ATTACQ LIMITED
Incorporated in the Republic of South Africa
Registration number 1997/000543/06
JSE share code: ATT ISIN: ZAE000177218
(Approved as a REIT by the JSE)
(Attacq or company or group)

ATTACQ

Audited consolidated financial results for the year ended 30 June 2023 and dividend declaration

Performance summary

1. R2.7 billion investment in Waterfall City by strategic investment partner, Government Employees Pension Fund unconditional with implementation in October 2023
2. Full year dividend growth of 16.0% to 58.0 cents per share
3. Distributable income per share increased by 14.5% to 71.9 cents
4. Interest cover ratio improved to 1.69 times from 1.58 times
5. High occupancy and collection rates of 92.5% and 100.7%, respectively
6. Weighted average trading density growth of 12.7%
7. Developments completed at Waterfall City totalling 30 586m2 of gross lettable area, with a total cost at completion of R543.3 million

Introduction

Attacq Limited (Attacq or company or group) is a Real Estate Investment Trust (REIT), based in South Africa and listed on the Johannesburg Stock Exchange (JSE) and A2X Markets, with a vision to create sustainable value for all stakeholders through a value-based strategy, whilst making a positive impact in the communities we serve and driving sustainable environmental solutions in our property portfolio.

Since listing 10 years ago, Attacq has been dedicated to the development and management of thriving precincts in collaboration with like-minded partners and over this period the South African portfolio has grown from only 19 buildings to 52 buildings covering 741 490m^2 of gross letting area (GLA).

The group has also prioritised the diversification of its portfolio into five managed precincts throughout South Africa, with a multi-asset focus to counter periods of low business confidence and declining economic conditions, and to ensure resilience in the face of the current uncertain impact of financial, governmental, social and environmental changes.

Attacq management are of the firm view that a diverse South African precinct-focused portfolio significantly strengthens their ability to generate long-term value from the portfolio and in living up to their vision of providing future-fit (smart, safe, and sustainable) community spaces. This is underpinned by the support of the communities served by the group's quality real estate portfolio and our commitment to environmental sustainability.

Attacq's focused approach is on: (1) Waterfall City, comprising its completed real estate portfolio, developments under construction and leasehold land; (2) Rest of South Africa, comprising the remainder of its South African completed real estate portfolio; and (3) Other investments, comprising a 6.5% interest in MAS P.L.C. (MAS) and its Rest of Africa retail investments. Going forward, business diversification will be the fourth focus area, achieved through investing in opportunities complementary to our real estate portfolio.

Executive summary

Distributable income per share (DIPS) increased by 14.5% to 71.9 cents mainly due to higher net operating income from the group's South African portfolio and lower finance costs. Excluded from distributable income is an additional trading profit of 3.7 cents per share (FY22: 9.7 cents per share), generated from the sale of Ellipse Waterfall and Waterfall Point sectional title units. The board approved a dividend of 58.0 cents per share for the financial year ended 30 June 2023 (FY23), equating to a payout ratio of 80.7%.

The South African portfolio continued to deliver on its key operational priorities as evidenced by strong trading density growth and increased investment by clients through new brands, upgraded stores and collaboration hub fitouts. The portfolio's occupancy and collection rates remained positive at 92.5% and 100.7%, respectively.

A key highlight of FY23 is the announcement of the Waterfall City transaction with the Government Employment Pension Fund (GEPF), which became unconditional post year end. The introduction of GEPF as a strategic investment partner will enable further development growth within Waterfall City and create long-term value for our stakeholders.

Commentary

Densification of Waterfall City continued with the completion during the year of the Plumblink head office and distribution centre and the Ellipse Waterfall, phase 2 developments, in total 30 586m^2 of GLA, at a cost of R543.3 million.

Attacq's interest cover ratio improved to 1.69 times from 1.58 times, with gearing increasing marginally to 37.3% (FY22: 37.2%). In FY24, the debt metrics will see significant improvement due to the utilisation of proceeds from the Waterfall City transaction with the GEPF in the reduction of debt.

General overview

Distributable income

DIPS increased by 14.5% to 71.9 cents per share (cps) for the year ended 30 June 2023.

A breakdown of distributable income per focus area is tabled below:

	June 2023		June 2022		Change in cps
Distributable income	**R'000**	**cps**	**R'000**	**cps**	**%**
Waterfall City	290 585	41.2	227 892	32.3	27.6
Rest of South Africa	149 767	21.2	146 128	20.7	2.4
Other investments	66 477	9.5	68 567	9.8	(3.1)
Total	**506 829**	**71.9**	**442 587**	**62.8**	**14.5**

The distributable income of the group is closely aligned with cash generated from operations, adjusted for non-recurring income.

DIPS from Waterfall City increased by 27.6% to 41.2cps (FY22: 32.3cps), due to higher net operating income, lower finance costs, offset by a higher share-based payment expense. The prior period included rental discounts and once-off debt settlement costs. DIPS from the Rest of South Africa increased by 2.4% to 21.2cps (FY22: 20.7cps), due to higher rental income offset by a higher share-based payment expense.

DIPS from Other investments decreased to 9.5cps from 9.8cps due to a higher dividend received from MAS of R69.6 million compared to the prior year of R68.5 million, offset by an increase in expenses.

Profit earned from the sale of 156 sectional title units at Ellipse Waterfall and one at Waterfall Point of R26.4 million (FY22: R68.1 million) has been excluded from distributable income due to its trading nature.

