SA CORPORATE
REAL ESTATE

INDUSTRIAL | RETAIL | RESIDENTIAL | REST OF AFRICA

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

OVERVIEW

DISTRIBUTION

Interim distributable income
↑ **5.2%** to **R362.3 million** or **14.41 cps**
(June 2021: R344.5 million or 13.70 cps)

Distribution declared ↑ **26.3%** to **12.97 cps** at **90%** payout ratio
(June 2021: 10.27 cps at 75% payout ratio)

PROPERTY ACTIVITY

Disposal pipeline contracted and still to transfer and divestments transferred since January 2022
R1.3 billion
(Transferred to 30 June 2022: R128.8 million; Contracted not yet transferred: R1 134.3 million, of which R317.7 million has transferred after 30 June 2022)

Assets under management of
R16.4 billion
(December 2021: R16.2 billion)

PORTFOLIO PERFORMANCE

Total net property income ("NPI") of
R594.8 million
(June 2021: R589.8 million)

Total like-for-like NPI increased by
7.2% to R588.4 million
(June 2021: R548.9 million)

Traditional portfolio vacancies of
2.7% of gross lettable area ("GLA")
(June 2021: 3.6%)

Afhco residential portfolio vacancies of
4.0% of total units (June 2021: 8.4%)

CAPITAL STRUCTURE

Loan to value ("LTV") ratio of **37.9%***
(December 2021: 37.4%*)

** Net debt LTV excluding derivatives, which if included would be 37.8% (December 2021: 38.5%)*

Weighted average cost of funding of **6.3%** (December 2021: 5.5%) exclusive of swaps and **8.1%** (December 2021: 8.1%) inclusive of swaps

Effective fixed debt of **71.3%**

Weighted average swap tenor of
2.5 years

COMMENTARY

INTRODUCTION

SA Corporate Real Estate Limited ("the Company") is a JSE-listed Real Estate Investment Trust ("REIT") and together with all its subsidiaries ("the Group" or "SA Corporate") owns a focused portfolio of quality industrial, retail and residential buildings located primarily in the major metropolitan areas of South Africa with a secondary node in Zambia. As at 30 June 2022, the property portfolio consisted of 160 properties, with 1 365 366m^2 of GLA, valued at R15.1 billion, a 50% joint venture ("JV") interest in three Zambian entities with properties valued at R1 131.4 million, a 90% JV interest in The Falls Lifestyle Estate ("The Falls") with property valued at R312.3 million and listed investments valued at R161.9 million.

STRATEGY UPDATE

The pleasing set of results delivered by the Group for the six months ended 30 June 2022 reinforces the robustness of the Group's property portfolio, notwithstanding the economic headwinds being faced in the current environment. SA Corporate continues to deliver on its strategy to provide investors with a defensive portfolio comprising convenience-oriented retail shopping centres, logistics, and quality residential rental properties. The Group's divestment from offices is such that it now has insignificant exposure to this challenged property class.

A theme that the Group is applying to support the generation of long-term sustainable income growth from its property portfolio is what it refers to as "Bringing Life Back To Property". This takes the form of introducing lifestyle attractions at its shopping centres and amenities in its residential and mixed-use precincts. An example of this, is the introduction at Morning Glen Mall of six padel tennis courts, a golf simulator restaurant and bar, and a family restaurant with extensive children's play areas and attractions. In the Group's largest inner city residential precinct, in which its investment exceeds R1.0 billion, the End Street Precinct, Davies Street is to be pedestrianised and paved to create an urban park of planters with trees and shrubs, seating, lighting and free Wi-Fi in the last quarter of 2022. At South Hills Lifestyle Estate, courtyard spaces are currently being converted to simulate a "Central Park" theme for use by residents in addition to open land being landscaped for the creation of children's amenities and sports facilities.

Most noteworthy in the period was the impressive recovery and outperformance of the Afhco portfolio, of which 84.0% by GLA is residential, that delivered double-digit like-for-like NPI growth of 19.2%. Vacancies in the residential portfolio are 4.0% and this represents a substantial 52.9% reduction in vacancies compared to the prior reporting period. This is largely due to increased efforts by management to refine the quality of the portfolio by reinstating a robust tenant base. The affordable housing sector continues to be the mainstay of the residential portfolio and in so keeping, the Group has completed the conversion of office space at NorthPark Mall into 256 apartments, 133 of which will be held as social housing rental stock for which a Social Housing Regulatory Authority ("SHRA") capital grant of R36.2 million is to be received, with the balance of apartments being sold into the retail market promoted by the Finance Linked Individual Subsidy Programme ("FLISP") sale mechanism wherever applicable. The NorthPark Mall mixed-use redevelopment that has been completed will be complemented by a convenience retail tenant mix anchored by OBC, who are expected to commence trading in September 2022.

Vacancies in the retail portfolio have further been reduced and are now at 3.2%. Leasing teams have been focused on improving tenant covenant with an emphasis on retailers offering consumer staples. Trading densities in the retail portfolio have grown by 4.5% compared to the prior reporting period. Whilst in part this is due to generally improving trading conditions for retailers, a significant contributor is the concerted effort by management to continuously improve the tenant mix to be that which is in demand in the particular catchment areas. In the first half of this year, 36 833m^2 or 11.3% of GLA has been leased of which 26 520m^2 represents renewals and 10 313m^2 are new vacancies that have been closed in the period. The Group continues to refine the quality of its retail portfolio through the redevelopment of centres where it is required to attract national tenancy and improve accessibility. Woolworths and Clicks commenced trading on the lower level of 51 Pritchard Street at the end of July 2022, and together with the recently introduced

Shoprite and upper-level Edgars, completes the transformation of the city block into Johannesburg inner city's most vibrant new urban shopping centre. At Coachman's Crossing, aesthetic upgrades will begin in quarter four of 2022, whilst negotiations are advanced with Woolworths to complement the anchor tenant offering at the centre.

The reinvigoration of Musgrave Centre, the largest asset in the Group's retail portfolio, to be the dominant community shopping centre in Durban's Berea area is proving to be particularly successful. Subsequent to the renewal of the Pick n Pay lease and the introduction of Food Lover's Market and Dis-Chem, a new modern Checkers store is to be added to augment and strengthen the grocer offering at Musgrave Centre. This is to be part of a redevelopment of the fourth level comprising five retail stores including a Checkers Supermarket, Checkers Liquor store, Checkers Pet store and two additional line stores.

The resilience of the industrial portfolio is underlined by negligible vacancies of 0.7%, again demonstrating the quality of this portfolio which has been refined with the divestment of non-core properties. All leases expiring in the current period have been renewed, albeit at reversions of -5.96% on average. In order to mitigate the risk of competition from new developments, an early 5-year renewal of the 17 408m^2 lease in respect of the RTT distribution centre in the Western Cape was concluded at market related net rentals resulting in a -16.6% reversion. The disposal of an 18 051m^2 warehouse in a node with undesirable crime that had a high lease renewal risk reinforces the Group's commitment to creating a quality portfolio by refinement through disposals. Additionally, a non-core low sales volume filling station in the Jet Park area was disposed of for R30.0 million at a 5.0% exit yield. Although historically the industrial portfolio has delivered commendable results for the Group, management is cognisant of the fact that the assets are beginning to age. With a plethora of new industrial facilities coming online, tenant retention requires that management consider additional endeavours to provide value-add amenities to secure renewals. One such endeavour is the installation of solar PV and an additional 1 010kWp of solar PV has been procured in the first half of the year with a further pipeline of 500kWp solar PV being designed. The installation of the solar PV is in line with the Key Performance Indicators ("KPIs") of the sustainability-linked note that forms part of the Group's debt refinance.

