VUKILE
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

INTEGRATED ANNUAL REPORT 2019

Welcome to the Vukile Property Fund Limited integrated annual report 2019

Integrated reporting and scope

The Vukile group (Vukile) takes pleasure in presenting its fifteenth integrated annual report to stakeholders for the year ended 31 March 2019. This integrated annual report is prepared to assist stakeholders in assessing Vukile's ability to create and sustain value. Vukile reports on the significant issues within the business, along with material matters identified through engagement with its stakeholders. This provides stakeholders with information that is relevant to their decision making and interaction with the group.

This integrated annual report covers the group's business, sustainability and financial activities from 1 April 2018 to 31 March 2019. Material events and business developments which occurred after the reporting date are also covered in this report. Reporting is based on applicable legislation and accounting guidelines, the King IV Report on Corporate Governance™* (King IV) and the Johannesburg Stock Exchange (JSE) Listings Requirements.

The scope and boundaries of the information contained in this report describe the group's business activities and property portfolios in southern Africa and Spain and interests in other listed property companies. This report aims to indicate how Vukile will create and sustain value for stakeholders over the short, medium and long term.

Approval

On 29 May 2019, the board of directors of Vukile (the board) approved the integrated annual report and the supplementary documents. The directors acknowledge that they are responsible for the content of Vukile's integrated annual report and supplementary documents. The board has applied its mind to this report and believes that, read with the supplementary documents made available online, it addresses all material issues and fairly represents the financial, operational and sustainability performance of the group.

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Notice of annual general meeting to be posted separately

Navigating our report

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ABOUT VUKILE

Corporate profile

Vukile Property Fund Limited (Vukile or the company or the group) is a focused retail REIT, which listed on the JSE Limited on 24 June 2004 (JSE code: VKE) and on the Namibian Stock Exchange (NSX) on 11 July 2007 (NSX code: VKN). Vukile's market capitalisation was R18.4 billion on 31 March 2019 and its direct property portfolio was valued at R30.4 billion at year-end. There were 920 962 145 shares in issue at year-end. On 1 April 2013, Vukile became the first property company to be awarded REIT status by the JSE Limited.

HIGHLIGHTS FOR THE FINANCIAL YEAR

7.5%
increase in dividends

Dividends in line with guidance to
181.48 cents
per share

Strong
balance sheet and capital market support

Raised
R2.6 billion
in new equity during the year and R700 million in April 2019

Interest cover ratio of
six times

Loan-to-value reduced to
37% with **96%**
of debt hedged

Corporate long-term credit rating upgraded to
A+(ZA)

Raised
R1.24 billion
in corporate bonds

Significant presence in Spain

Investment properties increased to **€916 million** from €308 million following the acquisition of five dominant shopping centres

Positive benefits of diversification with a solid pipeline of opportunities

Like-for-like **growth** in gross rental income of **3.5%**

All retail parks acquired in June 2017 now fully let

Successful redevelopment of Kinepolis Leisure Centre at a yield of **11%**

Value-add asset management from Castellana

Reversions and new lettings at **11%** above expiring rentals

Retail vacancies reduced to **3.0%** with **87%** tenant retention

Positive retail reversions at **+4.5%**

Continuing solid operating performance in southern Africa

Established **Vukile Academy**

Retail like-for-like growth in net income of **4.4%**

Strategic intent – three pillars

Vukile's strategic intent can be captured in three pillars. Within each pillar, we have clearly defined focus areas and objectives which are highlighted below:

Southern Africa

- Continued focus on defensive retail sector in line with our high-quality, low-risk portfolio
- Further investment in our existing portfolio through expansions and upgrades
- Strong operational focus to keep delivering solid results
- Increased focus on consumer analytics and alternative income streams from our shopping centres
- Appetite to invest further in South Africa but limited local acquisition prospects at the right price.

International

- Focus will be on Spain to drive home the advantage we have created in Castellana, through scale, on-the-ground presence and operational capabilities
- Despite performing in line with expectations, unlikely to invest further new equity into Atlantic Leaf Properties Limited (Atlantic Leaf) under current conditions, but rather working with management to unlock value
- Decision was made not to consider any other new markets in the short to medium term but rather to focus on Spain.

Balance sheet management

- Disciplined and conservative financial management with stable loan-to-value (LTV) target around 35%
- Prudent interest rate policy to hedge at least 75% of debt
- Foreign exchange hedging policy to minimise adverse foreign exchange fluctuations by hedging forward on average 75% of foreign dividends by way of forward currency swaps over a three to five-year period
- Look to recycle non-core assets into core strategy:
  – Timing and price dependent
  – Includes stake in Gemgrow Properties Limited (Gemgrow).

Who we are

- High-quality, low-risk **retail REIT** operating in South Africa and **Spain**
- Clarity of **vision, strategy** and **structure**
- Prudent **financial management** and strong **capital markets expertise**

Property-related assets at year-end

4% — United Kingdom R1.3bn — Atlantic Leaf

45% — Spain R14.9bn — CASTELLANA PROPERTIES SOCIMI S.A.

51% — Southern Africa R16.8bn

Direct property portfolio R15.5bn

Fairvest: R568m

Gemgrow: R729m

- Strong **operational** focus with a core competence in **active asset management**
- Aim for **simplicity** and **transparency**
- **45%** of assets now focused in Spain and 4% in the UK
- Listings on the **JSE** and **NSX**
- **Entrepreneurial approach** to deal making
- **72%** held subsidiary Castellana Property Socimi listed on the **MAB** (Madrid junior board)
- History of strong compounded growth and **shareholder returns** with CAGR of **20.3%** since listing

STRATEGIC INTENT

Grow the portfolio

Critical success factors	2019 progress/outcome	2020 target
▪ Growth in South Africa	▪ Extension and upgrade to Pine Crest Centre to the value of R200m ▪ R392m redevelopment of Maluti Crescent ▪ Acquisition of Kolonnade Retail Park for R471m	▪ Continued focus of the defensive retail sector in line with our quality, low-risk portfolio ▪ Sale of non-core assets with intention to redeploy proceeds into core assets ▪ Appetite to invest further in South Africa through the right assets at the right place ▪ R111m to be spent on maintenance capital
▪ Growth in Spanish market	▪ Investment properties increased to €916m from €308m following the acquisition of five dominant shopping centres ▪ All retail parks acquired in June 2017 now fully let ▪ 6.49% like-for-like growth in stable portfolio value ▪ 11.17% in total portfolio revaluations since acquisition ▪ Successful redevelopment of Kinepolis Leisure Centre at a yield of 11% (renamed Granaita Leisure Centre)	▪ Identify further investment opportunities in existing portfolio through expansions and upgrades ▪ Organic acquisitions and buying owner occupied boxes (such as the El Corte Ingles (ECI) transaction) ▪ Capex project totalling €28m to enhance ECI units ▪ Drive value through hands-on asset management ▪ Enhance non-GLA income ▪ Healthy pipeline of value accretive opportunities

Invest in our people

Critical success factors	2019 progress/outcome	2020 target
▪ Maintain strong workforce in property industry	▪ Active succession planning to replace CFO and MD (SA) ▪ R477k spent on training and development in SA ▪ Increased headcount in Spain to 26 professionals	▪ Strong focus on governance and leadership
▪ Stable and consistent workforce	▪ Low staff turnover ▪ Employer of choice and enhanced working environment through Vukile's new head office building	▪ Welcoming our new executives in a seamless transition
▪ Workforce diversity in respect of age, skill and race	▪ Enhanced workforce diversity by the introduction of new finance, investment and alternative income skills	▪ Continue enhancing workforce diversity

Optimise short-term and long-term returns

Critical success factors	2019 progress/outcome	2020 target
▪ Annual growth in dividends	▪ 7.5% increase in dividends ▪ 15-year unbroken track record of growth in distributions	▪ Focus on growth in dividends and NAV ▪ Forecast dividend growth of 3% to 5%
▪ Long-term returns	▪ CAGR of 20.3% since listing	▪ Recycle non-core assets and investments where appropriate without harming long-term earnings momentum

Stakeholder engagement

Critical success factors	2019 progress/outcome	2020 target
▪ Communication with shareholders and debt providers	▪ Annual ESG roadshow ▪ Annual debt roadshow to DMTN participants ▪ Member of the Debt Issuers Association (DIA) and representation on its executive committee ▪ Active participation on SA REIT Association committees ▪ Attendance at SA REIT conference and international conferences ▪ Successful roadshow of select Spanish retail centres was completed with shareholders, analysts and journalists early 2019	▪ Ongoing relationship and interaction with key stakeholders to ensure transparency and openness as custodians of Vukile
▪ Key leadership roles in the industry held by Vukile executives	▪ Dr Sedise Moseneke was elected as the chairman of the Property Sector Charter Council (PSCC) ▪ Itu Mothibeli elected as a director of the South African Council of Shopping Centres ▪ Castellana Properties is a member of the Spanish Shopping Centres Council, represented by Alfonso Brunet who takes an active role as board member of the council ▪ Alfonso Brunet also takes an active role in market communications for the Asocimi (Spanish Reits Association) of which Castellana Properties is a founding member	
▪ Strong relationships with property managers	▪ Introduction of a rewards and incentive programme to derive optimal outcomes for Vukile	
▪ Engaging with communities in which our retail centres are located	▪ The Vukile community participation and liaison policy is an ongoing project, across seven locations. It identifies opportunities to make the lives of the communities around our shopping centres better ▪ We have nurtured loyalty and created a sense of belonging through projects such as: Afrika Tikkun, Umastandi, Black Suppliers, Neh Women Food Vendors Enterprise Development, Dream Room Reach For A Dream	

Vision

At Vukile we aspire to be a leading international REIT generating sustainable growth in earnings and superior returns for our stakeholders through our portfolio optimisation, data-driven asset management, active deal making, conservative financial management and the provision of a top-quality experience for our tenants and their customers in our predominantly retail portfolio.

Minimise cost of funding and refinance risk

Critical success factors	2019 progress/outcome	2020 target
▪ Balance sheet management	▪ Good progress in reducing LTV to 37% ▪ Interest cover ratio (ICR) of six times	▪ Continue working to reduce LTV to target level of 35% ▪ Further reduce LTV in Spain through value-added projects and, if possible, paper funded acquisitions
▪ Minimise refinance risk through diversified sources and providers of finance, with no more than 25% of total interest-bearing debt to mature within any one financial year	▪ Diversified sources of funding through DMTN and banks ▪ Bank funding is diversified across nine funding providers, both local and foreign ▪ Reduce group cost of funding to 4.5% from 5.7% due to funding mix ▪ Progress in enhanced risk management analysis tools	▪ Maintain conservative and well diversified funding strategy ▪ R1.4bn of bank debt expiring in FY20 will be refinanced; currently R1.1bn already in advanced negotiations ▪ Further enhancement of risk management analysis tools
▪ Risk management in respect of currency and interest rate risk	▪ 95.7% of interest-bearing debt hedged with a 3.6 year fixed rate maturity profile ▪ 75.2% of forecast net EUR income from Castellana hedged over the next 2½ years ▪ 86.0% of forecast net GBP income from Atlantic Leaf hedged over the next two years	▪ Hedge local and foreign term debt funding ▪ Continue to hedge foreign earnings to provide predictability in earnings

Transformation

Critical success factors	2019 progress/outcome	2020 target
▪ B-BBEE certification	▪ The collapse of our previous rating agency, Empowerdex, and subsequent appointment of a new rating agency has led to delays in verification. We expect to publish our rating in August 2019 on SENS	▪ Achieve B-BBEE certification to level 3 or better with 100% recognition level ▪ Improve enterprise supplier development score
▪ Actively drive transformation and skills development	▪ Creation of the Vukile Academy ▪ Funded 55 bursaries to top performing black students at a cost of R5.2m ▪ Internships granted to eight top candidates	▪ Internships to 10 top candidates ▪ Empower candidates with the Vukile Brand DNA ▪ Increased skills development spend