A comparison between the distributable income for the current financial year and prior financial year is depicted graphically below:

Financial performance

Rental income for the group increased by 7.4% to R2.3 billion (FY22: R2.2 billion) mainly due to completed developments and rental escalations offset by the sale of buildings (Deloitte head office, 50.0% of the Massbuild distribution centre and the Amrod head office and distribution centre during FY22, and the Hirsch premises during FY23). Like-for-like rental income increased by 6.8% (FY22: 2.5%). Gross revenue decreased by 3.4% to R2.4 billion (FY22: 2.5 billion).

Group property expenses, excluding expected credit losses (ECL) and cost of sales of sectional title units, increased by 12.7% to R891.8 million (FY22: R791.6 million) mainly due to an increase in diesel expenses of R43.9 million and repairs and maintenance of R23.8 million. Additional repair and maintenance costs were incurred to improve the retail-experience hub portfolio's energy efficiency and resilience. Property expenses increased by 8.4% (FY22: increased by 8.8%) on a like-for-like basis.

Group net profit from property operations, excluding the IFRS adjustment for straight-line leasing and net proceeds from the sale of sectional title units, increased by 11.7% to R1.5 billion (FY22: R1.4 billion). On a like-for-like basis, net operating income increased by 5.9% (FY22: decrease 0.7%) mainly due to additional repairs and maintenance expenses incurred on the retail-experience hub portfolio during the year.

Total assets increased by 1.0% to R21.8 billion (FY22: R21.6 billion) and total liabilities increased by 1.1% to R9.4 billion (FY22: R9.3 billion). The group's net asset value increased by 0.9% to R12.4 billion (FY22: R12.3 billion) and net asset value per share improved to R17.65 (FY22: R17.49 per share). Earnings per share decreased by 55.9% to 73.8 cents (FY22: 167.3 cents) and headline earnings per share decreased by 38.0% to 81.5 cents.

Commentary continued

Waterfall City and Rest of South Africa completed real estate portfolio

Attacq's South African precinct-focused portfolio is diversified across different asset classes and geographies, and includes five managed precincts with quality counterparties, providing the building blocks for resilience and additional value-added real estate opportunities.

The group's most expansive precinct, Waterfall City, is evidence of the success of its precinct focus strategy. Attacq has uniquely created a smart, safe, and sustainable city through the control and management of the Waterfall City's infrastructure development roll-out and water and energy resilience initiatives. This differentiator provides the ability to mitigate service delivery challenges by local government, providing Attacq with a level of operational resilience.

Operational efficiencies and resilience

Energy management

Attacq focuses on business diversification through integrating environment, social and governance (ESG), business innovation and technology. The Attacq Energy initiative aims to design and implement cost-effective, off-grid and sustainable energy resources to achieve our target of increasing our renewable energy consumption to more than 25% of the total energy mix.

All of Attacq's properties are capable of operating during loadshedding. During the year, the company retrofitted the lighting at all of its retail-experience hubs with energy-efficient LED lights and further installed 1.8MWp of high-income yielding rooftop photovoltaic (PV) systems at Eikestad Mall (630kWp), Waterfall Corner (850kWp) and Waterfall Lifestyle (330kWp). Attacq is currently assessing the feasibility of additional PV systems totalling 5.2MWp.

Water management

Attacq's proactive water management plan focuses on creating water-wise buildings by improving water efficiencies, consumption and resilience and, in doing so, reducing the cost of occupancy for clients.

During the year Attacq installed water monitoring loggers at its municipal supply points, enabling accurate water consumption monitoring and early leak detection. The company is in the process of rolling out a water resilience project to ensure its retail-experience hubs can operate without municipal water supply for up to five days.

Retail-experience hubs

The 12-month weighted average trading density for the total portfolio increased by 12.7% to R3 823m^2 (FY22: increased by 12.6% to R3 392m^2) with increases at Waterfall Corner of 19.3%, Mall of Africa of 17.3% and Eikestad Mall of 13.1%.

The positive retail trade in Mall of Africa resulted in a 91.6% increase in turnover rental and a 71.4% increase in third party income by becoming a preferred destination for exhibitions and advertising. A 10.8% growth in rental income for the year was supported by 21 new brands being introduced, 16 store upgrades, and 33 leases renewed.

The improved turnover performance of Attacq's retail clients is partially attributable to all of the group's retail-experience hubs being able to trade during loadshedding. The turnover performance is further supported by the introduction of new brands and upgraded stores, most notably at Mall of Africa (21 new brands and 16 store upgrades) and Eikestad Mall (14 new brands and 12 store upgrades). The strong turnover growth of the group's clients resulted in turnover rental income increasing by 82.3% to R26.4 million.

Collaboration hubs

Attacq's proactive approach to leasing and client-experience focus, ensured that the portfolio remained resilient with minimal vacant space. Post the Waterfall City rebrand, there has been a heightened focus on stakeholder engagement and improved communication, examples are regular CEO updates to clients and fostering greater client involvement in Attacq Foundation's Rise Against Hunger initiative.

Strong demand for space in Waterfall City continued during the year, with occupancy improving significantly post year end following the letting of 7 697m^2 of GLA at Waterfall Circle to DP World Logistics FZE Inc (DP World). Waterfall City has secured a quality rental income stream underpinned by the high proportion of international commercial clients, including Estee Lauder, Dell, CipherWave, AbbVie and Cisco.