The headwinds facing the commercial sector show little to no sign of abating. The Group commenced divesting from commercial property prior to the onslaught of the COVID-19 pandemic and the strategy to divest early has proven to be the correct one for the Group. Only three office properties remain in the portfolio, of which the sale of one has been contracted and interventions to facilitate the sale of the other two properties are proceeding. Storage is being introduced at Nobel Street Office Park in Bloemfontein whilst at GreenPark Corner in Sandton, enhanced amenities such as a hotel-type gym and clubhouse/bar are being fitted out and on select levels, vacant floor space is being divided into smaller lettable spaces. Vacant office space above the retail floors at Musgrave Centre is being considered for conversion into residential apartments for sale whilst at Davenport Square office space of almost 2 000m^2 is to be converted to house discount retail with improved access and visibility.

The Group has successfully concluded the refinancing of R3.8 billion of debt that was due to expire between January 2023 and December 2023. The refinancing was concluded at an average finance cost of 3-month Johannesburg Interbank Average Rate ("JIBAR") plus 1.8% for all the facilities. Consequently, the Group's net debt LTV at 30 June 2022 is 37.9%. As part of the refinancing exercise, the Group has integrated an element of "sustainable/green funding" by overlaying Environmental, Social and Governance ("ESG") objectives and targets applicable to R1.5 billion of the facilities being refinanced. In this regard, a R1.5 billion sustainability linked note with pre-defined KPIs and targets has been secured from lenders. For the period ending 31 December 2022, new divestments of R302.9 million have been contracted in addition to R960.2 million of divestments contracted in prior periods creating a total 2022 disposal pipeline of R1.3 billion. Of this, R128.8 million has transferred in the current period whilst R381.0 million and R753.3 million remain conditional and unconditional respectively. The proceeds from this divestment pipeline offer the Group considerable flexibility in the deployment of capital at a time when liquidity is scarce.

SA REIT FUNDS FROM OPERATIONS

Funds from operations ("FFO"), as defined by the SA REIT Association ("SA REIT"), generated for the six months was R362.3 million (June 2021: R344.5 million). Total SA REIT FFO per share for the period amounted to 14.55 cps, up 5.1% relative to 13.84 cps in June 2021.

NET PROPERTY INCOME

Total property revenue amounted to R1 060.3 million (June 2021: R1 055.4 million) with the like-for-like portfolio, excluding disposals, developments and acquisitions during 2021 and 2022, amounting to R1 016.9 million (June 2021: R965.7 million).

NPI increased by 0.9% (R5.0 million) from the comparative period, with the like-for-like portfolio increasing by 7.2%.

The total property expenses remained flat at R465.5 million (June 2021: R465.6 million). Like-for-like property expenses increased by 3.1%.

The overall distribution from the Zambian JV for the six months increased by 21.2% to R25.1 million (June 2021: R20.7 million) due to reduced vacancies and increased income generated from new phases in the current period. The increase in distribution from the Zambian JV in ZAR further benefitted from the depreciation of the ZAR/USD average conversion rate by 5.8%.

NET FINANCE COST

Net finance costs, excluding the impact of IFRS 16, decreased by 2.7% to R225.3 million (June 2021: R231.6 million). However, taking into account finance costs capitalised to investment properties of R3.6 million, a R6.3 million reduction compared to the prior period due to the reduced development pipeline, net finance costs including capitalised interest for the period amounted to R228.9 million (June 2021: R241.5 million), a reduction of 5.2%.

This was mainly due to the lower net borrowings as at 30 June 2022 of R6 432 million (June 2021: R6 594 million), and a reduction in swap derivatives which was then offset by a marginal increase in the cost of debt to 8.1% (June 2021: 7.9%), including imputed transaction costs.

PROPERTY VALUATIONS

The Group's independently valued property portfolio, excluding properties held in the Zambian and The Falls JVs, increased by R156.0 million to R15.1 billion in the six months to 30 June 2022. The like-for-like portfolio held for the six months to 30 June 2022 increased by R257.9 million from 31 December 2021.

On a clean growth basis, valuations have increased by almost 1.0% for the first six months of 2022. Whilst the 1.0% increase is below inflation, the increase evidences a robust portfolio in the face of an increasing cost of capital cycle. The industrial portfolio continued to be the best performer of the South African portfolio with a 2.7% clean growth for the six months ended 30 June 2022. A substantial contributor to the clean growth has been the improvement in portfolio quality that has been achieved by divesting from inferior properties, evidenced by a 4.0% increase in value per square metre in the industrial portfolio.

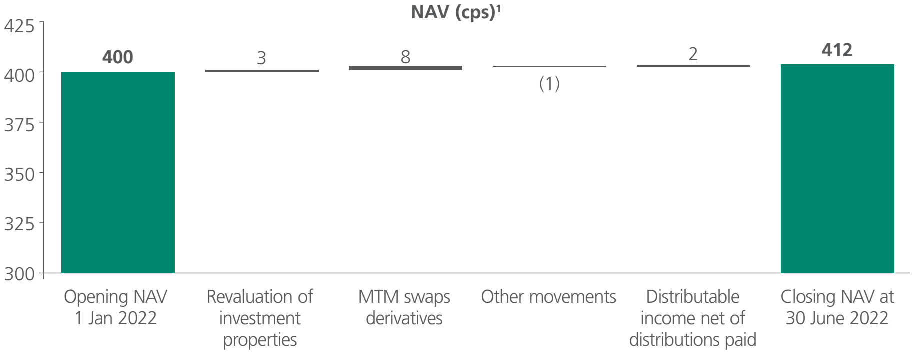
The retail portfolio has shown a marginal increase of 0.7% clean growth as past negative reversions have impacted future cash flows.

Whilst the Afhco portfolio has recovered strongly from the COVID-19 pandemic, valuations have remained largely flat. This is due to the fact that the valuation during COVID-19 was not impaired for increasing vacancy and now the improved operational performance is due to the closing of vacancies albeit through offering competitive rentals. Afhco's valuations are nevertheless expected to increase into the future as a consequence of the robust base that now exists.

The Zambian portfolio has seen a marginal decrease in USD value, but due to the significant depreciation of the ZAR particularly in June 2022, the ZAR value shows an increase of 2.2%.

The discount and capitalisation rates applied in the valuations are discussed in detail in the investment property section in note 4.

The net asset value ("NAV") per share as per the Condensed Consolidated Interim Statement of Financial Position increased by 3.0% from 400 cps to 412 cps. This increase includes adjustments in respect of the fair value of interest rate swap derivatives, investment property and the growth in distributable income as set out in the graph below:



[1] *Based on IFRS and shares in issue*

The SA REIT defined NAV is calculated as NAV per the Condensed Consolidated Interim Statement of Financial Position, less goodwill and intangible assets, deferred taxation and any interim dividend declared, and still to be paid in respect of the reporting period. The SA REIT NAV per share was 399 cps as at 30 June 2022 (December 2021: 388 cps).

PROPERTY PORTFOLIO

The tables below reflect the pipeline of disposals which includes both properties that meet the definition of held for sale and those that do not meet the IFRS criteria in this regard due to suspensive conditions in sale agreements.

