

Powering Growth



POOL
TRANSPORT
POOL TRANSPORT - 2022



FORTRESS

REAL ESTATE INVESTMENTS

Condensed unaudited
consolidated interim
financial statements

for the six months ended 31 December 2022

Directors' commentary

"The 1H2023 reporting period has seen a record low vacancy rate in our logistics portfolio, coupled with solid trading within our retail assets. The successful roll-out of our development pipeline of logistics assets continued as planned. However, the unrelenting electricity crisis in South Africa is now creating headwinds for both us and our tenants and this is requiring our immediate attention. We are confident in addressing the majority of this risk within the next 12 months and view this painful period as an opportunity to progress embedded generation within our assets.

Fortunately, we hold a significant portion of our assets in fast-growing and lower-risk Central and Eastern European countries, which acts as a counterbalance to the South African direct property portfolio. The very strong operational performance of our associate, NEPI Rockcastle, is pleasing and highlights the return of pre-COVID-19 consumer habits as it pertains to bricks and mortar retail shopping. The general trend of rising e-commerce penetration, and a requirement for a strong logistics backbone to any retail offering, continues to provide an underpin to demand and rental growth for our logistics assets.

The company's equity capital structure and our dual-share classes of A and B shares have remained front of mind for us and our shareholders. The board remains open to workable solutions to solve the problem of Fortress' sub-optimal capital structure, but, at this time, is not intending on proposing another potential solution to shareholders in the near term. It is important to note that existing and new shareholders have the option of neutralising their positions as it pertains to the capital structure by acquiring, in equal numbers, both A and B shares, which then allows participation in the equity of Fortress at a large discount to our NAV.

The business is in a solid and robust position to provide growth going forward, and staff and management continue to work tirelessly toward achieving operational excellence. The team's focus on our core strategic goals of disposing of underperforming and non-core assets and using this capital to grow our core portfolios of logistics and retail real estate, with a long-term total return mindset, has made and will continue to make Fortress a dominant player in the markets in which it operates."

Steven Brown, CEO

The ratios disclosed throughout this interim results announcement use the conventions and calculation methodology as per SA REIT Best Practice Recommendations, unless otherwise indicated, per Annexure 1. Ratios showing Fortress' economic interest in assets and liabilities and revenue and expenditure, presented as management accounts in previous reporting periods, are included in Annexure 2 for completeness and comparison purposes.

Refer to Annexure 3 for a glossary of terms used in this interim results announcement.

Review of the 1H2023 reporting period

Highlights for 1H2023 and to the date of this report include:

- A strong operational performance from our associate, NEPI Rockcastle, which exceeded our expectations;
- Asset disposals of R590 million;
- Held for sale assets of R1,7 billion, which bodes well for a record FY2023 year of asset sales;
- Progress on pre-let transactions with 93% of our SA in-progress developments being pre-let;
- Maintaining a low portfolio vacancy of 4,9%;
- Like-for-like retail turnover growth of 7,6%; and
- Spending R1,4 billion on new developments.

Nature of the business

Fortress is a real estate investment company with a focus on developing and letting premium-grade logistics real estate in SA and CEE, as well as growing our convenience and commuter-oriented retail portfolio which currently comprises 51 shopping centres and includes properties co-owned with partners. Fortress also holds a strategic 23,7% interest in NEPI Rockcastle, a retail real estate investor with a EUR6,6 billion portfolio across nine CEE countries.

At 31 December 2022, our property portfolio comprised the following:

Sector	Dec 2022		Jun 2022	
	Direct property portfolio by value R'billion*	As a % of total direct property assets	Direct property portfolio by value R'billion*	As a % of total direct property assets
Logistics – SA [^]	14,7	45,8	13,8	43,9
Logistics – CEE [®]	2,3	7,2	2,1	6,7
Logistics – total	17,0	53,0	15,9	50,6
Retail	10,1	31,5	10,2	32,5
Industrial	3,0	9,3	3,1	9,9
Office [§]	1,7	5,3	1,9	6,0
Other [#]	0,3	0,9	0,3	1,0
Total direct property portfolio	32,1	100,0	31,4	100,0

* Reflecting Fortress' economic interest in wholly-owned and co-owned properties.

[^] Includes landholdings and work-in-progress of R3,8 billion (Jun 2022: R3,5 billion).

[®] Includes development sites of R0,6 billion (Jun 2022: R0,5 billion).

[§] Includes development sites of R0,2 billion (Jun 2022: R0,3 billion).

[#] Comprises a hotel, residential units and serviced apartment properties.

In addition to our property portfolio, we have a 23,7% interest in NEPI Rockcastle valued at R14,8 billion at 31 December 2022.

Listed portfolio	Dec 2022			Jun 2022		
	Number of shares	Fair value R'000	Effective holding %	Number of shares	Fair value R'000	Effective holding %
NEPI Rockcastle	144 008 793	14 842 987	23,7	144 008 793	12 541 725	23,6

Capital structure and REIT status

The capital structure comprises two classes of ordinary shares, each with equal voting rights, but different entitlements to distributions and capital participation on redemption or winding up. The FFA share has a preferential right to capital participation upon winding up or redemption, which is calculated as the 60-day VWAP on the JSE, subject to a floor of R8,11 if redeemed. The FFB share has entitlement to the residual distribution of capital upon winding up.

FFB shares can be issued without issuing FFA shares, however, FFA shares must be issued contemporaneously with an equal number of FFB shares. Investors are able to capture the full equity value of Fortress, at a significant

discount to NAV, by buying FFA and FFB shares in roughly equal numbers. This allows investors to take a neutral stance as it pertains to differences between the share classes.

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

declare any distribution from income earned in that specific income period to either FFA or FFB shareholders.

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

Fortress was required to meet the minimum distribution requirement for a REIT, per the JSE Listings Requirements, being an annual distribution of at least 75% of distributable profit ("Minimum Distribution Requirement"), in respect of FY2022. Fortress' MOI prevents the payment of a

distribution where distributable earnings are less than the FFA dividend benchmark in respect of that period, which was the case for both 1H2022 and 2H2022. In these circumstances, Fortress could not comply with the Minimum Distribution Requirement and, as a consequence, the JSE removed Fortress' REIT status with effect from 1 February 2023.

The removal of our REIT status has tax consequences, impacting both the company and its shareholders, which were outlined in a SENS announcement released on 20 January 2023.

Summary of financial performance

	Dec 2022	Jun 2022	Dec 2021	Jun 2021
Dividend declared per FFA share (cents)	–	–	–	74,70
FFA dividend benchmark per share (cents) [§]	88,32	83,10	84,11	79,14
Dividend declared per FFB share (cents)	–	–	–	–
Distributable earnings (R'000)	800 947	1 707 455	830 507	1 712 709
Shares in issue at the end of the period				
– FFA	1 191 595 172	1 191 595 172	1 191 595 172	1 191 595 172
– FFB	1 093 213 028	1 093 213 028	1 093 213 028	1 093 213 028
– FFA shares held in treasury	26 861 996	26 861 996	26 861 996	–
– FFB shares held in treasury [#]	87 536 353	87 536 353	87 536 353	62 163 124
SA REIT BPR disclosure				
SA REIT NAV per equity share (going concern) [*]	R13,70	R12,22	R12,93	R12,17
SA REIT LTV (%)	36,9	38,7	38,9	36,6
SA REIT FFO (R'000)	1 088 334	1 911 378	814 582	1 746 465
IFRS accounting				
NAV per equity share (going concern) [^]	R14,11	R12,70	R13,05	R12,63

[§] FFA dividend benchmark per share for the six-month income period.

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

^{*} The SA REIT NAV per equity share (going concern) is calculated as NAV, based on SA REIT BPR methodology, divided by all shares in issue, net of treasury shares and dilutive shares.

[^] The NAV per equity share (going concern) for IFRS accounting is calculated as the total NAV per the IFRS statement of financial position divided by the aggregate number of FFA and FFB shares in issue, less shares held in treasury.

Distributable earnings and dividend benchmark

Distributable earnings, based on our communicated Fortress distribution methodology, for 1H2023, were R800,9 million, compared to R830,5 million for the prior comparable six-month period. The distributable earnings for 1H2023 were below the FFA dividend benchmark of R1 028,7 million and accordingly no dividends may be declared by the board.

The dividend benchmark for the FFA share is increased by the lower of CPI or 5,0% over the prior comparable income period, using the CPI figures supplied by Statistics SA. CPI growth for the 1H2023 income period was 7,09% and therefore the FFA benchmark has been escalated by 5,0%. On this basis, the FFA benchmark base is 88,32 cents per share for future comparable income periods.

Given that the board is limited in its authority, by restriction in the MOI, to distribute the retained distributable earnings, it intends to reserve this capital by reducing debt and retaining it in liquid assets for deployment, in time, to resolve the capital structure. For 1H2023, the amount of R800,9 million will be retained in this manner. This capital retained is viewed as distinct from the capital generated from asset sales, which has and will continue to be earmarked for deployment into funding the pipeline of logistics developments, as well as enhancements to the retail portfolio.

The company remains liquid and solvent and the board is willing to declare dividends to shareholders, provided it is authorised to do so and this does not jeopardise the sustainability and predictability of future dividends to shareholders.

NAV

We have no intangible assets on our balance sheet and accordingly our NAV and tangible net asset value are the same. Our NAV has increased from R25,9 billion to R29,1 billion, an increase of 12,4% over the past six months, based on the SA REIT BPR calculation of NAV. The increase related principally to an increase in the NEPI Rockcastle share price from R87,09 to R103,07 at the two respective reporting dates, coupled with retained earnings not distributed.

The SA REIT NAV per equity share at 31 December 2022 was R13,70, compared to R12,22 at 30 June 2022. The SA REIT NAV per equity share is calculated as NAV, based

on the SA REIT BPR methodology, divided by all shares in issue, net of treasury shares and dilutive shares.

Outside of a redemption or winding-up event, the NAV per equity share (going concern), calculated by applying the *pari passu* principle, provides the fairest reflection of the per share NAV for both FFA and FFB shares in a going concern scenario.

The information disclosed uses the SA REIT BPR calculation of NAV.