Attacq's Lynnwood Bridge collaboration hubs are currently fully let with a unique mixture of exclusive stores, entertainment and new restaurant brands which ensure that the precinct remains a destination of choice.

Logistics hubs

Waterfall City provides a modern, safe, clean and scalable logistics precinct that supports future development opportunities to meet clients' green and efficiency requirements in a prime location within the greater Gauteng area. Currently, our logistics hub is fully let.

Commentary continued

Property cost-to-income ratio

The increases in normalised cost-to-income ratios are mainly due to costs associated with loadshedding, the increase in the utilisation of our buildings as more clients returned to the office and the loss of rental income from the vacancy at Waterfall Circle.

The municipal and diesel recovery ratio decreased to 86.9% (FY22: 88.7%).

	Normalised ratios*	
Property cost-to-income ratio	**June 2023 %**	**June 2022 %**
Waterfall City		
Net cost-to-income ratio[1]	27.0	22.1
Gross cost-to-income ratio[2]	41.5	37.3
Rest of South Africa		
Net cost-to-income ratio[1]	24.5	20.8
Gross cost-to-income ratio[2]	40.6	39.3

[1] Calculation: (property expenses per income statement + repayment of lease liability interest + repayment of lease liability capital + municipal recoveries)/ (rental income per income statement – municipal recoveries)

[2] Calculation: (property expenses per income statement + repayment of lease liability interest + repayment of lease liability capital)/rental income per income statement

* Normalised to exclude material lease cancellation fees, discounts granted and ECLs on trade and other receivables

The Waterfall City portfolio's ratios above include the land lease rental obligation. The impact of IFRS 16: Leases has been excluded for the purpose of this calculation.

Occupancy

The 12 863m² (FY22: 10 882m²) of unoccupied retail-experience hub space relates mainly to Mall of Africa (4 556m²), MooiRivier Mall (3 029m²), Brooklyn Mall (2 000m²) and Eikestad Mall (1 189m²).

The 42 929m² (FY22: 47 333m²) unoccupied collaboration hub spaces relate mainly to Waterfall Circle (24 354m²), Brooklyn Bridge Office Park (6 570m²) and the Cell C Campus (4 920m²).

Subsequent to year-end, 16 607m² of the total vacancies of 55 792m² (FY22: 58 215m²) were filled, most of which relates to the collaboration hub space (9 776m²).

	June 2023				June 2022			
Sector occupancy	**Waterfall City %**	**Rest of South Africa %**	**Total %**	**Occupied GLA m²**	**Waterfall City %**	**Rest of South Africa %**	**Total %**	**Occupied GLA m²**
Retail-experience hubs	95.6	96.1	95.9	295 901	95.0	97.4	96.5	299 114
Collaboration hubs	82.8	87.3	83.9	225 789	80.8	87.0	82.4	221 659
Logistics hubs	100.0	–	100.0	143 603	100.0	–	100.0	136 027
Hotel	100.0	100.0	100.0	20 405	100.0	100.0	100.0	20 405
Portfolio occupancy	**91.7**	**93.9**	**92.5**	**685 698**	**90.5**	**94.8**	**92.1**	**677 205**
Add: occupied post year end	2.4	1.9	2.2	16 607	1.8	0.7	1.4	9 995
Portfolio occupancy post year end	**94.1**	**95.8**	**94.7**	**702 305**	**92.3**	**95.5**	**93.5**	**687 200**

Commentary continued

Space management

The portfolio's weighted average lease expiry (WALE) increased to 4.5 years (FY22: 3.4 years) with 51.9% of leases, based on GLA, expiring in FY27 and beyond. Our largest 10 clients account for 33.6% of the total effective gross rental income and 33.3% of the total effective GLA.

Leases totalling 88 095m² (271 leases), including 23 collaboration hub leases, expired during the year, of which 82.0% of GLA (or 75.3% of the number of leases) were renewed or are in the process of being renewed. New and renewed leases were signed at a weighted average negative reversion rate of 6.3% (FY22: negative reversion rate of 10.8%) and a weighted average lease escalation rate of 6.5% (FY22: 6.3%). In addition, Attacq early renewed 4 000m² of collaboration hub space in Waterfall City at a total negative reversion rate of 23.1%. Net market rentals achieved in collaboration hubs have stabilised and are growing off this new base.

			New and renewed leases	
Space renewals	**Expired GLA m²**	**Client retention rate %**	**Reversion rate %**	**Escalation rate %**
Retail-experience hubs	64 124	86.2	(3.2)	6.4
Collaboration hubs	15 453	54.3	(23.1)	6.7
Logistics hubs	8 518	100.0	6.9	0.0
Total portfolio	**88 095**	**82.0**	**(6.3)**	**6.5**

Developing Waterfall City, where living works

Waterfall City is the ideal place to work, live and play in the heart of Gauteng. It represents an exceptional development opportunity in South Africa, providing Attacq with a diversified development pipeline for creating smart, safe and sustainable spaces.

Waterfall City is developed on leasehold land with the notarial leasehold rights held by Attacq Waterfall Investment Company Proprietary Limited (AWIC), currently a 100.0% subsidiary of Attacq. AWIC has until the end of the 2040 calendar year to proclaim its leasehold rights, to the extent that it has not already done so. Proclamation entails the formal government gazetting of leasehold land within a township and is predominantly an administrative process.