Transferred disposals:

Property	Transfer date*	Gross selling price (Rm)	Region	Sector
147 - 149 Old Main Road, Pinetown	May 22	68.0	KwaZulu-Natal	Industrial
Maxwell Hall, Johannesburg CBD	May 22	50.0	Gauteng	Residential
Residential apartments	Jan 22 - Jun 22	10.8	Gauteng	Residential
Total		**128.8**		

* *Receipt of proceeds.*

Contracted and unconditional disposals:

Property	Expected transfer date	Gross selling price (Rm)	Region	Sector
102 Essenwood Road, Durban[1]	Jul 22	32.0	KwaZulu-Natal	Commercial
111 Mimets Road, Denver	Sep 22	71.0	Gauteng	Industrial
2 Webb Road, Jet Park	Oct 22	12.4	Gauteng	Industrial
Wood Ibis Investments, Maydon Wharf, Durban	Dec 22	69.1	KwaZulu-Natal	Industrial
Nine Johannesburg inner city properties[2]	Sep 22 - Feb 23	546.3	Gauteng	Residential
Residential apartments[3]	Jul 22 - Sep 22	22.5	Gauteng	Residential
Total		**753.3**		

[1] *Transferred after 30 June 2022.*
[2] *R280.6 million transferred after 30 June 2022.*
[3] *R5.1 million transferred after 30 June 2022.*

Contracted and conditional disposals:

Property	Expected transfer date	Gross selling price (Rm)	Region	Sector
1 Baltex Road, Isipingo	Nov 22	136.5	KwaZulu-Natal	Industrial
31 Allen Drive, Bellville	Nov 22	20.0	Western Cape	Commercial
Hotel at Cullinan Jewel Shopping Centre, Pretoria	Nov 22	2.7	Gauteng	Retail
Celtis Ridge Shopping Centre, Centurion	Mar 23	143.0	Gauteng	Retail
Portion of 11 Wankel Street, Jet Park	Jun 23	30.0	Gauteng	Industrial
Residential apartments	Sep 22 – Nov 22	48.8	Gauteng	Residential
Total		**381.0**		

The current disposal pipeline of R1.3 billion is recognised at a weighted average exit yield of 9.0% and at a premium of 2.4% to the last valuation. Contracted disposals are at a weighted average exit yield of 9.0% and at a premium of 3.2% to the last valuation. Residential apartments, excluding the nine Johannesburg inner city properties, were sold into the retail market at a weighted average exit yield of 8.7% and at a premium of 7.3% to the last valuation.

The sale of the offices situated at 102 Essenwood Road in KwaZulu-Natal was completed post 30 June 2022. The contracted disposal of 31 Allen Drive in the Western Cape will, once transferred, reduce the Group's exposure to commercial property to less than 2.5% of total portfolio value, leaving only two office properties in the portfolio.

One retail property situated in an over-traded node was contracted for sale during the year at a 2.1% premium to last valuation. The purchaser is in the final stages of a due diligence and transfer is expected to take place in quarter one of 2023.

The Group has largely disposed of those industrial properties that were identified as not meeting the criteria of a quality industrial portfolio in line with the Group's investment strategy. The last remaining properties that do not meet these criteria are in various stages of divestment.

The first tranche of the sale of nine Johannesburg inner city properties by means of the sale of the shares of the property-owning entities totalling R280.6 million was completed in September 2022. The balance of the disposal proceeds, pertaining to this transaction, are expected to be received by quarter four of 2022.

VACANCIES

	Vacancy as % of GLA			Vacancy as % of rental income		
Sector	**30 Jun 2022**	31 Dec 2021	30 Jun 2021	**30 Jun 2022**	31 Dec 2021	30 Jun 2021
Traditional portfolio						
Industrial	**0.7**	0.7	0.6	**0.6**	0.5	0.4
Retail	**3.2**	4.6	4.5	**2.9**	3.4	4.1
Commercial	**18.7**	18.9	25.1	**14.1**	15.3	21.2
Portfolio total	**2.7**	3.3	3.6	**2.7**	3.1	4.1
Storage portfolio						
Storage	**14.1**	10.4	10.1	**16.7**	12.3	13.4
Afhco portfolio						
Retail/Commercial	**5.4**	5.8	5.5	**4.0**	3.7	4.2
Residential[1]	**4.0**	8.5	8.4	**4.0**	8.6	8.4
South African portfolio JV						
Residential	**3.9**	3.5	4.3	**4.1**	3.0	4.0
Rest of Africa portfolio						
Retail	**7.6**	12.6	22.5	**6.8**	12.2	20.3
Commercial	**15.8**	14.8	14.8	**14.2**	13.6	14.9
Portfolio total	**8.7**	13.0	20.9	**8.0**	12.5	19.1

[1] *Vacancy calculated on number of units.*

Vacancies in the retail portfolio reduced by 30.4% from 31 December 2021 as development projects completed at Musgrave Centre and Bluff Towers Shopping Centre resulted in previous vacant areas being filled by largely national tenants, including Food Lover's Market (1 197m^2), Dis-Chem (1 157m^2), and Clicks (850m^2). At East Point Shopping Centre, 1 239m^2 of previously vacant space was leased to The Foschini Group. At Bluff Towers Shopping Centre, a value department store took occupancy of 1 008m^2 of vacant space. The Group strengthened its internal retail leasing team during the period and the extra capacity has bolstered efforts to attract the optimal tenant mix at properties.

Vacancies have remained negligible in the industrial portfolio achieved by re-tenanting, at market related rentals, 4 000m^2 in Jet Park that became vacant during the period. Despite the challenges faced by the commercial sector, vacancies in the Group's small commercial portfolio remain flat.

In the Afhco residential portfolio, the strategy to reinstate a robust tenant base by vacating distressed tenants has resulted in a 52.9% reduction in vacancies from 31 December 2021. Since January 2021, 688 distressed tenants have been vacated and replaced with new residents meeting strict vetting criteria. The Afhco retail portfolio vacancies largely remained flat.

In the Zambia portfolio, retail vacancies reduced by 39.7% from December 2021 owing largely to 1 125m^2 of space let to a multi-national fashion retailer at East Park Mall. Additionally, 26 690m^2 of newly built retail space at the dominant retail node in Lusaka, anchored by Shoprite and Woolworths, has been completed. This newly built space is now greater than 97.0% tenanted.

ARREARS AND EXPECTED CREDIT LOSS ALLOWANCE

Total arrears as at 30 June 2022 were R152.3 million (December 2021: R148.2 million) or 7.3% of rental income (December 2021: 7.0%). The increase is largely due to an administrative delay in student accommodation collections, which if excluded, results in arrears of 6.4% of rental income as at 30 June 2022. The expected credit loss allowance has decreased to R60.3 million as at 30 June 2022 compared with R74.9 million as at 31 December 2021 due to the total arrears having reduced to pre-COVID-19 levels and the reinstatement of the robust residential tenant base.

BORROWINGS

The debt profile as at 30 June 2022 is detailed below:

	Maturity date	Value (Rm)	Interest rate%
Fixed	2023/01/07	300	7.77%
Term revolving[1]	2023/01/07	215	7.82%
Fixed	2023/01/07	629	8.38%
Term revolving[2]	2023/01/30	200	7.69%
Fixed	2023/03/11	1 000	8.75%
Fixed	2023/05/07	637	7.90%
Fixed	2023/05/07	513	8.52%
Term revolving[3]	2023/12/09	-	8.32%
Term revolving[3]	2023/12/11	-	8.66%
Fixed	2024/05/07	585	8.00%
Fixed	2024/05/07	564	8.58%
Term revolving[3]	2024/09/08	-	8.46%
Fixed[4]	2024/11/05	440	4.96%
Fixed	2025/05/07	308	8.17%
Fixed	2025/05/07	300	8.69%
Fixed	2025/09/10	200	8.17%
Fixed	2025/12/09	150	8.52%
Fixed	2025/12/11	150	9.11%
Fixed	2026/09/08	200	8.71%
Total interest-bearing borrowings		6 391	8.10%
Cross-currency interest rate swap	2023/01/26	(120)	8.22%
Cross-currency interest rate swap[4]	2023/01/26	162	4.36%
Total borrowings at the weighted average interest rate		6 433	8.00%

[1] *R300.0 million revolving credit facility.*
[2] *R200.0 million revolving credit facility.*
[3] *Three R100.0 million revolving credit facilities undrawn.*
[4] *USD denominated loan.*

Total debt drawn amounted to R6 432.5 million, an increase of R242.8 million from 31 December 2021, whilst net debt amounted to R6 296.1 million (December 2021: R6 076.1 million). The net debt position as at 31 December 2021 was reduced by an advance receipt from South African Special Risk Insurance Association ("SASRIA"), the 2021 interim 75% distribution payout versus 90% top-up that was paid in April 2022, and the student accommodation receipts being higher in the second half of the year. Net debt will reduce in the second half of the year as proceeds are received from the transfer of contracted divestments. The USD loan increased by R9.2 million due to the depreciation of the ZAR exchange rate from 15.96 in December 2021 to 16.28 in June 2022. The weighted average tenor of the debt as at 30 June 2022 has reduced to 1.5 years. The Group has no debt expiring in the 2022 financial year, as all expiries were extended to 2023 during the prior year.