LTV ratio

The LTV ratio decreased from 38,7% at 30 June 2022 to 36,9% at 31 December 2022. The decrease is primarily as a result of retention of cash from the non-declaration and non-payment of dividends, an increase in the share price of NEPI Rockcastle as noted previously and disposal of non-core assets to the value of R590 million. This was offset by development spend and capital expenditure of R1,4 billion, mainly at the new Pick n Pay site at Eastport, and ongoing developments at Longlake, Clairwood and Cornubia.

The information disclosed uses the SA REIT BPR calculation of LTV.

Energy solutions

The current energy crisis in SA has necessitated an acceleration of our plans to provide consistent power to our tenants at a reasonable cost. Currently, each asset has an individual power plan based on the needs of the tenants and the opportunities and constraints within each asset. The current focus is primarily on our retail portfolio as the logistics tenants, in most instances, already have some form of backup power supply. We expect to have mitigated the majority of the risk of load shedding within our portfolio by December 2023. This cost is estimated to be between R300 million and R400 million, with returns in excess of 10%, on average.

We are implementing a hybrid solution that involves the integration of solar PV plants, generators and batteries, while maintaining connections to the local power grid. The key focus is on embedded generation at each asset, alongside demand management and efficiency initiatives being implemented in conjunction with our tenants.

For the retail portfolio, we have solar PV plants installed and commissioned at 15 centres, with a further six being installed. By June 2023, half of our portfolio of retail assets

will have solar PV installations and we aim to complete similar plants at the remaining properties before the end of June 2024. To meet this goal, we have committed a further R182 million to be spent on these installations. The current installed capacity is 7.49 MWac. During 1H2023, three new installations with a capacity of 1.34 MWac were completed. Internal rates of return on the solar PV investments average 19%, on a pre-tax basis, over a useful life estimate of 20 years.

We currently have 20 landlord-owned generators installed at our shopping centres which feed the common mall areas and some of the tenants. There are 182 tenant-owned and controlled generators within the retail portfolio. The retail portfolio recorded an average of 71 hours of load shedding per month during 1H2023. We spent R4,6 million on diesel during this period, of which 48% has been recovered from tenants, as the generators mainly supply common areas.

We have approved the installation of additional generators and smart meters at 14 shopping centres at a cost of R36,6 million. Post this roll-out, a further 18 shopping centres will also have generators and smart meters installed at an estimated cost of R40,8 million. It is anticipated that these installations will be completed within six months. The installations will integrate the generators into current solar PV installations and allow for future solar PV and battery installations. We believe the requirement

Logistics developments (R3,8 billion asset value)

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

Logistics park	Fortress ownership %	Total GLA of the park m ²	Completed developments (including sold developments) m ²	Available GLA for development m ²	Currently under development or redevelopment		Remaining GLA to be developed m ²
					Let/under offer* m ²	Speculative/unlet m ²	
Louwleria	100	89 656	89 656	–	–	–	–
Eastport	65	420 000	113 764	306 236	184 257	–	121 979
Longlake	100	96 562	55 764	40 798	–	–	40 798
Clairwood	100	300 000	178 130	121 870	53 629	20 514	47 727
Cornubia	50,1	103 568	18 900	84 668	37 563	–	47 105
Total: SA		1 009 786	456 214	553 572	275 449	20 514	257 609

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

for a base load backup solution, in the form of a generator, will remain for the foreseeable future, but with radically reduced running time once renewable production and storage solutions are rolled out. The capital and running costs of these installations will be recovered from tenants.

The logistics portfolio solar PV installation programme is continuing. The immediate need for backup power is largely catered for by the tenants, at their cost, through generators. A typical warehouse uses only a fraction of the roof space for solar PV panels to provide for its own needs, and the larger opportunity within this portfolio is being able to utilise the excess rooftop space for production to supply other users, either within an existing park or within our portfolio.

Direct property portfolio (SA) Logistics portfolio (R10,9 billion asset value)

We continue to see demand for our logistics developments, and our logistics parks continue to attract several high-calibre tenants due to their secure environments and access to excellent transport infrastructure. In addition, our building designs, large yard areas and latest technology enable users to relocate to our superior facilities at a compelling price point. The proximity of our logistics developments to well-located transport corridors enables tenants to service their clients in the best possible turnaround times.

Eastport (65% interest) (R2,1 billion)

Eastport is our largest logistics park development and is located in close proximity to OR Tambo International Airport. The park benefits from its excellent exposure to the R21 highway, which serves as the main logistics corridor from Ekurhuleni to Tshwane and regions further north. In addition, Eastport enjoys excellent transport infrastructure and provides tenants with a safe and secure park environment.

During 1H2023, we completed 18 573m² of speculative logistics facilities. We are in negotiations with two potential blue-chip tenants who both wish to lease this entire property, pending their internal approval processes and certain additional tenant-specific requirements. Our asking rental for this facility is above the levels used in our feasibility assessment at the start of the development.

Construction of the latest pre-let development for Crusader Logistics is on track and within cost budget, on the back of an effective 10-year triple net lease. This 19 787m² logistics property with excellent highway frontage is being developed at an 8,25% yield. The tenant has an option to purchase a 50% undivided share in the building in the third year of occupation, based on the forward net operating income at the time, capped at 125 basis points below the initial yield of 8,25%.

Our largest pre-let development to date is the new super-distribution centre for Pick n Pay, measuring 164 470m². Pick n Pay has agreed a long-term lease at a 7,0% initial yield based on total development cost. In addition, Pick n Pay will purchase a 60% share in the development on completion. A negotiated profit on the transaction provides a return commensurate with the development risk. We are on track to deliver the project on time and within budget, despite volatility in global input prices and local construction challenges. Lease commencement is estimated to be 1 June 2023.

Longlake (R778 million)

Longlake is situated on Marlboro Drive between Linbro and Longmeadow. The area is attracting interest from several other developers for housing and smaller mid-warehousing units. We have completed the latest 19 232m² speculative warehouse at this park. A current tenant within our portfolio will be leasing this asset, with final terms still to be agreed.

Clairwood (R2,7 billion)

Clairwood is situated 11 kilometres from the Durban harbour with superb access to the M4 and N3 highways. The major infrastructure projects such as the spine road, centralised pumps and tanks, two gatehouses with full security and the rehabilitated wetland, have all been completed. This completed infrastructure, together with the presence of various high-profile tenants, enables us to market Clairwood to a variety of high-end tenants who can now get a better perspective of the completed park.

During 1H2023, we completed 29 083m² of logistics facilities, which were let prior to completion to Imperial Logistics and RB Logistics on five-year leases. Both tenants have taken occupation of the completed units.

Construction of the new 15 664m² warehouse for ZacPak is within budget and on schedule for completion in May 2023. ZacPak has entered into a 15-year triple-net lease agreement.

We have furthermore approved the construction of a new 20 514m² warehouse at Clairwood on a speculative basis. In light of the rentals being achieved and demand from prospective tenants, we are confident that we will tenant this building on completion at our envisaged rental.

During 1H2023, we concluded a transaction with Sammar Investments ("Sammar") to develop and lease a 37 965m² premium-grade warehouse, in addition to an existing 24 990m² facility already occupied by Sammar. Sammar is the chosen third-party logistics provider for Sasol South Africa and Sasol has provided a step-in rights agreement to us for the obligations of Sammar. This second lease by a high-quality tenant, after an extensive selection process, further endorses the quality of logistics parks in our portfolio.

On completion of the above three developments, we will only have two remaining land parcels at Clairwood, both of which have excellent visibility from the M4 highway and we anticipate pre-letting these last two logistics facilities prior to the commencement of these developments. Despite the challenges around the ground conditions at Clairwood, which have been solved with innovative engineering, we believe that this development has become a world-class facility in close proximity to the Durban port and major highways.

Cornubia (50,1% interest) (R376 million)

Cornubia is situated on the N2 highway, directly opposite Umhlanga, with highway frontage. The park is anchored by the Makro building which was completed in 2018. During the July 2021 civil unrest, a newly completed building of 23 727m² was destroyed. This building has been demolished and we have received substantially all the insurance proceeds from SASRIA.

During 1H2023, we commenced construction of a new 13 026m² premium-grade warehouse for Retailability which was an existing tenant in the building that was destroyed. This building will be completed in November 2023. We have also concluded a new lease with Dromex, a leading supplier of protective personal equipment to the South African and international markets. Dromex will occupy a new 24 537m² warehouse with highway frontage on a 10-year triple-net lease agreement. In addition to the above developments, we are planning to upgrade the existing security and construct a new gatehouse on the lower platform.

Retail

(R10,1 billion asset value)

Tenant turnover for the 12 months to December 2022 increased by 7,6% compared to the corresponding prior period. This is a notable performance considering the increasing challenges faced by the retail sector, which include increased prevalence and intensity of load shedding, rising interest rates, higher inflation and poor service delivery from local authorities.

Consumers continue to prioritise spend on essential goods and services and this has predominately benefitted non-discretionary spend.

Turnover performance by portfolio is split as follows:

Portfolio split	Comparative turnover growth*	Retail portfolio by value [^]
	%	%
Township centres	16,2	15,3
CBD centres	5,2	26,9
Suburban centres	7,9	35,6
Rural centres	5,0	22,2
Overall retail portfolio	7,6	100,0

* Growth rate for the 12-month period to December 2022, over the 12-month period to December 2021.

[^] Based on Fortress' economic interest in wholly-owned and co-owned retail properties.

The turnover growth of 16,2% at our township centres is distorted, as the previous base period was negatively impacted by the July 2021 riots and civil unrest in Gauteng and KwaZulu-Natal. The strong overall turnover growth in our retail portfolio is supported by shoppers focusing on value, the shift to convenience retail and the government's social grant programme.

Vacancies and reversions

The retail portfolio vacancy at 31 December 2022 remained flat at 3,6%. The portfolio experienced negative rental reversions of 2,2%. Although this is a slight improvement from the previous reporting period, increases in tenant service charges weigh on tenant occupation costs and this limits the landlord's ability to increase rental rates.

