VUKILE
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

# Unaudited condensed consolidated interim results for the six months ended

## 30 September 2022

# HIGHLIGHTS

## ROBUST OPERATING RESULTS AND DEFENSIVE FINANCIAL POSITION


## SOUTH AFRICAN PORTFOLIO CONTINUES TO OUTPERFORM WITH POSITIVE TRADING METRICS AND OPERATIONAL RESULTS

- Like-for-like annualised **NOI growth** of **4%**
- **Vacancies** reduced to **2.3%**
- Rental **reversion** cycle turned positive to **+1.6% from -2.4%**
- Annualised trading densities increased by **7%**
- Like-for-like retail **valuations increase** of **3%**

## CASTELLANA LEADS THE MARKET WITH ACTIVE ASSET MANAGEMENT AND IMPRESSIVE OPERATIONAL RESULTS

- Normalised **NOI growth** of **7.5%**
- **Vacancies** maintained at **1.6%**
- Positive reversions of **+4.6%**
- Rent collection rate at **99.03%**
- Portfolio WALE of **12.1 years**
- Footfall and sales growth trends **outperform** national benchmarks

## BALANCE SHEET DEFENSIVELY POSITIONED IN A RISING INTEREST RATE CYCLE

- **87%** of group interest-bearing **debt hedged**
- No debt maturities in Castellana until **FY26**
- Interest cover ratio (ICR) of **2.9 times** and LTV maintained at **43%**
- GCR **upgraded** Vukile's corporate long-term credit rating to **AA**$_{(ZA)}$
- **88%** of debt expiring in FY23 has already been repaid, refinanced or renegotiated
- **Undrawn debt** facilities increased to **R3.6 billion**

## OPTIMAL CAPITAL ALLOCATION THROUGH ACTIVE ASSET ROTATION

- Sale of direct property assets of **c.R280 million** in South Africa
- Further sale of Fairvest shares, realising **R46.6 million**
- Acquisition of Pan Africa Shopping Centre for **c.R421 million**, expected to be concluded by Q4 FY23
- Agreement reached to acquire 50% undivided share in BT Ngebs City for **R400 million**
- Castellana acquired a further **4%** in Lar España for **c.€15.9 million**, increasing total shareholding to **25.7%**

## INCREASE IN CASH DIVIDEND

- Interim dividend of **47.32 cents per share**, up 16.8% on the corresponding prior period
- Total FFO of **80.8 cents per share**

# COMMENTARY

## NATURE OF OPERATIONS

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


## FINANCIAL PERFORMANCE

### EXECUTIVE SUMMARY

For H1 FY23, we have seen continued positive momentum in Vukile's financial and operational metrics. Although we are encouraged by our strong H1 trading performance, we remain concerned about the broader macro-economic headwinds expected to manifest in H2. In a market with rising interest rates, Vukile is well positioned with 87% of group interest-bearing debt hedged (South Africa: 76% and Spain: 96%) and no debt refinancing in Spain until FY26. Our strong liquidity position, with R4.5 billion in cash and undrawn committed facilities, is a key strength in a challenging macro-economic environment.

### THE FOLLOWING SIGNIFICANT EVENTS AND TRANSACTIONS TOOK PLACE DURING THE SIX MONTHS ENDED 30 SEPTEMBER 2022:

- In line with Vukile's active asset rotation strategy:
  - c.R280 million of direct SA property assets were sold during H1 FY23;
  - Vukile's shareholding in Fairvest reduced to 6.2% (R46.6 million in shares sold during the period);
  - Castellana acquired a further 4% shareholding in Lar España for c.€15.9 million resulting in a total shareholding of 25.7%; and
  - The acquisition of Pan Africa Shopping Centre is expected to be concluded in Q4 FY23. The c.R421million acquisition will be funded by proceeds from prior year sales which is currently housed in cash and undrawn committed facilities.
- An unsecured bond auction of R767 million was held in August and was 4.6 times oversubscribed
- Global Credit Rating (GCR) upgraded Vukile's corporate long-term credit rating to $AA_{(ZA)}$ in July 2022, with a stable outlook
- The last remaining cross-currency interest rate swaps (CCIRS) matured and were settled in June 2022, thus Vukile has no further CCIRS exposure
- A R200 million green loan was utilised to fund solar projects in South Africa

The SA REIT ratios, together with comparatives, are included in a separate section at the end of this report, following the condensed financial statements.

### DIVIDEND

The board approved an interim dividend of 47.32125 cents per share for the six months ended 30 September 2022. The total dividend is R464 million. A dividend declaration announcement in respect of the dividend, containing information relating to the salient dates and tax treatment of the dividend, will be released separately on SENS.

## CALCULATION OF FUNDS FROM OPERATIONS (FFO)

The variances when comparing the results for the interim period ended 30 September 2022 to the prior corresponding period are in some instances affected by once-off events in both periods (for instance, the sale of non-core assets in SA and Spain in H1 FY22 and H1 FY23 and the termination of CCIRS). Where the numbers have been impacted by such events, this is indicated and explained in the commentary.

| | **30 September 2022 Rm** | 30 September 2021 Rm | Variance % |
|---|---|---|---|
| Property revenue | **1 328** | 1 304 | |
| Stable portfolio[1] | **1 314** | 1 160 | 13.3 |
| Sold properties | **14** | 144 | |
| Property expenses (net of recoveries) | **(178)** | (169) | 5.3 |
| **Net income from property operations** | **1 150** | 1 135 | 1.3 |
| Stable portfolio[1] | **1 140** | 1 029 | 10.8 |
| Sold properties | **10** | 106 | |
| Corporate administration expenses | **(148)** | (152) | (2.6) |
| Investment and other income[2] | **59** | 242 | (75.6) |
| Loss on realisation of derivative | **(9)** | (44) | |
| **Operating income before finance costs** | **1 052** | 1 181 | (10.9) |
| Finance costs | **(384)** | (357) | 7.6 |
| **Income before equity-accounted income** | **668** | 824 | (18.9) |
| Share of income from associate and joint venture[3] | **2** | (4) | — |
| **Income before taxation** | **670** | 820 | (18.3) |
| Taxation | **(6)** | (10) | |
| **Income for the year** | **664** | 810 | (18.0) |
| Net income attributable to non-controlling interests (NCI)[4] | **(36)** | (50) | (28.0) |
| **Attributable to Vukile group** | **628** | 760 | (17.4) |
| **Non-IFRS* adjustments** | **163** | 3 | |
| Early termination of derivative | **58** | (76) | |
| Accrued dividends[5] | **96** | 76 | |
| Non-cash impact of IFRS entries | **9**[6] | 3 | |
| FFO | **791** | 763 | 3.7 |
| Number of shares in issue at year-end[7] | **980 226 628** | 956 226 628 | |

* *International Financial Reporting Standards (IFRS).*

1 *Income in the prior period was reduced by COVID rent concessions (R6.8 million in SA and R18.8 million in Spain).*

2 *Income from listed investments was higher in the prior period due to higher dividend income from Fairvest (H1 FY23 R23 million; H1 FY22 R60 million) and R101 million included in IFRS income in H1 FY22 from the termination of forward exchange contracts (FECs).*

3 *Net amount in respect of Vukile share of profits from MICC Namibia (after accounting for interest on in-country debt), Dream and Fetch.*

4 *Vukile increased its shareholding in Castellana from 82.5% in to 89.6%: In December 2021, 3.5 million shares were acquired from Merev and a further 12.5 million shares were acquired in March 2022, following a conversion of a shareholder loan to equity.*

5 *Lar España dividend accrual of R65 million (2021: Rnil), Fairvest accrual of -R0.7 million and FEC accrual of R32 million. Included in the prior period is R53 million for the sale of the Konecta office buildings in Spain.*

6 *R7 million of this amount relates to the non-cash impact of IFRS 16 Leases.*

7 *24 million new Vukile shares issued in H2 FY22.*

## REVENUE AND NET INCOME FROM DIRECT PROPERTY PORTFOLIO

| Geographical segment | **Revenue[i] 30 September 2022 Rm** | Revenue[i] 30 September 2021 Rm | % change | **Net property income 30 September 2022 Rm** | Net property income 30 September 2021 Rm | % change |
|---|---|---|---|---|---|---|
| South Africa | **758** | 815 | (7.0) | **642** | 677 | (5.2) |
| Spain | **570** | 489 | 16.6 | **508** | 458 | 10.9 |
| **Total** | **1 328** | 1 304 | 1.8 | **1 150** | 1 135 | 1.3 |
| **Split percentage** | | | | | | |
| South Africa | **57.1** | 62.5 | | **55.8** | 59.6 | |
| Spain | **42.9** | 37.5 | | **44.2** | 40.4 | |

[i] *Excludes straight-lining and recoveries.*

Total revenue and net property income in the South African portfolio decreased by 7.0% and 5.2%, respectively. This is due to the sale of c.64% of the Namibia portfolio and other non-core asset sales in South Africa. Castellana's revenue and net property income increased by 16.6% and 10.9% respectively.

Portfolio-specific measures, operational results and trading are discussed more fully in the relevant South African and Spanish portfolio reviews hereafter.

## INVESTMENT AND OTHER INCOME

| | **30 September 2022 Rm** | 30 September 2021 Rm | Movement Rm | Variance % |
|---|---|---|---|---|
| Income from listed investments (Fairvest) | **23.0** | 59.6 | (36.6) | (61.4) |
| Early termination of forward exchange contract (FEC) | **—** | 101.4 | (101.4) | |
| FEC realised | **2.0** | — | 2.0 | |
| Interest income | **17.7** | 14.3 | 3.4 | 23.8 |
| Net interest received on cross-currency interest rate swaps (CCIRS) (after deducting finance costs) | **16.3** | 67.1 | (50.8) | (75.7) |
| **Total** | **59.0** | 242.4 | (183.4) | (75.7) |

The reduction in income from listed investments in the current period is due to the disposal of Fairvest shares during H1 FY23 and during FY22.

See further detail in respect of income from listed investments below. In accordance with IFRS, the gain on the early termination of FECs was included in full in the prior period. This amount was spread over FY22 and FY23 (by way of non-IFRS adjustments), as per the calculation of FFO above. The reduction in net interest from CCIRS was due to the termination of the last remaining CCIRS in June 2022.

## LISTED INVESTMENTS

| | **30 September 2022** | | | 31 March 2022 | |
|---|---|---|---|---|---|
| | **Carrying value Rm** | **Number of shares held** | **% held** | Carrying value Rm | % held |
| Fairvest (B shares) | **297.7** | **94 823 460** | **6.2** | 359.8 | 7.0 |
| Lar España Real Estate SOCIMI | **1 650.6** | **21 512 459** | **25.7** | 1 452.4 | 21.7 |
| **Total** | **1 948.3** | | | 1 812.2 | |

### Fairvest – 6.2% shareholding

Fairvest Limited (Fairvest) is a REIT listed on the Johannesburg Securities Exchange (JSE), which holds a diversified portfolio of retail, office and industrial properties.

During the period, Vukile reduced its shareholding in Fairvest to 6.2% receiving sale proceeds of c.R46.6 million.

Dividends received for the six months to 30 September 2022 amounted to R23.0 million (30 September 2021: R60.0 million). Dividends from Fairvest included in FFO for the period ended 30 September 2022 amounts to R22.3 million (30 September 2021: R32 million from Fairvest and R28 million from Arrowhead).

The share price of Fairvest B shares at 30 September 2022 was R3.14, resulting in a carrying value of R297.7 million.

### Lar España Real Estate SOCIMI (Lar España) – 25.7% shareholding

Lar España is a leading, Madrid Stock Exchange listed Spanish SOCIMI comprising a high-quality, low-risk retail real estate portfolio offering predictable cash flows.

During the period, Castellana acquired a further 3 355 000 shares in Lar España at an aggregate price of c.€4.74 per share, increasing its shareholding to 25.7%. The share price of Lar España at 30 September 2022 was €4.32 per share, resulting in a ZAR equivalent carrying value of R1.65 billion.

In May 2022, Castellana received c.€6.6 million in respect of a pre-acquisition dividend which was accounted for as a reduction of the carrying value of the investment. Accrued dividends from Lar España included in FFO for the period ended 30 September 2022 amounts to c.R65.3 million (€3.9 million).

Further narrative in respect of Castellana's investment in Lar España is provided in the portfolio review (Spain) in this commentary.

## GROUP CORPORATE EXPENDITURE

| | **30 September 2022 Rm** | 30 September 2021 Rm | Variance Rm | Variance % |
|---|---|---|---|---|
| **South Africa: Total corporate expenditure** | **84.3** | 84.5 | (0.2) | (0.2) |
| Corporate expenditure excluding environmental, social and governance (ESG) costs | **75.2** | 77.6 | (2.4) | (3.1) |
| ESG costs | **9.1** | 6.9 | 2.2 | 31.9 |
| **Spain: Total corporate expenditure** | **63.7** | 67.5 | (3.8) | (5.6) |
| Corporate expenditure excluding ESG and innovation costs | **50.7** | 59.0 | (8.3) | (14.1) |
| Innovation costs | **6.3** | 4.2 | 2.1 | 50.0 |
| ESG costs | **6.7** | 4.3 | 2.4 | 55.8 |
| **Group total** | **148.0** | 152.0 | (4.0) | (2.6) |

Annualised corporate expenditure equates to 0.80% of total assets (31 March 2022: 0.85%), being 0.99% attributable to South Africa (31 March 2022: 0.96%) and 0.63% attributable to Spain (31 March 2022: 0.76%). Corporate expenditure in South Africa includes head office and overhead costs that benefit both the Vukile and Castellana portfolios.

## GROUP CASH FLOW

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

| | **30 September 2022 Rm** | 30 September 2021 Rm |
|---|---|---|
| Cash from operating activities | **965** | 943 |
| Dividends paid | **(672)** | (968) |
| Net finance costs paid | **(291)** | (225) |
| Increase in borrowings | **1 933** | 3 781 |
| Borrowings repaid | **(1 514)** | (3 636) |
| Disposal of investment property (net of additions) | **126** | 611 |
| Disposal of listed investments (net of acquisitions) | **(111)** | — |
| Cash from the settlement of bank derivatives | **(126)** | (285) |
| Other cash movements | **(46)** | 12 |
| **Net increase in cash and cash equivalents[(1)]** | **264** | 233 |

[(1)] *Excluding foreign currency profits of R32 million (2021: R12 million).*

## NET ASSET VALUE (PER SHARE)

The net asset value (NAV) of the group increased by 6.6% from R17.92 per share to R19.10 per share at 30 September 2022, as set out in the table below.

| | Rand per share |
|---|---|
| **NAV 1 April 2022** | **17.92** |
| Net property income | **1.25** |
| Investment property disposals | **(0.26)** |
| Increase in borrowings | **(0.43)** |
| Change in fair value of listed equity investments | **(0.12)** |
| Change in fair value of investment property | **0.49** |
| Dividends paid | **(0.65)** |
| Foreign currency and other movements | **0.90** |
| **NAV 30 September 2022** | **19.10** |

The reason for the increase in NAV per share was due to positive performance in net property income and a weakening of the Rand/Euro foreign exchange rate from R16.16/Euro at 31 March 2022 to R17.74/Euro at 30 September 2022. In addition, due to the further reduction in SA Euro debt and termination of the CCIRS (refer to the Treasury Management section of this commentary), Vukile's NAV was positively exposed to the weaker Rand.

Vukile's share price of R12.39 per share at 30 September 2022 represents a 35.1% discount to the NAV per share.

## SHARE TRADING AND LIQUIDITY

During the six-month period to 30 September 2022, 250.4 million Vukile shares were traded, equating to approximately 41.7 million shares per month. The shares traded represent 25.5% of shares in issue.

## TREASURY MANAGEMENT

Balance sheet and treasury risk management remain one of Vukile's key focus areas.