Improve customer and tenant focus

Critical success factors	2019 progress/outcome	2020 target
▪ Understand customer and tenant needs	▪ 35 properties have live fibre connections ▪ Wifi installed at two properties, currently in technical testing phase	▪ Develop internal capabilities around market research and consumer behaviour ▪ Increase revenue and marketing opportunities through greater consumer insight
▪ Understand our customers' retail behaviour	▪ Ongoing research in respect of target market customer behaviour in both South Africa and Spain	▪ Evolve into a customer-led organisation to better adapt to changing customer trends to ensure long-term sustainability
▪ Engagement with major retail tenants	▪ Websites and social media sites for all South African retail properties are being upgraded or created ▪ A centrally designed marketing strategy to be implemented locally across 33 shopping centres	▪ Ongoing interaction with retail tenant base to ensure a symbiotic, mutually beneficial business relationship

Operational efficiencies in the portfolio

Southern African portfolio

Critical success factors	2019 progress/outcome	2020 target
▪ Operating metrics	▪ Retail vacancies reduced to 3.0% ▪ Positive retail reversions at +4.5% ▪ Contractual escalations of 7.0% ▪ Like-for-like net income growth of 3.4%	▪ Strong operational focus to keep delivering solid results with a specific intent to further reduce vacancies and lower operating costs
▪ Energy-saving initiatives	▪ 5.5 million kWh sustainable electricity savings ▪ R2.8m saved through billing and metering optimisation ▪ Total installed PV capacity of 4.8MW ▪ R53m spent to date with annual income of R10m ▪ Sustainable water savings of 18 000kℓ per annum	▪ Energy savings of 8.6 million kWh ▪ Increasing PV capacity by 3.6MW ▪ Further optimised metering and billing savings of +R0.6m ▪ Additional water savings of +15 000kℓ per annum
▪ Tenant profile	▪ 87% tenant retention ▪ WALE of 4.0 years ▪ National exposure 83% of GLA (79% of rent)	▪ Reduce Edcon exposure to 39 800m² (4.9% of retail GLA, and 2.0% of the group's rental exposure) and active re-letting of space to new tenants
▪ Efficiency	▪ Industry-leading rent to sales ratio of 6.0% ▪ Net cost to property revenue 16.9% ▪ Annualised growth in trading densities 2.8%	▪ Continue to provide great shopping centres to our tenants to ensure an industry-leading rent to sales ratio ▪ Net cost to property revenue of 16% to 18%

Spanish portfolio

Critical success factors	2019 progress/outcome	2020 target
▪ Tenant profile	▪ 94% of retail space let to national tenants ▪ 27% of income from top 10 tenants ▪ WALE of 14.2 years ▪ 99.3% rent collection rate	▪ Focus on value-add asset management initiatives ▪ Increase dominance in shopping centres by repositioning best brands ▪ Improve the shopper experience by introducing new ways of consumption
▪ Operating metrics	▪ 10.8% increase in reversions and new lettings ▪ 97.9% occupancy ▪ 3.5% like-for-like growth in rental income ▪ Value-add projects and refurbishment of Granaita Leisure Centre – from 48% occupancy to 100% let	▪ Operate as locals on the ground ▪ Continue optimising income expenses ratio ▪ Focus on the marketing functions to increase footfall

BUSINESS MODEL

Creating value using the six capitals

Vukile creates value primarily through direct and indirect ownership of immovable property. Value creation depends on various relationships and resources, known as the six capitals. To deliver on the group's strategy and generate value for all stakeholders, inputs of each type of

CAPITAL INPUTS

HUMAN CAPITAL
- Number of employees
- Multidisciplinary skills at junior and senior management levels
- Vukile Academy

MANUFACTURED CAPITAL
- Shopper experience ensuring tenant returns
- Ongoing portfolio management within stable portfolio
- Customer centricity
- Focused on growth in renewal of rentals
- Leveraged long-term incentive plans

SOCIAL CAPITAL
- Relevance in communities in which we operate
- Vukile Academy
- Investor and funder confidence
- Community relationships and initiatives

ENVIRONMENTAL CAPITAL
- Sustainable energy initiatives
- Photo Voltaic (PV) plants at majority of rental centres
- Water management
- Land leases in certain communities

FINANCIAL CAPITAL
- Undrawn facilities to the value of R1.4 billion
- Financial risk management
- Balance sheet management
- Capital allocation across segments and business units

INTELLECTUAL CAPITAL
- Active asset management approach
- Bespoke risk-return model
- Value-driven service culture
- Vukile's strong brand

capital is required. During the capital allocation and decision-making process, consideration is given to the trade-offs between the capitals with the view of maximising the positive outcomes and limiting the negative impacts.

OUTPUTS – VALUE CREATION

Customers

HUMAN CAPITAL

pages 83, 84

- Low staff turnover
- Stable and engaged workforce
- Diversified and skilled board and executive team
- Onboarding of eight interns as part of initial Vukile Academy

MANUFACTURED CAPITAL

pages 22, 44

- Number of retail properties in southern Africa: 45 (R14.8 billion)
- Number of properties in Spain: 17 (€916 million)
- Value of portfolio increased by R6 billion
- Spanish acquisitions to the value of R13.5 billion
- Increased footfall
- Implemented innovative alternative income opportunities

SOCIAL CAPITAL

pages 17, 82

- Dream Room at the Chris Hani Baragwanath Paediatric Oncology Ward
- Continued focus on transformation agenda
- Establishment of Vukile Academy and bursary initiatives to deserving third-year students

ENVIRONMENTAL CAPITAL

page 79

- Sustainable water savings of 18 000kℓ per annum
- Continued investment in long-term renewable energy solutions
- 5.2 million kWh electricity savings through PV plants with R2.8 million saved through optimised billing and meter optimisation
- Alternative income management

FINANCIAL CAPITAL

pages 02, 74

- Southern Africa like-for-like net property income growth of 3.4%
- Gearing at c.37%
- 75% of foreign dividend exposure is hedged
- Distributed dividends of R1.7 billion (growth of 7.5%)
- Raised equity of R2.6 billion by year-end and R3.3 billion by end April 2019
- Castellana listed on the MAB alternative exchange in July 2018
- The ninth largest SOCIMI in Spain by market capitalisation

Acquisitions and sales

INTELLECTUAL CAPITAL

page 04

- Business processes to execute group strategy
- Optimisation of retail portfolio to demonstrate defensive strategy
- Entrepreneurial approach to deal making (new markets such as Spain)

Business review

FROM THE CHAIRMAN

"This is my first report for Vukile as chairman and I am pleased to begin this new chapter with a business that is in great shape; it is well governed and managed by a great team of talented people, and has a quality portfolio of properties with a geographic spread that makes it unique in its market."

This year, Vukile continued its growth story. For a 15th successive year, Vukile has delivered dividend growth and performance for investors. When you look at it, over the past 15 years Vukile has delivered a total return to shareholders of 20.3% a year compared with 17.1% for the sector.

Vukile is a compellingly liquid and tradable way to own property, and it enjoys a solid and diverse shareholder base.

It has earned a track record of delivering what it promises, whatever the market conditions. Vukile has performed consistently through various property cycles supported by effective strategies, deal making and management skills. It is also in a good position to create value and continue delivering reasonable and sustainable growth in long-term profitability in the future through strategic progress.

Strategy

Vukile's three strategic pillars are its strong retail property foundation in South Africa, its international investment focus on retail property in Spain, and its robust balance sheet. This year, Vukile achieved significant strategic outcomes in all three pillars.

International investment now accounts for some 50% of Vukile's assets, and almost all of this is in Spain. Vukile bought well in Spain. Besides the significant growth in Spanish assets, yield-enhancing asset management initiatives are now also increasing asset value, demonstrating the success of the business model. The team has quickly established a track record of delivering deals in Spain, which is attracting even more opportunities. Internationalisation in developed markets brings real diversification to our business, so Vukile will continue to focus on growing both the portfolio in Spain and its contribution to our distributions.

Domestically, Vukile continued to improve the overall quality of the property portfolio and reinforce its low-risk profile. We are positively positioned with retail assets concentrated in the emerging sector of our economy, in township and rural communities. The portfolio delivered a pleasing performance and good metrics.

The changing nature of retail creates uncertainty that introduces both risk and opportunity. Vukile only explores investment opportunities in the defensive and future growth areas of the market, and steers clear of those that are over-capitalised and likely to be hit hard. We are pleased to have many world-class retailers among our major tenants in both countries.

While Spain and South Africa are two different strategic pillars, both centre on retail property. With the ever-changing retail landscape, our sustainability in this sphere means that we need to imagine what shopping centres will look like in 2030, what skills and capabilities will be required and, in fact, what Vukile itself will look like.

This will enable us to be an even better business and to continue to distinguish ourselves in future. Our focused retail property investment and specialised active asset management sets us apart.

FROM THE CHAIRMAN continued

The information and idea sharing between the two teams, which speak the common language of retail albeit in the nuanced accents of their specific markets, is amplifying this advantage that we have created for ourselves. This unique alchemy of experience and innovation is propelling our retail assets and our business into the future.

All this is underpinned by Vukile's disciplined and conservative financial management and sustainable business model. Our balance sheet strength, which we continually test and reinforce, is our springboard for growth, locally and internationally. Our sustainable funding model, including our interest rate and hedging strategies, serve us well by minimising our exposure to macro-economic events over which we have very little control.

The combined progress of our three strategic pillars has built a strong foundation for Vukile. In South Africa we are well differentiated as a retail REIT. Our total property-related assets are valued at R30.4 billion, of which offshore investments amounted to R14.9 billion.

We are confident in our strategies and will continue to build on our strategic pillars in the year ahead.

Operating environment

Vukile's investment is divided equally between local and international markets. Our business is subject to operating environments in both southern Africa and Spain, which are detailed in dedicated reviews later in this report. However, as a JSE-listed SA REIT deeply rooted in South Africa, there are specific business drivers in the domestic context that have a strong bearing on our business.

On the ground, the economic environment has been difficult. Globally, growth is slowing. Locally, the last 12 months have been marked by political turbulence, a stalling economy, increased uncertainty, and low business and consumer confidence exacerbated by Edcon's woes and the return of Eskom's rolling blackouts.

While South Africa avoided a Moody's downgrade, the South African Reserve Bank downgraded its economic growth forecast to a mere 1.3% for 2019, and we have also seen corporate earnings forecasts downgraded. With the sluggish economy, businesses in South Africa are going through anxious times and are under increasing pressure; and it is not going to get better soon.

2018 has been dubbed the *annus horribilis* of the listed property sector. Catalyst Fund Managers reported that the SA Listed Property (SAPI) underperformed other asset classes on a rolling 12-month period to 31 March 2019 with returns of –5.68% compared to SA cash at 7.26%, SA equities at 5.04% and SA bonds at 3.45%. Of course, the value destruction that characterised the sector since December 2017 is mostly due to only a handful of counters. That said, the sector faces the same problems as the South African economy as a whole, and there is evidence of lower growth from the listed property sector in general and a more subdued outlook.

Within this context, I am pleased that Vukile was among the top 10 performing South African REITs for the 12 months to 31 March 2018 according to research published by Bridge Fund Managers for the SA REIT Association, which measures REITs comparable with us. Over three years, Vukile delivered the fourth highest annualised returns at 15.1%. It was the second highest performing REIT over both five and 10 years, achieving 12.7% and 17.7% annualised returns respectively.