Subsequent to 30 June 2022, the Group successfully concluded the refinancing of long-term borrowings amounting to R3.8 billion, of which R3.6 billion has been reported as current liabilities at 30 June 2022. This has improved the weighted average tenor from 1.5 years to greater than 3 years.

The net debt LTV increased from 37.4% as at 31 December 2021 to 37.9% as at 30 June 2022 due to the increase in borrowings during the first six months of the year for the reasons explained earlier but will be offset by disposal proceeds in the second half of the year. This excludes the fair value asset on interest rate swap derivatives of R24.6 million (December 2021: liability of R167.9 million) and cross-currency interest rate swap derivatives liability of R46.8 million (December 2021: liability of R46.5 million).

The weighted average cost of debt excluding and including interest rate swaps was 6.3% and 8.0% (December 2021: 5.5% and 8.0%) respectively, with a 100 basis points ("bps") increase in the JIBAR base rate since December 2021. The weighted average swap margin including cross-currency interest rate swaps was 1.7% (December 2021: 2.5%) and the weighted average debt margin was 1.9% (December 2021: 1.9%). 71.3% of total debt drawn was fixed through swaps in respect of the variable debt. The annualised amortised transaction costs imputed into the effective interest rate is 0.1% resulting in an all-in weighted average cost of debt of 8.1%. The net interest cover ratio ("ICR") increased by 0.2 times to 2.6 times (December 2021: 2.4 times) as a result of the increase in NPI as detailed above.

Key lender covenants

As at 30 June 2022, the Group was in compliance with all lender covenants applicable to the period.

Description	Covenant requirements as at 30 June 2022	Unaudited six months ended 30 June 2022	Audited year ended 31 December 2021	Unaudited six months ended 30 June 2021
LTV	50.0%	40.3%	40.6%	43.4%
ICR[1]	2.0x	2.3x	2.2x	2.1x

[1] *This is gross ICR.*

The LTV for the six months ended 30 June 2022 has improved by 30 bps to 40.3%. Cash on hand, including committed undrawn facilities, excluding tenant deposits as at 30 June 2022, amounted to R521.4 million (December 2021: R726.3 million).

DISTRIBUTION

The Company is committed to a distribution policy that meets the investment thesis of REIT investors. The Company is, however, mindful of the need to have a balanced and well considered approach to a payout ratio that ensures that the Company is in a position to consistently make distributions on a sustainable basis. In this regard, it has resolved that when making distributions, it should retain from distributable income, capital expenditure that is defensive and recurring which will not generate additional income nor enhance the value of property assets. Having made allowance for the aforementioned deduction, the Board of Directors ("the Board") approved an interim distribution of R326.0 million (June 2021: R258.4 million) being 90.0% (June 2021: 75.0%) of distributable income and amounting to 12.97 cps (June 2021: 10.27 cps), an increase of 26.3%.

OUTLOOK

With the recent refinement of the property portfolio, the improvement in tenant mix and covenant and the reduction of vacancy, the foundation for robust growth has been laid.

Retail income from the Group's shopping centres is expected to continue on a positive growth trajectory more so given the fact that Springfield Value Centre is expected to commence trading on 1 October 2022, with 12-month NPI for the centre anticipated to be 15.5% higher than the 12 months prior to the July 2021 civil unrest, and the lower level of 51 Pritchard Street having commenced trading at the end of July 2022. Vacancy is anticipated to remain low, reducing to below that reported at 30 June 2022. This is expected to generate high single digit like-for-like NPI percentage growth for the second half compared with the previous year.

In the industrial portfolio, vacancies are forecast to remain negligible albeit that negative reversions will be incurred in retaining quality tenants. This is expected to result in like-for-like NPI percentage growth of between 3.0% and 5.0% in the second half compared with the previous year. Relatively flat like-for-like NPI growth is expected from the Group's limited office exposure.

The low vacancies in the Afhco residential portfolio are expected to increase marginally approaching the festive season, which occurs annually. Residential rental increases similar to those achieved in the first half of the year are anticipated for the remainder of the year. The Afhco retail portfolio vacancies are anticipated to remain low. In the second half, like-for-like NPI growth is forecast to increase by greater than 5.0%.

The Group wishes to retain optionality and flexibility in respect of the use of its divestment proceeds, but on the basis that these are used to settle debt, distributable income growth for 2022 is forecast to be similar to that achieved for the first half of the year.

This forecast has not been reviewed or reported on by the Group's auditors.

CHANGES IN DIRECTORATE

Mr SY Moodley was appointed as an Executive Director and Chief Financial Officer ("CFO") of the Company with effect from 1 March 2022.

Mr RJ Biesman-Simons retired from the Board following the conclusion of the Company's annual general meeting on 6 June 2022. The Board recorded its sincere gratitude to Mr Biesman-Simons for his significant contribution to the deliberations of the Board and Board Committees over the years, and for his dedication and commitment to the Company. The Board and management wishes him well in his future endeavours.

The employment contract of the Chief Executive Officer and Executive Director, Mr TR Mackey, has been renegotiated such that Mr Mackey's retirement has been postponed to 31 December 2023.

DISTRIBUTION STATEMENT

R'000	Unaudited six months ended 30 June 2022	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
DISTRIBUTABLE INCOME			
Rent (excluding straight line rental adjustment)[1]	**764 482**	770 902	1 536 649
Net property expenses	**(169 645)**	(181 097)	(392 247)
Property expenses	**(465 460)**	(465 587)	(956 502)
Recovery of property expenses	**295 815**	284 490	564 255
Net property income	**594 837**	589 805	1 144 402
Income from investment in JVs*	**19 757**	16 812	30 648
Taxation on distributable income	**–**	–	(3 077)
Dividends from investment in listed shares	**12 010**	9 205	13 420
Net finance cost*	**(225 333)**	(231 587)	(466 564)
Interest expense	**(241 210)**	(245 859)	(491 774)
Interest income*	**15 877**	14 272	25 210
Distribution-related expenses	**(38 963)**	(39 761)	(79 369)
Distributable income	**362 308**	344 474	639 460
Interim distributable income	**362 308**	344 474	344 474
Final distributable income	**–**	–	294 986
Shares in issue (000)	**2 514 732**	2 514 732	2 514 732
Distributable income per share ("DIPS") (cents)	**14.41**	13.70	25.43
Interim DIPS (cents)	**14.41**	13.70	13.70
Final DIPS (cents)	**–**	–	11.73
Company specific adjustments to distributable income (R'000)			
Distributable income retained	**36 231**	86 118	63 946
Distribution	**326 077**	258 356	575 514
Distribution per share ("DPS") (cents)	**12.97**	10.27	22.89
Interim	**12.97**	10.27	10.27
Final	**–**	–	12.62

[1] *Included in the June 2022 rent is R30.2 million in respect of insurance proceeds received relating to loss of income on properties affected by the July 2021 civil unrest.*

* *The prior period amounts have been amended to be in line with the current period's disclosure.*