At 30 September 2022, consolidated group LTV net of cash was 43.2% (31 March 2022: 43.0%), with a group interest cover ratio (ICR) of 2.9 times (31 March 2022: 3.4 times). The reduction in the group ICR is largely a result of the CCIRS maturing as well as an increase in South African base rates. Vukile's debt metrics are comfortably within covenant levels at a group (consolidated) and company/subsidiary level.

Payment of the FY22 final dividend (R0.64 billion), the settlement of CCIRS (R0.12 billion), the purchase of additional Lar España shares (€15.9 million) and a decrease in the Lar España share price (-13% from €4.95 to €4.32) were largely offset by the sale of non-core properties and Fairvest shares (R0.33 billion), an increase in property valuations (in SA and Spain, 3% and 1%, respectively) as well as a reduction in net debt as a result of increased cash retention, in aggregate resulting in a negligible increase in the consolidated group LTV.

Stress testing of 12-month historic earnings before interest, taxes, depreciation, and amortisation (EBITDA) indicates that the portfolio would need to undergo a further 30% reduction in group EBITDA before reaching the two times bank group interest cover covenant level. Vukile and Castellana continue to benefit from very strong relationships with their diversified funding providers. The debt maturity profile is at a healthy 3.5 years and the group interest-bearing debt hedge ratio is at a conservative 87% (31 March 2022: 76%).

Stress testing of LTV indicates that Castellana's assets would need to undergo a further 33% reduction in asset value to reach Castellana's 65% LTV ratio. Castellana's average debt maturity profile is at a healthy 4.3 years, with the first significant debt maturity in FY26.

## CREDIT RATING

In July 2022, Global Credit Rating (GCR), as part of its annual review, upgraded Vukile's corporate credit rating to $AA_{(ZA)}$ (long-term issuer rating) from $AA-_{(ZA)}$ and reaffirmed the national short-term rating at $A1+_{(ZA)}$ with a stable outlook. In the current market environment, credit rating upgrades have been extremely rare and this is a significant acknowledgement of Vukile's improved credit metrics.

In March 2022, Fitch Ratings Inc. (Fitch) assigned Castellana a first-time Long-Term Issuer Default Rating (IDR) of BBB-, with a stable outlook. The rating reflects an international investment-grade rating for Castellana.

## GROUP BORROWINGS SUMMARY

The group's funding strategy is to optimise funding costs while minimising refinance risk. Total debt at 30 September 2022 amounted to R15.9 billion (31 March 2022: R14.7 billion). This increase is primarily due to a weaker exchange rate, R17.74 at 30 September 2022 versus R16.16 at 31 March 2022. A summary of funding by currency is provided below:

| **Funding breakdown** | Number of funders | **Rm** | Percentage of debt | |
|---|---|---|---|---|
| Foreign Spanish funders (EUR) | 5 | **8 851** | 55.6 | Secured against Castellana's balance sheet with no recourse to Vukile |
| South African bank funders (EUR) | 2 | **532** | 3.3 | Secured against Vukile's South African balance sheet |
| South African bank funders (ZAR) | 4 | **4 384** | 27.5 | |
| Domestic medium-term note (DMTN) programme (ZAR) | | **2 159** | 13.6 | |
| **Total[1]** | | **15 926** | 100 | |

[1] *Excludes amortised cost.*

## SOURCES OF FUNDING

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

| **Group debt and hedging exposure per bank (ZAR)** | **Debt[1] Rm** | **Debt exposure per bank %** | **Hedging and fixed debt[2] Rm** |
|---|---|---|---|
| Aareal[3] | **4 626** | **29.0** | **4 626** |
| Allianz Bank[3] | **2 767** | **17.4** | **2 767** |
| DMTN – corporate bonds | **2 159** | **13.6** | **—** |
| Absa | **1 816** | **11.4** | **1 864** |
| RMB | **1 245** | **7.8** | **—** |
| Nedbank | **1 105** | **6.9** | **1 135** |
| Santander[3] | **1 064** | **6.7** | **1 064** |
| Standard Bank | **750** | **4.7** | **1 146** |
| Liberbank[3] | **257** | **1.6** | **—** |
| Pichincha[3] | **137** | **0.9** | **—** |
| Investec | **—** | **—** | **294** |
| Goldman Sachs | **—** | **—** | **800** |
| **Total** | **15 926** | **100** | **13 696** |

[1] *Foreign currency-denominated debt is converted at a EUR/ZAR spot rate of R17.74 at 30 September 2022. All amounts are nominal debt exposure and exclude amortised transaction costs and accrued interest.*

[2] *Hedging exposure is represented by exposure per banking relationship.*

[3] *Group exposure includes Castellana debt of €499 million (R8.851 billion equivalent).*

## VUKILE GROUP LOAN AND SWAP EXPIRY PROFILE AT 30 SEPTEMBER 2022

As part of the group's funding strategy, Vukile proactively manages its debt expiry; 88% (R1.0 billion) of debt that is due to mature in FY23 has been repaid, refinanced or renegotiated. Cash and undrawn committed facilities (R4.5 billion) exceed all debt expiring over the next 12 months (R1.6 billion, 2.8 times covered). Vukile continues to maintain material undrawn committed facilities to reduce refinance risk while providing an ability to quickly deploy capital for strategic opportunities.

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 and beyond | **Total** |
|---|---|---|---|---|---|---|---|---|
| Loan expiry profile including access facilities (%) | 3.4 | 6.9 | 13.1 | 45.9 | 6.5 | 3.9 | 20.3 | **100.0** |
| Term loan expiry profile (Rm) | 540 | 1 081 | 2 092 | 7 134 | 1 028 | 629 | 3 245 | **15 749** |
| Access facility expiry profile (Rm) | — | — | — | 177 | — | — | — | **177** |
| Hedged portion (interest rate swaps, caps and fixed debt) (Rm) | 993 | 6 452 | 1 343 | 1 264 | 3 542 | 58 | 43 | **13 695** |

A summary of group debt ratios at 30 September 2022 is provided below:

| | **30 September 2022** | | | 31 March 2022 | | |
|---|---|---|---|---|---|---|
| | **Group** | **South Africa** | **Spain** | Group | South Africa | Spain |
| Total debt (excluding access facilities) (Rm) | **15 749** | **6 897** | **8 852** | 14 492 | 6 443 | 8 049 |
| Hedged portion (interest rate swaps, caps and fixed debt) (Rm) | **13 695** | **5 239** | **8 456** | 10 935 | 3 812 | 7 123 |
| Interest-bearing debt fixed/hedged (%) | **87.0** | **76.0** | **95.5** | 75.5 | 59.2 | 88.5 |
| Hedged (swaps and fixed debt) maturity profile (years) | **2.2** | **1.8** | **2.4** | 2.7 | 2.4 | 2.9 |
| LTV ratio (net of cash)[1] (%) | **43.2** | **42.6** | **43.7** | 43.0 | 42.9 | 43.0 |
| LTV covenant level (%) | **50** | **N/A** | **65** | 50 | N/A | 65 |
| ICR[2] | **2.9 times** | **2.9 times** | **2.8 times** | 3.4 times | 4.0 times | 2.6 times |
| ICR covenant level | **2.0 times** | **N/A** | **1.15 times** | 2.0 times | N/A | 1.15 times |

(1) *LTV ratio (net of cash) is calculated as a ratio of nominal interest-bearing debt less cash and cash equivalents (excluding restricted cash) divided by the sum of (i) the amount of the most recent directors' valuation (external valuation in the case of the Spanish portfolio) of all the direct property portfolio on a consolidated basis; (ii) the market value of listed investments; and (iii) investments in associates (Namibian portfolio) and joint ventures (Dream).*

(2) *ICR is based on operating profit excluding straight-line lease income, plus earnings from investments less corporate costs (EBITDA), divided by finance costs, after deducting all finance income (net interest cost) over the respective period.*

## GROUP FINANCE COSTS

The group's average cost of finance (including amortisation of capitalised raising fees) for the period ended 30 September 2022 was unchanged at 4.9%. However, interest costs are expected to increase in FY23 as a result of interest rate hikes (assumed 250 bps) and further hedging costs.

Interest-bearing debt (excluding access facilities) has increased to 87.0% hedged with a 2.2-year hedged maturity profile (31 March 2022: 75.5% with a 2.7-year hedge maturity profile). The group is cognisant of the current interest rate hiking cycle and will continue to proactively manage interest rate risk by dynamically hedging exposure, while optimising the risk mitigating instruments at its disposal.

Total Vukile EUR debt has reduced to €30.0 million, making Vukile's NAV more positively exposed to a weaker ZAR going forward.

Finance costs by currency, using the historical weighted average cost of debt, are indicated below:

| | **H1 FY23 historical cost of debt %** | **Debt at 30 September 2022 Rm** | FY22 historical cost of debt % | Debt at 31 March 2022 Rm |
|---|---|---|---|---|
| ZAR | **7.5** | **6 542** | 7.2 | 6 015 |
| EUR | **2.7** | **9 384** | 3.1 | 8 639 |
| **Total** | **4.9** | **15 926** | 4.9 | 14 654 |

## UNDRAWN FACILITIES

Undrawn facilities at 30 September 2022 amounted to R3.6 billion (31 March 2022: R3.1 billion). The ratio of cash and undrawn committed facilities to debt expiring over the next 12 months (R1.6 billion) is 2.8 times, which demonstrates Vukile's strong liquidity position, with more than sufficient capacity to repay debt expiring over the next 12 months, if required.

## UNSECURED DEBT AND UNENCUMBERED ASSETS

| | **30 September 2022 Rm** | 31 March 2022 Rm |
|---|---|---|
| Property assets (external valuation) | **924** | 1 168 |
| Listed shares | **9 781** | 9 113 |
| **Unencumbered assets** | **10 705** | 10 281 |
| Unsecured debt | **2 159** | 1 550 |
| Covenant exclusive facilities[(1)] | **355** | 428 |
| **Unsecured + covenant exclusive** | **2 514** | 1 978 |
| Unsecured debt to unencumbered assets (%) | **20.2** | 15.1 |

[(1)] *Covenant exclusive facilities form part of the bank's secured debt, with rights to its secured security pool, however, they do not form part of transactional financial covenants.*

The increase in unencumbered assets is primarily due to the inclusion of unpledged Lar España shares held by Castellana as well as the release of Castellana shares that were previously pledged.

## MOVEMENT IN GROUP DEBT

During the year, total group debt increased by R1 272 million. The most significant movements in debt were as follows:

| | **Nominal debt drawn/ (repaid) Rm** | **Foreign exchange movements Rm** | **Net Rm** |
|---|---|---|---|
| Vukile ZAR DMTN debt | **415** | **—** | **415** |
| Vukile ZAR bank debt | **112** | **—** | **112** |
| Vukile EUR debt | **(115)** | **58** | **(57)** |
| Castellana EUR debt | **15** | **787** | **802** |
| **Total** | **427** | **845** | **1 272** |

During the period ended 30 September 2022, Vukile repaid two corporate bonds: VKE10 (R194 million, secured) and VKE17 (R158 million, unsecured) in July and August 2022, respectively. An auction for R767 million of unsecured corporate bonds was held in August 2022 and was 4.6 times oversubscribed, attracting bids from 16 investors. Vukile issued a R232 million unsecured three-year note at a margin of 139bps and a R535 million unsecured five-year note at a margin of 159 bps, both below guidance.

In September 2022, Vukile executed R1.5 billion of interest rate derivatives at a once-off cost of R9.7 million, increasing the South African and group hedge ratio to 76% and 87%, respectively.

The group has comfortably complied with all bank and DMTN covenants.

## GROUP FOREIGN EXCHANGE CURRENCY HEDGES

Vukile has adopted a layered approach to hedging its EUR dividend exposure (in aggregate) with FECs, targeting an average hedge ratio of c.60% across a five-year period (tiered 100% hedging in year one, 80% hedging in year two, etc.), in line with Spanish GAAP (Generally Accepted Accounting Practice) income and anticipated dates of dividend receipts to minimise adverse foreign exchange fluctuations and to provide stable, predictable income streams for investors.

Castellana FFO is not hedged, thus ensuring Vukile's FFO is more positively exposed to a weaker Rand, while still providing predictable dividends over the short to medium term. 98% of Castellana's net forecast FY23 dividends are hedged.

Following the settlement of the last remaining CCIRS in June, Vukile no longer has any CCIRS exposure.

## PORTFOLIO REVIEW – SOUTH AFRICA

The half-year results have been delivered in an improving trading environment compared to the previous two-years' trade, which were hampered by COVID-19 and the July unrest. There has been a sense of 'a great restart' characterised by aggressive retailer expansion, increased spend, improved mall footfall and more effective stakeholder engagements across the value chain. The portfolio has continued its robust performance with strong results on many key operating metrics. Notable highlights over the period have been the positive turn in the reversionary cycle, which has been driven by increased competition for space and further intensified by the slowing environment of new greenfield developments. The increased demand for space, particularly in our segment of the market, has led decreased vacancies, which are now the lowest they've been in 18 years.

Notwithstanding these significant green shoots, exogenous micro and macro factors continue to be a concern, which places a level of caution on our optimism. Energy availability, effective law enforcement and municipal services continue to be significant concerns. We are driving dialogue and discussions at an industry level to lobby to effect improvements around these challenges while continuing to focus on operational efficiency strategies to ensure minimum disruption of trade for our tenants.

The South African total direct property portfolio on 30 September 2022 consisted of 41 properties, with a total value of R14.6 billion and a gross lettable area (GLA) of 811 536m$^2$, with an average value of R356 million per property.

The South African retail portfolio, which accounts for 96% of the value of the assets, was valued at R14.0 billion and consists of 34 properties, with an average value of R411 million per property. In total, 86% of retail space is let to national tenants. Vacancies have decreased from 2.6% to 2.3%.

### OPERATING ENVIRONMENT

#### Retail portfolio overview

The South African retail portfolio has performed admirably and delivered a normalised, like-for-like net operating income (NOI) growth of 4.0%.

There has been significant leasing activity over this period. We have seen both national and independent tenants increase their occupancy levels within the portfolio. All segments have seen a decline in vacancies, led by the rural and township portfolios. Encouragingly, the CBD commuter malls are also showing a strong rebound as commuter numbers have increased in the past six months. Compared to the FY22 vacancy of 2.6%, the retail portfolio's vacancy reduced to 2.3%. Vacancies are trending downwards and are the lowest they have been since listing in 2004.

Rental reversions increased by 1.6%, with 79% of the renewals either flat or positive. Reversions have improved by 4% compared to FY22 and are ahead of pre-COVID levels. Recent WALE on renewals has also been higher than the portfolio average (+3.7 versus +3.4), which in conjunction with the positive reversions is an indication of strong support for the portfolio and improving overall sentiment from retailers.

In total, 21 847m$^2$ of vacant space (2.3% of total retail GLA) has been let, contrasted with 17 731m$^2$ of tenants who vacated. Out of the total number of tenants which have vacated over this period, c.57% of them have been small, medium, and micro enterprises (SMMEs). Over the period under review, 424 leases were concluded (317 renewals and 107 new leases) covering 82 897m$^2$, with a total contract value of R713.5 million. This equates to 11% of the portfolio's lettable area compared to full-year 22% FY22, 11% FY21 and 14% FY20. This is tracking what was achieved in pre-COVID-19 FY19, when the leasing activity was 23% of the lettable area for the full year. Tenant retention has improved from 93% (March 2022) to 94% (September 2022) with 77% of leasing activity concluded with nationals and second-tier retailers.