Vukile's positive performance is a testament to its strengthened strategic position and thanks to data-driven decision making, prudent financial management, well-timed offshore growth, and the continual enhancement of its South African portfolio; all executed within a stringent governance framework.

Vukile continues to be well positioned to take advantage of opportunities arising from a tangible improvement in local fundamentals. It all comes down to the economy turning which, in turn, rests on South Africa's political will to achieve this; and this requires a sensible election outcome.

In December 2018, the South African National Assembly adopted a report recommending that the constitution be amended to expropriate land without compensation. We still do not know what the final law will look like and a draft bill is scheduled for debate in October 2019. While President Ramaphosa has assured investors that property rights will be protected, there is still much that is unclear about this issue and its application. Certainty is necessary for investor confidence in South Africa.

Vukile is deeply committed to transformation, which is obvious when you consider our actions and achievements detailed later in this report. At this point, I must mention that Vukile gave a real push to transformation for the entire property sector this year, with the proud launch of Vukile Academy's new bursaries and internships.

FROM THE CHAIRMAN continued

Governance continues to be a strong focus concerning the listed property sector. We believe in transparency and welcome greater scrutiny of, and clarity from, the sector.

One of the requirements of the SA REIT structure is to pay at least 75% of taxable earnings available for distribution to its investors each year. Since it was formally introduced in 2013, the norm has been for REITs to distribute effectively 100%. This furthers the short-termism associated with our sector. It is our responsibility to explore every avenue available to us to create value for our shareholders in the medium to long term. As such, we are analysing scenarios across different points within the 75% to 100% range and exploring their possible advantages for Vukile and our stakeholders.

The Vukile board

This year saw a leadership transition for the Vukile board. On 14 August 2018, Anton Botha, who had been chairman of the board since 2004, retired. We thank him for his valued service to Vukile and wish him well in his retirement. It is a privilege for me to take on this role which is built on a rock-solid base of good governance. As part of this change, Dr Renosi Mokate assumed the role of lead independent non-executive director from 1 June 2018.

This leadership transition will continue in the year ahead with the retirement of our financial director Mike Potts, and managing director: southern Africa (MD SA) Ina Lopion, on 30 June 2019. We extend our sincere appreciation to both for their tremendous contributions to Vukile's management and board over the years. From 1 July, our new chief financial officer (CFO), Laurence Cohen, and new MD SA, Itumeleng Mothibeli, will be taking up these board seats. We welcome them in advance and wish them every success in their new roles.

Corporate governance has always been a point of strength for Vukile and will remain so going forward, as borne out by our highly competent board members. Vukile has a high-calibre, experienced, multiskilled and independent board of directors. They are exceptionally engaged in the business, readily available and committed to Vukile and the highest levels of corporate governance.

We are confident this ethos and expertise is echoed in the board and governance of Castellana, which includes three Vukile board members.

Acknowledgements

We have an excellent team at Vukile and they have performed well in a tough operating environment. Even while overcoming today's challenges, they are keeping their eyes on the horizon of tomorrow, and finding ways to be an even better business in future for all our stakeholders.

Our shopping centres in southern Africa and Spain are enjoyed by millions of people, and we deeply value their support. We will continue to strive to offer them the best experiences defined by choice, value and enjoyment at our shopping centres.

My colleagues on the board are generous with their wisdom, insight and commitment, and I thank them for their contributions. Vukile's excellent executive team, led by Laurence Rapp, has once again demonstrated extraordinary talent, agility and leadership, to succeed even in the most challenging context.

Vukile has excellent business partners, service providers and tenants, and we are pleased to be associated with these companies and individuals. We are thankful for the professional and proactive property managers of Vukile's portfolio in southern Africa: Broll, JHI, McCormick, Spire and Trafalgar. We also extend our thanks to the entire Castellana team in Spain.

We deeply appreciate the confidence and continued support of Vukile's shareholders and funders, especially our loyal strategic empowerment shareholder, Encha Group. We appreciate the shareholder support for our capital raises during the year, and commit to the same level of diligence in managing your capital as we have shown in the past.

Vukile will continue to strive to deliver on our strategies and our promises to add value to all our stakeholders.

NG Payne
Chairman
29 May 2019

FROM THE CHIEF EXECUTIVE

"Vukile has once again performed in line with expectations to deliver another set of good results and extend its 15-year unbroken track record of growth in distributions."

Vukile's distributions increased 7.5% on the prior year, even as the South African economy served up yet another in a six-year string of difficult years leading to a very challenging operating environment. The increased distribution is in line with our guidance.

As a high-quality, low-risk retail REIT, our dividend growth was achieved with the value created by our investments in South Africa and Spain, as well as through our robust balance sheet. Behind this performance is our strong operational emphasis, proactive asset management, prudent financial management and capital markets expertise.

More than this, as a business Vukile has matured and really came into its own this year.

Our clarity of vision, structure and business model, with excellent corporate governance and leadership as cornerstones, has seen Vukile stand out in its class. In a tough environment with subdued sector performance, we are being rewarded by the market for keeping our structure and business simple and clean.

Q Vukile has grown its international investment in Spain significantly. Do you intend to continue your Spanish growth at this pace?

A The exponential growth of Vukile's investments in Spain was a major highlight of the past year and gives us a significant advantage for the future. By diversifying internationally into a developed economy with different and stronger economic drivers, we offer investors exposure to a truly diversified investment with a lower risk profile.

Castellana Properties SOCIMI SA has quickly matured to become a credible, well-recognised company in the Spanish real estate environment and the ninth largest listed REIT in Spain. Its high-quality portfolio, which started the year valued at EUR308 million, has grown by some EUR608 million of acquisitions, asset management initiatives and organic growth during the year and increased in value to EUR916 million.

Our Spanish investment has played out in line with our bold strategy and aspirations in this market – the underlying operational side of the business performed very well. As planned, we added value to the properties with traditional asset management, such as the extensive redevelopment of the former Kinepolis, now Granaita Leisure Centre, which we consider a flagship project. Based on external valuations, our asset management interventions have added EUR25.8 million to the value of properties. At an average exchange rate of R15.92, this translates to R411 million. It is worth noting the emphasis of our asset management is on driving increased sustainable net income.

Vukile's Spanish subsidiary listed as a REIT on the junior market of the Spanish Stock Exchange in Madrid on 25 July 2018. From its listing price of EUR6 per share, Castellana ended the year with an EPRA NAV of EUR6.68. Castellana closed on 31 March 2019 at a price of EUR6.65 with a market capitalisation of EUR499 million. It is well funded with good access to local and international bank finance. Our Spanish subsidiary's debt is fully hedged with a long expiry profile.

Importantly, Castellana has scaled its team to 26 highly regarded and experienced people, establishing a stable business with Vukile's processes and governance spliced into its operating DNA. Castellana's team competes directly as locals on the ground, unlike typical foreign funds operating in Spain which we believe creates a significant source of advantage in the market.

Our portfolio construction strategy in Spain is to invest in all elements of retail property. We started with a portfolio of scale comprising very solid, low-risk assets, and have since augmented this base with strong, high-quality assets that are aesthetically pleasing and dominant in their markets. Acquisitions have supported a better category mix across tenants, with a greater representation of fashion, food and beverage, and health and beauty brands in the portfolio. Asset management has further improved this with interventions that set the stage for better retail experiences with more appealing retail mixes.

Vukile's international growth aspirations are firmly focused on Spain. We have now settled down and are feeling more at home in the Spanish market and, as such, have the capacity for more growth through asset management interventions and selective acquisitions.

While we do keep a sharp eye on related territories, such as Portugal, Vukile is not actively looking at expanding into other markets at this stage. Castellana has good deal flow and opportunities in its market. The Spanish economy is outperforming the Eurozone with above average GDP growth, albeit at a slightly lower rate than in recent years. Lower unemployment is supporting local consumption, which is amplified by a flourishing tourism market with more than 80 million tourists visiting Spain each year.

The favourable macro and micro-factors in this market are playing out in tune with our initial investment assumptions. This supports the further growth of our investment in Spain. However, our focus is more on growing earnings than portfolio size.

Q Is your defensive southern African retail portfolio meeting its performance expectations in the face of weak economic and property fundamentals?

A Harsh economic headwinds continued to restrict growth, demand and confidence in the South African market but, against this backdrop, I am delighted with the performance of our team. Our metrics are holding up well in a very corrosive environment. Retail vacancies improved, decreasing over the year to 3.0%. Good leasing results were enhanced by our new in-house leasing service, which is engaging with a far broader array of retailers and creating a more diverse tenant mix in our centres. We also achieved a very positive retail rental reversion rate of 4.5%, despite the attrition in the market. Lease expiries remain healthy with 41% of leases expiring in 2023 and beyond.

Vukile has a solid, well-managed retail portfolio which is borne out by the fact that we had a retention rate of 87% during the year. Our strong operational focus supports the customer appeal of our shopping centres and sets the stage for positive retailer trading.

We remain open to investment possibilities in South Africa, but the right assets at the right price are scarce, especially in the case of bigger, better assets. We acquired Kolonnade Retail Park in Pretoria for R470.6 million on a yield-neutral basis. This is a strong centre with a good tenant mix and, importantly, is an accretive acquisition for Vukile.

However, the current market dictates that the best value can be found in growing our portfolio's size and quality by investing in our existing core assets through upgrades, redevelopments and expansions.

Two projects of note this year are the extensions and upgrades to Maluti Crescent and Pine Crest Centre. The enlarged Maluti Crescent officially opened on 21 March 2019 as our financial year closed. The major R392 million project increased the centre's GLA from 21 538m^2 to 33 895m^2, with added retail and fast-food variety, making it the dominant centre in the town of Phuthaditjhaba. The R200 million extension and upgrade of the Pine Crest Centre is set to open at the end of July 2019. The project introduces a new food court, a refreshed tenant mix and improved access, as well as fresh new brands.

Naturally, we continue to assess our portfolio for opportunities to improve and expand assets, winnow non-core assets out of the portfolio and redeploy capital into better quality investments. The team keeps a keen eye on opportunities that will help tighten our portfolio to fewer, better, more dominant assets.

Looking at our portfolio composition in South Africa, all Vukile's top 10 assets are new-builds or have been upgraded in the past five years. It is a portfolio of strong, relevant and dominant shopping centres.

Q A robust balance sheet is as important to Vukile as its investment portfolios in South Africa and Spain, so how do you test and measure its strength?

A Having a strong balance sheet is a powerful pillar of Vukile's business. Our sustainable funding model rests on disciplined and conservative management of our balance sheet and treasury.

Because of its importance to our business, we continually structure our balance sheet for robustness and stress test it for risk. While the loan to value (LTV) ratio is the generally accepted go-to metric for SA REIT sector analysis, we believe that interest cover ratios (ICR) are equally important but perhaps they do not get as much attention from the market as they should.

LTV is based on the value of properties. Property value, however, is not an absolute definitive science. It is perhaps more of an art. It relies on a significant number of assumptions and judgement calls. It remains subjective to a large degree.

On the other hand, good cash management and the ability to comfortably service debt is ultimately what funders are looking for, and the ICR is the appropriate measure to be looking at. Cash flow is a much more objective measure of the financial strength of an asset and is not reliant on any assumptions. The cash flow is either there or it is not.

By way of example, in our Spanish business, a 40% reduction in Castellana's property income would have to take place before its ICR covenants are breached. This is highly improbable. For one thing, it is unlikely based on the high quality of our tenants. Our top 10 tenants account for 28% of retail rental income and are all national or international brands that are market leaders in their respective segments. In addition, when the financial crisis was at its peak, and vacancies in the Castellana portfolio were at their worst, they were a mere 6%.