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

R'000	**Unaudited six months ended 30 June 2022**	Restated* Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
Assets			
Non-current assets	**15 471 339**	16 106 785	15 427 922
Investment property	**13 710 885**	14 453 726	13 675 260
Letting commissions and tenant installations	**15 781**	31 987	18 130
Investment in JVs*	**981 955**	804 562	869 876
Loan to JV*	**138 967**	145 551	142 727
Property, plant and equipment	**9 682**	11 423	10 736
Intangible assets and goodwill	**83 921**	81 904	83 625
Right-of-use asset	**14 275**	18 623	15 761
Investment in listed shares	**161 950**	120 096	162 871
Other financial assets	**2 353**	3 930	2 396
Swap derivatives	**66 807**	118 282	117 342
Deferred taxation	**6 167**	4 677	6 167
Rental receivable - straight line adjustment	**278 596**	312 024	323 031
Current assets	**883 179**	765 865	757 423
Inventories	**227**	661	189
Letting commissions and tenant installations	**22 230**	15 315	15 315
Other financial assets	**13 714**	26 523	25 405
Swap derivatives	**131 537**	7 018	8 054
Trade and other receivables	**400 393**	276 612	421 634
Prepayments	**61 882**	62 125	44 006
Cash and cash equivalents	**238 042**	348 595	211 327
Rental receivable - straight line adjustment	**15 099**	27 283	31 426
Taxation receivable	**55**	1 733	67
Non-current assets held for sale	**1 122 955**	544 058	940 928
Total assets	**17 477 473**	17 416 708	17 126 273
Equity and liabilities			
Equity			
Share capital and reserves	**10 359 308**	9 881 814	10 066 363
Liabilities			
Non-current liabilities	**2 910 414**	4 871 429	6 386 323
Lease liabilities	**13 686**	17 945	15 084
Swap derivatives	**467**	261 778	220 935
Interest-bearing borrowings	**2 896 261**	4 591 706	6 150 304
Current liabilities	**4 207 751**	2 663 465	673 587
Lease liabilities	**5 578**	6 720	6 289
Swap derivatives	**220 077**	141 521	118 866
Interest-bearing borrowings	**3 573 699**	2 017 575	39 361
Trade and other payables	**408 397**	497 649	509 071
Total liabilities	**7 118 165**	7 534 894	7 059 910
Total equity and liabilities	**17 477 473**	17 416 708	17 126 273

** Refer to note 6 for details of the restatement.*

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

R'000	**Unaudited six months ended 30 June 2022**	Restated* Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
Revenue	**972 483**	1 111 270	2 121 452
Expected credit loss	**(11 756)**	(21 008)	(55 996)
Other operating income	**30 169**	–	50 936
Fair value gain/(loss) on investment properties [1]	**141 650**	(239 985)	(502 014)
Operating expenses	**(500 677)**	(495 406)	(996 909)
Operating profit	**631 869**	354 871	617 469
Other (expense)/income	**(18 737)**	–	280 567
Foreign exchange adjustments	**(10 036)**	25 716	(44 490)
Fair value gain on swap derivatives	**192 845**	182 580	262 735
Fair value (loss)/gain on investment in listed shares	**(921)**	7 296	42 201
Capital profit/(loss) on sale of investment properties and property, plant and equipment	**7 954**	(8 380)	(21 719)
Profit/(loss) from JVs*	**16 547**	(42 519)	(36 293)
Dividends from investment in listed shares	**8 978**	7 881	14 545
Impairment of loan to JV*	**(19 714)**	(3 865)	(19 356)
Interest income*	**15 877**	14 272	25 210
Interest expense	**(242 164)**	(247 101)	(494 108)
Profit before taxation	**582 498**	290 751	626 761
Taxation	**–**	(4 291)	(5 878)
Profit after taxation	**582 498**	286 460	620 883
Other comprehensive income:			
Items that may be reclassified to profit or loss after taxation:			
Foreign exchange adjustments on investment in JVs	**24 264**	(32 407)	75 442
Total comprehensive income	**606 762**	254 053	696 325
Basic earnings per share (cents)	**23.16**	11.39	24.69
Diluted earnings per share (cents)	**23.16**	11.39	24.69

* *Refer to note 6 for details of the restatement.*

[1] *The fair value loss on investment properties was reclassified to operating profit to reflect the appropriate operational performance. The prior year was amended accordingly. The fair value gain includes an impairment of investment properties of R165.6 million due to the civil unrest.*

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

R'000	**Unaudited six months ended 30 June 2022**	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
Share capital and reserves at the beginning of the period	**10 066 363**	10 092 962	10 092 962
Total comprehensive income for the period	**606 762**	254 053	696 325
Treasury shares purchased	**-**	(16 510)	(16 516)
Share-based payment reserve	**3 342**	2 160	2 800
Distributions attributable to shareholders	**(317 159)**	(450 851)	(709 208)
Share capital and reserves at the end of the period	**10 359 308**	9 881 814	10 066 363

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

R'000	**Unaudited six months ended 30 June 2022**	Restated* Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
Operating profit before working capital changes*	**580 681**	575 924	1 139 990
Working capital changes	**(106 986)**	876	54 279
Cash generated from operations*	**473 695**	576 800	1 194 269
Operating activities changes	**(554 662)**	(702 525)	(1 187 564)
Interest received	**7 155**	7 530	25 305
Interest paid	**(244 670)**	(259 152)	(502 055)
Taxation refunded/(paid)	**12**	(195)	(1 606)
Distributions paid	**(317 159)**	(450 708)	(709 208)
Net cash (used in)/from operating activities*	**(80 967)**	(125 725)	6 705
Net cash (used in)/from investing activities*	**(158 972)**	405 563	607 813
Net cash from/(used in) financing activities	**266 654**	(99 346)	(571 294)
Finance lease payments	**(4 434)**	(4 342)	(8 727)
Proceeds from interest-bearing borrowings	**421 088**	150 000	931 500
Repayment of interest-bearing borrowings	**(150 000)**	(206 858)	(1 456 067)
Repurchase of treasury shares	**–**	(16 510)	(16 516)
Settlement of swap derivatives	**–**	(21 636)	(21 484)
Total cash and cash equivalents movement for the period	**26 715**	180 492	43 224
Cash and cash equivalents at the beginning of period	**211 327**	168 103	168 103
Total cash and cash equivalents at the end of period	**238 042**	348 595	211 327

** Refer to note 6 for details of the restatement.*

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, 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 these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements.

These condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared under the supervision of SY Moodley CA(SA), the CFO, and have not been audited nor reviewed by the Group's auditors, PricewaterhouseCoopers Inc.

2. RECONCILIATION OF PROFIT AFTER TAXATION TO HEADLINE EARNINGS

	Unaudited six months ended 30 June 2022		Unaudited six months ended 30 June 2021		Audited year ended 31 December 2021	
	R'000	**cps**	R'000	cps	R'000	cps
Profit after taxation attributable to shareholders	**582 498**	**23.16***	286 460	11.39*	620 883	24.69*
Adjustments for:						
Capital (profit)/loss on sale of investment properties and property, plant and equipment	**(7 954)**		8 380		21 719	
Fair value (gain)/loss on investment properties	**(141 650)**		239 985		502 014	
Fair value loss on investment properties in JVs	**8 412**		64 163		73 469	
Headline earnings	**441 306**	**17.55***	598 988	23.82*	1 218 085	48.44*

** Calculated on weighted number of shares in issue.*

3. JUNE 2022 INFORMATION ON REPORTABLE SEGMENTS

R'000	Industrial	Retail	Commer-cial	Afhco	Corporate	Consoli-dated
Revenue	156 129	447 797	21 590	346 967	–	972 483
Rental income (excluding straight line rental adjustment)	176 532	258 592	13 578	285 611	–	734 313
Other operating income (Insurance Claim - SASRIA)	–	30 169	–	–	–	30 169
Net property expenses	(14 600)	(26 241)	(6 386)	(117 985)	–	(165 212)
Property expenses	(64 878)	(199 910)	(14 231)	(182 008)	–	(461 027)
Recovery of property expenses	50 278	173 669	7 845	64 023	–	295 815
Net property income	161 932	262 520	7 192	167 626	–	599 270
Straight line rental adjustment	(70 681)	15 536	167	(2 667)	–	(57 645)
Other expense	–	(18 737)	–	–	–	(18 737)
Interest income	–	–	–	–	15 877	15 877
Interest expense	–	–	–	–	(242 164)	(242 164)
Profit from investment in JVs	–	–	–	–	16 547	16 547
Foreign exchange adjustments	–	–	–	–	(10 036)	(10 036)
Dividends from investment in listed shares	–	–	–	–	8 978	8 978
Impairment of loan to JV				(19 714)	–	(19 714)
Group expenses	–	–	–	–	(51 406)	(51 406)
Capital profit on sale of investment properties	–	–	–	–	7 954	7 954
Fair value gain/(loss) on investment properties	160 407	2 567	6 459	(27 783)	–	141 650
Investment properties	89 726	18 103	6 626	(30 450)	–	84 005
Straight line rental adjustment	70 681	(15 536)	(167)	2 667	–	57 645
Fair value loss on investment in listed shares	–	–	–	–	(921)	(921)
Fair value gain on swap derivatives	–	–	–	–	192 845	192 845
Profit/(loss) after taxation	251 658	261 886	13 818	117 462	(62 326)	582 498
Other comprehensive income, net of taxation	–	–	–	–	24 264	24 264
Total comprehensive income/(loss)	251 658	261 886	13 818	117 462	(38 062)	606 762