Disposals and acquisitions

In line with our strategy of selling non-core retail assets, we disposed of Market Square Grahamstown, an 8 082m² centre, for R117,7 million, a profit of R10,7 million on the 30 June 2021 book value. Philippi Shopping Centre in the Western Cape was sold for R91,1 million, a profit of R1,1 million on the 30 June 2021 book value.

We own 50% of Flamwood Walk (20 159m²) and Flamwood Value Centre (5 111m²) in Klerksdorp in the North West, with Atterbury Group owning the remaining 50%. We have concluded an agreement to purchase Atterbury's 50% share for a total consideration of R185 million, representing an initial anticipated yield of 10,5%. We believe that there is upside potential from asset management initiatives, supported by national tenant demand. Transfer is expected during 2H2023.

Redevelopments and extensions

We completed the redevelopment and extension of Palm Springs Mall during 1H2023. We further extended Food Lover's Market and introduced a new McDonald's drive-through outlet at Weskuis Mall.

The redevelopment at Mahikeng Station Boulevard Centre is nearing completion. The centre is fully let and all the tenants are trading, with the exception of Shoprite which recently took beneficial occupation and is expected to trade from 1 April 2023.

Construction of the 8 370m² extension and refurbishment of Vryheid Plaza is underway with opening planned for October 2023. The project is currently 93% let. New tenants will include Shoprite, Clicks, Sportscene, Studio 88, Jet and Markham.

We concluded a cancellation agreement with Masstores, trading as Game, for the 4 514m² Game premises at Evaton Mall. This space has been reconfigured and let to three tenants, being Boxer Superstore, Nizams and SBK Gym, which are popular among the mall's target market. Boxer commenced trading at the end of January 2023 and is trading above expectation. The remaining tenants are expected to trade before the end of June 2023.

A minor redevelopment has commenced at Morone Shopping Centre, which will enable the introduction of Shoprite to the centre, replacing Choppies as the anchor tenant. This is expected to improve overall trading at the centre.

Retail prospects

Uncertainty due to rising energy costs and the country's macro- and micro-economic outlook will continue to weigh on the retail sector. However, we have a defensive retail portfolio which focuses on the commuter and convenience market, positioning us well to absorb these challenges.

Office (including office developments)

(R1,7 billion asset value)

The office portfolio comprises of predominately B-grade, low-rise office buildings in the northern suburbs of Gauteng. The oversupply of decentralised B-grade offices, coupled with low economic growth, has placed downward pressure on rental rates and upward pressure on vacancy levels. Although the portfolio remains non-core and we are in the process of disposing of these assets, we envisage selectively rejuvenating a number of these properties by installing generators and backup water solutions, while upgrading the façades in order to attract tenants and potential buyers.

We concluded the disposal of four office properties during 1H2023, which included a development site on Rivonia Road, Sandton. In addition, we completed a portion of the super-basement opposite the Sandton Gautrain station, which ensures the structural integrity of the site. We are optimistic about the eventual sale of this non-core development site to a developer or end user, given its location.

In addition, we are nearing the completion of the rezoning of Oxford Manor Illovo for residential purposes and, taking into account the site's location and its visibility to Oxford Road, we are confident in concluding the sale of this property in time.

The persistent load shedding, coupled with employers requiring staff to be at their places of work, is envisaged to gradually translate into lower vacancies.

Industrial

(R3,0 billion asset value)

The industrial portfolio consists of older properties, situated in established areas. These properties generally have established infrastructure with a ready supply of labour in the surrounding areas. Demand is good for our industrial parks, as demonstrated by the decline in vacancies in this portfolio. Rentals are beginning to stabilise and increase as a result of the demand for good quality, older properties by tenants who are increasingly conscious of their total cost of occupation.

Inospace continues to optimise the assets within our R1,2 billion jointly-owned portfolio. The strategy of creating smaller units with a more compelling offering is beginning to bear fruit, with higher rentals and lower vacancies being achieved post optimisation of assets.

Direct property portfolio (CEE)

(R2,3 billion asset value)

We currently have no vacancy in our direct CEE portfolio and anticipate record levels of indexation, in excess of 9%, which will raise the rental levels for the 2023 calendar year with a commensurate increase in NOI.

On the back of demand, we commenced phase 2 of Hall E in Bydgoszcz, measuring 10 289m², with expected completion in May 2023. The current pipeline is approximately 246 482m² of GLA. Enquiries and market demand remain buoyant for new warehousing facilities in Poland.

This portfolio is conservatively geared at 23,2%, with EUR29,7 million of direct debt against real estate assets of EUR127,9 million.

The debt comprises two separate facilities, both ring-fenced and secured by assets, being Eli Park and Bydgoszcz.

Vacancies

Total vacancies, measured as a percentage of GLA, decreased from 5,4% at 30 June 2022 to 4,9% at 31 December 2022.

Sectoral vacancy	Based on GLA Dec 2022 %	Based on GLA Jun 2022 %	Based on rental Dec 2022 [#] %	Based on rental Jun 2022 [#] %
Total	4,9	5,4	4,8	4,7
Logistics – SA	2,9	1,2	3,3	0,9
Retail	3,6	3,6	2,8	2,7
Industrial	5,9	8,2	4,5	7,2
Office	25,7	28,6	26,3	25,7
Other [^]	5,2	4,1	6,2	6,2
Logistics – CEE	0,0	8,3	0,0	7,6

Information based on Fortress' economic interest in wholly-owned and co-owned properties.

[#] Vacancy based on the gross rental (100% of GLA and value) of the building.

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

WALE

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

	Based on GLA Dec 2022 years	Based on GLA Jun 2022 years
Total	3,4	3,3
Logistics – SA	4,0	4,0
Retail	3,3	2,9
Industrial	1,9	2,0
Office	1,8	1,8
Other [^]	4,3	4,8
Logistics – CEE	4,6	5,1

Information based on Fortress' economic interest in wholly-owned and co-owned properties.

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

Property disposals

During 1H2023, a total of 15 properties were sold, which included 14 income-producing properties at a 1,4% premium to book value and one vacant land office site at a 13,5% discount to book value. This is a pleasing result, given the numerous challenges experienced, including regular deeds office closures due to continuous load shedding and delays in obtaining rates clearance certificates.

The following properties have transferred during 1H2023:

Property name	Sector	Net proceeds R'000	Book value Jun 2022 R'000	Transfer date
Market Square Grahamstown [^]	Retail	117 700	117 700	Sep 2022
Philippi Shopping Centre [^]	Retail	91 071	91 080	Aug 2022
Sandton Land – Rivonia Road [§]	Land – office	86 460	99 944	Nov 2022
2 Joyner Road Prospecton [^]	Industrial	79 000	79 000	Sep 2022
Eastport – Building 4 (Clippa) [#]	Logistics	55 644	55 380	Aug 2022
Rigger Road Spartan	Industrial	41 213	34 590	Sep 2022
38 Milkyway Avenue Linbro Park [^]	Industrial	33 500	33 500	Nov 2022
Leslie Office Park Fourways	Office	28 000	28 000	Dec 2022
Chelsea Office Park Rivonia [^]	Office	17 890	17 890	Jul 2022
Megawatt Road Spartan [^]	Logistics	15 050	15 050	Jul 2022
7 and 9 Watkins Street Denver	Industrial	6 600	6 520	Nov 2022
Derrick Coetzee Road Jet Park	Industrial	6 000	5 900	Oct 2022
6 Ivanseth Road Reuven [^]	Industrial	4 000	4 000	Aug 2022
39 Loper Street Spartan [^]	Industrial	3 900	3 900	Aug 2022
13 Wessels Road Rivonia [®]	Office	3 500	3 500	Oct 2022
		589 528	595 954**	

[^] Held for sale at 30 June 2022.

[§] 80% undivided share.

[#] Clippa exercised its option to purchase a 50% undivided share in this property, in which Fortress group owned a 65% undivided share.

[®] 50% undivided share.

** Held for sale assets at 30 June 2022 are equal to the net sale proceeds. If the latest formal valuations are used for assets other than land, this total is R589,4 million.

The following properties were held for sale at 31 December 2022:

Property name	Sector	Net proceeds R'000	Book value Jun 2022 R'000	Transfer date
Eastport – Pick n Pay ⁸	Logistics	1 160 307	1 116 172	*
Tillbury Business Park Midrand	Industrial	171 000	163 160	*
Midrand Protea Hotel [^]	Other – hotel	117 500	117 500	Jan 2023
Secunda Central	Retail	61 000	66 000	*
Cunningham Street Uitenhage	Logistics	47 000	40 400	*
49 Galaxy Avenue Linbro Park	Logistics	44 000	42 130	*
Secunda Square	Retail	32 500	35 500	*
Secunda Town Centre	Retail	24 000	26 500	*
2 and 4 Spanner Road Spartan	Industrial	14 300	14 720	Jan 2023
Secunda Residential	Other – residential	11 500	12 500	*
15 Progress Road New Germany [®]	Industrial	11 400	10 815	Jan 2023
Le Roux Avenue Midrand [^]	Industrial	7 970	7 970	*
		1 702 477	1 653 367	

⁸ Construction of the new Pick n Pay super distribution centre is nearing completion. On completion of the development, Pick n Pay will purchase a 60% undivided share in the property. The estimated transfer date is June 2023. Net proceeds and book value disclosed above represent the selling price and cost, respectively, less costs to complete, both at 31 December 2022.

[^] Held for sale at 30 June 2022.

* Not yet transferred.

[®] 50% undivided share.

ESG

Environmental

At 31 December 2022, we had 22 operational solar PV installations, with a further eight currently being installed across the portfolio. We aim to increase the rate of installations significantly during 2023, as noted earlier in this announcement. While we are in the process of installing additional diesel generators, the overall strategy is to utilise these in a backup capacity. However, in the short term, we will consume more diesel directly, which will negatively impact our direct carbon dioxide emissions.

Our currently installed capacity is 8.988 MWac at 31 December 2022 compared to 7.248 MWac at 30 June 2022. We generated 6 137 MWh of renewable energy during 1H2023 compared to 5 435 MWh in the comparable prior six-month period.