Of course, for reporting purposes, both ICR and LTV are necessary measures. But, when you have a healthy ICR, we believe LTV becomes a secondary measure. LTV is subjective whereas ICR is objective.

That said, we have made very good progress in reducing our LTV to 37% after it was nudged up to 42% by the Unibail-Rodamco-Westfields transaction in Spain. We worked hard to bring it below the 40% mark quickly and, post-balance sheet, this was further reduced to 36% and in line with our long-term level of around 35%. Our term debt at the group level was 95.7% hedged with a 3.6-year fixed-rate maturity profile. A 20% or R6.5 billion reduction in property values would trigger Vukile group's debt covenant levels.

Another indication of balance sheet strength is our credit rating. Vukile received a credit upgrade of our corporate long-term rating from our rating agency GCR during the year to A+$_{(za)}$ with a stable outlook. We have a corporate short-term A1$_{(za)}$ rating and secured long-term AA+$_{(za)}$ rating.

Vukile's ability to access the debt capital and banking markets is excellent. Our low-risk approach is borne out by our diverse sources of debt funding. Vukile's multibank funding is spread across five local and four international banks. We also have a domestic medium-term note (DMTN) programme of capital markets funding. Our average group cost of funding is 4.53%.

For international investment, we manage the impact of exchange rate fluctuations as much as possible and aim to hedge 75% of our dividend flow from offshore investments over five years. By locking in these dividends, Vukile offers stable rand-denominated growth for South African investors built on high-quality European assets.

Q Where do Vukile's equity-accounted investments fit into your overall strategy?

A Our equity investments really all need to be evaluated individually and not as a collective part of our strategy.

Our R568 million stake in Fairvest Property Holdings Limited is a solid investment and closely aligned with our own retail investment strategy. It is a cost-effective way to invest in similar, but smaller, retail assets. It is delivering a pleasing performance, and an attractive total return on our investment.

Atlantic Leaf, which invests in the UK, is Vukile's original international investment vehicle. Our investment in Atlantic Leaf now stands at R1.3 billion. However, given our strong growth in Spain and access to significant deal flow, it now falls outside of our foreign investment focus and we continue to assess its place in our portfolio.

We closed the year with a non-core R729 million stake in Gemgrow Properties Limited. After year-end, a proposed merger between Gemgrow and Arrowhead Properties was announced and Vukile, as Gemgrow's second-largest shareholder after Arrowhead, has given its irrevocable support in favour of the merger. With increased scale, the merged Gemgrow entity will become an index constituent with significantly improved liquidity, relative to the current highly illiquid share, enhancing our ability to exit the investment and to then redeploy the money into our core strategy.

Q Are you well prepared for the management transitions at Vukile in the coming year?

A First, I would like to extend a warm welcome to our new chairman, Nigel Payne, who took the reins in August 2018 and thank him for the significant support he is giving me and value he is adding to the business.

Once again, I'd like to express my sincere appreciation for the invaluable contribution of our past-chairman, Anton Botha, who retired and concluded his term at the helm of our board during the first five months of FY19.

Nigel, who has served on the Vukile board since 2012, already has a deep understanding of our business and brings his extensive financial and board experience to our leadership table.

Two property stalwarts in Vukile's team retire at the end of June 2019, our FD Mike Potts and SA MD Ina Lopion. It is impossible to measure the huge contribution both have made to the business, not only by being excellent in their respective roles but also in a broad sense by being integral to the values, culture and the very DNA of Vukile.

Mike has maintained the highest standard of leadership and financial stewardship in his years as FD. As a founding director of Vukile, Mike has played a pivotal role in the business and its evolution into a retail REIT that is invested internationally, during which time Vukile stakeholders have participated in remarkable growth and value creation. His tenure is distinguished by a legacy of tremendous transparency and clarity in reporting. It has been my great fortune and privilege to work with such an accomplished executive, who with his integrity, talent and mentorship has contributed so much to Vukile's success. Mike will stay with the group as a non-executive director of Castellana and serve on its audit committee.

FROM THE CHIEF EXECUTIVE continued

Ina's esteemed leadership embodies excellence and innovation over a decade of heading up asset management at Vukile and, most recently, as MD SA. She is a touchstone of competence, commitment and distinction within Vukile and beyond. Her time at the company is marked by the complete refocus of our South African portfolio of assets and Ina has been integral in sculpting Vukile's significant retail portfolio, enhancing its quality, composition and shopper experiences. With care and creativity, she has devised key organisation processes and systems that underpin our operations and success. It has been my tremendous honour to work with such an outstanding executive who is a pioneer and true role model for women in the property sector. Looking to the future, Ina is intending to use her exceptional experience and talents to build a career as an executive coach and will continue her connection with Vukile by taking on a coaching role with some of our top senior talent as well as playing a mentorship role within the Vukile Academy.

Both Mike and Ina have mentored our next generation of leaders, who are already up-to-speed with Vukile's strategic imperatives and systems, and will advance Vukile seamlessly and without any delays.

Rob Hawton and Maurice Shapiro have both spent already nearly a year as FD South Africa and Group Head of Treasury respectively under Mike's guidance and we are confident in their skills to take the roles forward on his retirement.

I am also pleased to report that our active succession planning has ensured that, over the past few years, our highly skilled asset management executive, Itumeleng Mothibeli, has been thoroughly prepared by Ina to take over from her and head our South African asset management team. I am thrilled that Itu's immense skills and talent will be brought to this position. Not only does he have an impressive track record in asset management, but he is also intimately familiar with Vukile's properties, portfolio and processes. He will also be appointed to our board on 1 July 2019.

Hiring these great people internally shows the effectiveness of our comprehensive succession plan. It protects and optimises our valuable institutional memory and intellectual capital.

Vukile has also appointed Laurence Cohen as its new CFO. Laurence, who is widely respected for his extensive financial leadership experience in the listed property sector, joined the team on 1 March 2019 as CFO designate. He will succeed Mike and be appointed to the Vukile board of directors on 1 July 2019. He is already making a significant contribution to the group and has integrated extremely well into the Vukile culture. I look forward to a very successful working relationship with Laurence.

These appointments give us plenty of strategic depth, insights and skill to tackle the exciting road ahead for our business. They extend Vukile's track record of quality management and best-of-breed corporate governance. We are in very good hands to maximise opportunities as they arise.

Low staff turnover shows Vukile is regarded as a great place to work and our new offices, which we occupied from January 2019, add to the positive experience of Vukile. The new offices create a strong presence and even greater sense of belonging for the Vukile team. It is an inspiring space where both our people and our business can grow.

Q **You mention the Vukile culture; what makes it unique?**

A **At this critical juncture, and after several years of refocusing our business, as a team, we recently took the opportunity to distil and define the Vukile culture.**

Through this exercise it became resoundingly clear that Vukile's culture is characterised by a deep sense of respect and trust among the team members. This defines our interactions and relationships which – carried out thoughtfully with real humility and underpinned by openness, transparency, and honesty – generate a strong sense of our unwavering integrity. This reliable, stable foundation is rounded off with entrepreneurial flair. It is this culture that we seek to live by in our day-to-day interactions within the team and with our various stakeholders.

Vukile is a place for people to grow. It is an exciting environment where ambitious, talented, passionate and fun-loving people belong.

This culture holds across the teams in South Africa and Spain. Some of us have English as our business language; others have Spanish. Nevertheless, we all speak the common language of Vukile.

Q **How has your transformation journey progressed in FY19?**

A **Because of their significance, empowerment, social and economic transformations are sustainability imperatives for Vukile.**

Vukile continues to be very focused on achieving at least a level 4 B-BBEE rating. This rating process is still under way due to the unfortunate collapse of our previous rating agency, Empowerdex, and the appointment of a new verification agency which has led to some delays in finalising our updated scorecard. We expect to have that published on SENS during August 2019. However, the most exciting development for us in the transformation arena is the launch of the Vukile Academy.

We want to create a new generation of talented professionals for Vukile, but also for the property industry.

This initiative is about tangible transformation in the sector and is designed to make a real difference. We could not be prouder to launch the Vukile Academy. It offers promising young black university students more than 50 bursaries to help continue their studies, as well as eight hands-on internships at Vukile with mentorship from its skilled team.

It launched at the beginning of 2019 with influential partners including four universities and three industry bodies. We look forward to further refining the programme and believe that in time it could become a broader industry initiative.

Q Is Vukile's business model sustainable?

A The sustainability of our business model remains imperative for Vukile. Our business model rests on the pillars of regulatory compliance, strong governance, financial controls and sustainability; and we have all the essential checks and balances to uphold these pillars. In addition, our sustainable funding model is detailed earlier in this report.

As a property company, taking a long-term sustainable approach to business is in our nature. Vukile strives to conduct its business in accordance with the environment and the communities in which we operate. Because it is so important to us, there is a detailed sustainability review in this report with more information on our progress, goals and plans to achieve them.

We see good corporate governance as the key to sustainable success, so it is no coincidence that governance is a strength of Vukile. We also offer the market what it wants: clarity of vision, strategy and structure. We strive to run our business in harmony with our society and the environment.

Q How does Vukile action its environmental commitment as part of its business?

A Vukile complies with environmental legislation, but we also go well beyond what is required of us.

Energy savings and efficiency, and producing renewable energy, along with water saving and consumption control, are as much part of our business as they are our environmental sustainability. Our energy and water savings have direct bottom-line advantages to both Vukile and our tenants in the form of cost savings. They align with the responsible environmental and cost-efficiency goals of many of our tenants, and thus support the sustainability and appeal of our properties. Importantly, they lighten our environmental footprint.

Managing our energy and water consumption is a core competency at Vukile, and we are enormously pleased with our progress on this journey. In the past two years alone, we have completed five photovoltaic projects with a total size of 3 618kWp and we have another five under way of 2 511kWp. Our goal to have 2MWp installed by the close of FY20 is ambitious, but I am confident it is achievable.

Water savings have come into sharper focus for us in recent years. Our asset management team is concentrating on managing water leaks, driving efficiencies and investigating alternatives where there are supply constraints.

Q As a retail REIT, how does Vukile view the so-called "retail apocalypse"?

A We think that it is grossly overstated and based on many incorrect assumptions and observations, especially around ecommerce which has been singled out as the primary reason for retail challenges. In many respects, the current negative views on retail are borne out of the experience in the US and the UK and then people applying those observations to other markets and assuming they will behave the same way. We think that needs to be unpacked in greater detail to really evaluate the implications more broadly and then specifically to the markets in which we operate.

Let us start with the US. The US is widely acknowledged to be over-retailed. This is very clearly evident when looking at retail trading densities expressed as retail GLA per 1 000 people. Based on research done by Cushman and Wakefield, the US has a retail density of 2 183m²/1 000 people. This is five times more than the UK and seven times bigger than Spain. There is no doubt in my mind that excess supply is the primary reason for recent failures in US retail centres. By the way, this is largely happening in non-dominant secondary and tertiary centres; not dominant malls. Furthermore, US shopping centres tend to be anchored by department stores and not supermarkets as we have here and in Spain. With the decline of the department store format, that is putting pressure on the centres. Plus, leveraged buyouts have left some retailers over-indebted and failing, while other retailers have rested on their past popularity, and fallen out of touch with customers.

Across the pond, the UK's Brexit woes are the overriding factor in its retail pain, denting business and consumer confidence and constricting spend.

We live in an omnichannel world and, of course, ecommerce plays a role in the retail landscape. Any shopping centre owner needs to be extremely cognisant of the situation and ready to adapt their tenant mix and strategy to this new reality. But, in South Africa its penetration is poor; any growth is coming off a very low base. We think there are also structural constraints in our local market that mitigate very heavily against any material impact of ecommerce on our malls, especially those focused in the middle to lower LSM markets where we operate. In Spain, online sales account for about 5% of retail sales, and only 30% of this is in categories that compete with shopping centres. One also has to look at the large role played by the tourism market in Spain which provides a defensive element to the retail landscape. While online retail is very convenient, tourists typically do not go on holiday to shop online. They want to experience local cuisine, entertainment, shopping and fashion trends and therefore remain very happy to continue frequenting malls.