3. JUNE 2022 INFORMATION ON REPORTABLE SEGMENTS *CONTINUED*

R'000	Industrial	Retail	Commercial	Afhco	Corporate	Consolidated
Properties (excluding straight line rental adjustments)	3 550 530	6 682 375	317 000	4 575 240	–	15 125 145
Non-current investment property	3 206 412	6 296 155	264 226	3 944 092	–	13 710 885
At valuation	3 243 899	5 951 215	265 000	3 851 320	–	13 311 434
Straight line rental adjustment	(37 487)	(240 520)	(774)	(14 914)	–	(293 695)
Under development	–	585 460	–	107 686	–	693 146
Current assets	303 746	144 723	51 507	614 132	–	1 114 108
Classified as held for sale	306 631	145 700	52 000	616 234	–	1 120 565
Straight line rental adjustment - valuation	(2 885)	(977)	(493)	(2 102)	–	(6 457)
Other assets	113 048	459 856	28 588	161 063	1 889 925	2 652 480
Total assets	3 623 206	6 900 734	344 321	4 719 287	1 889 925	17 477 473
Total liabilities	49 331	214 020	15 134	154 250	6 685 430	7 118 165
Acquisitions and improvements	3 724	167 067	874	28 504	–	200 169
Segment growth rates (%)						
Rental income (excluding straight line rental adjustment)	(10.12)	(6.90)	(39.99)	5.83	–	(4.17)
Property expenses	(1.99)	8.80	(31.54)	0.02	–	0.91
Recovery of property expenses	16.04	(2.38)	(16.21)	18.79	–	3.98
Net property income	(6.68)	(3.64)	(35.81)	18.42	–	0.12

4. FAIR VALUE MEASUREMENT

Fair value for financial instruments and investment properties:

IFRS 13 requires that the Group discloses for each class of financial instruments and investment property measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety. The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between level 1, level 2 and level 3 during the period under review.

	Unaudited six months ending 30 June 2022			
R'000	Fair value	Level 1	Level 2	Level 3
Assets				
Non-current assets				
Investments in listed shares	161 950	161 950	–	–
Investment property	14 004 580	–	–	14 004 580
Investment in JVs	981 955	–	–	981 955
Swap derivatives	66 807	–	66 807	–
	15 215 292	161 950	66 807	14 986 535
Current assets				
Properties classified as held for sale	1 120 565	–	–	1 120 565
Swap derivatives	131 537	–	131 537	–
	1 252 102	–	131 537	1 120 565
Total assets measured at fair value	16 467 394	161 950	198 344	16 107 100
Non-current liabilities				
Swap derivatives	467	–	467	–
Current liabilities				
Swap derivatives	220 077	–	220 077	–
Total liabilities measured at fair value	220 544	–	220 544	–

Details of valuation techniques

The valuation techniques used in measuring fair values as at 30 June 2022 for financial instruments and investment property measured at fair value in the Condensed Consolidated Interim Statement of Financial Position, as well as the significant unobservable inputs used are disclosed below. There were no significant changes in valuation techniques and inputs since 31 December 2021.

4. FAIR VALUE MEASUREMENT *CONTINUED*

Investment property

An independent external valuator conducted the Group's property valuations as at 30 June 2022. The Group provided the valuer with property and other information required in the valuation of the properties. Among other inputs, the independent valuer applied current market-related assumptions to the risks in rental streams of properties. On completion of the valuations conducted by the independent valuer, an internal review was performed by the management of the Group. Thereafter, the Board provided the final approval of the valuations. The independent valuer is a registered valuer in terms of Section 19 of the Property Valuers Professional Act (Act No 47 of 2000).

The independent valuer's details are as follows:

Quadrant Properties (Pty) Ltd, P. Parfitt, NDip (Prop Val), MRICS, Professional Valuer

Unobservable Inputs as considered in June 2022 valuation reporting					
1. Material unobservable inputs are detailed as follows:	**Retail**	**Commercial**	**Industrial**	**Residential**	**Zambia**
Expected market rental growth rate	5.2%	(1.0%)	4.5%	1.8%	–
Occupancy rate	95.0%	83.0%	99.0%	96.0%	92.0%
Vacancy periods	0 - 6 months	0 - 12 months	0 - 3 months	0 - 2 months	0 - 1 month
Rent free periods	0 - 2 months	0 - 4 months	0 - 1 month	0 - 1 month	0 - 1 month
Discount rates - weighted average	13.8% - 16.0%	15.3% - 17.0%	13.8% - 16.5%	–	11.3% - 12.5%
Capitalisation rate - weighted average	8.5% - 10.5%	9.8% - 11.5%	8.3% - 11.0%	8.0% - 11.8%	8.3% - 9.5%
Exit capitalisation rates	8.8% - 11.8%	10.0% - 12.0%	8.8% - 12.0%	–	8.8% - 10.0%
Expected expense growth - municipal	8.4%	8.6%	7.8%	7.0%	1.3%
Expected expense growth - controllable	5.4%	5.6%	5.5%	5.1%	1.4%

Valuation methodology

The valuation of all revenue producing real estate is calculated by determining future contractual and market related net income streams, as well as a terminal realisation value for the property and discounting this income stream to calculate a net present value. This is performed over a ten-year period in order to reasonably revert all cash flow to a market-related rate. The terminal value (residual value) is calculated by capitalising the eleventh year's net revenue and discounting this value to present. The discount rate is determined as a forward yield rate (capitalisation rate) and a risk is added to it (as related to the nature and contracts of the property) and forward growth rate associated with the cash flow as related to the market. There are reasonable market observable transactions to support the capitalisation rate, growth rate and risk considerations as applied. South African Property Owners Association also publishes data tables on which these assumptions may be benchmarked. Adjustments are made to the present value calculated, to adjust for immediate capital expenditure requirements, as would be reasonably considered between a willing buyer and a willing seller.

4. FAIR VALUE MEASUREMENT *CONTINUED*

Sensitivity of fair values to changes in unobservable inputs

Valuation of investment properties are sensitive to changes in inputs used in determining its fair value. The table below illustrates the sensitivity in fair value to changes in unobservable inputs, whilst holding the other inputs constant.