Social

As part of Fortress' ESG strategy, we invest in skills development programmes that assist children and young adults, and enterprise development partnerships, that are supporting owners of small businesses. Our solution-driven community initiatives are scalable, sustainable and aligned to seven of the 17 United Nations Sustainable Development Goals in South Africa.

Our current B-BBEE rating is Level 4.

Governance

Mr Bram Goossens resigned from the board, as member of the audit committee, as member of the social, ethics and sustainability committee and as chairperson of the remuneration committee on 14 February 2023, to pursue other interests.

Mr Ben Kodisang resigned from the board, as member of the audit committee and as member of the property and investment committee on 8 March 2023, to focus his

attention on his recently launched fund, REImagine Social Impact Retail Fund, managed by ALT Capital Partners.

Currency derivatives

We employ currency derivatives to hedge income expected from our associate, NEPI Rockcastle, as noted in the table below. Apart from these forward exchange contracts, we have no other material foreign currency derivatives.

Income from our NEPI Rockcastle investment is hedged in line with the following policy:

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

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

Forward rate against Rand	EUR
Dec 2022	19,55
Jun 2023	19,42
Dec 2023	19,72
Jun 2024	19,98
Dec 2024	20,48
Jun 2025	20,80
Dec 2025	21,32

Funding and liquidity – South Africa

During 1H2023, we repaid two bonds under our DMTN programme of R400 million (three-year) and R500 million (five-year). We refinanced two existing facilities with Absa in November 2022, each for R500 million and both for a five-year term, expiring in November 2027.

As reported in the results announcement for FY2022, we refinanced R1,647 billion of Standard Bank facilities for tenors of four and five years in equal amounts of R823,5 million in November 2022. The ring-fenced facility of R355 million against the Bridge co-owned development, also reported on in the FY2022 announcement, is in place. The R1,126 billion facility, specifically relating to the construction of the new Pick n Pay distribution warehouse at Eastport, is not ring-fenced and is fully available for drawdown by the group.

We have agreed commercial terms with Nedbank to refinance a total of R4,4 billion of facilities. The facility is split into R1,1 billion each in three, four, five and six year tenors at interest rates more favourable than the existing Nedbank facilities.

At the date of this report, we have approximately R2,1 billion available under our existing South African facilities.

Existing South African facilities

Facility expiry	Amount R'million	Average margin over 3-month JIBAR %
Jun 2023	1 000	1,79
Jun 2024	5 020	1,95
Jun 2025	7 893	1,91
Jun 2026	1 428	2,08
Jun 2027	2 582	2,08
Jun 2028	2 351	1,95
Jun 2029	250	1,95
	20 524	1,95

Expiry profile – DMTN

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

Repayment date	Financial year	Amount R'million
Oct 2023	Jun 2024	560
Aug 2024	Jun 2025	795
Oct 2024	Jun 2025	200
Feb 2025	Jun 2025	450
Aug 2026	Jun 2027	405
Feb 2027	Jun 2027	500
Aug 2027	Jun 2028	350
		3 260

Subsequent to 31 December 2022, we entered into new local interest rate swaps with a total nominal amount of R949 million and local interest rate caps with a total nominal amount of R600 million, with the effect that the combined weighted average swap and cap maturity profile is 3,92 years and a combined weighted average swap and cap rate of 6,86%.

Interest rate hedging

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

Interest rate swap expiry	Amount R'million	Average swap rate %
Jun 2024	200	7,47
Jun 2025	1 055	7,07
Jun 2026	2 039	7,01
Jun 2027	1 416	7,03
Jun 2028	989	6,78
Total: Group	5 699	7,00
Less: Non-controlling interest portion	(316)	(0,03)
Total: Fortress' economic interest	5 383	6,97

Interest rate cap expiry	Amount R'million	Average cap rate %
Jun 2023	100	8,21
Jun 2024	400	7,98
Jun 2025	700	7,50
Jun 2026	563	5,11
Jun 2027	1 925	6,23
Jun 2028	3 062	6,81
Jun 2029	900	6,96
Jun 2030	300	8,23
	7 950	6,76

The all-in weighted average cost of local funding of Fortress was 8,64% at 31 December 2022.

Exposure to variable interest rates	R'000
Interest-bearing borrowings	18 191 313
Reduction in interest-bearing borrowings from cash generated from operations [^]	(750 000)
Loans to co-owners	(221 118)
Cash and cash equivalents	(154 281)
Capital commitments contracted for	1 201 083
Capital commitments approved	937 300
Investment property held for sale	(1 702 477)
Estimated proceeds from disposal of assets [*]	(656 000)
	16 845 820
Interest rate derivatives (swaps/caps) – SA [®]	13 333 000
Interest rate derivatives (swaps/caps) – CEE ^{®§}	495 584
Total interest rate derivatives (swaps/caps)	13 828 584

Percentage hedged (%) **82,1**

Information based on Fortress' economic interest in assets and liabilities and interest rate hedging instruments.

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

[®] At the date of this report.

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

[§] Converted at the 31 December 2022 spot exchange rate of EUR/ZAR18,22.

Funding and liquidity – CEE

Our Euro debt exposure consists of EUR29,7 million senior, amortising debt, with an average margin over three-month EURIBOR of 2,44% and maturities in 2025 and 2026.

Our foreign interest rate exposure is hedged through Euro interest rate swaps and caps of EUR27,2 million, equating to 91,5% and an average expiry of 3,7 years. The weighted average hedge rate is -0,02%.

The all-in weighted average cost of Euro-denominated funding is 3,24%.

Prospects

We have revised our distributable earnings guidance for the year ending 30 June 2023 as published on SENS on 21 November 2022 from R1,60 billion to R1,66 billion. The upward revision primarily results from better than expected forecast operational performance and dividends received from NEPI Rockcastle, offset marginally by a rise in interest rates since the previous guidance was published.

This forecast is based on the following assumptions:

Fortress-specific assumptions

- There is no unforeseen failure of material tenants in our portfolio;
- Contractual escalations and market-related renewals will be achieved with no major change in vacancy rates;
- Tenants will be able to absorb the recovery of rising utility costs, municipal rates and electricity interruption costs; and
- The estimated tax payable is R330 million for FY2023.

Macroeconomic and regulatory assumptions

- There is no unforeseen material macroeconomic deterioration in the markets in which Fortress has exposure; and
- The South African Reserve Bank repurchase rate remains unchanged during the forecast period.

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

By order of the board

Steven Brown
CEO

Ian Vorster
CFO

Johannesburg
8 March 2023

Condensed consolidated statement of financial position

at 31 December 2022

	Unaudited Dec 2022 R'000	Audited Jun 2022 R'000	Unaudited Dec 2021 R'000
Assets			
Non-current assets	46 832 041	43 789 250	45 268 468
Investment property	26 847 919	26 142 519	25 213 845
Straight-lining of rental revenue adjustment	472 299	462 339	475 964
Investment property under development	3 523 400	3 623 753	3 340 576
Property	25 778	25 778	25 778
Investment in and loans to associates	15 591 773	13 275 793	15 965 628
Staff scheme loans	63 364	31 166	38 033
Investment in BEE preference shares	307 508	227 902	208 644
Current assets	1 726 360	2 392 908	1 883 288
Staff scheme loans	–	15 795	4 959
Trade and other receivables	1 561 350	1 683 512	1 188 493
Cash and cash equivalents	165 010	693 601	689 836
Non-current assets held for sale	1 702 477	1 406 671	367 300
Investment property and investment property under development held for sale	1 697 978	1 396 384	364 845
Straight-lining of rental revenue adjustment	4 499	10 287	2 455
Total assets	50 260 878	47 588 829	47 519 056
Equity and liabilities			
Total equity attributable to equity holders	29 711 989	26 740 401	27 476 126
Stated capital	45 571 743	45 571 743	45 571 743
Treasury shares	(2 040 884)	(2 040 884)	(2 040 884)
Currency translation reserve	266 845	115 400	151 635
Reserves	(14 085 715)	(16 905 858)	(16 206 368)
Non-controlling interests	220 025	219 300	119 902
Total equity	29 932 014	26 959 701	27 596 028
Total liabilities	20 328 864	20 629 128	19 923 028
Non-current liabilities	15 057 190	13 867 421	14 216 293
Interest-bearing borrowings	14 969 935	13 787 328	14 167 668
Deferred tax	87 255	80 093	48 625
Current liabilities	5 271 674	6 761 707	5 706 735
Trade and other payables	1 140 408	1 231 863	1 156 851
Income tax payable	308 377	200 105	185 457
Interest-bearing borrowings	3 822 889	5 329 739	4 364 427
Total equity and liabilities	50 260 878	47 588 829	47 519 056

Condensed consolidated statement of comprehensive income

for the period ended December 2022

	Unaudited for the six months ended Dec 2022 R'000	Audited for the year ended Jun 2022 R'000	Unaudited for the six months ended Dec 2021 R'000
Recoveries and contractual rental revenue	1 868 995	3 498 823	1 737 658
Straight-lining of rental revenue adjustment	2 924	(52 352)	(48 711)
Revenue from direct property operations	1 871 919	3 446 471	1 688 947
Other income	–	246 702	223 353
Fair value (loss)/gain on investment property, investments and derivative financial instruments	(129 249)	813 006	(333 541)
Fair value (loss)/gain on investment property	(61 319)	223 601	(287 013)
Adjustment resulting from straight-lining of rental revenue	(2 924)	52 352	48 711
Fair value gain on investments	79 605	48 790	29 530
Fair value (loss)/gain on derivative financial instruments	(144 611)	488 263	(124 769)
Property operating expenses	(785 807)	(1 365 912)	(734 057)
Administrative expenses	(106 418)	(214 783)	(105 341)
Reversal of impairment/(impairment) of staff scheme loans	4 447	(6 522)	(1 580)
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme	(27 668)	(49 177)	(23 987)
Reversal of impairment/(impairment) of investments in associates	1 745 033	(2 338 164)	667 782
Income from associates	1 128 710	1 246 336	544 060
– Distributable	608 379	899 616	464 919
– Non-distributable	520 331	346 720	79 141
Profit before net finance costs	3 700 967	1 777 957	1 925 636
Net finance costs	(550 235)	(933 089)	(436 878)
Finance income	16 218	42 240	22 188
– Interest on staff scheme and other	16 218	42 240	22 188
Finance costs	(566 453)	(975 329)	(459 066)
– Interest on borrowings	(707 810)	(1 068 845)	(496 301)
– Capitalised interest	141 357	93 516	37 235
Profit before income tax	3 150 732	844 868	1 488 758
Income tax	(360 531)	(43 071)	17 670
Profit for the period	2 790 201	801 797	1 506 428