Perhaps the most revealing impact of online shopping is the new category of retailers it is creating for shopping centres. More and more previously pure-play online brands are being forced to acknowledge that they too operate in an omnichannel world and, as a result, are opening bricks-and-mortar stores. Examples range from Amazon internationally to Yuppiechef locally.

While the reality in our markets could not be in starker contrast to the doom and gloom of a retail apocalypse in the UK and US, sensational headlines have become a market force, and we are seeing attractive buying opportunities stemming from it.

Regardless of what is happening elsewhere in the world, we believe that putting the customer at the centre of what we do will keep Vukile's shopping centres relevant, appealing and competitive. We are building expertise to engage with customers to better predict their future needs. We plan to be at the forefront of future retail trends.

Q As a specialist retail property fund, can Vukile identify shopper needs and consumer trends in the South African market and respond quickly?

A Absolutely, and we also make it a priority to understand both macro-trends in consumer markets and micro-trends at each of our shopping centres.

We believe that knowing and understanding retailers and their customers is a key focus area and will become a cornerstone of shopping centre ownership in future. Shopping centres need this information to be an excellent conduit between retailers and their customers, enabling them to perform their very purpose.

In South Africa, it is interesting to note that our township retail is showing the strongest performance, followed by rural shopping centres. Urban malls, however, are the backmarkers in our portfolio; they are feeling some strain.

Our centres' trading densities tell us a lot about how South Africans are spending their money. Groceries and fashion are under a little pressure, while retailers in the health and beauty and sports categories are gaining spend. This also reflects shifting trends, such as the rise of athleisure as a fashion category.

Vukile's alternative income management journey has taken longer than initially anticipated, but our initiatives gained traction this year. Our innovative fibre deal is fully funded by MTN. Fibre has now been installed in 35 of our malls, and others are coming online soon. We have started piloting free public wifi and our app to gain greater customer insights through its opt-in database. This, in turn, will help us apply more customer-centric approaches in the way we manage, lease and market our shopping centres.

We intend to increase our spend and focus on building greater capabilities, both in South Africa and Spain, around our customer analytics and marketing capabilities. We believe that we need to be firmly on a journey of becoming a true customer-centric organisation to respond to the challenges and opportunities presented by this new world of omnichannel retailing.

Q Does your insight into shopper communities help Vukile to be a better corporate citizen and have more meaningful social impacts?

A We have always strived to invest in the communities that our shopping centres serve. When it comes to shopping centres, we believe they are integral to their communities and should act in this way. As we get closer to shoppers, using our increased data and analytics capabilities, we are better able to understand how we can have the most meaningful outcomes with our social investment. At each of our shopping centres, we encourage our asset managers to drive social investment projects pertinent to each asset and community. By acting locally, we have the biggest impact.

Actively engaging with shoppers at each of the centres also enables us to better meet their unique needs, creating experiences that build loyalty and customer support, thus creating a symbiotic relationship.

Naturally, we strive to make positive social impacts at group level. Besides our new Vukile Academy with its implications at tertiary level education and beyond, we also aim to have a positive influence at the outset of the education chain as a long-time supporter of Afrika Tikkun and its childhood education projects.

This year, a social investment highlight was Vukile's sponsorship of the Darren Serebro Dream Room at the Chris Hani Baragwanath Paediatric Oncology Ward. Dream Rooms are an initiative of Reach for a Dream, and we hope this one will bring much comfort to the children, the families, and the community that it serves.

Q Did Vukile participate in the recapitalisation and restructuring of Edcon, and are there any implications for your stakeholders?

A Considering the potential large-scale job losses in the retail and textile sectors should Edcon fail, as well as implications for the broader South African economy, we chose to be proactive in our negotiations with Edcon and be part of its restructuring.

We felt, however, that it was crucial to preserve the integrity of the underlying rental streams for Vukile shareholders while mitigating risk. So, we agreed to take a R36 million capital investment in Edcon in exchange for shares in the retailer, injected monthly over 24 months.

Vukile's participation in the Edcon restructuring did not impact our distribution to shareholders for FY19.

Looking beyond this, Vukile is actively reducing its exposure to Edcon, which represented 2.5% of Vukile's group rental income at year-end. However, the Edcon footprint in Vukile's shopping centres is expected to reduce with a further 11 258m² from 51 058m² to 39 800m² by August 2019, reducing the Vukile group rental value exposure to 2.0%. We have already relet or are in advanced stages of negotiations to let the majority of the 11 258m². Additional asset management intervention could reduce our exposure to Edcon to 1.6% of Vukile group rental revenue by the end of FY20.

Q Please take us through the post-balance sheet events that have a material impact on Vukile in FY20 and beyond?

A In April 2019, Vukile undertook a R400 million capital raise, which was increased to R700 million in response to strong market demand.

The new equity raised from this share sale allows us to take advantage of yield-accretive asset management opportunities in Spain, specifically in the portfolio Castellana recently acquired from Unibail-Rodamco-Westfields. As Europe's largest department store, El Corte Ingles owns two large boxes in our Los Arcos and Bahía Sur shopping centres, which we will acquire and enhance through asset management interventions before retenanting. Also, we will restructure the El Corte Ingles lease at El Faro, to unlock a strategic redevelopment opportunity to introduce more entertainment to the centre. The malls will become more dominant in their market with this exciting initiative. The capital raise also allowed us to reduce Vukile's LTV to 36%.

An offer has been received to purchase 70% of the share capital and shareholders' loans of MICC Properties Namibia, subject to the satisfactory completion of a due diligence, Competition Commission and other regulatory approval. As a package, the offer is in line with our internal market valuations.

Post-balance sheet developments with Gemgrow are likely to see us exiting this equity-accounted asset.

Q What prospects do the financial year ahead hold for Vukile and its stakeholders?

A In the South African REIT sector, we have become too conditioned to short-termism. This has come into sharp focus in the persistently weak South African economy, which is increasingly placing short-term gains and longer-term performance at odds.

A principal responsibility of directors is ensuring the medium-term and long-term sustainability of their REIT. Unfortunately, for some shareholders in the sector, short-term payouts are their only focus, which pressures listed property counters into doing what they have always done, prioritising the next period's distribution growth. This is short-sighted and often damaging to the longer-term sustainability of the business.

We find ourselves in a place where we need courageous leaders in the sector who do not bow to pressure from the markets to deliver short-term distribution growth at all costs. We also need shareholders who are knowledgeable and realistic about what an investment in property means; it is a long-term play, not a short-term pick. Fortunately, good sense is prevailing and the market is telegraphing a lower growth scenario, a shift towards long-term sustainability and value creation, and a preference for businesses that keep things clean and simple.

Vukile is positioned defensively for what we expect to be yet another tough year in the context of South Africa.

We will continue to pursue earnings growth in Spain and South Africa and progress our southern African asset rotation programme, out of non-core assets and into our two core investment strategies. We expect balance sheet metrics to remain robust and in line with those of FY19.

Assuming no material adverse change in trading conditions or large corporate failures and the successful implementation of transactions under way, Vukile expects to deliver growth in dividends of between 3% to 5% in the year ahead. Forecast rental income is based on contracted escalations and market-related renewals.

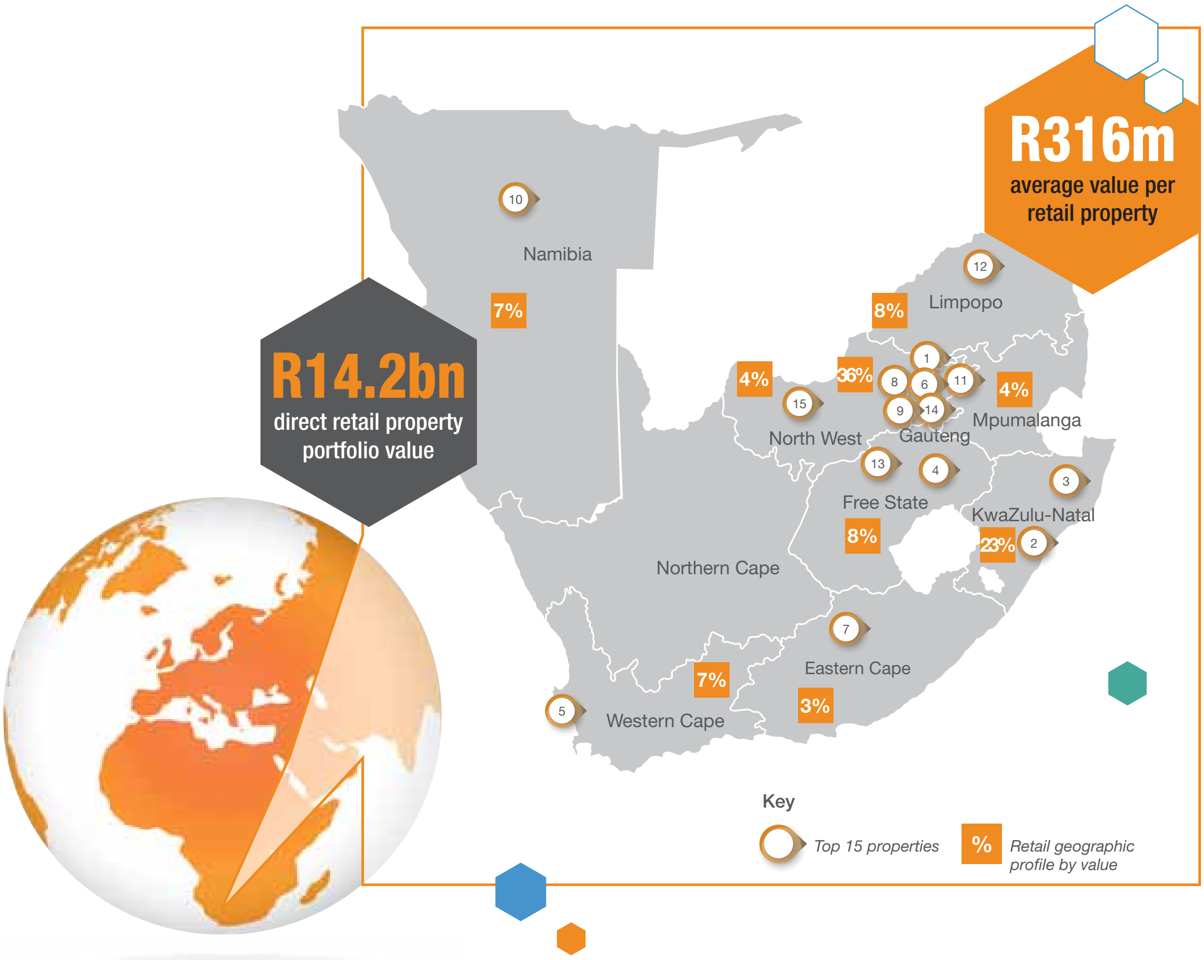
This forecast has not been reviewed or reported on by the company's auditors.

A strong set of results in a weak economy is only possible thanks to the drive and dedication of Vukile's management team and staff, and the passion and professionalism of our new team at Castellana. This is further strengthened by the guidance of good leaders, the backing of a strong board, and a framework of excellent governance. All this is rounded out with the specialist advice, solutions, services and implementation of Vukile's various business partners. To everyone who is part of our immediate and extended Vukile teams, I offer my sincere appreciation.