At 30 June 2023, the group had 860 655m² (FY22: 900 361m²) of development rights remaining. In addition Attacq is in the process of increasing its investment in Waterfall Junction from 23.57% to 50.0%, thereby increasing its effective share of bulk from 141 420m2 to 300 000m2. Waterfall Junction will soon be launched for top structure development on the completion of servicing phase 1 (total size 156 000m2 of bulk).

Attacq is continually reviewing and updating Waterfall City's urban space, responding to ever-shifting client requirements and an evolving economic climate.

Waterfall City was rebranded in October 2022, incorporating the elements of developing a smart, safe and sustainable city. To experience the rebranding, click on the following link: **https://www.attacq.co.za/our-spaces/developments-at-waterfall-2**.

Newly completed developments

During the year, the Plumblink head office and distribution centre and Ellipse Waterfall, phase 2 were completed. In total, 30 586m² of GLA was added to Waterfall City of which 10 663m² represents Attacq's effective share.

Newly completed developments	**Total GSA/GLA m²**	**Effective GSA/GLA m²**	**% pre-let/ pre-sold**	**Practical completion date**
Waterfall City – Residential				
Ellipse Waterfall, phase 2^	15 434	3 087	>95.0	Q4 FY23
Waterfall City – Logistics hubs				
Plumblink head office and distribution centre*	15 152	7 576	100.0	Q4 FY23
Total	**30 586**	**10 663**		

^ Attacq has an undivided share of 20.0%; based on number of units of bankable pre-sales; sectional title units

* Attacq has an undivided share of 50.0%

GSA: gross sellable area

Commentary continued

Developments under construction

Developments under construction at year end comprised the following projects:

Developments under construction	Anticipated practical completion date	Total GSA/GLA* m^2	Effective GSA/GLA* m^2	Pre-let/ pre-sold %
Waterfall City – Residential				
Ellipse Waterfall, phase 3^	Q2 FY25	13 386	2 677	>40.0
Waterfall City – Collaboration hub				
Nexus Waterfall, building 2 (DP World)#	Q4 FY24	5 244	–	100.0
Waterfall City – Logistics hubs				
Amrod head office and distribution centre expansion**	Q1 FY24	3 435	1 718	100.0
Midi unit logistics development	Q3 FY24	14 641	14 641	–
Total		**36 706**	**19 036**	

^ Attacq has an undivided share of 20.0%; based on number of units of bankable pre-sales; sectional title units

Land sold and developing on behalf of client

* Estimated GSA / GLA of development, subject to change upon final re-measurement post completion

**Attacq holds a 50.0% undivided share

Residential developments

Attacq continued to grow the Waterfall City community through its participation in residential developments.

Ellipse Waterfall

Ellipse Waterfall, located on a prime site opposite Mall of Africa, is a co-development with Portstone Development Proprietary Limited (Portstone). Ellipse Waterfall will, on completion, comprise four deluxe high-rise towers, each named after celebrated astronomers: Newton, Kepler, Cassini and Galileo. The Newton and Kepler towers (phase 1, 270 units), a 50/50 undivided share joint venture with Portstone, were completed during FY21. A total of 236 units transferred to end users by 30 June 2022, with a further 26 units transferred by 30 June 2023.

Cassini tower (phase 2) was completed during the year with over 98.9% of the 185 units sold to date and 130 units transferred by 30 June 2023. The sales and marketing launch of Galileo tower (phase 3, approximately 196 units) was held in November 2022 and to date, 124 units have been pre-sold. The construction of phase 3 commenced before year end. Attacq's interest in phase 2 and phase 3 is 20.0%.

Phase 1 and 2 have achieved a four-star Green Building Council of South Africa (GBCSA) multi-unit rating (by design) certification, with phase 3 targeting the same certification.

Alternative residential developments are being investigated to enhance the city's offerings and to further expand the residential community.

Logistics hub

Plumblink head office and distribution centre

During the year, Attacq completed the Plumblink head office and distribution centre (15 152m^2 of GLA) which is located on the last remaining site of land parcel 22 (LP22), at a total development cost of R150.9 million and valued at R156.2 million. Attacq and Bidvest Property Proprietary Limited (Bidvest), a Bidvest Limited subsidiary, each have a 50 % undivided share in the property. This development is in the process of applying for a four-star GBCSA certification (by design and as built).

Amrod head office and distribution centre expansion

The Amrod head office and distribution centre (37 938m2, LP22) was completed during 2017. The project and building design catered for future expansion at the option of the client and the warehouse facility expansion of 3 435m2 of GLA is currently under construction. The rental income from the expansion is based on the final total capital expenditure (a capex-linked yield transaction). The Amrod building is held in a 50/50 undivided share joint venture with Equites Limited.

Commentary continued

Midi units logistics development

In 2019, the group completed construction of midi units in the Waterfall City logistics hub. These midi units, with a generic design and convenient location, were successfully let and to meet market demand, Attacq is speculatively developing an additional three midi units (between 4 500m² and 5 500m²). The new units, with a Q2 FY24 completion date, will include sustainability and cost reduction initiatives like energy-efficient LED lights, rooftop PV systems, rainwater harvesting and back-up water and will extend the logistics hub GLA by an estimated 14 641m².