The portfolio rent-to-sales ratio improved by 10bps to 6.0% and the annualised trading densities increased by 7.0% (6.1% FY22; 1.7% FY21; 3.4% FY20) measured on a 24-month like-for-like basis indicating continuous profitable trade within the portfolio for tenants. Trading densities have fully rebounded and are showing sustained growth. The township, commuter, rural and urban portfolios grew by 12.5%, 9.3%, 7.3% and 5.5%, respectively, while the value centres declined by 1.8% after showing significant growth of 16.4% in FY21. On average, the turnover within the portfolio was 7.0% higher than in the preceding 12 months. Twelve of the 14 retail categories within the portfolio showed growth, in both annualised trading densities and overall turnover.

Footfall is now at 97% compared to pre-COVID-19 levels. The township (101%) and rural (109%) malls' footfall are now consistently ahead of pre-COVID levels, while commuter (86%) and urban (88%) malls continue to lag with regard to a recovery in footfall. There has however been an 11% increase in footfall compared to H1 FY22, with all four portfolio segments showing growth on the corresponding period last year. The trajectory is positive for all segments within the portfolio and the trend of increased basket sizes per visits remains.

The portfolio valuation increased by a like-for-like growth of 3%. Following the disposal and winnowing of non-core assets within the portfolio over the past 24 months, the portfolio average asset size has increased to R411 million, further entrenching the regional and nodal dominance nature of the 34 assets which now make up the core of the portfolio.

We will continue to drive operational efficiencies to manage cost pressures, particularly around security and energy costs. Stakeholder management will also be a key focus area, particularly around community engagements and community forums.

## Operational highlights

- Footfall is trending towards pre-COVID-19 levels, with rural and township centres leading the recovery. Urban and commuter centres are slower to recover at 88% and 86% of pre-COVID-19 levels, respectively.
- Retail vacancies decreased from 2.6% to 2.3%:
  - 11 malls fully let
  - 19 malls with vacancies less than 1 000m$^2$
  - Rural, urban and commuter vacancies decreased to 0.6%, 2.2% and 4.4%, respectively, from 1.5%, 2.9% and 4.7% in FY22.
- Retail reversions of positive 1.6% are steadily improving relative to the prior period at negative 2.4%. Out of the 317 leases renewed, 64% were positive, 15% flat, and only 21% were negative.
- An average lease term of 3.5 years has been attained on recent transactions, relative to the portfolio WALE of 3.4 years.
- Strong rebound in rental collections following the lockdown; now at 99% of billings.
- In-contract escalations of 6.4%, with new leases concluded at an average escalation of 6.5%.
- Retail retention ratio stable at 94%, up from 93% in the prior period.

## Operational efficiencies

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

### Continuous investment in high-yielding photovoltaic (PV) projects

- 9.0% of the electricity consumed in the portfolio is now generated through 17 PV projects.
- Total installed PV plant capacity to date is 12.7MW.
- Three projects of 3.9MWp are under construction at East Rand Mall; 1.72MWp to be completed before March 2023; and Kolonnade Retail Park 1.42MWp and Maluti 786kWp, both to be completed before the end of December 2022.

### Continued energy management spend

- The Queenstown Nonesi LED lighting project, with estimated savings of 300 000kWh, is to be completed before the end of November 2022.

## Footfall and turnover

Compared to the corresponding periods in the prior years, footfall is trending towards pre-COVID-19 levels, with consistent recovery in rural and township shopping centres.

| | Footfall | | |
|---|---|---|---|
| | September 2022 versus September 2019 % | September 2022 versus September 2020 % | September 2022 versus September 2021 % |
| Rural | **109** | **125** | **109** |
| Township | **101** | **119** | **113** |
| Urban | **88** | **107** | **106** |
| Commuter | **86** | **116** | **114** |
| **Total portfolio** | **97** | **118** | **111** |

Annual turnover increased by 7.8% when comparing the 12 months ended 30 September 2022 to 30 September 2021.

| | Movement in annual turnover % | Portfolio exposure based on turnover % |
|---|---|---|
| **Total** | 7.8 | 100.0 |
| Grocery and food | 8.0 | 41.5 |
| Fashion, department and home | 5.4 | 35.8 |
| Other categories | 11.6 | 22.7 |
| **Grocery and food** | | |
| Grocery/supermarket | 7.9 | 31.8 |
| Food | 8.1 | 9.7 |
| **Fashion, department and home** | | |
| Fashion | 7.4 | 23.7 |
| Department stores | 5.2 | 6.3 |
| Home furnishings/art/antiques/décor | (2.3) | 5.8 |
| **Other categories** | | |
| Bottle stores | 40.0 | 2.9 |
| Restaurants and coffee shops | 19.8 | 1.9 |
| Health and beauty | 11.5 | 0.6 |
| Sports utilities/gyms/outdoor goods and wear | 10.9 | 4.2 |
| Accessories | 7.3 | 0.9 |
| Pharmacies | 6.1 | 5.7 |
| Other | 6.1 | 3.8 |
| Cell phones | 5.8 | 1.8 |
| Electronics | 2.8 | 0.9 |

Annualised trading densities (annualised turnover per $m^2$ of occupied space) increased by 7.0%.

| | Township % | Urban % | Rural % | Value Centre % | Commuter % | Total % |
|---|---|---|---|---|---|---|
| **Total** | 12.5 | 5.5 | 7.3 | (1.8) | 9.3 | 7.0 |
| Grocery and food | 13.0 | 5.0 | 8.9 | (1.6) | 12.6 | 8.2 |
| Fashion, department and home | 8.5 | 4.1 | 3.8 | (7.5) | 8.8 | 3.9 |
| Other categories | 15.8 | 8.3 | 9.5 | 5.8 | 5.9 | 9.7 |

| | Annualised trading density growth % |
|---|---|
| **Total** | **7.0** |
| Bottle stores | **29.1** |
| Restaurants and coffee shops | **18.3** |
| Health and beauty | **10.7** |
| Sports utilities/gyms/outdoor goods and wear | **9.1** |
| Grocery/supermarket | **8.4** |
| Food | **7.4** |
| Fashion | **6.8** |
| Accessories | **5.3** |
| Pharmacies | **5.3** |
| Cell phones | **5.1** |
| Other categories | **4.2** |
| Department stores | **3.8** |
| Electronics | **(1.0)** |
| Home furnishings/art/antiques/décor | **(5.8)** |

## Short-term focus areas

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

### Tenant relationships

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

### Customer insights

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

### Operational excellence

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

### People and communities

- Empower community-based service providers to become partners in mall operations
- Continue to invest in corporate social investment initiatives that make a difference in the communities in which we operate.

## Key risks

### Utility supply

Water scarcity remains a risk across the portfolio with interruptions in most cases linked to either local municipal capacity challenges or regional droughts. To protect our assets, fire and domestic water backup tanks have been constructed in high-risk areas. Boreholes have been drilled at shopping centres with constant water outages, thus ensuring that the centres will be able to trade should there be water outages.

We identified centres with high water consumption, with a focus on common areas and cooling systems, and installed smart water meters, enabling us to detect abnormal consumption and take remedial action where necessary. Professional consultants have been appointed to install the domestic and fire water systems at Durban Workshop, Phoenix Plaza and Pine Crest Shopping Centre, with an estimated completion date of April 2023.

### Tenant arrears

Tenant arrears (net of provisions) amounted to R73.5 million on 30 September 2022 compared to R58.3 million at 31 March 2022. Excluding provisions, the balance on 30 September 2022 amounted to R114.9 million compared to R107.9 million at 31 March 2022.

The largest increase in arrears over the period has been due to national tenant disputes with Spar and Truworths, amounting to R7.0 million.  We anticipate resolution of these disputes in H2 FY23. The balance of c.20% has been due to the Ster Kinekor and CNA business rescue process. The business rescue arrears are fully provided for. Encouragingly, there has been no increase in SMME debt over the period. Management remains critically focused on arrears, demonstrated further in the collection statistics provided.

The allowance for the impairment of tenant receivables on 30 September 2022 decreased to R41.4 million from R49.5 million at 31 March 2022.

Bad debts written off for the period 30 September 2022 amounted to R7.0 million (31 March 2022: R33.0 million).

### Sales

Three properties were transferred during H1 FY23:

- Monsterlus Moratiwa Crossing R165.0 million
- Midrand Allandale Industrial Park R91.0 million
- Mbombela Truworths R23.4 million

In aggregate, these sales represent a total value of R279.4 million, at a combined yield of 10.5%.

### Acquisitions

#### Pan Africa Shopping Centre

Vukile has entered into a formal agreement for the purchase of Pan Africa Shopping Centre at a purchase price of c.R421 million for phase 1, and c.R254 million for the planned phase 2, both at a yield of 9.25%. Consent from the City of Johannesburg for the transfer of the leasehold rights to Vukile is in progress. Unconditional approval has been obtained from the Competition Commission. Phase 1 is fully reinstated post the July 2021 unrest and the centre is trading very well. Phase 2 is in the final planning stages, and the 70% pre-let condition has been fulfilled. We anticipate that the construction of phase 2 will commence in January 2023 and will be completed by April 2024.

#### BT Ngebs City

Subsequent to period-end, Vukile and Flanagan & Gerard jointly entered into a formal agreement with the Billion Group to acquire BT Ngebs City for a total purchase price of R800 million (R400 million for Vukile's 50% undivided share). The initial yield in the first year is anticipated to be 9.25%. The acquisition will be a great addition to the Vukile portfolio and is in line with our strategy of owning dominant regional centres in rural and township areas across South Africa. There is significant upside potential from various asset management initiatives. Our plan is to reconfigure vacant space of c.12% to introduce a new anchor tenant, together with some strong national retailers, which will reposition the centre to be better suited to the Mthatha market. The transaction is expected to be completed in H2 FY23.

## VALUATION OF SOUTH AFRICAN PORTFOLIO

The South African portfolio consists of 41 properties with a total GLA of 811 536$m^2$.

The accounting policies of the group require that the directors value the entire portfolio every six months at fair value. Using a discounted cash flow (DCF) methodology, approximately half of the portfolio is valued every six months, on a rotational basis, by registered independent external valuers. The directors have valued the South African property portfolio at R14.6 billion[i] with a forward yield of 8.7% on 30 September 2022. The value of the stable portfolio (excluding sales and acquisitions), at an average value density of R17 997/$m^2$ (retail R18 379/$m^2$), is R411 million or 2.9% higher than the March 2022 value.

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

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

## Top 15 properties by value

Vukile's top 15 properties are all retail assets. They are 86% exposed to national, listed and franchised tenants. These properties comprise 69.3% of the total portfolio value and 55.3% of the total portfolio GLA.

| Property | Location | GLA $m^2$ | Value Rm | % of total portfolio | Valuation R/$m^2$ |
|---|---|---|---|---|---|
| Pinetown Pine Crest | KwaZulu-Natal | 43 343 | 1 133.5 | 7.8 | 26 152 |
| Boksburg East Rand Mall[(i)] | Gauteng | 34 264 | 1 132.3 | 7.8 | 33 046 |
| Durban Phoenix Plaza | KwaZulu-Natal | 24 072 | 868.4 | 5.9 | 36 075 |
| Phuthaditjhaba Maluti Crescent | Free State | 35 741 | 857.9 | 5.9 | 24 003 |
| Pretoria Kolonnade Retail Park | Gauteng | 39 665 | 714.2 | 4.9 | 18 006 |
| Soweto Dobsonville Mall | Gauteng | 26 438 | 654.7 | 4.5 | 24 764 |
| Gugulethu Square | Western Cape | 25 699 | 651.3 | 4.5 | 25 343 |
| Queenstown Nonesi Mall | Eastern Cape | 27 901 | 584.0 | 4.0 | 20 931 |
| Daveyton Shopping Centre | Gauteng | 19 859 | 554.4 | 3.8 | 27 917 |
| Mdantsane City Shopping Centre | Eastern Cape | 36 614 | 554.2 | 3.8 | 15 136 |
| Germiston Meadowdale Mall[(ii)] | Gauteng | 33 156 | 534.0 | 3.7 | 16 106 |
| Moruleng Mall[(iii)] | North West | 25 246 | 489.3 | 3.3 | 19 381 |
| Thohoyandou Thavhani Mall[(iv)] | Limpopo | 17 780 | 480.8 | 3.3 | 27 042 |
| Atlantis City Shopping Centre | Western Cape | 21 983 | 473.8 | 3.2 | 21 553 |
| Roodepoort Hillfox Power Centre | Gauteng | 37 562 | 425.5 | 2.9 | 11 328 |
| **Total top 15 properties** | | **449 323** | **10 108.3** | **69.3** | **22 497** |
| % of total portfolio | | 55.3 | 69.3 | | |
| % of retail portfolio | | 59.1 | 72.3 | | |

(i) *50% undivided share in this property.*
(ii) *67% undivided share in this property.*
(iii) *80% share in the company.*
(iv) *33.33% undivided share in this property.*

## Summary of portfolio changes

| **GLA reconciliation** | **GLA $m^2$** |
|---|---|
| **Balance on 31 March 2022** | **845 659** |
| GLA adjustments | 1 198 |
| Disposals | (35 321) |
| Acquisitions and extensions | — |
| **Balance on 30 September 2022** | **811 536** |

| **Vacancy reconciliation** | **GLA $m^2$** | % |
|---|---|---|
| **Balance on 31 March 2022** | **24 085** | 2.9 |
| Less: Properties sold since 31 March 2022 | (2 291) | 6.5 |
| Remaining portfolio balance on 31 March 2022 | 21 794 | 2.7 |
| Leases expired | 112 259 | |
| Tenants vacated or relocated | 17 731 | |
| Moved from development vacancy | 1 173 | |
| Renewal of expired leases | (55 266) | |
| Leases to be renewed | (45 089) | |
| New letting of vacant space | (28 131) | |
| **Balance on 30 September 2022** | **24 471** | 3.0 |

## PORTFOLIO PROFILES

### Geographic profile

Vukile's portfolio is well represented in most South African provinces. At the same time, it is focused on high-growth nodes and some 77% of the gross income comes from Gauteng, KwaZulu-Natal, Free State and Western Cape.

| | % of gross income | % of GLA |
|---|---|---|
| Gauteng | **38** | **43** |
| KwaZulu-Natal | **22** | **16** |
| Free State | **9** | **9** |
| Western Cape | **8** | **7** |
| Eastern Cape | **8** | **8** |
| Limpopo | **7** | **7** |
| Mpumalanga | **4** | **6** |
| North West | **4** | **4** |

### Sectoral profile

Based on value, 95.8% of the South African portfolio is in the retail sector, followed by 2.3% in the office, 1.1% in the industrial, 0.4% in the motor-related sector and 0.4% in the residential sector.