Condensed consolidated statement of comprehensive income continued

for the period ended December 2022

	Unaudited for the six months ended Dec 2022 R'000	Audited for the year ended Jun 2022 R'000	Unaudited for the six months ended Dec 2021 R'000
Other comprehensive income net of tax			
Items that may subsequently be reclassified to profit or loss			
Exchange gain/(loss) on translation of associates and subsidiaries	151 445	(13 275)	22 960
Total comprehensive income for the period	2 941 646	788 522	1 529 388
Profit for the period attributable to:			
Equity holders of the company	2 789 793	777 817	1 502 497
Non-controlling interests	408	23 980	3 931
	2 790 201	801 797	1 506 428
Total comprehensive income for the period attributable to:			
Equity holders of the company	2 941 238	764 542	1 525 457
Non-controlling interests	408	23 980	3 931
	2 941 646	788 522	1 529 388
Basic earnings per FFA share (cents)*	132,98	70,33	104,38
Basic earnings per FFB share (cents)*	132,98	(4,38)	29,92
Diluted earnings per FFA share (cents)*	131,93	70,07	103,98
Diluted earnings per FFB share (cents)*	131,93	(4,36)	29,81

* Refer to note: Restatement of earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share for details of the restatement.

Condensed consolidated statement of cash flows

for the period ended December 2022

	Unaudited for the six months ended Dec 2022 R'000	Audited for the year ended Jun 2022 R'000	Unaudited for the six months ended Dec 2021 R'000
Operating activities			
Cash generated from operations	1 388 654	3 031 007	1 399 990
Interest on staff scheme and other	4 262	25 666	14 525
Interest on borrowings (excluding capitalised interest)	(568 097)	(863 101)	(415 906)
Dividends paid	(2 785)	(879 356)	(874 986)
Income tax (paid)/received	(250 145)	3 385	(3 541)
Cash inflow from operating activities	571 889	1 317 601	120 082
Investing activities			
Development and improvement of investment property	(1 301 590)	(2 079 822)	(943 216)
Capitalised interest paid on development of investment property	(141 357)	(93 516)	(37 235)
Acquisition of investment property	(16 786)	(1 388 326)	(546 314)
Disposal of investment property	589 528	577 252	286 750
Decrease of interest in and loans advanced to associate	16 847	53 176	1 259
Cash inflow/(outflow) from derivative financial instruments	75 477	(205 206)	(188 028)
Cash (outflow)/inflow from investing activities	(777 881)	(3 136 442)	(1 426 784)
Financing activities			
(Decrease)/increase in interest-bearing borrowings	(322 599)	2 431 796	1 915 892
Acquisition of treasury shares	-	(462 367)	(462 367)
Cash (outflow)/inflow from financing activities	(322 599)	1 969 429	1 453 525
(Decrease)/increase in cash and cash equivalents	(528 591)	150 588	146 823
Cash and cash equivalents at the beginning of the period	693 601	543 013	543 013
Cash and cash equivalents at the end of the period	165 010	693 601	689 836
Cash and cash equivalents consist of:			
Current accounts	165 010	693 601	500 506
Restricted cash*	-	-	189 330
	165 010	693 601	689 836

* No restricted cash was held at 31 December 2022 and 30 June 2022. Restricted cash at 31 December 2021 was held as collateral by Sanlam against secured facilities.

Condensed consolidated statement of changes in equity

for the period ended December 2022

	Stated capital R'000	Treasury shares R'000	Currency translation reserve R'000	Reserves R'000	Equity attributable to equity holders R'000	Non- controlling interests R'000	Total equity R'000
GROUP							
Balance at 30 Jun 2021	45 571 743	(1 578 517)	128 675	(16 864 739)	27 257 162	122 844	27 380 006
Profit for the period				1 502 497	1 502 497	3 931	1 506 428
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme (retained earnings)				23 987	23 987		23 987
FFA and FFB share buy-back		(462 367)			(462 367)		(462 367)
Exchange gain on translation of associate and subsidiaries			22 960		22 960		22 960
Dividends paid				(868 113)	(868 113)	(6 873)	(874 986)
Balance at 31 Dec 2021	45 571 743	(2 040 884)	151 635	(16 206 368)	27 476 126	119 902	27 596 028
Loss for the period				(724 680)	(724 680)	20 049	(704 631)
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme (retained earnings)				25 190	25 190		25 190
Non-controlling interest on Inofort Proprietary Limited consolidation						83 719	83 719
Exchange loss on translation of associate and subsidiaries			(36 235)		(36 235)		(36 235)
Dividends paid						(4 370)	(4 370)
Balance at 30 Jun 2022	45 571 743	(2 040 884)	115 400	(16 905 858)	26 740 401	219 300	26 959 701
Profit for the period				2 789 793	2 789 793	408	2 790 201
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme (retained earnings)				27 668	27 668		27 668
Acquisition of additional interest by minorities in Inofort Proprietary Limited and transfer of reserves				156	156	3 102	3 258
Additional equity reserves through share buy-back of associate – NEPI Rockcastle				2 526	2 526		2 526
Exchange gain on translation of associate and subsidiaries			151 445		151 445		151 445
Dividends paid					–	(2 785)	(2 785)
Balance at 31 Dec 2022	45 571 743	(2 040 884)	266 845	(14 085 715)	29 711 989	220 025	29 932 014

1. Preparation and accounting policies

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2022 have been prepared in accordance with and contain the information required by IAS 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, JSE Debt Listings Requirements, SA REIT Association Best Practice Recommendations and the requirements of the Companies Act.

This report was compiled under the supervision of Ian Vorster CA(SA), the financial director and CFO of Fortress. The accounting policies applied in the preparation of the condensed unaudited consolidated interim financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements with the exception of new and revised standards which became effective during the period. Standards which became effective in the current reporting period had no material effect on previously reported results, nor on the condensed unaudited consolidated interim financial statements for the six months ended 31 December 2022.

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

Investment properties are not revalued for interim reporting purposes, other than by exception, based on a review by the directors of the portfolio of investment properties and investment properties under development to identify those properties where the value thereof is expected to have materially changed, due to market conditions and specific known factors. For those properties identified, internal valuations are performed by the directors and those properties are revalued for interim reporting periods.

In terms of IAS 40: *Investment Property* and IFRS 7: *Financial Instruments: Disclosure*, investment properties are measured at fair value and are categorised as a level 3 fair value measurement. The revaluation of investment property requires judgement in the determination of future cash flows from leases and application of an appropriate capitalisation rate and discount rate.

With valuations not being performed on the group's entire investment property portfolio at interim period ends, key valuation assumptions and sensitivities relating to year-end valuations are only disclosed in the annual financial statements. The fair value loss on investment property for the six months ended 31 December 2022 relates mainly to properties revalued to their expected net sales proceeds and specifically identified properties revalued as a result of negative rental reversions.

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

These condensed unaudited consolidated interim financial statements for the period ended 31 December 2022 have not been audited or reviewed by Fortress' auditor.

2. Subsequent events

The directors are not aware of any other events subsequent to 31 December 2022, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report, other than the following:

Due to the restrictive conditions contained in Fortress' MOI, whereby the board is not authorised to declare a dividend when distributable earnings are below the FFA dividend benchmark, the company was unable to declare and pay the requisite dividend applicable to maintain REIT status for the year ended 30 June 2022. The JSE removed Fortress' REIT status effective 1 February 2023.

Other than the tax considerations noted below, the material change of the cessation of REIT status is that Fortress will not be required, in terms of paragraph 13.47 of the JSE Listings Requirements, to make annual distributions of the minimum of 75% of its distributable profit, as defined.

The removal of REIT status will, among other things, have the following income tax implications:

- Fortress and its subsidiaries will no longer be entitled to deduct dividends paid to shareholders in determining taxable income;
- Fortress and its subsidiaries will be liable for capital gains tax on the disposal of immovable property and certain shares; and
- Fortress and its subsidiaries will be entitled to claim allowances which previously were not available to a company with REIT status.

Fortress and its subsidiaries' income tax year of assessment will be deemed to end on the day preceding the date on which it ceased to be a REIT, being 31 January 2023, and the succeeding year of assessment will be deemed to commence on the date on which it ceased to be a REIT, being 1 February 2023 and end on 30 June 2023.

Non-adjusting post-balance sheet event

As a consequence of the removal of Fortress' REIT status, effective 1 February 2023, Fortress and its subsidiaries will be liable for capital gains tax on the disposal of immovable property and certain shares, which will require the recognition of deferred tax assets and liabilities as applicable.

We estimate R2 650 million and R925 million in respect of deferred tax assets and deferred tax liabilities, respectively, to be recognised post 31 December 2022.