Waterfall Junction

Attacq, through a joint venture between Sanlam Life Insurance Limited and AWIC, has access to a further 600 000m² of logistics bulk situated on the eastern land parcels 3 and 24 of the greater Waterfall City node and traversed by the planned K113 and K60 arterial routes. The site, Waterfall Junction, is planned as a landmark, safe and sustainable logistics park situated in a prime location corridor in Gauteng for logistics and light industrial clients. The development will consist of six phases, with the infrastructure catering for phase 1 (156 000m² bulk) nearing completion. Attacq has exercised its call option to increase its interest in Waterfall Junction from 23.57% to 50.0%, the increase is awaiting the requisite Competition Commission approval.

Valuations

The investment property value of the South African real estate portfolio increased by 0.4% to R17.7 billion (FY22: R17.6 billion).

Valuations	June 2023 R'000	June 2022 R'000	% change
Waterfall City	11 328 051	11 017 612	2.8
Rest of South Africa	6 296 787	6 483 089	(2.9)
Sub-total	**17 624 838**	**17 500 701**	**0.7**
Developments under construction	43 164	31 419	37.3
Leasehold land	826 347	905 528	(8.7)
Sub-total investment property	**18 494 349**	**18 437 648**	**0.3**
Less: Held for sale	–	(23 700)	(100.0)
IFRS 16 Right-of-use assets	238 579	250 966	(4.9)
Total investment property (excluding straight-lining)	**18 732 928**	**18 664 914**	**0.4**
Straight -lining lease debtor	(1 080 359)	(1 079 595)	0.1
Total investment property (balance sheet)	**17 652 569**	**17 585 319**	**0.4**
Waterfall Junction	**97 805**	**95 264**	**2.7**
Inventory	**67 052**	**48 834**	**37.3**

Completed buildings

All income producing properties were valued externally using the discounted cash flow (DCF) methodology, with the exception of Brooklyn Mall which was valued by the directors using the external discounted cash flow of future income streams. External valuations were performed by Mills Fitchet Cape Proprietary Limited, Sterling Valuation Specialists Close Corporation (Sterling) and CBRE Excellerate CRES (Pty) Ltd.

Discount and capitalisation rates as at 30 June 2023 remained largely unchanged compared to 30 June 2022. The net result of the valuations is a negative fair value adjustment of R50.4 million (FY22: positive fair value adjustment of R468.3 million). The fair value adjustment excludes the IFRS impact for straight-line leasing.

Commentary continued

The largest contributor to the positive like-for-like fair value adjustments was Mall of Africa of R341.6 million (FY22: R430.4 million), offset by negative fair value adjustments in respect of Waterfall Circle of R100.3 million (FY22: R13.6 million) and Brooklyn Bridge of R67.1 million (FY22: R7.9 million positive). The information below is weighted on property values:

Completed buildings	% of total portfolio based on value	Discount rates %	Exit cap rates %	Cap rates %	Average value per GLA R/m²	Like-for-like value change %
Retail-experience hubs	52.4	12.07	7.63	7.30	30 127	4.0
Collaboration hubs	34.0	12.94	8.59	8.10	22 401	(5.8)
Logistics hubs	10.3	13.00	8.41	8.00	12 666	4.9
Hotel	3.3	13.00	8.75	8.00	28 232	(3.3)
Total portfolio	**100.0**	**12.49**	**8.07**	**7.67**	**23 890**	**0.3**

Developments under construction

Ellipse Waterfall is classified as trading stock and treated as inventory. Nexus Waterfall, building 2 (DP World) is being developed on behalf of the client and excluded from Attacq's investment property. The valuation of the expansion of Amrod head office and distribution centre is included with the main premises under completed buildings. The three speculative midi-unit logistics development is valued at cost at 30 June 2023 as it is in the early stages of development.

Leasehold land

The group carries leasehold land, encompassing both development rights and infrastructure, at fair value. Leasehold land decreased by 8.7% to R826.3 billion (FY22: R905.5 billion), after taking into account transfers to developments under construction, sales to joint venture partners and the reduction of bulk on two sites as part of the bulk optimisation project.

The group has determined fair value with reference to the comparable sales technique, which is in line with international best practice. The output of the comparable sales valuation technique determines the valuation of the leasehold land, being the aggregate of development rights, infrastructure and services, less future cost of servicing and leasehold liabilities. The external independent valuation was undertaken by Vallun Properties Proprietary Limited trading as Valquest Property Valuers & Consultants.

Category	Characteristics	Valuation
Unserviced leasehold land	Unserviced leasehold land with development potential	Land area multiplied by market rate per m² for unserviced land
Partially or fully serviced leasehold land	Leasehold land with section 82 certificates, a small measure of costs to complete	Land/bulk area multiplied by market rate per m² of serviced bulk, reduced by future costs of servicing and leasehold liability

Commentary continued

Other investments

Distributable income from Other investments decreased to R66.5 million (FY22: R68.6 million) due to a higher dividend received from MAS of R69.6 million compared to prior year (R68.5 million), offset by an increase in expenses.

Investment in MAS

Attacq holds 46 157 934 shares in MAS representing a 6.5% (FY22: 6.5%) shareholding. The investment in MAS, held in anticipation of capital growth and dividend income, is classified as an investment and is valued at a closing share price of R21.20 per share (FY22: R19.85 per share). The resultant carrying value is R978.5 million (FY22: R916.2 million). Total dividends of R69.6 million were received from MAS during the year, 1.6% higher compared to the prior year (FY22: R68.5 million).

MAS did not declare a final dividend for the year ended 30 June 2023 and no dividend guidance or timing to the resumption of dividends was provided in its results announcement. For further information in respect of MAS' results, refer to the MAS website at **www.masrei.com**.