### Tenant profile

Large national and listed tenants and major franchises account for 85% of our tenants by rentable area. The retail portfolio exposure to national, listed and franchised tenants is 86%.

| | % of rent | | % of GLA | |
|---|---|---|---|---|
| | Retail | Total portfolio | Retail | Total portfolio |
| A – Large national and listed tenants and major franchises | **72** | **71** | **75** | **75** |
| B – National and listed tenants, franchised and medium to large professional firms | **11** | **11** | **11** | **10** |
| C – Other (943 tenants) | **17** | **18** | **14** | **15** |

### Lease expiry profile

Vukile's South African lease expiry profile shows that 19% of the leases based on rentals are due for renewal in 2023. Some 35% of leases are due to expire in 2026 and beyond. Based on GLA, 41% of leases are due to expire in 2026 and beyond.

| | March 2023 | March 2024 | March 2025 | March 2026 | Beyond March 2026 |
|---|---|---|---|---|---|
| % of contractual rent | 19 | 28 | 18 | 10 | 25 |
| Cumulative | 19 | 47 | 65 | 75 | 100 |

| | Vacant | March 2023 | March 2024 | March 2025 | March 2026 | Beyond March 2026 |
|---|---|---|---|---|---|---|
| % of GLA | 3.0 | 16 | 26 | 14 | 12 | 29 |
| Cumulative | 3.0 | 19 | 45 | 59 | 71 | 100 |

### Vacancy profile

The total portfolio's vacancy (based on GLA) increased from 2.9% in March 2022 to 3.0%. The focused in-house leasing drive to fill vacancies resulted in reducing the all-important retail vacancies from 2.6% to 2.3%. The increased office vacancy is mainly due to a single tenant vacating at Sandton Bryanston Ascot. Negotiations with replacement tenants are ongoing. Post the sale of Midrand Allandale Industrial Park, the industrial portfolio is fully let. There has been significant traction in leasing residential units following muted rental growth, with free Wi-Fi offered to tenants.

| Vacancies (% of GLA) | 30 September 2022 % | 31 March 2022 % |
|---|---|---|
| Retail | **2.3** | 2.6 |
| Offices | **25.0** | 4.2 |
| Motor related | **—** | — |
| Industrial | **—** | 6.7 |
| Residential | **2.3** | 12.5 |
| **Total** | **3.0** | 2.9 |

| Vacancies (% of gross rental) | 30 September 2022 % | 31 March 2022 % |
|---|---|---|
| Retail | **2.2** | 2.7 |
| Offices | **4.6** | 6.9 |
| Motor related | **—** | — |
| Industrial | **—** | 6.1 |
| Residential | **11.3** | 23.5 |
| **Total** | **2.3** | 3.0 |

### Individual property vacancy profile

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

| | Vacancy | | | | |
|---|---|---|---|---|---|
| | 30 September 2022 | | 31 March 2022 | | Movement |
| | m$^2$ | % | m$^2$ | % | m$^2$ |
| Pinetown Pine Crest | **247** | **1** | 1 560 | 4 | (1 313) |
| Mdantsane City Shopping Centre | **541** | **1** | 1 571 | 4 | (1 030) |
| Queenstown Nonesi Mall | **434** | **2** | 1 212 | 4 | (778) |
| Durban Workshop | **747** | **4** | 1 236 | 6 | (489) |
| Mbombela Shoprite Centre | **2 668** | **19** | 3 051 | 22 | (383) |
| Johannesburg Houghton 1 West Street | **1 604** | **36** | 1 190 | 27 | 414 |
| Randburg Square | **3 331** | **8** | 2 855 | 7 | 476 |
| Vereeniging Bedworth Centre | **1 358** | **4** | 566 | 2 | 792 |
| Daveyton Shopping Centre | **1 173** | **6** | — | — | 1 173 |
| Sandton Bryanston Ascot Offices | **5 453** | **98** | — | — | 5 453 |

### Leasing profile

Vukile concluded new leases and renewals in excess of 82 000m$^2$ with a contract value of R713.5 million. Tenant retention on the total portfolio was 89%, with retail retention at 94%.

### Rental profile

There were positive reversions of 1.6% (2.5% excluding East Rand Mall) on the retail portfolio. Retail reversions were stronger in the value, rural and township segments, and are starting to show an improvement in the urban and commuter portfolios.

The weighted average base rental rates (excluding recoveries) increased by 3.8% from R148.91/m$^2$ to R154.50/m$^2$ during the year to date.

| Base rental rates (excluding recoveries) | 30 September 2022 R/m² | 31 March 2022 R/m² | Escalation % |
|---|---|---|---|
| Retail | **156.08** | 152.69 | 2.2 |
| Offices | **120.35** | 113.72 | 5.8 |
| Motor related | **202.99** | 196.78 | 3.2 |
| Industrial | **87.96** | 69.48 | 26.6 |
| Residential | **115.10** | 130.63 | (11.9) |
| **Portfolio weighted average base rentals** | **154.50** | 148.91 | 3.8 |

The higher average rental rate growth on industrial properties is due to the sale of Midrand Allandale Industrial Park.

Retail escalations of an average 6.4% were generated by the portfolio. We expect escalations to start increasing in the short term.

| In-contract escalation rates | 30 September 2022 % | 31 March 2022 % |
|---|---|---|
| Retail | **6.4** | 6.4 |
| Offices | **7.5** | 7.5 |
| Motor related | **7.0** | 7.0 |
| Industrial | | 7.5 |
| **Total** | **6.4** | 6.5 |

### Retail tenant profile and exposure

Vukile's tenant exposure is well diversified and low risk, with national tenants representing c.83% of retail rental income.

Our top 10 tenants account for 46% of total rent and 54% of GLA. Foschini and Pepkor are our two single largest tenants, accounting for 7.6% and 7.4% of total rent, respectively.

Our data-driven asset management enables us to identify risk early. It is our strategy to mitigate the risk of overexposure to a single retail group or brand, and we have strategies in place where there is a potential risk. In this way, we mitigate risk but can also respond quickly to opportunities to introduce new retail brands to our portfolio.

### Weighted average lease expiry (WALE)

Vukile has a retail tenant expiry profile based on rent of 2.7 years, with 35% of contractual rental expiring in 2026 and beyond.

### Costs

The largest expense categories contribute 82% to the total expenses. These are government services (47%), rates and taxes (18%), cleaning and security (11%) and property management (6%).

We continuously evaluate methods of containing costs in the portfolio and urge our property managers to implement innovative solutions to achieve this.

The cost-to-income ratio remains challenged by increasing rates and taxes, security, cleaning, innovation and Wi-Fi costs. The pay system was recently removed on all ablution facilities in our centres, which resulted in increased cleaning and security costs, but to the benefit of the communities.

| Net cost-to-income ratio: remaining portfolio | 2017 % | 2018 % | 2019 % | 2020 % | 2021 % | 2022 % | 2023 % |
|---|---|---|---|---|---|---|---|
| All expenses | 15.2 | 15.2 | 16.4 | 15.8 | 18.4 | 16.3 | **16.9** |
| **All expenses, excluding rates and taxes and electricity** | 15.2 | 14.8 | 15.4 | 15.5 | 18.0 | 17.1 | **18.1** |

### Like-for-like net operating income (NOI) growth

The stable portfolio delivered 4.2% NOI growth versus the comparable period in FY22.

| Like-for-like growth (stable portfolio) | 30 September 2022 | 30 September 2021 | % change |
|---|---|---|---|
| Property revenue (Rm) | **727.6** | 695.0 | 4.7 |
| Net property expenses (Rm) | **127.1** | 118.9 | 6.9 |
| Net property income (Rm) | **600.5** | 576.1 | 4.2 |
| Net cost-to-income ratio (%) | **17.5** | 17.1 | |

## PORTFOLIO REVIEW – SPAIN

With over 94% of its GLA let to international and national tenants, Castellana has again showed its strength, nodal dominance and long-term sustainability.

At 30 September 2022 the Spanish portfolio consisted of 16 properties externally valued at €1 012 million, with a GLA of 350 085m², and an average value of €63 million per property. Total property-related assets are valued at €1 105 million, including the 25.7% stake in Lar España.

### OPERATING ENVIRONMENT

#### Operational highlights

Highlights for the period include the following:

- Increasing the stake in Spanish-listed retail-focused SOCIMI Lar España up to 25.7% at an overall average price of €5.25 per share
- A 98.4% portfolio occupancy, with negligible vacancies of 1.6%
- A long and stable portfolio WALE of 12.1 years, and WALE to break at 2.5 years
- Positive rental reversions of 4.60% at an average of €23.9/m² for renewals, relocations and replacements
- Average base rentals: €15.18/m²
- Growing footfall and sales growth trends over the first half of the year continue to outperform national benchmarks. Year to date (Jan – Sep), footfall increased to 97.1% of pre-COVID-19 levels. Sales grew by 10.10% versus 2019
- Further leasing activity, with 105 leases (56 renewals and 49 new leases) covering 17 173m² of GLA signed, represents an incremental annualised NOI of €0.83 million
- New tenants continued to open stores across the portfolio during the first half of the year. New brands have commenced their expansion through Spain and they continue to choose the Castellana platform for brands such as SUSHISOM in Bahía Sur (615m²), PEPCO in Los Arcos (726m²) and LA BOCA TE LÍA in Granaita LC and Habaneras (849m² and 346m², respectively).

#### Asset management in action

Castellana again demonstrated the importance of having specialist retail management by delivering a market-leading set of results, with the portfolio continuing to show its strength and reliability despite the ongoing macro challenges. Castellana strengthened its relationships with key tenants, leading to new store openings, growing rents and low vacancies across the portfolio.

#### Projects

Castellana, through its value-added projects in Los Arcos, Bahía Sur and El Faro, has already let 97.5% of total GLA (only storage and kiosk area remain vacant in Los Arcos). In rental terms, the projects have secured 107.2% of total rent projected. These projects have been improving the main KPIs of the assets and have helped them to become the reference shopping nodes and most convenient shopping centres in its area of influence, with the most extensive tenant offering.

In Los Arcos, 97.5% of the project's GLA is signed, meanwhile in El Faro and Bahía Sur 100% of both projects' GLA is already signed.

We consider the projects completed and successful having delivered a cash-on-cash return of 10.02%.

#### Economic overview

While we are witnessing strength in the employment and tourism sectors, coupled with a further easing of supply bottlenecks, key indicators have pointed to a contraction in both the manufacturing and services sectors since August 2022. The impact on real disposable income, due to rising prices (+8.1% in 2022 est.), uncertainty related to gas supply disruptions and sharp increases in bank-lending rates (the European Central Bank (ECB) raised interest rates to 2% from 0% in July 2022), is expected to constrain economic activity in the short term.

In Spain, the number of people registered as unemployed fell by 193 871 in March 2022 to 2.9 million in October 2022, leaving the unemployment rate at c.12.5%. When compared to September 2021, labour market figures point to a moderation in the pace of job creation. In September, retail sales increased by +0.5% year-on-year. The Consumer Confidence Index for June stands at 65.8 points, which represents 10.2 points less than the figure for the previous month. This notable drop in the index is due to both the decline in the assessment of the current situation and consumer expectations going forward.

Beyond the near term, growth is expected to accelerate after the headwinds (expected to impact activity over the coming winter) dissipate and inflation returns to sustainable levels. However, the expected improvement assumes that gas supply disruptions cease to be a binding constraint on activity as the weather improves and alternative supplies are gradually phased in. Real GDP growth is projected to recover in the course of 2023 due to:

- Abating inflationary pressures putting less downward pressure on real disposable income. The ECB expects inflation to slowly recover to around 2% by 2024;
- Remaining supply bottlenecks unwinding;
- Recovery of foreign demand; and
- Export price competitiveness improving against key trading partners such as the United States.

#### Castellana growth plan

Castellana's portfolio has been trading very well during H1 FY23. Sales and footfall kept a very positive trend during the past six months, with variations of +12.7% and -2.0%, respectively, compared to 2019. This clearly conveys not only that Castellana's portfolio has recovered significantly versus 2019, beating the benchmark, but also that the active asset management activity in the last months is beginning to bear fruit in the form of improved KPIs. This performance reinforces the dominance and resilience of the portfolio.

### Business review

Castellana continues to be in a very good position despite the negative macro-economic environment. Consumption declines forecasted by economists have not yet manifested in the portfolio performance, where sales are still increasing and some tenants are showing double-digit growth. Having refinanced a large part of the portfolio in February 2022, Castellana created a buffer against rising interest rates as these will not impact the Castellana profit and loss significantly, with c.96% of all debt hedged. Active asset management in the portfolio and also active fiscal and balance sheet management have left the business in very good shape as all the key metrics are reflecting.

Half-year valuations have been penalised by the macro environment, however, the portfolio has grown in value as the completed value-added projects have gathered momentum and valuers have been able to see the success of those projects. The entire portfolio has suffered rises in discount rates (IRR) by 50bps, however, the overall value has grown thanks to stronger gross revenue, partly from inflation but also from improved performance through leasing activity.

### Footfall, sales and collections performance

#### Footfall and sales

| | Apr 2022 % | May 2022 % | Jun 2022 % | Jul 2022 % | Aug 2022 % | Sep 2022 % |
|---|---|---|---|---|---|---|
| Change in footfall from April 2022 to September 2022 (versus the corresponding months in 2019) | **(0.3)** | **(3.9)** | **(1.3)** | **(6.0)** | **(0.7)** | **0.8** |

Castellana has seen a mixed trend in footfall during this period with ups and downs month by month. The portfolio is approaching the reference of 2019 (97.1% YTD Sep 2022 versus YTD Sep 2019).

Sales have performed above 2019 since February 2022. We have seen a stable trend in our portfolio that confirms the recovery.

| | Apr 2022 % | May 2022 % | Jun 2022 % | Jul 2022 % | Aug 2022 % | Sep 2022 % |
|---|---|---|---|---|---|---|
| Change in sales from April 2022 to September 2022 (versus the corresponding months in 2019) | **17.3** | **12.3** | **15.7** | **6.9** | **17.2** | **15.2** |

In terms of categories, DIY and Pets continue to be the best categories, vastly improving since 2019. Sales in two of our key categories, namely Fashion and Accessories and Food and Beverage, are above 2019 levels during the last few months, becoming a positive sign of recovery. Due to the higher weight of DIY and Pets in our Retail Parks, their performance continues to be better than our shopping centres although both are positive compared to 2019.

A high 94% of Castellana's rentable area is let to tenants that are national and international brands.

### Short-term focus areas

#### Tenant and industry engagement

Now that the pandemic is considered to have passed, the new challenge with tenants is rising inflation. CPI-linked escalations are mandatory for 99.5% of our lease agreements. So far, in the last six months, we have indexed all of the leases due to be indexed in the period, some of them at the highest rates ever, such as Mercadona increasing by 10% in Minimum Guaranteed Rent. Around 5% of the leases have already been indexed and the rest will take place in January 2023. While most have thus far accepted the high CPI increases, we expect some pushback from tenants if CPI persists at higher levels.

However, the strength of the portfolio and the close relationships with tenants will minimise the impact while still showing growth, albeit slightly lower than headline CPI levels.

H1 FY23 occupancy stands at 98.4%, placing Castellana among the best in the industry. Our aim will be to keep growth sustainable in the long run, maintaining occupancy at the current levels or better, while monitoring tenant affordability.

#### Debt provider engagement

Castellana continues to engage with its debt providers who fully support the business and are satisfied with Castellana's balance sheet strength and cash position. We are confident in Castellana's ability to remain comfortably within its LTV interest cover and net yield on debt covenant levels. In September 2022, Castellana completed the €35.9 million capex facility drawdown and fixed over 95% of the current debt at a fixed rate. Castellana's average debt maturity stands over four years.

Castellana Properties was awarded a BBB- investment grade long-term rating with a stable outlook. Fitch, a premier international rating agency, positively assessed our stability, active management, quality of our portfolio, increased rents, and improved cash flow.

This rating confirms the quality of the management team and our position as one of the leading retail real estate SOCIMIs in the Spanish market.

## Collections

Collection rate for the period: 99.03%

| Collections from April 2022 to September 2022 | Apr 2022 | May 2022 | Jun 2022 | Jul 2022 | Aug 2022 | Sep 2022 |
|---|---|---|---|---|---|---|
| Total net invoiced amount (€m)* | 5.8 | 5.8 | 5.7 | 6.1 | 6.2 | 6.0 |
| Total collected (%) | 99.1 | 99.2 | 99.1 | 98.9 | 99.7 | 98.1 |
| Total outstanding (%) | 1.0 | 0.8 | 1.0 | 1.2 | 0.3 | 1.9 |

* *Not considering net turnover rent, €1 444 562 invoiced in FY23.*

Recent months are always higher as there has not been sufficient arrears management. The more time the collection team spends on recovering the amounts the lower the arrears rate.

### Tenant arrears

Tenant arrears amounted to €1.2 million (R21 million) at 30 September 2022, and were reduced significantly from the prior year (September 2021) when arrears stood at €3.1 million. Castellana's in-house property administration team collected 99.03% of monthly rental invoices.