3. Lease expiry profile

Based on	Rentable area %	Contractual rental revenue %
Vacant	4,9	
Jun 2023	13,5	12,5
Jun 2024	19,9	18,9
Jun 2025	17,2	17,4
Jun 2026	12,3	13,1
Jun 2027	10,6	10,9
> Jun 2027	21,6	27,2
	100,0	100,0

4. Segmental analysis

	Unaudited for the six months ended Dec 2022 R'000	Audited for the year ended Jun 2022 R'000	Unaudited for the six months ended Dec 2021 R'000
Revenue from direct property operations			
Retail	692 037	1 328 847	664 599
Logistics – SA	656 385	1 190 086	555 146
Industrial	296 089	532 468	269 831
Office	122 147	230 579	120 982
Logistics – CEE	66 769	96 737	43 167
Other	38 492	67 754	35 222
Corporate	–	–	–
Total	1 871 919	3 446 471	1 688 947
Profit/(loss) for the period			
Retail	430 249	1 048 216	497 846
Logistics – SA	435 413	1 197 369	339 306
Industrial	125 612	222 643	107 282
Office	(998)	(3 777)	42 804
Logistics – CEE	41 676	215 542	(8 779)
Other	21 484	43 888	22 723
Corporate	1 736 765	(1 922 084)	505 246
Total	2 790 201	801 797	1 506 428
Total assets			
Retail	10 234 076	10 307 337	10 173 430
Logistics – SA	15 169 510	14 189 612	13 051 622
Industrial	3 636 211	3 751 637	3 362 157
Office	1 792 101	1 952 844	2 074 839
Logistics – CEE	2 346 705	2 087 351	1 505 371
Other	503 721	502 898	502 775
Corporate	16 578 554	14 797 150	16 848 862
Total	50 260 878	47 588 829	47 519 056

5. Earnings and headline earnings per share

Reconciliation of profit for the period to headline earnings

	Unaudited for the six months ended Dec 2022 R'000	Audited for the year ended Jun 2022 R'000	Unaudited for the six months ended Dec 2021 R'000
Basic earnings for the period attributable to equity holders	2 789 793	777 817	1 502 497
Adjusted for:	(1 974 551)	1 745 593	(502 690)
– Fair value loss/(gain) on investment property (net of straight-lining adjustment)	64 243	(275 953)	238 302
– (Reversal of impairment)/impairment of investment in associate	(1 745 033)	2 338 164	(667 782)
– Fair value gain on investment property of associates	(350 607)	(355 795)	(76 693)
– Income tax effect	56 846	39 177	3 483
Headline earnings	815 242	2 523 410	999 807

Basic earnings, diluted earnings, headline earnings and diluted headline earnings attributable to the FFA and FFB classes of ordinary shares, respectively, are determined as follows for purposes of calculating earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share:

For each of the FFA and FFB classes of shares:

- Any dividends paid in the relevant financial period are first allocated to the relevant class of shares; and
- Thereafter, any residual basic earnings/(loss), diluted earnings/(loss), headline earnings/(loss) and diluted headline earnings/(loss) of the company, not yet allocated by way of dividends paid in the period, are allocated to each FFA and FFB share on a *pari passu* basis.

The application of IAS 33: *Earnings per Share*, paragraph A14, results in the allocation of earnings to each class of ordinary shares, firstly by the allocation of dividends paid in the financial period to a particular class of shares, and thereafter by the allocation of residual earnings by the participation feature of each class of shares, as if all the profit or loss for the period had been distributed. The Fortress MOI provides that other than a (i) distribution of income, if declared; (ii) capital participation rights on redemption of the FFA shares; or (iii) capital participation rights on winding up of the company, the FFA and FFB shares rank *pari passu*. Therefore, in the absence of events i, ii or iii, the *pari passu* principle for each FFA share and each FFB share has been applied as the participation feature in the allocation of any residual earnings/(loss).

It should be noted that the resultant basic earnings, diluted earnings, headline earnings and diluted headline earnings attributable to FFA and FFB shares, calculated in accordance with IAS 33.A14, do not represent distributable earnings, nor the FFA dividend benchmark.

5. Earnings and headline earnings per share continued

Allocation of basic earnings and headline earnings to FFA and FFB shares

	Unaudited for the six months ended Dec 2022 R'000	Restated* Audited for the year ended Jun 2022 R'000	Restated* Unaudited for the six months ended Dec 2021 R'000
Basic earnings for the period attributable to equity holders			
Dividends paid to FFA shareholders in the financial period	–	870 056 [^]	870 056 [^]
Residual basic earnings/(loss) to be split <i>pari passu</i> per FFA and FFB share**	1 543 339	(51 015)	349 698
Total FFA basic earnings	1 543 339	819 041	1 219 754
Dividends paid to FFB shareholders in the financial period	–	–	–
Residual basic earnings/(loss) to be split <i>pari passu</i> per FFA and FFB share**	1 246 454	(41 224)	282 743
Total FFB basic earnings/(loss)	1 246 454	(41 224)	282 743
Total FFA and FFB basic earnings	2 789 793	777 817	1 502 497
Headline earnings for the period attributable to equity holders			
Dividends paid to FFA shareholders in the financial period	–	870 056	870 056
Residual headline earnings to be split <i>pari passu</i> per FFA and FFB share**	451 000	914 427	71 744
Total FFA headline earnings	451 000	1 784 483	941 800
Dividends paid to FFB shareholders in the financial period	–	–	–
Residual headline earnings to be split <i>pari passu</i> per FFA and FFB share**	364 242	738 927	58 007
Total FFB headline earnings	364 242	738 927	58 007
Total FFA and FFB headline earnings	815 242	2 523 410	999 807

* Refer to note on page 28: Restatement of earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share for details of the restatement.

[^] Final dividend declared for 2H2021, paid in 1H2022.

** Residual value of earnings not distributed by way of a dividend is split on a *pari passu* basis between the total weighted average number of FFA shares and FFB shares in issue for the period.

Allocation of diluted earnings and diluted headline earnings to FFA and FFB shares

	Unaudited for the six months ended Dec 2022 R'000	Restated* Audited for the year ended Jun 2022 R'000	Restated* Unaudited for the six months ended Dec 2021 R'000
Diluted earnings for the period attributable to equity holders			
Dividends paid to FFA shareholders in the financial year	–	870 056	870 056
Residual diluted earnings/(loss) to be split <i>pari passu</i> per FFA and FFB share**	1 540 307	(50 953)	349 723
Total FFA diluted earnings	1 540 307	819 103	1 219 779
Dividends paid to FFB shareholders in the financial year	–	–	–
Residual diluted earnings/(loss) to be split <i>pari passu</i> per FFA and FFB share**	1 249 486	(41 286)	282 718
Total FFB diluted earnings/(loss)	1 249 486	(41 286)	282 718
Total FFA and FFB diluted earnings	2 789 793	777 817	1 502 497
Diluted headline earnings for the period attributable to equity holders			
Dividends paid to FFA shareholders in the financial year	–	870 056	870 056
Residual diluted headline earnings to be split <i>pari passu</i> per FFA and FFB share**	450 113	913 323	71 749
Total FFA diluted headline earnings	450 113	1 783 379	941 805
Dividends paid to FFB shareholders in the financial year	–	–	–
Residual diluted headline earnings to be split <i>pari passu</i> per FFA and FFB share**	365 129	740 031	58 002
Total FFB diluted headline earnings	365 129	740 031	58 002
Total FFA and FFB diluted headline earnings	815 242	2 523 410	999 807

* Refer to note on page 28: Restatement of earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share for details of the restatement.

** Residual value of earnings not distributed by way of a dividend is split on a *pari passu* basis between the total diluted weighted average number of FFA shares and FFB shares in issue for the period.

5. Earnings and headline earnings per share continued

Basic earnings, diluted earnings, headline earnings and diluted headline earnings per share

	Unaudited for the six months ended Dec 2022 R'000	Restated* Audited for the year ended Jun 2022 R'000	Restated* Unaudited for the six months ended Dec 2021 R'000
Basic earnings per FFA share (cents)	132,98	70,33	104,38
Basic earnings per FFB share (cents)	132,98	(4,38)	29,92
Diluted earnings per FFA share (cents)	131,93	70,07	103,98
Diluted earnings per FFB share (cents)	131,93	(4,36)	29,81
Headline earnings per FFA share (cents)	38,86	153,24	80,59
Headline earnings per FFB share (cents)	38,86	78,52	6,14
Diluted earnings per FFA share (cents)	38,55	152,57	80,29
Diluted earnings per FFB share (cents)	38,55	78,13	6,12

* Refer to note on page 28: Restatement of earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share for details of the restatement.

Weighted average number of shares

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

	Dec 2022	Jun 2022	Dec 2021
Weighted average number of shares			
– FFA shares	1 160 570 982	1 164 536 717	1 168 614 123
– FFB shares	937 316 691	941 033 619	944 866 274
Total weighted average number of FFA and FFB shares used in basic and headline earnings per share calculations (applicable to the residual basic and headline earnings)	2 097 887 673	2 105 570 336	2 113 480 397
Diluted weighted average number of shares			
– FFA shares	1 167 483 809	1 168 927 203	1 173 036 242
– FFB shares	947 054 702	947 136 455	948 289 213
Total weighted average number of FFA and FFB shares used in diluted basic and diluted headline earnings per share calculations (applicable to the residual basic and headline earnings)	2 114 538 511	2 116 063 658	2 121 325 455
Reconciliation of weighted average number of shares:			
– FFA shares			
Weighted average number of shares used in calculation of basic and headline earnings per share	1 160 570 982	1 164 536 717	1 168 614 123
LTIP share scheme award – dilutive shares	2 219 249	1 395 830	1 229 144
CSP share scheme award – dilutive shares	4 693 579	2 994 656	3 192 975
Diluted weighted average number of shares used in calculation of diluted earnings and diluted headline earnings per share	1 167 483 810	1 168 927 203	1 173 036 242
– FFB shares			
Weighted average number of shares used in calculation of basic and headline earnings per share	937 316 691	941 033 619	944 866 274
LTIP share scheme award – dilutive shares	1 999 603	520 659	–
CSP share scheme award – dilutive shares	7 738 408	5 582 177	3 422 939
Diluted weighted average number of shares used in calculation of diluted earnings and diluted headline earnings per share	947 054 702	947 136 455	948 289 213

5. Earnings and headline earnings per share continued

Restatement of earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share

Earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share have been restated and are now calculated on the following basis, per IAS 33: *Earnings per Share*, paragraph A14, whereby the allocation of earnings to each class of ordinary shares is firstly by the allocation of dividends paid in the financial period to a particular class of shares, and thereafter by the allocation of residual earnings by the participation feature of each class of shares, as if all the profit or loss for the period had been distributed. The Fortress MOI provides that other than a (i) distribution of income, if declared; (ii) capital participation rights on redemption of the FFA shares; or (iii) capital participation rights on winding up of the Company, the FFA and FFB shares rank *pari passu*. Therefore, in the absence of events i, ii or iii, the *pari passu* principle for each FFA share and each FFB share has been applied as the participation feature in the allocation of any residual earnings/(loss).