Laurence Rapp
Chief executive
29 May 2019

Southern Africa

OUR RETAIL FOOTPRINT – southern Africa



Our top 15 properties

1. East Rand Mall
2. Pine Crest Centre
3. Phoenix Plaza
4. Maluti Crescent
5. Gugulethu Square
6. Dobsonville Mall
7. Nonesi Mall
8. Kolonnade Retail Park
9. Meadowdale Mall
10. Oshakati
11. Daveyton
12. Thavhani Mall
13. Bloemfontein Plaza
14. Randburg Square
15. Moruleng Mall

Retail property portfolio

8.7%
Average exit capitalisation rate

R14.2bn
Direct retail property portfolio value

64%
Top 15 asset percentage of retail portfolio

860 591m^2
Gross lettable area (GLA)

45
Retail properties

R316.3m
Average value per retail portfolio

13.5%
Average discount rate

PORTFOLIO REVIEW – southern Africa

"In remarkably challenging market conditions, our resilient and defensive southern African retail portfolio has again delivered a sterling performance. In an environment deficient of growth, we are driving operational efficiencies by embracing innovative thinking and solutions that are cost-effective, ensure a high standard of operations now and protect value in the long term."

Valuation of southern African portfolio

The accounting policies of the group require that the directors value the entire portfolio every six months at fair value. Using a DCF methodology, approximately one-half of the portfolio is valued every six months, on a rotational basis, by registered independent third-party valuers. The directors have valued the southern African property portfolio at R15.5 billion[(i)] as at 31 March 2019. This is R1.0 billion or 7.0% higher than the valuation as at 31 March 2018. Pretoria Kolonnade Retail Park was acquired for R471 million and Hillcrest Richdens Shopping Centre was sold. The value of the stable portfolio increased by 3.3%. The calculated recurring forward yield for the portfolio is 8.4%.

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

(i) The southern African property portfolio value takes into account Moruleng Mall at 80%, whereas in the annual financial statements the group property value reflects 100% of Clidet No 1011 (Pty) Ltd, which owns Moruleng Mall.

Vukile is positioned defensively with an excellent portfolio of retail assets distinguished by their strong trading metrics. Our properties differentiate Vukile in the market.

Vukile invests in a high-quality, low-risk portfolio of southern African retail properties. The properties serve large segments of the market and cater to non-discretionary spend. Vukile's South African shopping centres cater mainly for customers in the LSM 7 band and below. This is well aligned with the demographics of South Africa.

Vukile has 92% of its southern African portfolio invested in retail property which now accounts for 40.5% or R14.2 billion of Vukile's total assets.

Like-for-like growth (stable portfolio)	31 March 2019	31 March 2018	% change
Property revenue (Rm)	**1 364.9**	1 308.3	4.3
Net property expenses (Rm)	**(231.2)**	(212.2)	9.0
Net property income (Rm)	**1 133.7**	1 096.1	3.4
Net cost-to-income ratio (%)	**16.9**	16.2	

Our retail focus positions us to confidently deliver sustainable returns from a defensive portfolio. It highlights the value that our data-driven asset management adds to property performance, and it demonstrates our ability to secure and deliver accretive deals and enhancing developments and redevelopments.

Value creation

We are pleased with the focus, operation, enhanced quality and defensive position of our southern African portfolio, and the value this signifies for Vukile.

A major theme for this financial year was driving operational efficiencies. We are placing every aspect of our operations under the microscope, not only to achieve cost savings but also to boost performance and ensure long-term sustainability. We will not opt for short-term gains that result in long-term pain or drive down costs at any price.

We achieved like-for-like growth in net profit from our southern African operations of 3.4%. Income was under pressure at Sandton Sunninghill Sunhill Park due to increased vacancies, and at Rustenburg Edgars and Vereeniging Bedworth Centre due to restructuring of leases. Excluding the reduced rentals at these properties, property revenue escalated at 5.3% and net property income at 4.6%. The above inflationary increase in net expenses is mainly contributed by the irregular municipal increases in rates/taxes and utilities.

The southern African portfolio consists of 60 properties with a total gross lettable area of 994 622m², including 100% of Moruleng Mall. Our property values increased from R14.5 billion to R15.5 billion at the close of the financial year, representing a growth of 7.0% in asset value. Our valuations methodology is detailed in the financial performance review of this report.

Our southern African portfolio of assets contributed R1.2 billion (71%) to Vukile's net profit from property operations.

PORTFOLIO REVIEW – southern Africa continued

We continue to invest in our systems and our team in South Africa and this, in turn, adds value to our investments.

Our shopping centres create value in their communities, not only as much needed retail facilities, but as centres of economic activity and employment, and as resources for community support through their social responsibility initiatives. Our focus on conserving resources and our high-impact energy and water savings efforts have positive impacts on our communities, the environment and the sustainability of our tenants' businesses, and thus our own sustainability.

Investment strategy

Vukile's investment is concentrated in the defensive retail sector in southern Africa, which is the basis for its high-quality, low-risk portfolio. There are few appropriately priced acquisition prospects to grow our portfolio in the South African market, but we continue to invest in our existing portfolio with expansions and upgrades. In this way we optimise returns, unlock new trading opportunities and ensure our centres remain competitive and powerfully positioned for the future – the performance of our portfolio of assets is enhanced by our data-driven asset management approach. Our strong operational focus ensures that we keep on delivering solid results.

The southern African retail portfolio is a compelling investment proposition for Vukile because:

- Retail property has outperformed other property sub-sectors over the long term;
- The portfolio is well diversified across regions, various types of retail properties and tenants, which generates stable and predictable income;
- The portfolio focuses on shopping centres that mostly cater to non-discretionary spend, which helps to sidestep the negative impacts of economic downturns;
- Based on rent, 79% of tenants are national retailers with strong covenants and brand loyalty;
- Our top 10 assets are all new-builds or have been upgraded in the past five years, so they are well aligned with the latest consumer trends and experiences;
- The quality of our portfolio has been improved over time, which fortifies its ability to deliver sustainable results through different cycles;
- The portfolio is well aligned with the latest shopping trends of the biggest consumer markets in the country;
- The centres are strongly positioned to add value to their shopper and retailer experience; and
- There is still some future growth potential within the portfolio through development, expansion and upgrade.

Operating environment

In this environment, with persistently weak macro-economic factors, trading densities are slowing. Nationally, retail sales are down overall, which is evident in the results of most listed retailers.

The rate of new retail development has slowed, which is positive as it brings the supply more in equilibrium with the demand.

Our rural and township centres are showing continued strong performance, thus having a diversified retail portfolio supported our positive performance.

Our portfolio shows that groceries and apparel sales are trending backwards. Athleisure is doing well, and the health and beauty category is among the strongest performing retail categories. Liquor sales are also on the rise. Lay-byes are supporting sales in the apparel category. Retail in our main markets is showing that it is sensitive to the grant system. We are also seeing some second-tier nationals emerging as strong contenders in the highly competitive retail environment.

Edcon, of course, was a significant focus for the sector and Vukile elected to participate in its proposed recapitalisation and restructuring, as detailed in the CEO's report. We have already reduced Edcon's footprint in Vukile's shopping centres, and we are working to decrease it even further. Thanks to proactive and innovative asset management interventions we expect Edcon to account for only 2.0% of Vukile's group rental income by 1 August 2019 and its total footprint to decline from 51 058m² to 39 800m². We have already relet or are in advanced stages of negotiations to let the majority of the 11 258m².

We keep a sharp eye on the trading performance of all significant tenants in our portfolio and are alert for signs of underperformance or risk. Unfortunately, in this harsh market, some other national retailers could also be at risk. When a retailer is flagged, we assess whether it is temporary or systemic, and take appropriate action where we deem steps are needed to reduce our exposure or work with the retailer to see them through their tough time. Our data-driven asset management enables us to operate in this proactive way.

With each risk, however, there is opportunity, and any space that opens up in our portfolio allows us to diversify our tenant exposure by introducing more promising second-tier national retailers to our malls.

Our in-force escalations held steady at 7% – a positive achievement in the current market – which speaks to the quality of our centres. They are dominant and demonstrate strong performance. Retailers want to be in them, which still gives us negotiating power.

Management

Asset management

Asset management at Vukile is undertaken by our highly experienced and respected in-house team of hands-on South African retail property experts.

The southern Africa team was led by Ina Lopion, MD SA. Ina has a BSc from Stellenbosch University and qualifications in executive leadership. She has in-depth knowledge of the South African property market gained over nearly 28 years in the industry, plays an active role in industry leadership and is a director of the South African Council of Shopping Centres. Itumeleng Mothibeli heads up the asset management team and has an MCom from the University of Cape Town with 12 years' experience in the property industry and chairs the Gauteng Chapter of the South African Council of Shopping Centres.

Our asset managers focus on Vukile's strategic initiatives, providing direction, guidance and mandates to our outsourced property managers. They optimise the returns of our properties

PORTFOLIO REVIEW – southern Africa continued

by ensuring our shopping centres are relevant and appealing to our shoppers which, in turn, makes them attractive to retailers.

Our asset management is targeted to create both short-term and long-term value.

Utilities management

Energy efficiency, water savings, cost efficiency and the ability of our properties to operate without disruption are crucial factors for our tenants' businesses. To ensure that our properties can offer this, we have in-house expertise that oversees the constant monitoring of energy and water consumption in the portfolio to identify potential areas to improve recoveries, reduce wastage and innovate savings. We focus on reviewing and investing in technologies that provide both optimal results and payback periods.

Alternative income management

To provide a top-quality experience for our tenants and their customers, we need to understand them and connect with them. Value-add experiences are at the heart of this. We have grown in-house expertise to boost our understanding of consumers and how to engage with them, using the latest platforms and technology. This not only supports the positive performance of our retailers, and thus protects and supports our property income streams, but also creates added alternative income opportunities.

Property management

Vukile's property management is outsourced to external property managers who oversee the day-to-day operations of our properties.

We have used this model since listing in 2004 and still believe it is the best for Vukile, given the size of our portfolio.

This year we set out to drive real efficiencies in both soft and hard services. We are implementing an integrated service delivery model for both soft and hard services. This will enable financial benefits while simultaneously enhancing quality and consistency of service delivery, tenant relationships, governance, risk management, controls and performance evaluation. The gist of the model is to bundle services such as security, cleaning, pest control, hygiene and landscaping under one service provider thereby creating a single point of accountability while omitting unnecessary lines of management.

Additionally, other value-adding benefits such as streamlining of administrative functions and access to the service providers' web-enabled management platforms are obtained. Regarding soft services, a detailed procurement process was followed identifying service providers capable of executing integrated services. Excellent progress has been made and a roll-out plan has commenced where all our shopping centres and tenants will benefit from the deliverables as from 1 September 2019. A similar process is currently under way with the procurement pertaining to the construction, maintenance and inspections of hard services. Nine packages comprising mechanical installations, lifts and escalators, electrical installations, electronic installations, gas installations, compactors, fire services, wet services and general building works have been identified and generic and detailed specifications are being compiled. Benefits are expected to materialise during the first quarter of 2020.

Property management for the Vukile property portfolio is outsourced to five different managers:

1. **Excellerate Real Estate Services (Pty) Ltd t/a JHI:** 25 properties with a value of R8.6 billion, including East Rand Mall
2. **Broll Property Group (Pty) Ltd:** 30 properties with a value of R5.9 billion
3. **Spire Property Management (Pty) Ltd:** two properties with a value of R0.7 billion
4. **McCormick Property Development (Pty) Ltd:** two properties with a value of R0.1 billion
5. **Trafalgar Property Management (Pty) Ltd:** residential units with a value of R0.07 billion.