The allowance for the impairment of tenant receivables at 30 September 2022 decreased to €1.02 million (R18.1 million) (30 September 2021: €1.3 million).

## VALUATION OF SPANISH PORTFOLIO

The Spanish portfolio was independently valued by Colliers at €1 011.6 million (R17.9 billion) at 30 September 2022 (31 March 2022: €1 000.8 million or R17.1 billion), representing a 1.1% like-for-like increase in value over the period.

During the COVID-19 pandemic, the portfolio declined in value by 2.6%, however, the current valuation as at 30 September 2022 demonstrates the strength of the portfolio with a like-for-like increase of 1.3% versus the pre-COVID-19 portfolio value as at 30 September 2019.

The fair value of the portfolio is estimated using RICS' Red Book methodology with a DCF approach, which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. Cap rates have been increased by 50bps across all assets in the portfolio to reflect rising interest rates to curb inflation. The estimated rental stream considers current occupancy levels, estimates of future vacancy levels, the terms of contractual leases and expectations of rentals from future leases over the remaining economic life of the buildings.

### Real estate market in Spain

Retail investment activity in H1 FY22 started very positively with more than €1.2 billion in total transaction volume, exceeding 2021 by almost 23%. Most of the transacted volume was led by French and German long-term and income-focused investors looking for dominant and stable assets. The market witnessed strong appetite for dominant shopping centres, supermarket portfolios and supermarket-anchored retail parks. Highlights include:

- Retail parks: Savills IM bought from City Grove Bahía Real, a recently developed c.GLA 25 000m² retail park located in Santander, for c.€62 million. Similarly, AEW bought Alcora Plaza from Goldman Sachs, a former Ikea box transformed into a 15 000m² retail park located in Alcorcón (Madrid), for c.€40 million. More opportunistically, Frey purchased Parque Mediterraneo, a dominant 66 000m² retail park in Murcia for c.€83 million.
- Shopping centres: Lighthouse bought from Bogaris Torrecardenas, a dominant 60 000m² shopping centre and retail park in Almeria for c.€172 million. Similarly, Frey bought a recently developed 40 000m² shopping centre located in Barcelona for c.€127 million.

While the first half of 2022 has been very positive for the investment market generally, recent rises in interest rates implemented by the ECB to curb inflation have increased the cost of debt significantly. When considering the additional uncertainty around the evolution of private consumption, most investors have reassessed their investment strategies and are now adopting a "wait and see" approach. On the other hand, most sellers hold reasonably levered assets or portfolios and for now are reluctant to reduce their pricing expectations. Thus, in the short term we do not expect a very active investment market until uncertainty around the macro-economic environment dissipates.

## Portfolio overview

### Top 10 properties by value

Castellana is now 100% retail focused. Cumulatively, 97% of tenants are international and national tenants. These properties comprise 91.4% of the total portfolio value, 91.5% of the total portfolio rent and 84% of the total portfolio GLA.

| Property | Location | GLA m² | Value €m | % of total portfolio | Valuation €/m² |
|---|---|---|---|---|---|
| El Faro* | Extremadura | 40 618 | 172.8 | 17.1 | 4 254 |
| Bahía Sur | Andalucia | 35 297 | 149.9 | 14.8 | 4 247 |
| Los Arcos* | Andalucia | 26 648 | 139.2 | 13.8 | 5 224 |
| Granaita Retail Park | Andalucia | 54 389 | 106.8 | 10.6 | 1 964 |
| Vallsur | Castilla Leon | 35 212 | 80.8 | 8.0 | 2 295 |
| Habaneras | Com. Valenciana | 25 021 | 88.3 | 8.7 | 3 529 |
| Puerta Europa | Andalucia | 29 783 | 74.4 | 7.4 | 2 498 |
| Parque Oeste | Madrid | 13 604 | 52.3 | 5.2 | 3 844 |
| Parque Principado | Asturias | 16 090 | 38.1 | 3.8 | 2 368 |
| Marismas del Polvorín | Andalucia | 18 220 | 28.6 | 2.8 | 1 570 |
| **Total top 10 properties** | | **294 882** | **931.20** | **92.2** | **3 158** |
| % of total portfolio | | 84 | 92 | | |

* *Excluding valuations of development properties.*

### Summary of portfolio changes

| GLA reconciliation | GLA m² |
|---|---|
| **Balance as at 31 March 2022** | 350 271 |
| GLA adjustments | (186) |
| **Balance as at 30 September 2022** | **350 085** |
| Areas under development | — |
| Non-lettable area | — |
| GLA excluding areas under development | 350 085 |

| Vacancy reconciliation | GLA m² | % |
|---|---|---|
| **Balance as at 31 March 2022** | 5 642 | 1.61 |
| Vacancy movement | (194) | |
| **Balance as at 30 September 2022** | **5 448** | **1.56** |

## PORTFOLIO PROFILES

### Geographic profile

The geographic distribution of the Spanish portfolio is indicated in the table below. Some 90% of the gross income comes from Andalucia, Extremadura, Com. Valenciana and Castilla Leon.

| | % of rental income | % of GLA |
|---|---|---|
| Andalucia | 52 | 49 |
| Extremadura | 20 | 21 |
| Com. Valenciana | 9 | 7 |
| Castilla Leon | 9 | 9 |
| Madrid | 5 | 6 |
| Asturias | 3 | 4 |
| Murcia | 2 | 4 |

### Sector profile

Based on value, 100% of the Spanish portfolio is in the retail sector.

## Tenant profile

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

| | % of rental income | % of GLA |
|---|---|---|
| Large national and international tenants | **94** | **94** |
| Local tenants (100 tenants) | **6** | **6** |

## Expiry profile

Castellana has a 12.1-year tenant expiry profile and 2.5 years to break with 58% of contractual rental expiring in 2031 and beyond.

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

### Total portfolio

| | March 2023 % | March 2024 % | March 2025 % | March 2026 % | March 2027 % | March 2028 % | March 2029 % | March 2030 % | March 2031 % | March 2032 % | Beyond March 2032 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| % of contractual rent | 4 | 6 | 7 | 5 | 4 | 5 | 5 | 3 | 4 | 4 | 53 |
| Cumulative | 4 | 10 | 17 | 22 | 26 | 31 | 36 | 39 | 43 | 47 | 100 |

| | Vacant | March 2023 % | March 2024 % | March 2025 % | March 2026 % | March 2027 % | March 2028 % | March 2029 % | March 2030 % | March 2031 % | March 2032 % | Beyond March 2032 % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % of GLA | 1 | 7 | 4 | 5 | 2 | 2 | 4 | 4 | 3 | 3 | 2 | 63 |
| Cumulative | 1 | 8 | 12 | 17 | 19 | 21 | 25 | 29 | 32 | 35 | 37 | 100 |

## Break profile

The break profile (the date upon which the tenant has an option to terminate the lease prior to the expiry date) as a percentage of contractual rent is shown below.

### Total portfolio

| | March 2023 % | March 2024 % | March 2025 % | March 2026 % | March 2027 % | March 2028 % | March 2029 % | March 2030 % | March 2031 % | March 2032 % | Beyond March 2032 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| % of contractual rent | 17 | 24 | 19 | 18 | 7 | 9 | 2 | 1 | 2 | — | 1 |
| Cumulative | 17 | 41 | 60 | 78 | 85 | 94 | 96 | 97 | 99 | 99 | 100 |

## Vacancy profile

The portfolio's vacancy rate at 30 September 2022 was 1.6%.

| **Vacancies (% of GLA)** | **30 September 2022 %** | 31 March 2022 % |
|---|---|---|
| Shopping centres | **2.3** | 2.3 |
| Retail parks | **0.6** | 0.8 |
| **Total** | **1.6** | 1.6 |

### Rental profile

The Castellana portfolio's weighted average rental has decreased marginally to €15.18/m².

| | 30 September 2022 €/m² | 31 March 2022 €/m² | Escalation % |
|---|---|---|---|
| Shopping centres | 19.39 | 19.43 | (0.2) |
| Retail parks | 10.07 | 10.07 | — |
| **Portfolio weighted average base rentals** | **15.18** | 15.17 | (0.2) |

### Costs

Service charges are the most significant expense and represent 74.1% of total property expenses. Service charges mainly include utilities, cleaning, marketing, security and management. Property tax is another significant expense representing 12.3% of the total property expenses.

## INVESTMENT IN LAR ESPAÑA

Following its initial investment into Lar España to acquire 21.7% in January 2022, Castellana took advantage of the lower share price to acquire an additional 4.0% stake in Lar España, bringing its shareholding in the company to 25.70%.

Lar España continues to perform well for us as a financial investment. Key operational metrics point to a strong level of trading similar to that of our own portfolio in Spain. We remain of the view that the share price is not reflective of the strength of the retail assets and of the business as a whole. Based on Lar España's last set of results (H1 FY22), the company continues to offer a high FFO yield with attractive capital growth potential over the medium to long term.

The initial 21.7% shareholding was acquired at €5.35. Subsequent shares were acquired at an average price of €4.74. Our current shareholding of 25.7% was acquired at an overall average price of €5.25.

As the largest shareholder in the business, we remain long-term investors in Lar España.

## PROSPECTS FOR THE GROUP

Against a worsening global macro backdrop, Vukile continues to perform very well, both in South Africa and Spain, demonstrating the strength and defensive nature of its assets. Our internal focus on driving operational efficiencies and excellence is certainly bearing fruit, as evidenced by this strong set of results in both markets.

Underlying tenant demand remains strong and we expect competition for space to continue into the second half of the current financial year. Of significant importance is the long debt expiry profile and high hedging percentage, especially in Spain, which effectively eliminates refinance risk for the next four years.

Notwithstanding the strong strategic, operational and financial state of the company, we need to remain cautious, given the challenging macro environment. However, we are pleased to keep guidance for the full year unchanged, at growth in both FFO per share and dividends per share of 5 – 7% for the year ending 31 March 2023.

## SUBSEQUENT EVENTS

### I. DECLARATION OF DIVIDEND

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

The board approved an interim dividend on 29 November 2022 of 47.32 cents for the six months ended 30 September 2022 amounting to R464 million. The dividend represents a payout ratio of 59% of total group FFO.

### II. DREAM

During October 2022, a share buy-back was implemented by DREAM, whereby Vukile's entire investment in the joint venture was bought back for c.€2.2 million at NAV. Vukile has now exited the DREAM investment.

In line with IAS 10, the share buy-back (that occurred after the end of the reporting period) is a non-adjusting event that is not recognised in the financial statements at 30 September 2022.

### III. INVESTMENT IN REIMAGINE SOCIAL IMPACT RETAIL FUND AND ALT CAPITAL PARTNERS

After the end of the reporting period, Vukile acquired a 33% stake in Alt Capital Partners (a private equity real estate investment manager) for a nominal consideration. ALT Capital Partners is a black-owned FSCA licensed private equity management company founded by Ben Kodisang. A service level agreement is in place for Vukile to provide the investment manager with property-related services.

The REimagine Social Impact Retail Fund (the Fund) was founded by ALT Capital Partners to target small convenience retail in rural and township locations in South Africa. Vukile has a commitment of R200 million into the Fund, which commitment will in part be contributed by selling two assets (ie, Rustenburg Edgars building and Piet Retief SC) to the fund for c.R172 million with the balance committed in cash.

In line with IAS 10, the investment in Alt Capital Partners, the commitment to the Fund and the sale of two assets (that occurred after the end of the reporting period) would each be considered a non-adjusting event that is not recognised in the financial statements.

### IV. BT NGEBS CITY

Subsequent to the period-end, Vukile and Flanagan & Gerard jointly entered into a formal agreement to acquire BT Ngebs City for a total purchase price of R800 million (R400 million for Vukile's 50% undivided share). Refer to further detail under 'Acquisitions' in the South Africa portfolio review.

In line with IAS 10, the acquisition is a non-adjusting event that is not recognised in the financial statements.

## BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2022, and comparative information, have been prepared in accordance with, and containing the information required by, International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Announcements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, IAS 34, and relevant sections of the Companies Act, 71 of 2008, as amended (Companies Act).

All accounting policies applied by the group in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied by the group in its consolidated financial statements for the year ended 31 March 2022, except where new standards have been introduced as disclosed in note 1.2.

Preparation of the unaudited condensed consolidated interim financial statements was supervised by Laurence Cohen CA(SA) in his capacity as chief financial officer. These unaudited condensed consolidated interim financial statements have not been reviewed or reported on by Vukile's independent external auditors.

On behalf of the board

**NG Payne**
*Chairman*

**LG Rapp**
*Chief executive officer*

Houghton Estate

29 November 2022

## VUKILE PROPERTY FUND LIMITED

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

**JSE sponsor:** Java Capital
**NSX sponsor:** IJG Group, Windhoek, Namibia
**Executive directors:** LG Rapp (chief executive), LR Cohen (chief financial officer), IU Mothibeli (managing director: South Africa)
**Non-executive directors:** NG Payne (chairman)*, SF Booysen*, RD Mokate*, H Ntene*, GS Moseneke, B Ngonyama*, AMSS Mokgabudi*
* *Independent*

**Registered office:** 4th Floor, 11 Ninth Street, Houghton Estate, 2198
**Company secretary:** J Neethling
**Transfer secretaries:** JSE Investor Services (Pty) Ltd, Braamfontein, Johannesburg
**Investor relations:** Instinctif Partners, The Firs, 3rd Floor, Corner Craddock Avenue and Biermann Road, Rosebank, Johannesburg, South Africa, Tel: +27 11 447 3030
**Media relations:** Marketing Concepts, 8 Redhill Road, Morningside, Sandton, Johannesburg, South Africa, Tel: +27 11 783 0700, Fax: +27 11 783 3702