	Jun 2022	Dec 2021
Before change:		
Basic earnings per FFA share (cents)	36,94	71,09
Basic earnings per FFB share (cents)	36,94	71,09
Diluted earnings per FFA share (cents)	36,76	70,83
Diluted earnings per FFB share (cents)	36,76	70,83
Headline earnings per FFA share (cents)	119,84	47,31
Headline earnings per FFB share (cents)	119,84	47,31
Diluted headline earnings per FFA share (cents)	119,25	47,13
Diluted headline earnings per FFB share (cents)	119,25	47,13
Change:		
Change in basic earnings per FFA share (cents)	33,39	33,29
Change in basic earnings per FFB share (cents)	(41,32)	(41,17)
Change in diluted earnings per FFA share (cents)	33,31	33,15
Change in diluted earnings per FFB share (cents)	(41,12)	(41,02)
Change in headline earnings per FFA share (cents)	33,40	33,28
Change in headline earnings per FFB share (cents)	(41,32)	(41,17)
Change in diluted headline earnings per FFA share (cents)	33,32	33,16
Change in diluted headline earnings per FFB share (cents)	(41,12)	(41,01)
After change:		
Basic earnings per FFA share (cents)	70,33	104,38
Basic earnings per FFB share (cents)	(4,38)	29,92
Diluted earnings per FFA share (cents)	70,07	103,98
Diluted earnings per FFB share (cents)	(4,36)	29,81
Headline earnings per FFA share (cents)	153,24	80,59
Headline earnings per FFB share (cents)	78,52	6,14
Diluted headline earnings per FFA share (cents)	152,57	80,29
Diluted headline earnings per FFB share (cents)	78,13	6,12

6. Reconciliation of profit for the period to amount available for distribution

	Unaudited for the six months ended Dec 2022 R'000	Audited for the year ended Jun 2022 R'000	Unaudited for the six months ended Dec 2021 R'000
Profit for the period	2 790 201	801 797	1 506 428
Insurance right to receive – capital	–	(246 702)	(223 353)
Fair value loss/(gain) on investment property	61 319	(223 601)	287 013
Fair value gain on investments	(79 605)	(48 790)	(29 530)
Fair value loss/(gain) on derivative financial instruments	144 611	(488 263)	124 769
(Reversal of impairment)/impairment of staff scheme loans	(4 447)	6 522	1 580
(Reversal of impairment)/impairment of investments in associates	(1 745 033)	2 338 164	(667 782)
Non-distributable income from associates	(520 331)	(346 720)	(79 141)
Interest received on LTIP share scheme award (reversed for IFRS 2 charge)	2 577	3 590	1 665
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme	27 668	49 177	23 987
Income tax	248 831	37 400	(20 010)
Non-controlling interests	(408)	(8 269)	(3 931)
Antecedent dividend (buy-back)	–	–	(13 315)
Staff scheme interest limitation	(14 534)	(20 167)	(7 665)
Foreign dividend hedging	83 530	159 306	73 968
Interest rate derivatives	(52 075)	(234 669)	(125 703)
Capitalised interest limitation	(141 357)	(93 516)	(37 235)
NEPI Rockcastle collar – dividend protection	–	22 196	18 762
Amount available for distribution	800 947	1 707 455	830 507
Amount available for interim distribution – first income period	800 947	830 507	830 507
Amount available for final distribution – second income period	–	876 948	–
	800 947	1 707 455	830 507
Less: interim dividend declared	–	–	–
– FFA shares	–	–	–
– FFB shares	–	–	–
Less: final dividend declared	–	–	–
– FFA shares	–	–	–
– FFB shares	–	–	–
Amount available for distribution retained by Fortress	800 947	1 707 455	830 507

Annexure 1
SA REIT Best Practice disclosure continued

SA REIT cost-to-income ratio	Dec 2022 R'000	Jun 2022 R'000	Dec 2021 R'000
Expenses			
Operating expenses per IFRS statement of comprehensive income (includes municipal expenses)	785 807	1 365 912	734 057
Administrative expenses per IFRS statement of comprehensive income	106 418	214 783	105 341
Operating costs	892 225	1 580 695	839 398
Rental income			
Contractual rental income per IFRS statement of comprehensive income (excluding straight-lining)	1 374 439	2 601 109	1 287 051
Utility and operating recoveries per IFRS statement of comprehensive income	494 556	897 714	450 607
Gross rental income	1 868 995	3 498 823	1 737 658
SA REIT cost-to-income ratio (%)	47,74	45,18	48,31

SA REIT administrative cost-to-income ratio	Dec 2022 R'000	Jun 2022 R'000	Dec 2021 R'000
Expenses			
Administrative expenses per IFRS statement of comprehensive income	106 418	214 783	105 341
Administrative costs	106 418	214 783	105 341
Rental income			
Contractual rental income per IFRS statement of comprehensive income (excluding straight-lining)	1 374 439	2 601 109	1 287 051
Utility and operating recoveries per IFRS statement of comprehensive income	494 556	897 714	450 607
Gross rental income	1 868 995	3 498 823	1 737 658
SA REIT administrative cost-to-income ratio (%)	5,69	6,14	6,06

SA REIT GLA vacancy rate	Dec 2022 m ²	Jun 2022 m ²	Dec 2021 m ²
GLA of vacant space	137 328	149 569	183 845
GLA of total property portfolio	2 779 879	2 772 482	2 827 129
SA REIT GLA vacancy rate (%)	4,94	5,39	6,50

Weighted average cost of debt

Cost of debt – Rand-denominated	Dec 2022 %	Jun 2022 %	Dec 2021 %
<i>Variable interest rate borrowings</i>			
Floating reference rate plus weighted average margin	9,23	6,74	5,85
Pre-adjusted weighted average cost of debt	9,23	6,74	5,85
Adjustments			
Impact of interest rate derivatives	(0,40)	0,65	0,96
Amortised transaction costs imputed into the effective interest rate	0,46	0,46	0,32
All-in weighted average cost of debt*	9,29	7,85	7,13

* Calculated using 3-month JIBAR reference rate at 30 June and 31 December as appropriate.

Cost of debt – Euro-denominated	Dec 2022 %	Jun 2022 %	Dec 2021 %
<i>Variable interest rate borrowings</i>			
Floating reference rate plus weighted average margin	4,57	2,49	2,35
Pre-adjusted weighted average cost of debt	4,57	2,49	2,35
Adjustments			
Impact of interest rate derivatives	(1,56)	0,59	0,20
All-in weighted average cost of debt**	3,01	3,08	2,55

** Calculated using three-month EURIBOR reference rate at 30 June and 31 December as appropriate.

Annexure 2

Management accounts

The information and ratios presented in the table represent Fortress' economic interest in assets and liabilities and revenue and expenditure. The information is calculated as disclosed under "Basis of preparation" noted below and is derived from the management accounts. The information is consistently prepared for all reporting periods disclosed below.

	Dec 2022	Jun 2022	Dec 2021	Jun 2021
NAV per equity share (going concern) [^]	R13,83	R12,43	R12,76	R12,34
LTV ratio** (%)	37,5	40,0	38,8	36,7
Net property expense ratio (%)	25,5	22,0	25,7	23,1
Gross property expense ratio (%)	42,0	39,2	42,3	39,9
Net total expense ratio (%)	23,3	22,7	25,3	26,3 ^{^^}
Gross total expense ratio (%)	36,3	36,4	38,6	35,3 ^{^^}

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

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

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

Basis of preparation

In order to provide information of relevance to investors, we present management accounts in addition to IFRS accounts. While the management accounts have been extracted from the unaudited financial information for the six months ended 31 December 2022, they are not IFRS-compliant and therefore constitute *pro forma* financial information per the JSE Listings Requirements. The management accounts have been prepared on the following basis:

- The group's interest in Arbour Town, an associate, accounted for using the equity method for IFRS purposes, is proportionately consolidated;
- The group's listed investment in NEPI Rockcastle that is accounted for using the equity method for IFRS purposes, is fair valued;
- The group accounts for its share of the assets, liabilities and results of partially-owned subsidiaries (Bridge, Cornubia, Mantraweb Residential, Infort and The Prism) on a proportionately consolidated basis instead of consolidating them;
- The consolidated financial position and performance of Fortress Empowerment 2 and Fortress Empowerment 4 have been deconsolidated; and

- SASRIA insurance proceeds to be received are reallocated from trade and other receivables to investment property under development.

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

The *pro forma* information has not been reviewed or reported on by Fortress' external auditor.

Directors' responsibility statement

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

Management accounts adjustments

Adjustment 1

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

It effectively discloses the group's interest in the assets, liabilities and results of operations from these investments by disclosing the management accounts for the six months ended 31 December 2022 on a line-by-line basis.

This is a continuing adjustment for management accounts purposes.

Adjustment 2

The investment in NEPI Rockcastle is reflected at fair value by multiplying the 144 008 793 shares held by the quoted closing price of R103,07 per share at 31 December 2022. All entries relating to accounting for this investment using the equity method are reversed. This more accurately reflects the group's LTV ratio and NAV.

This is a continuing adjustment for management accounts purposes.

Adjustment 3

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

It uses the unaudited management accounts for the six months ended 31 December 2022 of Bridge, Cornubia, Mantraweb Residential, Infort and The Prism to reverse the non-controlling interests to reflect the group's interest in the assets, liabilities and results of operations from these investments.

This is a continuing adjustment for management accounts purposes.

Adjustment 4

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

This is a continuing adjustment for management accounts purposes.