The property managers are mainly responsible for daily property operations such as:

- Leasing
- Invoicing of tenants
- Rent collection
- Maintenance
- Tenant interactions
- Financial administration
- Managing relationships with third-party service providers and local government.

We manage these relationships with:

- Service level agreements
- Formal monthly meetings to monitor performance and operational issues
- Frequent interactions about property-specific issues.

Leasing

We have established a new in-house leasing team, which is engaging with a far broader array of retailers and creating more diverse tenant mixes in our centres. While our portfolio will remain a combination of listed big nationals and second-tier nationals, we already have relationships with the big-name brands, and thus most leasing activity with them involves renewals.

Through bringing elements of our leasing in-house, we are driving new relationships with the retailers we believe are the future of the sector. These are typically second-tier national retailers that are growing aggressively. They are nimble because they are smaller, and they tend to be closer to their shoppers. This gives them a deeper understanding of their markets and what consumers want. They have a proficient grasp of price-points, and their marketing resonates well with shoppers.

By taking a fresh approach to leasing, we are building relationships that help us better understand retailers' business and them to understand our portfolio better. We have concluded a pleasing number of new deals, bringing new retailers into our portfolio and diversifying the tenant mixes of our shopping centres.

Small capital projects

We have built a new internal team to focus on the small capital projects that ensure the upkeep of our shopping centres, which supports successful leasing and tenant retention. The way that we spend money and manage and oversee these projects is driving much value. We want to ensure that we can get the right quality of work at the right price, and thus we have secured these dedicated skills in-house. Vukile spends about R100 million a year on different

PORTFOLIO REVIEW – southern Africa continued

small "capital" projects. By sharpening our focus on this area, delivering quality projects on time and within budgets, we are creating real value for money. This gives us an essential advantage.

Strategic milestones achieved

1. Achieving budgeted performance and positioning ourselves for the future in the face of difficult market dynamics, including retail failures
2. Optimising our assets with R566 million of development, expansions and improvements
3. Maintaining positive portfolio metrics, including reducing vacancy levels and keeping contractual escalations steady
4. Introducing risk mitigation strategies for retailers that are a higher risk in the harsh economic environment
5. Rolling out the R80 million installation of fibre by MTN to 35 of our malls, with two to follow
6. Launching our wifi and app pilot at two malls
7. Achieving energy, water and sewerage efficiencies that directly benefit our bottom line
8. Applying cost controls and massive operational efficiencies, and restricting contracts with key service providers to continue to drive this
9. Launching an in-house leasing team focused on building relationships with a broader range of tenants and diversifying the tenant mix in our assets
10. Introducing the specialised skills and benefits of an in-house small capital projects team.

The southern African portfolio

This is a low-risk, high-quality portfolio of assets diversified across southern Africa that is extremely defensive and has a strong focus on non-discretionary retail spend.

- R14.2 billion retail market value
- 92% of total portfolio by value
- 45 retail properties
- 860 591m² of lettable retail space
- 3.0% retail vacancy rate based on rent
- 83% of retail space let to national tenants
- R316 million average retail asset value per property
- 4.0 years weighted average lease expiry (WALE) on retail properties
- An estimated 21 million people visit our shopping centres on a monthly basis.

Top 15 properties by value

Our top 15 properties are all retail assets. They are 84.3% exposed to national, listed and franchised tenants. These properties comprise 58.8% of the total portfolio value and 46.5% of the total portfolio GLA.

Property	Location	GLA m²	Value Rm	% of total portfolio	Valuation R/m²
Boksburg East Rand Mall[1]	Gauteng	34 126	1 433	9.2	42 002
Pinetown Pine Crest Centre	KwaZulu-Natal	43 414	1 047	6.8	24 125
Durban Phoenix Plaza	KwaZulu-Natal	24 231	940	6.1	38 812
Phuthaditjhaba Maluti Crescent	Free State	35 335	667	4.3	18 887
Gugulethu Square	Western Cape	25 322	553	3.6	21 840
Soweto Dobsonville Mall	Gauteng	26 589	546	3.5	20 520
Queenstown Nonesi Mall	Eastern Cape	27 898	500	3.2	17 905
Pretoria Kolonnade Retail Park	Gauteng	39 450	497	3.2	12 598
Germiston Meadowdale Mall[2]	Gauteng	33 156	438	2.8	13 225
Oshakati Shopping Centre	Namibia	24 632	428	2.8	17 364
Daveyton Shopping Centre	Gauteng	17 774	421	2.7	23 685
Thohoyandou Thavhani Mall[3]	Limpopo	17 761	414	2.7	23 285
Bloemfontein Plaza	Free State	43 771	411	2.7	9 388
Randburg Square	Gauteng	40 767	409	2.6	10 025
Moruleng Mall[4]	North West	25 274	399	2.6	15 790
Total top 15 properties		459 500	9 103	58.8	19 811
% of total portfolio		46.5	58.8		
% of retail portfolio		53.4	64.0		

[1] 50% undivided share in this property.
[2] 67% undivided share in this property.
[3] 33% undivided share in this property.
[4] 80% share in Clidet No 1011 (Pty) Ltd.

PORTFOLIO REVIEW – southern Africa continued

Top 15 retail centres – Southern Africa

East Rand Mall

1

OR Tambo International Airport is a key gateway in the area, and as such has a very well-supported road and transport system. Convenient access from major highways and ample parking make shopping a pleasure. The centre forms part of South Africa's largest Pick n Pay Hypermarket, and with its well-planned tenant combination, includes all major chain stores and a host of smaller, specialised stores.

Voted most popular centre in the region, the **East Rand Mall** brand is well established and top of mind in the region.

Value	R1 433m# (9.2% of direct southern African portfolio)
Region	Gauteng
Gross lettable area	68 253m²
Vacancy	1.8%
Monthly rental*	R278/m²
National tenant exposure	94%
Average annual trading density	R30 079/m²

 # Vukile's 50% portion of the property value.
** Average base rental excluding recoveries.*

Major tenants: 23 268m² (34%)

- Edgars – 8 141m² (12%)
- Woolworths – 7 635m² (11%)
- Truworths – 3 031m² (4%)
- Ster Kinekor – 2 326m² (3%)
- Mr Price – 2 135m² (3%)

Pine Crest Centre

2

Pine Crest Centre was established in 1988 and has served shoppers from the business, industrial and community sectors for over 30 years. The primary catchment area for Pine Crest Centre stretches from Kwadabeka in the north to Kwadengezi in the south, and from Cowies Hill in the east to Kloof in the west.

The centre's strong tenancy in financial services, cellular, food and fashion make it the most dominant centre in Pinetown.

The centre is highly visible and a convenient one-stop retail destination with ample parking. The upgrade and extensions to the centre are in process.

Value	R1 047m (6.8% of direct southern African portfolio)
Region	KwaZulu-Natal
Gross lettable area	43 414m²
Vacancy	4.1% development vacancy
Monthly rental*	R175/m²
National tenant exposure	91%
Average annual trading density	R28 986/m²

** Average base rental excluding recoveries.*

Major tenants: 17 273m² (40%)

- Game Stores – 5 754m² (13%)
- Pick n Pay – 5 286m² (12%)
- Woolworths – 2 499m² (6%)
- Virgin Active – 2 350m² (5%)
- Dis-Chem – 1 384m² (3%)

Phoenix Plaza

3

Phoenix Plaza was built in 1993 and is situated north of Durban in the beautiful diverse province of KwaZulu-Natal.

Phoenix Plaza offers a unique shopping experience with a wide variety of eastern, western and specialty stores, presenting itself as a one-stop shopping destination. The centre upgrade has been completed and shoppers now enjoy shopping in a mall with high-quality finishes and a fresh modern look.

Value	R940m (6.1% of direct southern African portfolio)
Region	KwaZulu-Natal
Gross lettable area	24 231m²
Vacancy	1.0%
Monthly rental*	R273/m²
National tenant exposure	78%
Average annual trading density	R37 194/m²

** Average base rental excluding recoveries.*

Major tenants: 8 282m² (34%)

- Shoprite Checkers – 3 830m² (16%)
- The Hub – 1 541m² (6%)
- Jet Stores – 1 154m² (5%)
- First National Bank – 901m² (4%)
- Osmans Clocks and Watches – 856m² (4%)

PORTFOLIO REVIEW – southern Africa continued

Top 15 retail centres – Southern Africa continued

4

Phuthaditjhaba (formerly QwaQwa or Witsieshoek) is located in the foothills of the Maluti mountains of the Drakensberg range. It can be found right off the junction of the R57 and R712, which runs from Harrismith, through Golden Gate Highlands National Park, and onto Clarens. It is a former homeland capital, making it a central gathering place and the headquarters of the region's district and local municipality, as well as home to many community facilities. **Maluti Crescent** is at the heart of all this, with a strong retail mix. It has been upgraded and extended with phase 1 of the extension opening on 21 March 2019. Final completion of the last phase is estimated for end August 2019.

Value	R667m (4.3% of direct southern African portfolio)
Region	Free State
Gross lettable area	35 335m^2
Vacancy	1.2% development vacancy
Monthly rental*	R144/m^2
National tenant exposure	94%
Average annual trading density	R27 919/m^2

** Average base rental excluding recoveries.*

Major tenants: 13 932m^2 (39%)

- Game Stores – 3 933m^2 (11%)
- Spar – 3 420m^2 (10%)
- Woolworths – 2 398m^2 (7%)
- Pick n Pay – 2 311m^2 (7%)
- Cashbuild – 1 870m^2 (5%)

Phuthaditjhaba Maluti Crescent

Gugulethu Square

5

Gugulethu Square was established in 2009, in partnership between West Side Trading and esteemed businessman, Mzoli Ngcawuzele. The centre was the first step towards establishing a Gugulethu central business district, which accelerated the township's integration into the formal economy.

The centre's architecture includes energy-efficient finishes, extensive natural lighting, eco-friendly materials, efficient use of space with roof parking, efficient artificial lighting and air-conditioning. Landscaping integrates the centre into the surrounding environment. The centre has now acted as a catalyst to further growth in economic activity in the node, which encompasses governmental buildings in close proximity.

Value	R553m (3.6% of direct southern African portfolio)
Region	Western Cape
Gross lettable area	25 322m^2
Vacancy	Fully let
Monthly rental*	R164/m^2
National tenant exposure	88%
Average annual trading density	R34 394/m^2

** Average base rental excluding recoveries.*

Major tenants: 10 002m^2 (39%)

- Shoprite Checkers – 3 500m^2 (14%)
- Spar – 2 924m^2 (12%)
- Jet Stores – 1 508m^2 (6%)
- Cashbuild – 1 320m^2 (5%)
- OK Furniture – 750m^2 (3%)

PORTFOLIO REVIEW – southern Africa continued

Dobsonville Mall

6

Dobsonville Mall was the first shopping centre in Soweto, and started trading in 1994, with Shoprite as anchor tenant. The centre brought much needed services and is well accepted by the community. With 73 stores and a taxi rank for easy access, the centre has retained its significant association with the community. Following the redevelopment and extension of the centre, it is now suitably geared to fully service the next generation of shoppers in the north-west of Soweto.

Value	R546m (3.5% of direct southern African portfolio)
Region	Gauteng
Gross lettable area	26 589m²
Vacancy	Fully let
Monthly rental*	R141/m²
National tenant exposure	82%
Average annual trading density	R39 223/m²

** Average base rental excluding recoveries.*

Major tenants: 9 950m² (37%)

- Shoprite Checkers – 3 644m² (14%)
- Pick n Pay – 2 466m² (9%)
- Jet Stores – 1 453m² (5%)
- Food Lovers Market – 1 438m² (5%)
- Betsa – 949m² (4%)

Queenstown Nonesi Mall

7

Queenstown in the Eastern Cape was founded in 1853. Nonesi Mall is a u-shaped, single-level centre with open parking and strong anchor tenants.