**www.vukile.co.za**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2022

| | Unaudited 30 September 2022 Rm | Unaudited 30 September 2021 Rm | Audited 31 March 2022 Rm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | **35 877** | 33 232 | 33 597 |
| Investment property | **32 568** | 31 172 | 30 535 |
| Straight-line rental income accrual | **406** | 350 | 326 |
| Financial assets at fair value through profit or loss (FVTPL) | **370** | 525 | 406 |
| Equity investment at fair value through other comprehensive income (FVTOCI) | **1 651** | — | 1 452 |
| Investment in associate at fair value | **—** | 568 | — |
| Investment in associate (equity accounted) | **124** | 13 | 120 |
| Investment in joint venture (equity accounted) | **52** | 54 | 48 |
| Derivative financial instruments | **216** | 132 | 260 |
| Long-term loans granted | **302** | 246 | 278 |
| Other non-current assets | **188** | 172 | 172 |
| **Current assets** | **1 305** | 2 825 | 1 128 |
| Trade and other receivables | **354** | 464 | 309 |
| Derivative financial instruments | **65** | — | 40 |
| Current taxation assets | **13** | 3 | 12 |
| Other current assets | **12** | 22 | 15 |
| Cash and cash equivalents | **861** | 1 248 | 565 |
| Non-current assets held for sale | **—** | 1 088 | 187 |
| **Total assets** | **37 182** | 36 057 | 34 725 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | **18 722** | 17 265 | 17 568 |
| Stated capital | **13 138** | 12 838 | 13 138 |
| Other components of equity | **3 689** | 3 233 | 2 529 |
| Retained earnings | **1 895** | 1 194 | 1 901 |
| **Non-controlling interest** | **1 192** | 1 629 | 1 082 |
| **Non-current liabilities** | **14 968** | 13 230 | 14 197 |
| Interest-bearing borrowings | **14 180** | 12 245 | 13 333 |
| Lease liability | **278** | 180 | 272 |
| Share scheme liability | **15** | — | 1 |
| Derivative financial instruments | **253** | 597 | 373 |
| Deferred taxation liabilities | **37** | 32 | 33 |
| Other non-current liabilities | **205** | 176 | 185 |
| **Current liabilities** | **2 300** | 3 933 | 1 878 |
| Trade and other payables | **651** | 641 | 610 |
| Short-term portion of interest-bearing borrowings | **1 582** | 3 193 | 1 163 |
| Short-term portion of lease liability | **19** | 17 | 18 |
| Short-term portion of share scheme liability | **41** | — | — |
| Derivative financial instruments | **5** | 80 | 79 |
| Current taxation liabilities | **—** | — | 5 |
| Shareholders for dividends | **2** | 2 | 3 |
| **Total equity and liabilities** | **37 182** | 36 057 | 34 725 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2022

| | Unaudited 30 September 2022 Rm | Unaudited 30 September 2021 Rm | Audited 31 March 2022 Rm |
|---|---|---|---|
| Property revenue | **1 762** | 1 742 | 3 485 |
| Straight-line rental income accrual | **79** | 12 | (10) |
| **Gross property revenue** | **1 841** | 1 754 | 3 475 |
| Property expenses | **(623)** | (608) | (1 238) |
| Change in expected credit loss (ECL): tenant receivables | **11** | 1 | (24) |
| **Net profit from property operations** | **1 229** | 1 147 | 2 213 |
| Corporate and administrative expenses | **(148)** | (152) | (296) |
| Investment and other income | **59** | 242 | 393 |
| Fair value movement on non-designated portion of CCIRS | **(27)** | (52) | (59) |
| **Profit before finance costs** | **1 113** | 1 185 | 2 251 |
| Finance costs | **(384)** | (357) | (809) |
| **Profit after finance costs** | **729** | 828 | 1 442 |
| Loss/(profit) on disposals | **(2)** | 1 | (36) |
| Loss on realisation of derivative | **(9)** | (44) | (59) |
| Fair value gain/(loss) on financial instruments | **7** | (12) | 3 |
| Impairments | **—** | — | 1 |
| **Profit before changes in fair value of investment property** | **725** | 773 | 1 351 |
| **Fair value adjustments:** | **405** | 156 | 652 |
| Gross change in fair value of investment property | **477** | 165 | 637 |
| Change in fair value of right-of-use asset | **7** | 3 | 5 |
| Straight-line rental income adjustment | **(79)** | (12) | 10 |
| **Profit before equity-accounted investment** | **1 130** | 929 | 2 003 |
| Share of income/(loss) from associate | **3** | (3) | 27 |
| Share of loss from joint venture | **(1)** | (1) | (4) |
| **Profit before taxation** | **1 132** | 925 | 2 026 |
| Taxation | **(9)** | (24) | (34) |
| **Profit for the period** | **1 123** | 901 | 1 992 |
| Attributable to owners of the parent | **1 065** | 843 | 1 909 |
| Attributable to non-controlling interest | **58** | 58 | 83 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2022

| | Unaudited 30 September 2022 Rm | Unaudited 30 September 2021 Rm | Audited 31 March 2022 Rm |
|---|---|---|---|
| **Profit for the period** | **1 123** | 901 | 1 992 |
| **Other comprehensive income (OCI) net of tax** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Equity investments designated at fair value through OCI | **(105)** | — | (156) |
| Fair value adjustment on equity investments | **(105)** | — | (156) |
| **Items that are/will be reclassified to profit or loss:** | | | |
| Foreign currency translation reserve | **860** | (35) | (675) |
| Associate | **—** | (2) | (3) |
| Joint venture | **5** | — | (3) |
| Subsidiary | **855** | (33) | (669) |
| Cash flow hedges | **100** | 51 | 153 |
| Interest rate swaps | **119** | 51 | 151 |
| Barrier option | **(19)** | — | 2 |
| **Other comprehensive income/(loss) for the period** | **855** | 16 | (678) |
| **Total comprehensive income for the period** | **1 978** | 917 | 1 314 |
| Attributable to owners of the parent | **1 831** | 846 | 1 264 |
| Attributable to non-controlling interest | **147** | 71 | 50 |

# RECONCILIATION OF EARNINGS TO HEADLINE EARNINGS

for the six months ended 30 September 2022

| | **Unaudited 30 September 2022** | | Unaudited 30 September 2021 | | Audited 31 March 2022 | |
|---|---|---|---|---|---|---|
| | **Rm** | **Cents per share** | Rm | Cents per share | Rm | Cents per share |
| Profit attributable to owners of the parent | **1 065** | **108.65** | 843 | 88.15 | 1 909 | 199.10 |
| **Earnings and diluted earnings** | **1 065** | **108.65** | 843 | 88.15 | 1 909 | 199.10 |
| Change in fair value of investment property (net of allocation to non-controlling interest) | **(456)** | **(46.55)** | (158) | (16.47) | (601) | (62.73) |
| Remeasurement of right-of-use asset | **(7)** | **(0.71)** | (3) | (0.29) | (5) | (0.48) |
| Loss/(profit) on sale of investment property | **1** | **0.11** | (1) | (0.08) | (1) | (0.14) |
| Loss/(profit) on joint operation transactions | **1** | **0.07** | — | — | (1) | (0.08) |
| Loss of control of subsidiary | **—** | **—** | — | — | 17 | 1.75 |
| Impairment of investment in associate | **—** | **—** | — | — | 8 | 0.81 |
| Remeasurement included in equity-accounted earnings of associate | **—** | **—** | — | — | (38) | (3.98) |
| **Headline and diluted headline earnings** | **604** | **61.57** | 681 | 71.31 | 1 288 | 134.25 |
| Number of shares in issue | **980 226 628** | | 956 226 628 | | 980 226 628 | |
| Weighted average number of shares | **980 226 628** | | 956 226 628 | | 958 593 751 | |

There are no dilutionary shares in issue.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2022

| | Stated capital Rm | Other components of equity Rm | Retained earnings Rm | Total shareholders' interest Rm | NCI Rm | Total Rm |
|---|---|---|---|---|---|---|
| **Balance at 30 September 2021** | 12 838 | 3 233 | 1 194 | 17 265 | 1 629 | 18 894 |
| Issue of share capital | 300 | — | — | 300 | — | 300 |
| Dividend | — | — | (388) | (388) | (21) | (409) |
| | 13 138 | 3 233 | 806 | 17 177 | 1 608 | 18 785 |
| Profit for the period | — | — | 1 066 | 1 066 | 25 | 1 091 |
| Transfer to non-distributable reserve | — | (29) | 29 | — | — | — |
| Transactions with NCI | — | — | — | — | (545) | (545) |
| Change in ownership of a subsidiary recognised in equity | — | (39) | — | (39) | 39 | — |
| Equity-settled share scheme | — | 12 | — | 12 | 1 | 13 |
| Other comprehensive loss | — | (648) | — | (648) | (46) | (694) |
| **Balance at 31 March 2022** | **13 138** | **2 529** | **1 901** | **17 568** | **1 082** | **18 650** |
| Dividend | **—** | **—** | **(640)** | **(640)** | **(32)** | **(672)** |
| | **13 138** | **2 529** | **1 261** | **16 928** | **1 050** | **17 978** |
| Profit for the period | **—** | **—** | **1 065** | **1 065** | **58** | **1 123** |
| Transfer to non-distributable reserve | **—** | **431** | **(431)** | **—** | **—** | **—** |
| Equity-settled share scheme | **—** | **(37)** | **—** | **(37)** | **(5)** | **(42)** |
| Other comprehensive income | **—** | **766** | **—** | **766** | **89** | **855** |
| **Balance at 30 September 2022** | **13 138** | **3 689** | **1 895** | **18 722** | **1 192** | **19 914** |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the six months ended 30 September 2022

| | **Unaudited 30 September 2022 Rm** | Unaudited 30 September 2021 Rm | Audited 31 March 2022 Rm |
|---|---|---|---|
| Cash flow from operating activities | **965** | 943 | 2 054 |
| Cash flow from investing activities | **111** | 733 | 356 |
| Cash flow from financing activities | **(812)** | (1 443) | (2 823) |
| **Net increase in cash and cash equivalents** | **264** | 233 | (413) |
| Foreign currency movements in cash | **32** | 12 | (25) |
| Cash and cash equivalents at the beginning of the period | **565** | 1 003 | 1 003 |
| **Cash and cash equivalents at the end of the period[(i)]** | **861** | 1 248 | 565 |
| **Major items included in the above:** | | | |
| **Cash flow from operating activities** | **965** | 943 | 2 054 |
| Profit before tax | **1 132** | 925 | 2 026 |
| Adjustments[(ii)] | **(111)** | 87 | (39) |
| Working capital adjustments | **(51)** | (51) | 91 |
| Taxation paid | **(5)** | (18) | (24) |
| **Cash flow from investing activities** | **111** | 733 | 356 |
| Proceeds on sale of investment property | **252** | 957 | 1 218 |
| Acquisition of investment property and development costs | **(126)** | (346) | (549) |
| Acquisition of investment in equity instruments at fair value through other comprehensive income | **(158)** | — | (1 600) |
| Proceeds on sale of listed securities | **47** | — | 501 |
| Loss of control of subsidiary | **—** | — | 530 |
| Investment and other income | **84** | 119 | 308 |
| Other | **12** | 3 | (52) |
| **Cash flow from financing activities** | **(812)** | (1 443) | (2 823) |
| Interest-bearing borrowings advanced | **1 933** | 3 781 | 8 974 |
| Interest-bearing borrowings repaid | **(1 514)** | (3 636) | (9 169) |
| Finance costs paid | **(351)** | (307) | (646) |
| Dividends paid | **(672)** | (968) | (1 376) |
| Equity transactions with NCI | **—** | — | (545) |
| Proceeds from issue of share capital | **—** | — | 300 |
| Settlement of derivatives | **(136)** | (285) | (324) |
| Other | **(72)** | (28) | (37) |

(i) *Tenant deposits of c.R1 million are held in custody on behalf of tenants and are not available for general use by the group and are therefore treated as restricted cash.*

(ii) *Adjustments to cash flows from operating activities for 30 September 2022 include fair value gain on investment property of R477 million, finance costs of R384 million and fair value loss on equity investments of R15 million.*

# SUMMARISED OPERATING SEGMENT REPORT

for the six months ended 30 September 2022

| | South Africa | | | Spain | | | |
|---|---|---|---|---|---|---|---|
| | Retail Rm | Other Rm | Total Rm | Retail Rm | Other Rm | Total Rm | Total group Rm |
| **Income for the year ended 30 September 2022** | | | | | | | |
| Revenue[i] | 728 | 30 | 758 | 570 | — | 570 | 1 328 |
| Property expenses[i] | (109) | (7) | (116) | (62) | — | (62) | (178) |
| **Net income from property operations** | 619 | 23 | 642 | 508 | — | 508 | 1 150 |
| Corporate and administrative expenses | (81) | (3) | (84) | (64) | — | (64) | (148) |
| Investment and other income | 24 | 1 | 25 | — | — | — | 25 |
| Finance income | 2 | 16 | 18 | — | — | — | 18 |
| Net interest from CCIRS | 15 | 1 | 16 | — | — | — | 16 |
| Loss on realisation of derivative | — | (9) | (9) | — | — | — | (9) |
| **Income before finance costs** | 579 | 29 | 608 | 444 | — | 444 | 1 052 |
| Finance costs | — | (268) | (268) | (112) | (4) | (116) | (384) |
| **Income before equity-accounted income** | 579 | (239) | 340 | 332 | (4) | 328 | 668 |
| Share of income from associate | — | 3 | 3 | — | — | — | 3 |
| Share of loss from joint venture | — | (1) | (1) | — | — | — | (1) |
| **Income before taxation** | 579 | (237) | 342 | 332 | (4) | 328 | 670 |
| Taxation | (9) | 3 | (6) | — | — | — | (6) |
| **Income** | 570 | (234) | 336 | 332 | (4) | 328 | 664 |
| Net income attributable to NCI | — | (3) | (3) | — | (33) | (33) | (36) |
| **Attributable to Vukile group** | 570 | (237) | 333 | 332 | (37) | 295 | 628 |
| Non-IFRS adjustments | — | 8 | 8 | — | 155 | 155 | 163 |
| Early termination of derivative | — | — | — | — | 58 | 58 | 58 |
| Accrued dividends | — | (1) | (1) | — | 97 | 97 | 96 |
| Non-cash impact of IFRS entries | — | 9 | 9 | — | — | — | 9 |
| **FFO** | 570 | (229) | 341 | 332 | 118 | 450 | 791 |

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

# SUMMARISED OPERATING SEGMENT REPORT continued

for the six months ended 30 September 2022

| | South Africa | | | Spain | | | |
|---|---|---|---|---|---|---|---|
| | Retail Rm | Other Rm | Total Rm | Retail Rm | Other Rm | Total Rm | Total group Rm |
| **Statement of financial position at 30 September 2022** | | | | | | | |
| **ASSETS** | | | | | | | |
| **Non-current assets** | 14 400 | 1 756 | 16 156 | 18 054 | 1 667 | 19 721 | 35 877 |
| Investment property | 14 001 | 620 | 14 621 | 17 947 | — | 17 947 | 32 568 |
| Straight-line rental income accrual | 399 | 7 | 406 | — | — | — | 406 |
| Financial assets at fair value through profit or loss | — | 370 | 370 | — | — | — | 370 |
| Equity investments at fair value through other comprehensive income | — | — | — | — | 1 651 | 1 651 | 1 651 |
| Investment in associate (equity accounted) | — | 124 | 124 | — | — | — | 124 |
| Investment in joint venture (equity accounted) | — | 52 | 52 | — | — | — | 52 |
| Derivative financial instruments | — | 216 | 216 | — | — | — | 216 |
| Long-term loans granted | — | 302 | 302 | — | — | — | 302 |
| Other non-current assets | — | 65 | 65 | 107 | 16 | 123 | 188 |
| **Current assets** | 229 | 673 | 902 | 327 | 76 | 403 | 1 305 |
| Trade and other receivables | 192 | 62 | 254 | 95 | 5 | 100 | 354 |
| Derivative financial instruments | — | 65 | 65 | — | — | — | 65 |
| Current taxation | — | 13 | 13 | — | — | — | 13 |
| Other current assets | — | — | — | | 12 | 12 | 12 |
| Cash and cash equivalents | 37 | 533 | 570 | 232 | 59 | 291 | 861 |
| **Total assets** | | | | | | | 37 182 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity attributable to the owners of the parent** | | | | | | | 18 722 |
| **Non-controlling interest** | | | | | | | 1 192 |
| **Non-current liabilities** | 278 | 5 828 | 6 106 | 205 | 8 657 | 8 862 | 14 968 |
| Interest-bearing borrowings | — | 5 542 | 5 542 | — | 8 638 | 8 638 | 14 180 |
| Lease liability | 278 | — | 278 | — | — | — | 278 |
| Share scheme liability | — | 3 | 3 | — | 12 | 12 | 15 |
| Derivative financial instruments | — | 253 | 253 | — | — | — | 253 |
| Deferred tax | — | 30 | 30 | — | 7 | 7 | 37 |
| Other non-current liabilities | — | — | — | 205 | — | 205 | 205 |
| **Current liabilities** | 288 | 1 693 | 1 981 | 214 | 105 | 319 | 2 300 |
| Trade and other payables | 288 | 145 | 433 | 214 | 4 | 218 | 651 |
| Short-term portion of interest-bearing borrowings | — | 1 522 | 1 522 | — | 60 | 60 | 1 582 |
| Short-term portion of lease liability | — | 19 | 19 | — | — | — | 19 |
| Short-term portion of share scheme liability | — | — | — | — | 41 | 41 | 41 |
| Derivative financial instruments | — | 5 | 5 | — | — | — | 5 |
| Shareholders for dividends | — | 2 | 2 | — | — | — | 2 |
| **Total equities and liabilities** | | | | | | | 37 182 |