Rest of Africa retail investments

At 30 June 2023, the value of the Rest of Africa retail investments increased by 15.4% to R557.2 million (FY22: R482.8 million) as a result of an additional investment of R81.1 million made in AttAfrica Limited (AttAfrica), utilised by AttAfrica to settle external debt, as well as the depreciation of the rand against the US dollar, offset by a decrease in underlying property valuations.

Attacq's strategy, which is aligned with that of its co-shareholder, Hyprop Investments Limited, is to exit these investments by way of an orderly disposal.

The disposal of the group's interest in Gruppo Investment Limited (Gruppo) the owner of Ikeja City Mall is uncertain due to the challenge of raising of funds by the prospective purchaser coupled with the continued US dollar liquidity constraints in Nigeria. Notwithstanding that a conditional sale agreement remains in place to dispose of its interest in Gruppo, given the delays in implementing the disposal to date and the fact that the cause thereof is out of Attacq's control, the group's interest in Gruppo no longer satisfies the IFRS requirements to be reflected as held for sale in the statement of financial position.

The prior discussions for the disposal of the AttAfrica portfolio were terminated. Other disposal opportunities are being pursued at this time.

Attacq does not have any direct debt associated with its Rest of Africa retail investments and future disposal proceeds will be utilised at the group's discretion.

Attacq's Rest of Africa retail investments comprise:

Rest of Africa retail investments	**June 2023 R'000**	**%**	**June 2022 R'000**	**%**
Cash held by AIH International	3 547	0.6	896	0.2
26.9% interest in AttAfrica, which is invested in three retail properties in Ghana	327 079	58.7	257 319	53.3
25.0% interest in Gruppo, the owner of Ikeja City Mall, Nigeria	226 532	40.7	224 586	46.5
Total	**557 158**	**100.0**	**482 801**	**100.0**

Commentary continued

Capital structure

Recycling of capital

During FY23, Attacq concluded a transaction for the disposal of 30.0% of AWIC to the GEPF. Attacq shareholders approved the transaction at a General Meeting on 18 September 2023, resulting in it becoming unconditional with an expected implementation date of 17 October 2023. Shareholders are referred to the circular issued on 21 August 2023 for more information.

Liquidity

At 30 June 2023, the group had available liquidity of R1.4 billion (FY22: R1.9 billion), comprising unrestricted cash balances of R606.5 million (FY22: R604.2 million), prepaid access facilities of R550.0 million (FY22: R960.8 million) and undrawn committed facilities of R240.0 million (FY22: R310.0 million). Accordingly, the group has access to adequate facilities and available cash balances to complete its developments under construction and its development pipeline.

Interest-bearing borrowings

The group's debt facilities are spread among three South African banks and three South African institutions, with no exposure to bond markets.

Total interest-bearing borrowings increased marginally to R8.4 billion (FY22: R8.3 billion).

During the year, the group settled R305.2 million of debt facilities from available cash resources. In addition, R1.1 billion of facilities were refinanced early to take advantage of cheaper funding available. The proceeds of the Waterfall City transaction with the GEPF will be used to settle circa. R2.9 billion of interest-bearing debt with the remaining facilities of R6.0 billion being refinanced between two and five years, with a weighted average loan term of 4.0 years. In this respect, credit approved term sheets have been received from lenders and accepted.

The group interest cover ratio (ICR) increased to 1.69 times (FY22: 1.58 times), mainly due to higher net operating income and lower finance costs. Gearing, calculated as total interest-bearing debt less unrestricted cash on hand, as a percentage of total assets less total cash on hand and right-of-use assets recognised under IFRS 16: *Leases*, increased marginally to 37.3% (FY22: 37.2%).

Liquidity and borrowings	**Units**	**June 2023**	**June 2022**
Unrestricted cash balances	R'000	606 534	604 224
Prepaid access facilities	R'000	550 000	960 808
Undrawn committed facilities	R'000	240 000	310 000
Available liquidity	**R'000**	**1 396 534**	**1 875 032**
Undrawn development facilities	R'000	Nil	Nil
Total drawn facilities	R'000	8 384 893	8 281 403
Total weighted average loan term	years	2.9	3.6
Interest cover ratio	times	1.69	1.58
Gearing	%	37.3	37.2

Commentary continued

Cost of debt

The total weighted average cost of debt increased to 10.3% (FY22: 9.4%).

Debt	Units	June 2023 R'000	June 2022 R'000
Total weighted average cost of debt	**%**	**10.3**	**9.4**
Weighted average floating interest rate	%	10.4	7.0
Premium for hedging	%	(0.1)	2.4
Total hedged as a percentage of total committed facilities	%	56.3	83.0
Total hedged as a percentage of drawn facilities	%	60.0	92.6
Weighted average rand-denominated hedge term	years	2.7	2.6

The group adopts a minimum group hedging policy of 70.0%. In addition, there are covenant requirements that stipulate that the minimum group interest rate hedging ratio should always exceed 70.0%. Due to the GEPF transaction, the group obtained approval from the relevant funders to relax the minimum required hedging ratio to 50.0% until the earlier of the implementation of the GEPF transaction or 31 October 2023. As at 30 June 2023, 56.3% of total committed facilities were hedged by way of interest rate swaps and interest rate caps. The weighted average hedge term is 2.7 years (FY22: 2.6 years).