Adjustment 5

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

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

Condensed consolidated statement of financial position

	IFRS Dec 2022 R'000	Adj 1 Fair value accounting for investment in associate – Arbour Town Dec 2022 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle Dec 2022 R'000	Adj 3 Proportionate consolidation of partially- owned subsidiaries Dec 2022 R'000	Adj 4 Deconsolidation of BEE vehicles Dec 2022 R'000	Adj 5 Adjustments to IFRS accounting due to riots Dec 2022 R'000	Management accounts Dec 2022 R'000
Assets							
Non-current assets	46 832 041	1 323	–	(815 261)	307 508	38 358	46 363 969
Investment property	26 847 919	718 219		(1 033 396)			26 532 742
Straight-lining of rental revenue adjustment	472 299	31 890		(2 983)			501 206
Investment property under development	3 523 400					38 358	3 561 758
Property	25 778						25 778
Investment in and loans to associates	15 591 773	(748 786)	(14 842 987)				–
Investments	–		14 842 987				14 842 987
Staff scheme loans	63 364						63 364
Investment in BEE preference shares	307 508				307 508		615 016
Loans to co-owners	–			221 118			221 118
Current assets	1 726 360	6 249	–	(27 281)	–	(38 358)	1 666 970
Trade and other receivables	1 561 350	4 618		(14 921)		(38 358)	1 512 689
Cash and cash equivalents	165 010	1 631		(12 360)			154 281
Non-current assets held for sale	1 702 477	–	–	–	–	–	1 702 477
Investment property and investment property under development held for sale	1 697 978						1 697 978
Straight-lining of rental revenue adjustment	4 499						4 499
Total assets	50 260 878	7 572	–	(842 542)	307 508	–	49 733 416

Condensed consolidated statement of financial position continued

	IFRS Dec 2022 R'000	Adj 1 Fair value accounting for investment in associate – Arbour Town Dec 2022 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle Dec 2022 R'000	Adj 3 Proportionate consolidation of partially- owned subsidiaries Dec 2022 R'000	Adj 4 Deconsolidation of BEE vehicles Dec 2022 R'000	Adj 5 Adjustments to IFRS accounting due to riots Dec 2022 R'000	Management accounts Dec 2022 R'000
Equity and liabilities							
Total equity attributable to equity holders	29 711 989	–	–	–	307 508	–	30 019 497
Share capital	45 571 743						45 571 743
Treasury shares	(2 040 884)				307 508		(1 733 376)
Currency translation reserve	266 845		(239 642)				27 203
Reserves	(14 085 715)		239 642				(13 846 073)
Non-controlling interests	220 025			(220 025)			–
Total equity	29 932 014	–	–	(220 025)	307 508	–	30 019 497
Total liabilities	20 328 864	7 572	–	(622 517)	–	–	19 713 919
Non-current liabilities	15 057 190	–	–	(601 511)	–	–	14 455 679
Interest-bearing borrowings	14 969 935			(601 511)			14 368 424
Deferred tax	87 255						87 255
Current liabilities	5 271 674	7 572	–	(21 006)	–	–	5 258 240
Trade and other payables	1 140 408	7 572		(21 006)			1 126 974
Income tax payable	308 377						308 377
Interest-bearing borrowings	3 822 889						3 822 889
Total equity and liabilities	50 260 878	7 572	–	(842 542)	307 508	–	49 733 416
NAV per equity share (going concern)	14,11						13,83
NAV per FFA share (R)	10,18						10,18
NAV per FFB share (R)	18,96						18,06

Condensed consolidated statement of comprehensive income

	IFRS for the period ended Dec 2022 R'000	Adj 1 Fair value accounting for investment in associate – Arbour Town for the period ended Dec 2022 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle for the period ended Dec 2022 R'000	Adj 3 Proportionate consolidation of partially- owned subsidiaries for the period ended Dec 2022 R'000	Management accounts for the period ended Dec 2022 R'000
Income statement					
Recoveries and contractual rental revenue	1 868 995	51 601		(69 468)	1 851 128
Straight-lining of rental revenue adjustment	2 924	16 279		(1 320)	17 883
Revenue from direct property operations	1 871 919	67 880	–	(70 788)	1 869 011
Revenue from investments	–		580 182		580 182
Total revenue	1 871 919	67 880	580 182	(70 788)	2 449 193
Fair value (loss)/gain on investment property, investments and derivative financial instruments	(129 249)	(12 909)	2 301 260	1 320	2 160 422
Fair value loss on investment property	(61 319)	3 370		–	(57 949)
Adjustment resulting from straight-lining of rental revenue	(2 924)	(16 279)		1 320	(17 883)
Fair value gain on investments	79 605		2 301 260		2 380 865
Fair value loss on derivative financial instruments	(144 611)				(144 611)
Property operating expenses	(785 807)	(23 335)		31 105	(778 037)
Administrative expenses	(106 418)	(131)		2 499	(104 050)
Impairment of staff scheme loans	4 447				4 447
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme	(27 668)				(27 668)
Reversal of impairment of investment in associate	1 745 033		(1 745 033)		–
Income from associates	1 128 710	(31 567)	(1 097 143)	–	–
– Distributable	608 379	(28 197)	(580 182)		–
– Non-distributable	520 331	(3 370)	(516 961)		–
Profit before net finance costs	3 700 967	(62)	39 266	(35 864)	3 704 307

Annexure 2
Management accounts continued

Condensed consolidated statement of comprehensive income continued

	IFRS for the period ended Dec 2022 R'000	Adj 1 Fair value accounting for investment in associate – Arbour Town for the period ended Dec 2022 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle for the period ended Dec 2022 R'000	Adj 3 Proportionate consolidation of partially- owned subsidiaries for the period ended Dec 2022 R'000	Management accounts for the period ended Dec 2022 R'000
Income statement <small>continued</small>					
Profit before net finance costs	3 700 967	(62)	39 266	(35 864)	3 704 307
Net finance costs	(550 235)	62	–	34 758	(515 415)
Finance income	16 218			(91)	16 127
Interest on staff scheme and other	16 218			(91)	16 127
Finance costs	(566 453)	62	–	34 849	(531 542)
Interest on borrowings	(707 810)	62		34 849	(672 899)
Capitalised interest	141 357			–	141 357
Profit before income tax	3 150 732	–	39 266	(1 106)	3 188 892
Income tax	(360 531)	–		698	(359 833)
Profit for the period	2 790 201	–	39 266	(408)	2 829 059
Profit for the period attributable to:					
Equity holders of the company	2 789 793		39 266		2 829 059
Non-controlling interests	408			(408)	–
Profit for the period	2 790 201	–	39 266	(408)	2 829 059
Basic earnings per FFA share (cents)	132,98				130,85
Basic earnings per FFB share (cents)	132,98				130,85
Diluted earnings per FFA share (cents)	131,93				129,85
Diluted earnings per FFB share (cents)	131,93				129,85
Headline earnings per FFA share (cents)	38,86				134,36
Headline earnings per FFB share (cents)	38,86				134,36
Diluted headline earnings per FFA share (cents)	38,55				133,33
Diluted headline earnings per FFB share (cents)	38,55				133,33
Headline earnings					
Profit for the period attributable to equity holders	2 789 793				2 829 059
Adjusted for:	(1 974 551)				75 832
– Fair value loss on investment property (net of straight-lining adjustment)	64 243				75 832
– Reversal of impairment of associate	(1 745 033)				
– Fair value gain on investment property of associates	(350 607)				
– Income tax effect	56 846				
Headline earnings	815 242				2 904 891

Annexure 3

Glossary of terms

1H2021	Interim reporting period for the six months ended 31 December 2020	GLA	Gross lettable area
2H2021	Final reporting period for the six months ended 30 June 2021	IAS	International Accounting Standards
1H2022	Interim reporting period for the six months ended 31 December 2021	IFRS	International Financial Reporting Standards
2H2022	Final reporting period for the six months ended 30 June 2022	JIBAR	Johannesburg Interbank Average Rate
1H2023	Interim reporting period for the six months ended 31 December 2022	JSE	JSE Limited, the Johannesburg Stock Exchange
2H2023	Final reporting period for the six months ending 30 June 2023	Longlake	Longlake Logistics Park, Gauteng
Board	Board of directors of Fortress	LouwIardia	LouwIardia Logistics Park, Gauteng
CEE	Central and Eastern Europe	LTIP	Long-term Incentive Plan
Clairwood	Clairwood Logistics Park, KwaZulu-Natal	LTV	Loan-to-value
Companies Act	Companies Act of South Africa, Act 71 of 2008	MOI	Memorandum of Incorporation
Cornubia	Cornubia Logistics Park, KwaZulu-Natal	MWac	Megawatt, alternating current
CPI	Consumer Price Index	MWh	Megawatt hours
CSP	Conditional Share Plan	NAV	Net asset value
DMTN programme	Domestic medium-term note programme	NEPI Rockcastle	NEPI Rockcastle N.V.
Eastport	Eastport Logistics Park, Gauteng	NOI	Net operating income
ESG	Environmental, social and governance	REIT	Real Estate Investment Trust
EURIBOR	Euro Interbank Offered Rate	SA	South Africa
FFA or A share	Fortress A class share (JSE share code: FFA)	SA REIT BPR	SA REIT Best Practice Recommendations
FFB or B share	Fortress B class share (JSE share code: FFB)	SAICA	South African Institute of Chartered Accountants
FFO	Funds from operations	SASRIA	Sasria SOC Limited, the South African Special Risk Insurance Association
Fortress	Fortress Real Estate Investments Limited, formerly Fortress REIT Limited	SENS	Stock Exchange News Service
FY2022	Financial year ended 30 June 2022	Solar PV	Solar photovoltaic
FY2023	Financial year ending 30 June 2023	VWAP	Volume-weighted average price
		WALE	Weighted average lease expiry

Corporate information

Company details

Fortress Real Estate Investments Limited (formerly Fortress REIT Limited)

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

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

Commercial bankers

The Standard Bank of South Africa Limited

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

Transfer secretaries

JSE Investor Services Proprietary Limited

(Registration number: 2000/007239/07)
 One Exchange Square, Gwen Lane
 Sandown, Sandton, 2196
 (PO Box 4844, Johannesburg, 2000)

Lead sponsor

Java Capital Trustees and Sponsors Proprietary Limited

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

Joint sponsor

Nedbank Limited, acting through its Corporate and Investment Banking Division

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

Debt sponsor

Rand Merchant Bank

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

Company secretary and registered office

Tamlyn Stevens CA(SA)

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

External auditor

KPMG Inc

KPMG Crescent
 85 Empire Road, Parktown, 2193
 (Private Bag 9, Parkview, 2122)

Email

info@fortressfund.co.za