| | Southern Africa | | | Spain | | | |
|---|---|---|---|---|---|---|---|
| | Retail Rm | Other Rm | Total Rm | Retail Rm | Other Rm | Total Rm | Total group Rm |
| **Income for the period ended 30 September 2021** | | | | | | | |
| Revenue[i] | 780 | 35 | 815 | 440 | 49 | 489 | 1 304 |
| Property expenses[i] | (133) | (5) | (138) | (25) | (6) | (31) | (169) |
| **Net distributable income from property operations** | 647 | 30 | 677 | 415 | 43 | 458 | 1 135 |
| Corporate and administrative expenses | (81) | (4) | (85) | (88) | 21 | (67) | (152) |
| Investment and other income | 154 | 7 | 161 | — | — | — | 161 |
| Finance income | 2 | 12 | 14 | — | — | — | 14 |
| Net interest from CCIRS | 64 | 3 | 67 | — | — | — | 67 |
| Loss on realisation of derivative | — | (44) | (44) | — | — | — | (44) |
| **Distributable income before finance costs** | 786 | 4 | 790 | 327 | 64 | 391 | 1 181 |
| Finance costs | (34) | (210) | (244) | (107) | (6) | (113) | (357) |
| **Distributable income before equity-accounted income** | 752 | (206) | 546 | 220 | 58 | 278 | 824 |
| Share of loss from associate | — | (3) | (3) | — | — | — | (3) |
| Share of loss from joint venture | — | (1) | (1) | — | — | — | (1) |
| **Distributable income before taxation** | 752 | (210) | 542 | 220 | 58 | 278 | 820 |
| Taxation | (24) | 14 | (10) | — | — | — | (10) |
| **Distribution income** | 728 | (196) | 532 | 220 | 58 | 278 | 810 |
| Net distributable income attributable to non-controlling interests | — | (2) | (2) | — | (48) | (48) | (50) |
| **Attributable to Vukile group** | 728 | (198) | 530 | 220 | 10 | 230 | 760 |
| Non-IFRS adjustments | — | 3 | 3 | — | — | — | 3 |
| Early termination of derivative | — | (76) | (76) | — | — | — | (76) |
| Accrued dividends | — | 76 | 76 | — | — | — | 76 |
| Non-cash impact of IFRS 16 – *Leases* | — | 3 | 3 | — | — | — | 3 |
| **FFO** | 728 | (195) | 533 | 220 | 10 | 230 | 763 |

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

# SUMMARISED OPERATING SEGMENT REPORT continued

for the six months ended 30 September 2022

| | Southern Africa | | | Spain | | | |
|---|---|---|---|---|---|---|---|
| | Retail Rm | Other Rm | Total Rm | Retail Rm | Other Rm | Total Rm | Total group Rm |
| **Statement of financial position at 30 September 2021** | | | | | | | |
| **ASSETS** | | | | | | | |
| **Non-current assets** | 13 762 | 2 356 | 16 118 | 16 100 | 1 014 | 17 114 | 33 232 |
| Investment property | 13 441 | 721 | 14 162 | 16 012 | 998 | 17 010 | 31 172 |
| Straight-line rental income accrual | 321 | 29 | 350 | — | — | — | 350 |
| Financial assets at fair value through profit or loss | — | 525 | 525 | — | — | — | 525 |
| Investment in associate at fair value | — | 568 | 568 | — | — | — | 568 |
| Investment in associate (equity accounted) | — | 13 | 13 | — | — | — | 13 |
| Investment in joint venture (equity accounted) | — | 54 | 54 | — | — | — | 54 |
| Derivative financial instruments | — | 132 | 132 | — | — | — | 132 |
| Long-term loans granted | — | 246 | 246 | — | — | — | 246 |
| Other non-current assets | — | 68 | 68 | 88 | 16 | 104 | 172 |
| **Current assets** | 1 323 | 455 | 1 778 | 564 | 483 | 1 047 | 2 825 |
| Trade and other receivables | 227 | 131 | 358 | 95 | 11 | 106 | 464 |
| Current taxation | — | 3 | 3 | — | — | — | 3 |
| Other current assets | — | — | — | 22 | — | 22 | 22 |
| Cash and cash equivalents | 55 | 274 | 329 | 447 | 472 | 919 | 1 248 |
| Non-current assets held for sale | 1 041 | 47 | 1 088 | — | — | — | 1 088 |
| **Total assets** | | | | | | | 36 057 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity attributable to the owners of the parent** | | | | | | | 17 265 |
| **Non-controlling interest** | | | | | | | 1 629 |
| **Non-current liabilities** | 180 | 5 190 | 5 370 | 176 | 7 684 | 7 860 | 13 230 |
| Interest-bearing borrowings | — | 4 591 | 4 591 | — | 7 654 | 7 654 | 12 245 |
| Lease liability | 180 | — | 180 | — | — | — | 180 |
| Derivative financial instruments | — | 575 | 575 | — | 22 | 22 | 597 |
| Deferred tax | — | 24 | 24 | — | 8 | 8 | 32 |
| Other non-current liabilities | — | — | — | 176 | — | 176 | 176 |
| **Current liabilities** | 322 | 2 609 | 2 931 | 995 | 7 | 1 002 | 3 933 |
| Trade and other payables | 305 | 55 | 360 | 274 | 7 | 281 | 641 |
| Short-term portion of interest-bearing borrowings | — | 2 475 | 2 475 | 718 | — | 718 | 3 193 |
| Short-term portion of lease liability | 17 | — | 17 | — | — | — | 17 |
| Derivative financial instruments | — | 77 | 77 | 3 | — | 3 | 80 |
| Shareholders for dividends | — | 2 | 2 | — | — | — | 2 |
| **Total equity and liabilities** | | | | | | | 36 057 |

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 September 2022

## 1. GENERAL ACCOUNTING POLICIES

### 1.1 BASIS OF PREPARATION

#### Estimates

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

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

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

#### Judgements

Judgement is applied in certain areas based on historical experience and reasonable expectations relating to future events. In determining the lease term per IFRS 16, management applies its judgement in considering all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (and periods after termination options) are only included in the lease term if it is reasonably certain to be extended or not terminated.

#### Going concern

Going concern is assessed on an ongoing basis by conducting appropriate procedures and considering all available information about the future. For the current reporting period, the directors have considered the group's projected cash flows for a period of 12 months following the date of issue of these financial statements and have concluded that the group will be able to meet its financial obligations as they fall due. The projected cash flows are based on operating budgets approved by the board. On this basis, the directors are satisfied that the group will be a going concern for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

### 1.2 NEW STANDARDS AND AMENDMENTS

The group has adopted the following amendments to standards which were effective for the first time for the financial period commencing 1 April 2022. These amendments had no impact on the group.

- The amendment to IAS 16 – *Property, Plant and Equipment* prohibits a company from deducting from the cost of property, plant and equipment any amounts received from selling items produced while the company is preparing the asset for its intended use.
- The amendment to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* clarifies which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- The amendment to IFRS 1 – *First-time Adoption of International Financial Reporting Standards* permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

for the six months ended 30 September 2022

## 2. FAIR VALUE MEASUREMENT

### 2.1 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

### 2.2 FAIR VALUE HIERARCHY

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value.

| | 30 September 2022 | | | |
|---|---|---|---|---|
| | Level 1 Rm | Level 2 Rm | Level 3 Rm | Total Rm |
| **Assets** | | | | |
| Equity investment at fair value through profit or loss | **298** | **—** | **—** | **298** |
| Equity investments at fair value through other comprehensive income | **1 651** | **—** | **—** | **1 651** |
| Executive share scheme financial asset | **129** | **—** | **—** | **129** |
| Derivative financial instruments | **—** | **281** | **—** | **281** |
| **Total** | **2 078** | **281** | **—** | **2 359** |
| **Liabilities** | | | | |
| Executive share scheme financial liability | **—** | **(57)** | **—** | **(57)** |
| Derivative financial instruments | **—** | **(69)** | **(189)** | **(258)** |
| **Total** | **—** | **(126)** | **(189)** | **(315)** |
| **Net fair value** | **2 078** | **155** | **(189)** | **2 044** |

| | 30 September 2021 | | | | 31 March 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 Rm | Level 2 Rm | Level 3 Rm | Total Rm | Level 1 Rm | Level 2 Rm | Level 3 Rm | Total Rm |
| **Assets** | | | | | | | | |
| Investment in associate at fair value | 470 | — | — | 470 | — | — | — | — |
| Equity investment at fair value through profit or loss | 568 | — | — | 568 | 360 | — | — | 360 |
| Equity investments at fair value through other comprehensive income | — | — | — | — | 1 452 | — | — | 1 452 |
| Executive share scheme financial asset | 95 | — | — | 95 | 109 | — | — | 109 |
| Derivative financial instruments | — | 132 | — | 132 | — | 300 | — | 300 |
| **Total** | 1 133 | 132 | — | 1 265 | 1 921 | 300 | — | 2 221 |
| **Liabilities** | | | | | | | | |
| Executive share scheme financial liability | — | (40) | — | (40) | — | (63) | — | (63) |
| Derivative financial instruments | — | (268) | (409) | (677) | — | (220) | (232) | (452) |
| **Total** | — | (308) | (409) | (717) | — | (283) | (232) | (515) |
| **Net fair value** | 1 133 | (176) | (409) | 548 | 1 921 | 17 | (232) | 1 706 |

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

## 2. FAIR VALUE MEASUREMENT continued

### 2.2 FAIR VALUE HIERARCHY continued

#### Equity investment at fair value

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

#### Executive share scheme financial assets and liabilities

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

#### Derivative financial instruments

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

#### Measurement of fair value

The methods and valuation techniques used to measure fair value are unchanged compared to the previous reporting period.

### 2.3 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (INVESTMENT PROPERTY)

At 30 September 2022, the directors valued the South African property portfolio at R14.6 billion (31 March 2022: R14.5 billion), and an external valuer valued the Spanish portfolio at R17.9 billion (31 March 2022: R16.2 billion).

The external valuations performed by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd at 30 September 2022 on 48% of the South African portfolio were in line with the directors' valuations. The Spanish portfolio was valued by Colliers International.

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

The estimated fair value would increase/(decrease) if the expected market rental growth was higher/(lower), expected expense growth was lower/(higher), the vacant periods were shorter/(longer), the occupancy rate was higher/(lower), the rent-free periods were shorter/(longer), the discount rate was lower/(higher), and/or the reversionary capitalisation rate was lower/(higher).

The most significant inputs are the discount rate and the reversionary capitalisation rate. The inputs used in the valuations were:

| | **Unaudited 30 September 2022** | | | | Audited 31 March 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Discount rate %** | | **Reversionary capitalisation rate %** | | Discount rate % | | Reversionary capitalisation rate % | |
| | **Range** | **Weighted average** | **Range** | **Weighted average** | Range | Weighted average | Range | Weighted average |
| South Africa | **12.7 to 19.6** | **13.5** | **7.9 to 15.3** | **8.9** | 12.7 to 19.6 | 13.5 | 7.7 to 15.3 | 9.0 |
| Spain | **7.8 to 10.0** | **8.6** | **5.0 to 6.9** | **6.1** | 7.3 to 9.5 | 8.1 | 5.0 to 6.9 | 6.1 |

## 2. FAIR VALUE MEASUREMENT continued

### 2.3 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (INVESTMENT PROPERTY) continued

**South Africa**

The discount rate and reversionary capitalisation rate have been disaggregated based on geography. The table below also illustrates the impact on valuations resulting from changes in base discount rates as well as NOI for year one and the capitalisation year.

| South African directly held property portfolio | Portfolio exposure % | Average discount rate % | Average exit capitalisation rate % | Valuation impact if base discount rate is increased by 50bps % | Valuation impact of 50% NOI reduction in year one % | Valuation impact of 5% NOI reduction in capitalisation year % | Valuation impact of 5% NOI reduction in cash flow in capitalisation year % |
|---|---|---|---|---|---|---|---|
| Total portfolio | 100 | 13.4 | 8.9 | (5.6) | (4.1) | (3.5) | (5.1) |
| Retail | 96 | 13.4 | 8.9 | (5.6) | (4.1) | (3.5) | (5.1) |
| Other | 4 | 13.7 | 10.1 | (5.3) | (4.4) | (2.6) | (5.3) |
| Gauteng | 40 | 13.3 | 8.9 | (5.7) | (4.0) | (3.6) | (5.1) |
| KwaZulu-Natal | 20 | 13.4 | 8.8 | (5.5) | (4.1) | (3.3) | (5.1) |
| Western Cape | 9 | 13.2 | 8.9 | (5.6) | (4.1) | (3.4) | (5.0) |
| Free State | 9 | 13.1 | 8.6 | (5.8) | (4.0) | (3.6) | (5.1) |
| Eastern Cape | 8 | 13.6 | 9.1 | (5.4) | (4.1) | (3.5) | (5.0) |
| Limpopo | 6 | 13.9 | 9.1 | (5.1) | (4.6) | (3.3) | (5.0) |
| North West | 4 | 13.9 | 9.2 | (5.6) | (4.2) | (3.4) | (5.0) |
| Mpumalanga | 4 | 15.0 | 10.5 | (4.9) | (4.7) | (3.5) | (5.1) |

Given that the discount rate for the portfolio ranges from 12.7 to 19.6, the table above has been further disaggregated based on risk showing discount rates below 14%, between 14% – 16% and above 16%. Refer to the following three tables:

| Discount rate below 14% | Portfolio exposure % | Average discount rate % | Average exit capitalisation rate % | Valuation impact if base discount rate is increased by 50bps % | Valuation impact of 50% NOI reduction in year one % | Valuation impact of 5% NOI reduction in capitalisation year % | Valuation impact of 5% NOI reduction in cash flow in capitalisation year % |
|---|---|---|---|---|---|---|---|
| Total portfolio | 70 | 12.9 | 8.4 | (5.9) | (3.9) | (3.5) | (5.1) |
| Retail | 67 | 12.9 | 8.4 | (5.9) | (3.8) | (3.6) | (5.1) |
| Other | 3 | 13.0 | 9.2 | (5.8) | (4.5) | (2.4) | (5.4) |
| Gauteng | 29 | 12.8 | 8.3 | (6.0) | (3.8) | (3.6) | (5.1) |
| KwaZulu-Natal | 18 | 13.2 | 8.6 | (5.5) | (4.0) | (3.3) | (5.1) |
| Western Cape | 6 | 12.7 | 8.6 | (5.8) | (4.0) | (3.4) | (5.1) |
| Free State | 6 | 12.7 | 7.9 | (6.3) | (3.6) | (3.8) | (5.1) |
| Eastern Cape | 4 | 13.2 | 8.6 | (5.7) | (3.9) | (3.6) | (5.0) |
| Limpopo | 4 | 12.8 | 8.1 | (6.1) | (3.6) | (3.7) | (5.0) |
| North West | 3 | 13.2 | 8.4 | (5.8) | (3.8) | (3.6) | (5.0) |