The debt reduction to take place upon implementation of the GEPF transaction in October 2023 will result in the hedge ratio increasing above the group policy's minimum required level of 70.0%.

Due to higher forward interest rates, the mark-to-market valuation associated with interest rate hedges was a net financial asset of R45.6 million (FY22: net financial liability of R45.3 million), a year-on-year movement of R86.2 million (FY22: R392.5 million).

Prospects and guidance

The board is pleased to have reported DIPS growth of 14.5% for FY23 against the guidance given of between 8.0% and 10.0%.

We expect the current challenging market conditions of muted economic activity, high interest rates, growing pressures within the retail environment and ongoing loadshedding to persist into the next financial year. Notwithstanding this, we have a robust and sustainable business, bolstered by the impact of the Waterfall City transaction with the GEPF and coupled with our exceptionally committed employees who will navigate through this challenging environment.

The group expects to grow its DIPS in FY24 by between 8.0% and 10.0% with a dividend pay-out ratio of 80.0%.

This guidance is based on the following key assumptions:

- No contribution to the group's distributable income from MAS dividends
- No material impact on distributable income due to any new developments, acquisitions or disposals
- Forecasted rental income being achieved based on contractual terms and anticipated market-related renewals
- No major changes in vacancy rates
- No unforeseen circumstances such as major corporate tenant failures or further deterioration of the macro-economic environment

The prospects have not been reviewed or reported on by Attacq's auditors.

Commentary continued

Declaration of a cash dividend

The board declared a final gross cash dividend of 29.00000 cents per share out of the company's distributable income. This brings the full year dividend to 58.0 cents per share (FY22: 50.0 cents per share).

The dividend is payable to Attacq shareholders in accordance with the timetable set out below:

	2023
Last day to trade *cum* dividend	Tuesday, 17 October
Shares trade *ex* dividend	Wednesday, 18 October
Record date	Friday, 20 October
Payment date	Monday, 23 October

Notes:

1. Share certificates may not be dematerialised or rematerialised between Wednesday, 18 October 2023 and Friday, 20 October 2023, both days inclusive.
2. Payment of the dividend will be made to shareholders on Monday, 23 October 2023. In respect of dematerialised shareholders, the dividend will be transferred to the Central Securities Depository Participant (CSDP) account or broker account on Monday, 23 October 2023. Certificated shareholders' dividend will be deposited on or about Monday, 23 October 2023.
3. Where the transfer secretaries do not have the banking details of any certificated shareholders, the cash dividend will be held in trust by the transfer secretaries pending receipt of the relevant certificated shareholder's banking details whereafter the cash dividend will be paid via electronic transfer into the personal bank accounts of certificated shareholders.

In accordance with Attacq's status as a REIT, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No 58 of 1962 (Income Tax Act). The dividend on the shares will be deemed to be a taxable dividend for South African tax purposes in terms of section 25BB of the Income Tax Act.

Tax implications for South African resident shareholders

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption contained in paragraph (aa) of section 10(1)(k)(I) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax (dividend tax) in the hands of South African tax resident shareholders, provided that South African tax resident shareholders provide the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

a) a declaration that the dividend is exempt from dividends tax

b) a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner

c) both in the form prescribed by the Commissioner for the South African Revenue Service.

Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Commentary continued

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Any distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 20.0%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder. Assuming dividend withholding tax will be withheld at a rate of 20.0%, the net dividend amount due to non-resident shareholders is 23.20000 cents per share.

A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

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

b) a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner

c) both in the form prescribed by the Commissioner for the South African Revenue Service.

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

The number of shares in issue at 30 June 2023 and the date of this announcement is 751 551 292 ordinary shares of no par value, which includes 46 427 553 treasury shares. Attacq's tax reference number is 9241/038/64/6.

Events after reporting date

Declaration of dividend after reporting period

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

The board approved a final gross cash dividend of 29.0 cents per share for the year ended 30 June 2023 (FY22: 50.0 cents per share), amounting to R204.5 million (FY22: R352.6 million). This brings the full year dividend to 58.0 cents per share (FY22: 50.0 cents per share). The full year dividend represents a payout ratio of 80.7% based on the group's distributable income and meets the minimum 75% payout ratio required by the JSE Listings Requirements for a REIT.

Waterfall City transaction with strategic investment partner GEPF

On 5 July 2023, Attacq, AWIC and the GEPF entered into a subscription and sale of shares and claims agreement in terms of which, subject to certain conditions precedent, the GEPF will acquire a 30.0% shareholding in the AWIC by subscribing for new shares and acquiring existing issued shares from Attacq. Attacq will also dispose of 30.0% of its existing shareholder loan and Attacq and GEPF will advance a further R1 billion in shareholder loans to AWIC, R700.0 million from Attacq and R300.0 million from GEPF (Proposed Transaction). Following the implementation of the transaction all shareholder loans extended to AWIC will be interest-free, have no fixed terms of repayment and will be repaid as and when the AWIC board of directors determines that there is free cash flow available.

The final condition precedent was fulfilled on 18 September 2023, being the approval of Attacq shareholders at a General Meeting. The implementation date of the Proposed Transaction is contractually set for 17 October 2023, when ownership of 30.0% of AWIC's equity and shareholder loans will pass to the GEPF against payment of the preliminary purchase price, which purchase price will be finally determined with reference to AWIC's 31 October 2023 accounts, with any adjustments required to the purchase price to be made on or about 12 December 2023. This will result in a non-controlling interest reserve at group level. The maximum consideration payable by the GEPF in respect of the sale shares, the subscription shares, the sale claim and the additional loan is R2.688 billion.