Investment properties June 2022	Capitalisation rate		
Discount rate	(1.0%) R'000	Current R'000	1.0% R'000
(0.50%)	16 441 020	15 443 001	14 542 845
Current	16 094 506	15 125 145	14 230 234
0.50%	15 735 020	14 783 032	13 920 784

A 100 basis points increase or decrease in growth rates represents management's reasonable assessment of the possible change in market rates which will have the following impact on the investment property value:

	Growth rate			
Sector	**Weighted growth rate**	**(1.0%) R'000**	**Current R'000**	**1.0% R'000**
Industrial	**5.4%**	**3 414 715**	**3 550 530**	**3 739 580**
Retail	**5.6%**	**6 419 186**	**6 682 375**	**7 058 740**
Commercial	**5.1%**	**303 800**	**317 000**	**335 550**
Afhco	**N/A**	**–**	**–**	**–**

A 100 basis points increase or decrease in the vacancy rates represents management's reasonable assessment of the possible change in market rates which will have the following impact on the investment property value:

	Vacancy rate			
Sector	**Weighted vacancy rate**	**(1.0%) R'000**	**Current R'000**	**1.0% R'000**
Industrial	**1.6%**	**3 606 145**	**3 550 530**	**3 479 129**
Retail	**3.5%**	**6 786 553**	**6 682 375**	**6 537 887**
Commercial	**3.6%**	**332 402**	**317 000**	**309 416**
Afhco	**1.8%**	**4 617 096**	**4 575 240**	**4 406 429**

Other financial instruments

The swap derivatives are valued based on the discounted cash flow method. Future cash flows are estimated based on forward exchange and contracted interest rates and, where these are not contracted, from observable yield curves at the end of the reporting period, discounted at a rate that reflects the credit risk. The investment in listed shares is valued at the quoted market price and the investment in unlisted shares is measured at management's assessment of the recoverability of the investment in the shares. The investment in JVs is valued at the ownership of the underlying JV's net asset value.

5. INVESTMENT PROPERTY

The table below analyses the movement of investment property for the period under review.

R'000	**Unaudited six months ended 30 June 2022**	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
Investment property (including straight lining adjustment)			
Carrying value at beginning of the period	**13 675 260**	14 653 125	14 653 125
Acquisitions and improvements	**200 826**	104 673	292 459
Disposals	**–**	(24 183)	(135 485)
Fair value adjustment	**141 649**	(249 607)	(502 014)
Transferred to properties classified as held for sale[1]	**(306 850)**	(30 282)	(632 825)
Carrying value at the end of the period	**13 710 885**	14 453 726	13 675 260
Non-current assets held for sale (investment property, including straight line rental adjustment)			
Carrying value at beginning of the period	**939 407**	1 030 281	1 030 281
Disposals	**(128 811)**	(514 623)	(710 834)
Transferred from investment property	**309 969**	26 583	619 960
Carrying value at the end of the period	**1 120 565**	542 241	939 407

[1] *This amount includes the straight line rental adjustment.*

6. RESTATEMENT

Reclassification of loan to JV

In the prior year, the investment in the joint venture Afhco JCO Holdings (Pty) Ltd included an amount that should have been recognised as a loan to JV and disclosed separately on the Condensed Consolidated Interim Statement of Financial Position.

The restatement had the following impact:

R'000	June 2021 restated amounts	June 2021 previously reported
Statement of financial position		
Investment in JVs	804 562	950 113
Loan to JV	145 551	–
Statement of comprehensive income		
Loss from JV	(42 519)	(39 804)
Impairment of loan to JV	(3 865)	–
Interest income	14 272	7 692

6. RESTATEMENT *CONTINUED*

Dividends received

Prior year dividends received from listed investments were reclassified from cash generated from operations to cash flows from investing activities.

The restatement of the JV and dividends had the following impact on the statement of cash flows:

	June 2021 restated amounts	June 2021 previously reported
Statement of cash flows		
Operating profit before working capital changes	575 924	590 385
Cash generated from operations	576 800	591 261
Net cash from operating activities	(125 725)	(111 264)
Net cash from investing activities	405 563	391 102

7. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had capital commitments of R247.5 million as at 30 June 2022 (December 2021: R150.7 million).

The contingent liabilities comprise guarantees issued on behalf of the following parties:

R'000	**Unaudited six months ended 30 June 2022**	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
Guaranteed entity			
Graduare Mauritius Limited[1&2]	**197 780**	270 949	193 637
Total	**197 780**	270 949	193 637

[1] *The guarantee is secured by the underlying party.*

[2] *The guarantee relates to the co-owner's allocation of the underlying debt and is secured by the 50% shareholding in the JV held by the co-owner. The guarantee is in USD and has been converted at the closing rate of USD: R16.28 (2021: R15.94)*

8. EVENTS AFTER THE REPORTING PERIOD

Refinancing

As at 30 June 2022 the Group reported R3.6 billion of debt as current liabilities relating to banking facilities maturing within the twelve months from reporting date. Post 30 June 2022, the Group concluded agreements for new facilities with tenors ranging from 3 to 5 years to refinance the expiring debt, resulting in an improved debt expiry profile and tenor greater than 3 years, an improvement from the 1.5 years reported as at 30 June 2022.

DISTRIBUTIONS

PAYMENT OF DISTRIBUTION AND IMPORTANT DATES

Notice is hereby given of the declaration of distribution number 14 in respect of the income distribution period 1 January 2022 to 30 June 2022. The payment amounts to 12.96668 cps (June 2021: 10.27368 cps). The source of the distribution comprises net income from property rentals. Please refer to the Condensed Consolidated Interim Statement of Comprehensive Income for further details. 2 514 732 095 of the Company's shares are in issue at the date of this distribution declaration and the Company's income tax reference number is 9179743191.

Last date to trade cum distribution	Tuesday, 18 October 2022
Shares will trade ex-distribution	Wednesday, 19 October 2022
Record date to participate in the distribution	Friday, 21 October 2022
Payment of distribution	Monday, 24 October 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 October 2022 and Friday, 21 October 2022, both days inclusive.

TAX IMPLICATIONS

In accordance with the Company's REIT status, shareholders are advised that the distribution meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No 58 of 1962 ("Income Tax Act"). The distributions on the Company's shares will be deemed to be dividends, for South African tax purposes, in terms of section 25BB of the Income Tax Act. The distributions received by or accrued to South African tax residents must be included in the gross income of such shareholders and are not exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because they are dividends distributed by a REIT, with the effect that the distribution is taxable in the hands of the shareholder.

These distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders have provided the following forms to their Central Securities Depository Participants ("CSDP") or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares:

(a) a declaration that the distribution is exempt from dividends tax; and

(b) a written undertaking to inform the CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the exemption change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service

The Company's shareholders are advised to contact the CSDP, broker or transfer secretaries, as the case may be, to arrange for the above-mentioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Notice to non-resident shareholders

Distributions received by non-resident shareholders will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Distributions received by a non-resident from a REIT are subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder.

Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 10.37334 cps. A reduced dividend withholding rate, in terms of the applicable DTA, may only be relied on if the non-resident shareholder has provided the following forms to the CSDP or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares:

(a) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and

(b) a written undertaking to inform the CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

Non-resident shareholders are advised to contact the CSDP, broker or the transfer secretaries, as the case may be, to arrange for the above-mentioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Johannesburg

15 September 2022

Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited

ANNEXURE TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six months ended 30 June 2022

REIT RATIOS

R'000	**Unaudited six months ended 30 June 2022**	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
SA REIT funds from operations (SA REIT FFO)			
Profit after taxation attributable to shareholders	582 498	286 460	620 883
Adjusted for:			
Accounting specific adjustments:	(222 085)	74 920	(47 782)
Fair value adjustments to:			
Fair value (gain)/loss on investment properties	(141 650)	239 985	502 014
Fair value loss on investment properties in JVs	8 412	64 163	73 469
Fair value gain on swap derivatives	(192 844)	(182 580)	(262 734)
Fair value loss/(gain) on investment in listed shares	921	(7 296)	(42 201)
Depreciation and amortisation of intangible assets	3 677	3 042	5 722
Dividend from investment in listed shares not yet declared	3 032	1 324	(1 125)
Non-distributable expenses	6 095	8 659	13 599
Non-distributable expenses on investment in JVs	14 512	(967)	12 828
Non-distributable taxation expense	-	4 291	2 801
IFRS 16 Lease income	(4 433)	(4 342)	(8 728)
IFRS 16 Depreciation on lease asset	2 857	2 944	5 806
IFRS 16 Interest on lease liability	954	1 242	2 334
Debt related costs	-	333	484
Insurance expense/(proceeds) relating to capital expenditure	18 737	-	(280 567)
Straight lining operating lease expense/(income)	57 645	(55 878)	(71 484)
Adjustments arising from investing activities:	(7 954)	8 380	21 719
(Profit)/loss on sale of investment property and property, plant and equipment	(7 954)	8 380	21 719
Foreign exchange items:	9 849	(25 286)	44 640
Foreign exchange loss/(gain) relating to capital items realised and unrealised	9 849	(25 286)	44 640
SA REIT FFO:	**362 308**	**344 474**	**639 460**
Number of shares outstanding at the end of the period (net of treasury shares) (000)	2 489 568	2 488 241	2 488 241
SA REIT FFO per share (cents)	**14.55**	13.84	25.70
Company specific adjustments to SA REIT FFO (cents per share)[1]	(1.58)	(3.57)	(2.81)
DPS (cents)	**12.97**	**10.27**	**22.89**