## 2. FAIR VALUE MEASUREMENT continued

### 2.3 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (INVESTMENT PROPERTY) continued

| Discount rate between 14% and 16% | Portfolio exposure % | Average discount rate % | Average exit capitalisation rate % | Valuation impact if base discount rate is increased by 50bps % | Valuation impact of 50% NOI reduction in year one % | Valuation impact of 5% NOI reduction in capitalisation year % | Valuation impact of 5% NOI reduction in cash flow in capitalisation year % |
|---|---|---|---|---|---|---|---|
| Total portfolio | 26 | 14.2 | 9.7 | (5.0) | (4.5) | (3.4) | (5.1) |
| Retail | 25 | 14.2 | 9.7 | (5.1) | (4.5) | (3.4) | (5.1) |
| Other | 1 | 14.2 | 11.3 | (4.6) | (4.3) | (2.8) | (5.1) |
| Gauteng | 9 | 14.2 | 9.6 | (5.2) | (4.2) | (3.5) | (5.1) |
| KwaZulu-Natal | 2 | 14.5 | 10.1 | (5.0) | (4.5) | (3.5) | (5.1) |
| Western Cape | 3 | 14.0 | 9.5 | (5.2) | (4.3) | (3.5) | (5.0) |
| Free State | 3 | 14.0 | 10.2 | (4.9) | (4.6) | (3.4) | (5.0) |
| Eastern Cape | 4 | 14.0 | 9.7 | (5.1) | (4.3) | (3.5) | (5.0) |
| Limpopo | 2 | 15.0 | 10.4 | (3.7) | (6.3) | (2.4) | (5.0) |
| Mpumalanga | 3 | 14.3 | 9.5 | (5.3) | (4.3) | (3.6) | (5.1) |

| Discount rate above 16% | Portfolio exposure % | Average discount rate % | Average exit capitalisation rate % | Valuation impact if base discount rate is increased by 50bps % | Valuation impact of 50% NOI reduction in year one % | Valuation impact of 5% NOI reduction in capitalisation year % | Valuation impact of 5% NOI reduction in cash flow in capitalisation year % |
|---|---|---|---|---|---|---|---|
| Total portfolio | 4 | 16.8 | 12.6 | (4.1) | (5.4) | (3.1) | (5.1) |
| Retail | 4 | 16.8 | 12.5 | (4.1) | (5.6) | (3.0) | (5.1) |
| Other | 0[(1)] | 16.9 | 13.7 | (4.0) | (3.8) | (3.4) | (5.3) |
| Gauteng | 2 | 16.4 | 12.1 | (4.2) | (5.0) | (3.3) | (5.1) |
| Limpopo | 1 | 16.3 | 11.7 | (4.2) | (5.1) | (3.2) | (5.0) |
| North West | 0[(1)] | 19.6 | 15.3 | (3.6) | (7.2) | (1.5) | (5.2) |
| Mpumalanga | 1 | 17.2 | 13.6 | (3.9) | (5.9) | (3.2) | (5.3) |

[(1)] *Less than 1%.*

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

for the six months ended 30 September 2022

## 2. FAIR VALUE MEASUREMENT continued

### 2.3 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (INVESTMENT PROPERTY) continued

**Spain**

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

| | 30 September 2022 Variation of discount rate 25bps decrease €'000 | 30 September 2022 Variation of discount rate 25bps increase €'000 |
|---|---|---|
| Retail | **17 620** | **(17 180)** |
| **Theoretical result** | **17 620** | **(17 180)** |

| | 31 March 2022 Variation of discount rate 25bps decrease €'000 | 31 March 2022 Variation of discount rate 25bps increase €'000 |
|---|---|---|
| Retail | 14 960 | (20 270) |
| **Theoretical result** | 14 960 | (20 270) |

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

| | | 25bps increase | | | 25bps decrease | | |
|---|---|---|---|---|---|---|---|
| **South Africa**[1] | **Fair value Rm** | **Decreased fair value Rm** | **Decrease Rm** | **% decrease** | **Increased fair value Rm** | **Increase Rm** | **% increase** |
| 30 September 2022 | **14 608** | **14 197** | **(411)** | **(2.8)** | **15 044** | **436** | **3.0** |
| 31 March 2022 | **14 472** | **14 066** | **(406)** | **(2.8)** | **14 903** | **431** | **3.0** |
| **Spain** | **Fair value €m** | **Decreased fair value €m** | **Decrease Rm** | **% decrease** | **Increased fair value €m** | **Increase Rm** | **% increase** |
| 30 September 2022 | **1 012** | **994** | **(305)** | **(1.7)** | **1 029** | **313** | **1.7** |
| 31 March 2022 | **1 001** | **981** | **(328)** | **(2.0)** | **1 016** | **242** | **1.5** |

[1] *Fair value excludes non-controlling interest in Clidet.*

## 2. FAIR VALUE MEASUREMENT continued

### 2.3 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (INVESTMENT PROPERTY) continued

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value:

| | **Unaudited 30 September 2022 Recurring fair value measurements Level 3 Rm** | Unaudited 30 September 2021 Recurring fair value measurements Level 3 Rm | Audited 31 March 2022 Recurring fair value measurements Level 3 Rm |
|---|---|---|---|
| Investment property | **32 677** | 31 325 | 30 571 |
| Right-of-use asset | **297** | 197 | 290 |

| | **Unaudited 30 September 2022 Non-recurring fair value measurements Level 3 Rm** | Unaudited 30 September 2021 Non-recurring fair value measurements Level 3 Rm | Audited 31 March 2022 Non-recurring fair value measurements Level 3 Rm |
|---|---|---|---|
| Investment property held for sale | **—** | 1 076 | 187 |
| Right-of-use asset held for sale | **—** | 25 | — |

# SA REIT RATIOS

for the six months ended 30 September 2022

## SA REIT FUNDS FROM OPERATIONS (SA REIT FFO)

| | **30 September 2022 Rm** | 30 September 2021 Rm | 31 March 2022 Rm |
|---|---|---|---|
| Profit per IFRS statement of comprehensive income attributable to the parent | **1 065** | 843 | 1 909 |
| **Adjusted for:** | | | |
| Accounting/specific: | | | |
| **Fair value adjustments to:** | **(336)** | (270) | (636) |
| Investment property | **(398)** | (154) | (647) |
| Debt and equity instruments held at fair value through profit or loss | **40** | (197) | (32) |
| Depreciation and amortisation of intangible assets | **2** | 3 | 6 |
| Asset impairments (excluding goodwill) and reversals of impairment | **—** | — | (1) |
| Deferred tax movement recognised in profit or loss | **3** | 14 | 13 |
| Straight-lining operating lease adjustment | **(79)** | (12) | 10 |
| Adjustments to dividends from equity interests held | **96** | 76 | 15 |
| **Adjustments arising from investing:** | | | |
| **Gains or losses on disposal of:** | **2** | (1) | 35 |
| Investment property and property, plant and equipment | **2** | (1) | (2) |
| Subsidiaries and equity-accounted entities held | **—** | — | 37 |
| **Foreign exchange and hedging items:** | **41** | 186 | 31 |
| Fair value adjustments on derivative financial instruments employed solely for hedging purposes | **27** | 54 | 58 |
| Adjustments to amounts recognised in profit or loss relating to derivative financial instruments | **14** | 132 | (27) |
| **Other adjustments:** | **21** | 8 | 3 |
| Adjustments made for equity-accounted entities | **1** | — | (33) |
| Non-controlling interests in respect of the above adjustments | **20** | 8 | 36 |
| **SA REIT FFO** | **793** | 766 | 1 342 |
| **Number of shares outstanding (net of treasury shares)** | **980 226 628** | 956 226 628 | 980 226 628 |
| **SA REIT FFO cents per share** | **80.90** | 80.11 | 136.91 |
| **Company-specific adjustments** | **(2)** | (3) | (6) |
| Depreciation | **(2)** | (3) | (6) |
| **FFO** | **791** | 763 | 1 336 |
| **FFO per share (cents)** | **80.80** | 79.79 | 136.30 |

## SA REIT NAV

| | 30 September 2022 Rm | 30 September 2021 Rm | 31 March 2022 Rm |
|---|---|---|---|
| Reported NAV attributable to the parent | **18 722** | 17 265 | 17 568 |
| **Adjustments:** | | | |
| Dividend declared[1] | **(464)** | (388) | (640) |
| Fair value of derivative financial instruments | **(185)** | 58 | (32) |
| Goodwill and intangible assets | **(3)** | (2) | (3) |
| **SA REIT NAV** | **18 070** | 16 933 | 16 893 |
| **Shares outstanding** | | | |
| Number of shares in issue (net of treasury shares) | **980 226 628** | 956 226 628 | 980 226 628 |
| **SA REIT NAV per share** | **18.43** | 17.71 | 17.23 |

[1] *In order to comply with the SA REIT Best Practice Recommendations (BPR), the 30 September 2021 NAV and NAV per share have been restated to deduct the H1 FY22 dividend declared.*

## SA REIT COST-TO-INCOME RATIO

| Southern Africa portfolio | 30 September 2022 Rm | 30 September 2021 Rm | 31 March 2022 Rm |
|---|---|---|---|
| **Expenses** | | | |
| Operating expenses per IFRS income statement (includes municipal expenses) | **412** | 450 | 899 |
| Administrative expenses per IFRS income statement | **84** | 85 | 157 |
| Excluding: | | | |
| Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets | **(1)** | (3) | (5) |
| **Operating costs** | **495** | 532 | 1 051 |
| **Rental income** | | | |
| Contractual rental income per IFRS income statement (excluding straight-lining) | **758** | 815 | 1 624 |
| Utility and operating recoveries per IFRS income statement | **296** | 312 | 610 |
| **Gross rental income** | **1 054** | 1 127 | 2 234 |
| **SA REIT cost-to-income ratio (%)** | **47.0** | 47.2 | 47.0 |

| Spain portfolio | 30 September 2022 Rm | 30 September 2021 Rm | 31 March 2022 Rm |
|---|---|---|---|
| **Expenses** | | | |
| Operating expenses per IFRS income statement (includes municipal expenses) | **200** | 157 | 363 |
| Administrative expenses per IFRS income statement | **64** | 67 | 139 |
| **Operating costs** | **264** | 224 | 502 |
| **Rental income** | | | |
| Contractual rental income per IFRS income statement (excluding straight-lining) | **570** | 489 | 983 |
| Utility and operating recoveries per IFRS income statement | **138** | 126 | 268 |
| **Gross rental income** | **708** | 615 | 1 251 |
| **SA REIT cost-to-income ratio (%)** | **37.3** | 36.4 | 40.1 |

# SA REIT RATIOS

for the six months ended 30 September 2022 continued

## SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

| Southern Africa portfolio | 30 September 2022 Rm | 30 September 2021 Rm | 31 March 2022 Rm |
|---|---|---|---|
| **Administrative costs** | | | |
| Administrative expenses as per IFRS income statement | **84** | 85 | 157 |
| **Rental income** | | | |
| Contractual rental income per IFRS income statement (excluding straight-lining) | **758** | 815 | 1 624 |
| Utility and operating recoveries per IFRS income statement | **296** | 312 | 610 |
| **Gross rental income** | **1 054** | 1 127 | 2 234 |
| **SA REIT administrative cost-to-income ratio (%)** | **8.0** | 7.5 | 7.0 |

| Spain portfolio | 30 September 2022 Rm | 30 September 2021 Rm | 31 March 2022 Rm |
|---|---|---|---|
| **Administrative costs** | | | |
| Administrative expenses as per IFRS income statement | **64** | 67 | 139 |
| **Rental income** | | | |
| Contractual rental income per IFRS income statement (excluding straight-lining) | **570** | 489 | 983 |
| Utility and operating recoveries per IFRS income statement | **138** | 126 | 268 |
| **Gross rental income** | **708** | 615 | 1 251 |
| **SA REIT administrative cost-to-income ratio (%)** | **9.0** | 10.9 | 11.1 |

## SA REIT GLA VACANCY

| Southern Africa portfolio | 30 September 2022 $m^2$ | 30 September 2021 $m^2$ | 31 March 2022 $m^2$ |
|---|---|---|---|
| GLA of vacant space | **24 471** | 32 908 | 24 085 |
| GLA of total property portfolio | **811 536** | 917 613 | 825 844 |
| SA REIT GLA vacancy rate (%) | **3.0** | 3.6 | 2.9 |

| Spain portfolio | 30 September 2022 $m^2$ | 30 September 2021 $m^2$ | 31 March 2022 $m^2$ |
|---|---|---|---|
| GLA of vacant space | **5 448** | 10 223 | 5 642 |
| GLA of total property portfolio | **350 085** | 350 271 | 350 271 |
| SA REIT GLA vacancy rate (%) | **1.6** | 2.9 | 1.6 |

## SA REIT COST OF DEBT

| 30 September 2022 | ZAR % | EUR % |
|---|---|---|
| **Variable interest rate borrowings** | | |
| Floating reference rate plus weighted average margin | **8.2** | **0.3** |
| **Fixed interest rate borrowings** | | |
| Weighted average fixed rate | **—** | **1.9** |
| **Pre-adjusted weighted average cost of debt** | **8.2** | **2.2** |
| Adjustments: | | |
| Impact of interest rate derivatives | **0.4** | **0.0** |
| Amortised transaction costs imputed into the effective interest rate | **0.1** | **0.0** |
| **SA REIT all-in weighted average cost of debt** | **8.7** | **2.2** |

| 30 September 2021 | ZAR % | EUR % |
|---|---|---|
| **Variable interest rate borrowings** | | |
| Floating reference rate plus weighted average margin | 5.6 | 0.5 |
| **Fixed interest rate borrowings** | | |
| Weighted average fixed rate | — | 1.2 |
| **Pre-adjusted weighted average cost of debt** | 5.6 | 1.7 |
| Adjustments: | | |
| Impact of interest rate derivatives | 1.5 | 0.2 |
| Amortised transaction costs imputed into the effective interest rate | 0.1 | 0.4 |
| **SA REIT all-in weighted average cost of debt**[1] | 7.2 | 2.3 |

| 31 March 2022 | ZAR % | EUR % |
|---|---|---|
| **Variable interest rate borrowings** | | |
| Floating reference rate plus weighted average margin | 6.3 | 0.3 |
| **Fixed interest rate borrowings** | | |
| Weighted average fixed rate | — | 1.9 |
| **Pre-adjusted weighted average cost of debt** | 6.3 | 2.2 |
| Adjustments: | | |
| Impact of interest rate derivatives | 1.3 | 0.0 |
| Amortised transaction costs imputed into the effective interest rate | 0.1 | 0.2 |
| **SA REIT all-in weighted average cost of debt**[1] | 7.7 | 2.4 |

(1) *Excludes impact of CCIRS.*

# SA REIT RATIOS

for the six months ended 30 September 2022 continued

## SA REIT LTV

| | **30 September 2022 Rm** | 30 September 2021 Rm | 31 March 2022 Rm |
|---|---|---|---|
| Gross debt | **15 926** | 15 594 | 14 654 |
| *Less:* | | | |
| Cash and cash equivalents | **(860)** | (1 254) | (565) |
| Cash and cash equivalents balance sheet | **(861)** | (1 254) | (565) |
| Less restricted cash | **1** | — | — |
| *Add/less:* | | | |
| Net derivative financial instruments liability/(asset) | **(186)** | 113 | (33) |
| Forward exchange contracts | **(140)** | (129) | (119) |
| CCIRS | **—** | 80 | 1 |
| Interest rate swaps | **(46)** | 162 | 85 |
| **Net debt** | **14 880** | 14 453 | 14 056 |
| Total assets – per statement of financial position | **37 182** | 36 057 | 34 725 |
| *Less:* | | | |
| Cash and cash equivalents | **(861)** | (1 254) | (565) |
| Tenant deposits [(1)] | **(116)** | (101) | (118) |
| Derivative financial assets: | **(255)** | (184) | (253) |
| Forward exchange contracts | **(203)** | (181) | (246) |
| Cross-currency interest rate swaps | **—** | — | (1) |
| Interest rate swaps | **(52)** | (3) | (6) |
| Goodwill and intangible assets | **(3)** | (2) | (3) |
| Trade and other receivables | **(354)** | (485) | (307) |
| **Carrying amount of property-related assets** | **35 593** | 34 031 | 33 479 |
| **SA REIT LTV %** | **41.8** | 42.5 | 42.0 |

[(1)] *In order to comply with the SA REIT BPR, the 30 September 2021 LTV has been restated to deduct tenant deposits from total assets.*

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