The conditions precedent of the Proposed Transaction included the restructure of AWIC's indirect investment in MAS held via AIM Investco (AIM), be restructured so that it is held elsewhere in the group (AIM Restructure). The AIM Restructure was completed by 11 July 2023, after the conclusion of the following steps relevant to Attacq:

- AWIC distributed, out of its stated capital and on loan account (Distribution Loan) an amount of R1.0 billion to Attacq being the amount of the AIM loan balance created pursuant to a disposal of AIM Investco by AWIC to ARF. This distribution eliminates on consolidation and has no impact on the group results;
- Attacq, AWIC and ARF entered into a loan settlement agreement in terms of which AWIC agreed that ARF would settle its obligations in terms of the Distribution Loan. This results in an increase in the Attacq intercompany loan with ARF and a corresponding decrease in the Attacq intercompany loan with AWIC. The loans eliminates on consolidation and has no impact on the group results; and
- Attacq and AWIC entered into a share buy-back transaction, via loan account, of AWIC shares to the value of the AIM loan previously settled being R1.57 billion. This results in a decrease in Attacq's investment in AWIC of R1.57 billion and a corresponding increase in the Attacq intercompany loan with AWIC. The loans eliminate on consolidation and has no impact on the group results.

Commentary continued

Debt reduction and refinancing

Subsequent to year end, as a consequence of the GEPF transaction, the group has renegotiated its entire outstanding interest-bearing liabilities. Term sheets have been agreed with the lenders and final long-form legal agreements are in the process of being finalised. In total, interest-bearing liabilities will be reduced by a total of approximately R2.9 billion, being approximately R2.2 billion in AWIC, R500.0 million in ARF and Lynnwood Bridge Office Park Proprietary Limited syndicated loan, and R200.0 million in Lynnaur Investments Proprietary Limited. In addition, the refinanced facilities will be at reduced margins from their current levels due to the group's improved credit metrics.

MAS – suspension of dividends

On 4 September 2023, MAS announced that it will not declare a final dividend for the six-month period ending 30 June 2023. No dividend guidance or timing to the resumption of dividends has been provided. For further information in respect of MAS' results, refer to the MAS website at **www.masrei.com**.

Additional investment in AttAfrica

Subsequent to year end, Attacq invested an additional R40.7 million into AttAfrica which will be used to settle bank debt.

No other significant subsequent events occurred from 30 June 2023 up until the date of the signing of the annual financial statements.

Commitments

Please refer to note 34 of the annual financial statements for future capital commitments on developments under construction and developments in the pipeline. Future commitments will be funded by undrawn banking facilities, cash on hand and proceeds from capital recycling activities.

Issue of shares

No shares were issued during the year.

Change in non-executive directors

Ms F De Buck and Dr G Rohde were appointed as independent non-executive directors of Attacq, effective from 1 February 2023. Ms De Buck serves as a member of the Audit and Risk Committee, and Dr Rohde serves as a member of the Transformation, Social and Ethics Committee.

Announcement

This announcement is the responsibility of the directors and the contents were approved by the board on 27 September 2023. The announcement has not been audited or reviewed by the company's auditors.

The full announcement is available on the company's website at www.attacq.co.za/investor-hub and can be accessed using the following JSE link: https://senspdf.jse.co.za/documents/2023/jse/isse/ATT/2023FYRES.pdf

The audited consolidated annual financial statements for the year ended 30 June 2023 is available on the company's website at https://www.attacq.co.za/wp-content/uploads/2023/09/attacq-annual-financial-statements-september-2023.pdf.

Audit report

The auditor, Ernst & Young Inc., has issued an unmodified opinion on Attacq's consolidated audited annual financial statements for the year ended 30 June 2023. The audit was conducted in accordance with International Standards on Auditing. The following key audit matter was considered as part of their audit: valuation of investment property, including completed developments, developments under construction and leasehold land.

A copy of the auditor's report together with a copy of the audited consolidated annual financial statements is available for inspection at the company's registered office and on the company's website at https://www.attacq.co.za/wp-content/uploads/2023/09/attacq-annual-financial-statements-september-2023.pdf.

Any reference to future financial information included in this announcement has not been reviewed or reported on by the auditor. The auditor does not necessarily report on all the information contained in this announcement. Shareholders are advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the audited consolidated annual financial statements for the year ended as at 30 June 2023 from the company's registered office or from the company's website.

On behalf of the board

P Tredoux
Chairperson

JR van Niekerk
CEO

28 September 2023

Company information

Attacq Limited

(Incorporated in the Republic of South Africa)
(Registration number 1997/000543/06)
JSE share code: ATT
ISIN: ZAE000177218
(Approved as a REIT by the JSE)

Independent non-executive directors

P Tredoux (chairperson)
HR El Haimer (lead independent director)
FFT De Buck (effective 1 February 2023)
TP Leeuw
IN Mkhari
GT Rohde (effective 1 February 2023)
S Shaw-Taylor
AE Swiegers
JHP van der Merwe

Executive directors

JR van Niekerk (CEO)
R Nana (CFO)

Company secretary

W Modisapodi

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Waterfall City
2090

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1685

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(Private Bag X9000, Saxonwold, 2132)

Sponsor

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6th Floor, 1 Park Lane
Wierda Valley
Sandton, 2196
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