africa Limited

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

Transfer secretaries

JSE Investor Services Proprietary Limited

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

Lead sponsor

Java Capital Trustees and Sponsors Proprietary Limited

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

Joint sponsor

Nedbank Limited, acting through its Corporate and Investment Banking Division

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

Debt sponsor

Rand Merchant Bank

(a division of FirstRand Bank Limited)
(Registration number: 1929/001225/06)
1 Merchant Place
Corner of Fredman Drive and Rivonia Road
Sandton, 2196

Company secretary and registered office

Tamlyn Stevens CA(SA)

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

External auditor

Deloitte & Touche

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

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purple.frog

FORTRESS

REIT LIMITED