[1] *The specific adjustments refer to treasury shares and retained distributions.*

ANNEXURE TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six months ended 30 June 2022 *CONTINUED*

R'000	**Unaudited six months ended 30 June 2022**	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
Reconciliation of SA REIT FFO to cash generated from operations			
SA REIT FFO	**362 308**	**344 474**	**639 460**
Adjustments:			
Interest received*	(15 877)	(14 272)	(25 210)
Interest expense	242 164	247 101	494 108
Amortisation of tenant installations and letting commissions	11 185	13 204	23 101
Non-cash movement in JVs	(5 245)	(24 359)	(17 820)
Dividends received*	(8 978)	(7 881)	(14 545)
Dividend from listed investments not yet declared	(3 032)	(1 324)	1 125
Taxation paid	-	-	3 077
Non-distributable expenses	(17 129)	(4 925)	(20 518)
Other non-cash items	15 285	23 906	57 212
Working capital changes:			
(Increase)/decrease in trade and other receivables	(18 406)	(20 312)	20 571
(Increase)/decrease in inventory	(38)	(243)	229
(Decrease)/increase in trade and other payables	(88 542)	21 431	33 479
Cash generated from operations*	**473 695**	**576 800**	**1 194 269**
SA REIT Net Asset Value (SA REIT NAV)			
Reported NAV attributable to the parent	10 359 308	9 881 814	10 066 363
Adjustments:			
Dividend to be declared	(326 077)	(258 356)	(317 160)
Goodwill and intangible assets	(83 921)	(81 904)	(83 625)
Deferred taxation	(6 167)	(4 677)	(6 167)
SA REIT NAV	**9 943 143**	**9 536 877**	**9 659 411**
Shares outstanding			
Number of shares in issue at the end of the period (net of treasury shares) (000)	2 489 568	2 488 241	2 488 241
Diluted number of shares in issue (000)	**2 489 568**	**2 488 241**	**2 488 241**
SA REIT NAV per share (cents)	**399**	**383**	**388**

* *The prior period amounts have been amended to be in line with the current period's disclosure.*

R'000	**Unaudited six months ended 30 June 2022**	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
SA REIT cost-to-income ratio			
Expenses:			
Operating expenses per IFRS income statement (includes municipal expenses)[1]	450 103	460 923	947 774
Administrative expenses per IFRS income statement[2]	46 304	52 165	96 028
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(6 534)	(5 986)	(11 528)
Operating costs	**489 873**	**507 102**	**1 032 274**
Rental income:			
Contractual rental income per IFRS income statement (excluding straight lining)	734 313	770 902	1 485 713
Utility and operating recoveries per IFRS income statement	295 815	284 490	564 255
Gross rental income	**1 030 128**	**1 055 392**	**2 049 968**
SA REIT cost-to-income ratio	**47.6%**	**48.0%**	**50.4%**
SA REIT administrative cost-to-income ratio			
Expenses:			
Administrative expenses as per IFRS income statement	46 304	52 165	96 028
Rental income:			
Contractual rental income per IFRS income statement (excluding straight lining)	734 313	770 902	1 485 713
Utility and operating recoveries per IFRS income statement	295 815	284 490	564 255
Gross rental income	**1 030 128**	**1 055 392**	**2 049 968**
SA REIT administrative cost-to-income ratio	**4.5%**	**4.9%**	**4.7%**

[1] *Includes expected credit losses.*
[2] *Excludes audit fees.*

ANNEXURE TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the six months ended 30 June 2022 *CONTINUED*

	Unaudited six months ended 30 June 2022	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
SA REIT GLA vacancy rate			
GLA of vacant space (m^2)	21 901	30 711	26 818
GLA of total property portfolio (m^2)	812 388	841 554	823 030
SA REIT GLA vacancy rate [1]	**2.7%**	**3.6%**	**3.3%**
Cost of debt			
Floating reference rate plus weighted average margin	**6.4%**	5.4%	5.5%
Pre-adjusted weighted average cost of debt			
Adjustments:			
Impact of interest rate swap derivatives	1.7%	2.4%	2.5%
Impact of cross-currency interest rate swap derivatives	(0.1%)	–	–
Amortised transaction costs imputed into the effective interest rate	0.1%	0.1%	0.1%
All-in weighted average cost of debt	**8.1%**	**7.9%**	**8.1%**

[1] *Excludes the Afhco portfolio which is based on units.*

R'000	**Unaudited six months ended 30 June 2022**	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
SA REIT LTV			
Gross debt excluding derivatives	6 389 511	6 570 706	6 150 304
Less: Net cash and cash equivalents	(136 429)	(244 631)	(111 330)
Total cash and cash equivalents	(238 042)	(348 595)	(211 327)
Less: Tenant deposit accounts	101 613	103 964	99 997
Add:			
Cross-currency interest rate swap derivatives	46 829	31 163	46 473
Interest rate swap derivatives	(24 628)	246 837	167 931
Net debt	**6 275 283**	**6 604 075**	**6 253 378**
Total assets per condensed consolidated interim statement of financial position	17 477 473	17 416 708	17 126 273
Less:			
Cash and cash equivalents	(238 042)	(348 595)	(211 327)
Derivative financial assets	(198 344)	(125 300)	(125 396)
Intangible assets and goodwill	(83 921)	(81 904)	(83 625)
Deferred taxation	(6 167)	(4 677)	(6 167)
Trade and other receivables and prepayments	(330 905)	(338 737)	(465 640)
Taxation receivable	(55)	(1 733)	(67)
Inventories	(227)	(661)	(189)
Carrying amount of property-related assets	**16 619 812**	**16 515 101**	**16 233 862**
SA REIT LTV	**37.8%**	**40.0%**	**38.5%**

DIRECTORATE AND STATUTORY INFORMATION

SA Corporate Real Estate Limited
(Incorporated in the Republic of South Africa)
(Registration number 2015/015578/06)
Approved as a REIT by the JSE
Share code: SAC
ISIN code: ZAE000203238
("the Company")

Registered office
GreenPark Corner
16th Floor
Corner Lower Road and West Road South
Morningside
Johannesburg
2196
Tel: 010 020 2530

Registered auditors
PricewaterhouseCoopers Inc.
5 Silo Square
V&A Waterfront
Cape Town
8002

Company secretary
J Grové
GreenPark Corner
16th Floor
Corner Lower Road and West Road South
Morningside
Johannesburg
2196

Transfer secretaries
Computershare Investor Services Proprietary Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Sponsor
Nedbank Corporate and Investment Banking, a division of Nedbank Limited
135 Rivonia Road
Sandton
2196

Directors
MA Moloto (Chairman)
OR Mosetlhi (Lead Independent Director)
TR Mackey (Chief Executive Officer)*
SY Moodley (Chief Financial Officer)*
(appointed 1 March 2022)
RJ Biesman-Simons
(retired 6 June 2022)
N Ford-Hoon(Fok)
EM Hendricks
GJ Heron
SS Mafoyane

* *Executive*

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