As a premier shopping destination, the centre accommodates thousands of customers on a day-to-day basis, with an offering of approximately 80 shops. When the mall opened in October 2012, it boosted employment by providing job opportunities for locals.

Value	R500m (3.2% of direct southern African portfolio)
Region	Eastern Cape
Gross lettable area	27 898m²
Vacancy	Fully let
Monthly rental*	R128/m²
National tenant exposure	97%
Average annual trading density	R29 447/m²

** Average base rental excluding recoveries.*

Major tenants: 14 435m² (52%)

- Game Stores – 4 819m² (17%)
- Shoprite Checkers – 3 175m² (11%)
- Pick n Pay – 3 033m² (11%)
- Woolworths – 1 908m² (7%)
- Edgars – 1 500m² (5%)

Pretoria Kolonnade Retail Park

8

Anchored by the massive 12 261m² Pick n Pay Hypermarket introducing the new Evolution concept with offerings from a bakery, butchery, deli and liquor to groceries, clothing, furniture and a pharmacy with a clinic, all under one roof; **Kolonnade Retail Park** opened opposite Kolonnade Shopping Centre on 29 November 2006.

Positive support was enjoyed since day one and a mere five years later in 2011 Kolonnade Retail Park expanded with a second development anchored by the Virgin Active Health Club and currently this vibrant little strip mall hosts a variety of lifestyle tenants ranging from sport and health to furniture and décor. This spread is supplemented with services and speciality stores to selected eateries.

Known for community involvement and continuously sharing our platform with the community, the SACSC awarded Kolonnade Retail Park four times for Community Relations in 2010, 2012, 2016 and 2018.

Value	R497m (3.2% of direct southern African portfolio)
Region	Gauteng
Gross lettable area	39 450m²
Vacancy	Fully let
Monthly rental*	R108/m²
National tenant exposure	83%
Average annual trading density	R25 292/m²

** Average base rental excluding recoveries.*

Major tenants: 24 281m² (62%)

- Pick n Pay – 12 261m² (31%)
- Mr Price Home and Sport – 4 592m² (12%)
- Virgin Active – 3 593m² (9%)
- West Pack – 2 333m² (6%)
- Sportsmans Warehouse – 1 502m² (4%)

Top 15 retail centres – Southern Africa continued

Germiston Meadowdale Mall

9

Meadowdale Mall is conveniently located on the N12 highway with easy access from all major routes. With the recently completed extensions and upgrade, shoppers now enjoy one-stop shopping with ample free parking.

A unique variety of a convenient food offering, healthcare and value stores are catered for.

Value	R438m# (2.8% of direct southern African portfolio)
Region	Gauteng
Gross lettable area	49 487m²
Vacancy	Fully let
Monthly rental*	R81/m²
National tenant exposure	81%
Average annual trading density	R21 769/m²

Vukile's 67% portion of the property value.
* Average base rental excluding recoveries.

Major tenants: 30 540m² (62%)

- Shoprite Checkers – 19 080m² (39%)
- House & Home – 5 810m² (12%)
- Just Gym – 2 039m² (4%)
- Apple Tree – 1 842m² (4%)
- Cashbuild – 1 769m² (4%)

Oshakati Shopping Centre

10

Oshakati, after Windhoek, is the second biggest town in Namibia. It is the regional capital of the northern area of Namibia known as Ovamboland and is well known as the "commercial centre of the north". The town is situated 713km north-west of Windhoek, the capital city of Namibia and 45km south of Angola. The town is the hub of transborder trade with Angola.

The **Oshakati Shopping Centre** offers a variety of food, fashion, furniture, banking and healthcare and dominates trade in the area.

Value	R428m (2.8% of direct southern African portfolio)
Region	Namibia
Gross lettable area	24 632m²
Vacancy	2.4%
Monthly rental*	R138/m²
National tenant exposure	94%
Average annual trading density	R27 599/m²

* Average base rental excluding recoveries.

Major tenants: 10 155m² (41%)

- Game Stores – 3 706m² (15%)
- Pick n Pay – 2 713m² (11%)
- Edgars – 1 502m² (6%)
- Jet Stores – 1 289m² (5%)
- Truworths – 945m² (4%)

PORTFOLIO REVIEW – southern Africa continued

Daveyton Shopping Centre

11

Daveyton in Ekurhuleni was established in 1952 – the first township to have electricity. The mall is well located in Eiselen Street (major road) in Daveyton within the central business district of the township opposite the main, busiest taxi rank.

It plays a dual role as a convenience and community centre due to its size.

Value	R421m (2.7% of direct southern African portfolio)
Region	Gauteng
Gross lettable area	17 774m²
Vacancy	1.4%
Monthly rental*	R166/m²
National tenant exposure	83%
Average annual trading density	R41 758/m²

* *Average base rental excluding recoveries.*

Major tenants: 7 068m² (40%)

- Pick n Pay – 3 700m² (21%)
- Jet Stores – 1 184m² (7%)
- Pep Stores – 902m² (5%)
- Mr Price – 650m² (4%)
- OBC Chicken – 632m² (4%)

Thohoyandou Thavhani Mall

12

Thavhani Mall, located in Thohoyandou, Limpopo, opened its doors to overwhelming support by the community. It is the second biggest mall in the province. It is seen as a catalyst for further developments in the area, in particular the development of the Thavhani precinct which will in future incorporate motor dealerships, a hotel, a private hospital, offices, etc.

The centre has a vast catchment area, particularly the Vhembe district and beyond.

Value	R414m# (2.7% of direct southern African portfolio)
Region	Limpopo
Gross lettable area	53 289m²
Vacancy	0.9%
Monthly rental*	R165/m²
National tenant exposure	92%
Average annual trading density	R27 896/m²

Vukile's 33.33% portion of the property value.
* *Average base rental excluding recoveries.*

Major tenants: 17 436m² (33%)

- Edgars – 4 000m² (8%)
- Spar – 3 856m² (7%)
- Woolworths – 3 556m² (7%)
- Sasol – 3 040m² (6%)
- Pick n Pay – 2 984m² (6%)

Bloemfontein Plaza

13

Bloemfontein Plaza is located in the central business district of Bloemfontein in close proximity to a major bus and taxi rank. The centre has been a landmark in Bloemfontein and offers a variety of food and fashion to surrounding offices and commuters.

It is complemented by a Protea Hotel which has direct access to the mall.

Value	R411m (2.7% of direct southern African portfolio)
Region	Free State
Gross lettable area	43 771m²
Vacancy	2.0%
Monthly rental*	R88/m²
National tenant exposure	56%
Average annual trading density:	R21 585/m²

* *Average base rental excluding recoveries.*

Major tenants: 22 245m² (51%)

- Bon Hotel Bloemfontein Central – 9 311m² (21%)
- Jet Stores – 4 756m² (11%)
- Department of Public Works – 3 843m² (9%)
- Ackermans – 2 498m² (6%)
- Fashion World – 1 837m² (4%)

Top 15 retail centres – Southern Africa continued

Randburg Square

14

Randburg Square Shopping Centre is situated in Randburg central business district in close proximity to established residential suburbs and has been serving these areas for over 35 years.

The centre has a very big catchment area due to a taxi rank close to the centre that mainly services Diepsloot, Randburg, Soweto and Cosmo City.

Major tenants: 15 370m² (38%)

- Shoprite Checkers – 8 062m² (20%)
- Pick n Pay – 3 037m² (7%)
- Edgars – 1 685m² (4%)
- Jet Stores – 1 500m² (4%)
- PQ Clothing – 1 086m² (3%)

Value	R409m (2.6% of direct southern African portfolio)
Region	Gauteng
Gross lettable area	40 767m²
Vacancy	5.6%
Monthly rental*	R104/m²
National tenant exposure	78%
Average annual trading density	R16 057/m²

* *Average base rental excluding recoveries.*

Moruleng Mall

15

Moruleng Mall opened its doors in October 2013. As the first mall of its kind in the densely populated rural area of Moruleng, the development brings a world-class shopping centre to the heart of a region with significant economic potential. The mall provides residents with choice, quality and convenience in a state-of-the-art shopping environment.

Value	R399m# (2.6% of direct southern African portfolio)
Region	North West
Gross lettable area	31 592m²
Vacancy	4.9%
Monthly rental*	R118/m²
National tenant exposure	86%
Average annual trading density	R25 098/m²

Vukile's 80% portion of the property value.
* *Average base rental excluding recoveries.*

Major tenants: 11 961m² (38%)

- Shoprite Checkers – 4 988m² (16%)
- Pick n Pay – 2 645m² (8%)
- Edgars – 2 000m² (6%)
- Truworths – 1 400m² (4%)
- Fair Price Discounters – 928m² (3%)

PORTFOLIO REVIEW – southern Africa continued

Portfolio highlights

Asset management in action

We are committed to constantly improve and optimise our portfolio, to create both long-term and short-term value. Acquisitions, new developments, redevelopments, maintenance, strategic leasing and disposals are all tools that we use to achieve this. Our acquisitions and upgrades are planned to ensure that our properties are dominant in their areas, and this is now the case with most of our centres.

While opportunities to grow the South African retail portfolio by acquiring assets of the right quality at the right price were scarce in the market, Vukile continued to invest in the development, upgrade and expansion of its retail assets.

Acquisition

Kolonnade Retail Park, Pretoria, Gauteng

We acquired the fully let 39 450m² retail park for R470.6 million on a yield neutral basis. This centre was valued at R497 million at 31 March 2019, a 5.6% uplift over the purchase price.

This is a strong centre with a good tenant mix. This single-level centre is anchored by a 12 261m² Pick n Pay Hypermarket, with more than 40 stores and a clear health and fitness component and home décor appeal. It has a Virgin Active Health Club with indoor swimming pool, Kauai-in-motion and Club V as well as a Sportsman's Warehouse, Mr Price Sport, Puma, Tekkie Town and Chrome Supplements & Accessories. It also has a Continental Linen, Coricraft, Dial-a-Bed, Good Knight Bedding, MRP Home, Plus10 Discount Furnishers, Rochester, Sheet Street and UFO Furniture.

Vukile is very satisfied to have acquired Kolonnade Retail Park in a market where there are few sizeable, quality assets available on the market. It is located in an established retail node and is ideally matched to Vukile's investment strategy.

Completed upgrade project

Maluti Crescent, Phuthaditjhaba, Free State

Maluti Crescent, formerly Setsing Crescent, underwent a major R392 million redevelopment with a projected yield of 8.09% on capital expenditure. The project added 13 797m² of GLA and transformed the former strip centre into a fully enclosed 35 335m² mall with three levels of parking. The first phase of the expanded Maluti Crescent Shopping Centre opened on 21 March 2019 to become the largest shopping centre in Phuthaditjhaba in the Free State. It includes new undercover parking as well as the first and only structured taxi facility of its kind in the area.

The major upgrade responds to shopper and retail demand. It builds on the centre's excellent trading metrics and unlocks further income enhancement. Its development also achieved significant skills transfer through local employment.

Redevelopment projects in progress

Pine Crest Shopping Centre, KwaZulu-Natal

Pine Crest, the first and still the biggest shopping centre in the Pinetown CBD, is being extended and upgraded at a cost of R200 million with an expected yield of 7.4%. The project is due for completion by the end of July 2019. The new mall, with street access, is linked to the existing banking mall which leads to the second and third shopping levels by means of a new set of escalators. The new food court with direct access to the planned GoDurban bus terminus will cater to both shoppers and commuters. Tenants already trading in the new food court include Spur, Nandos, KFC and Debonairs, all showing trade exceeding expectations.

The centre's rebranding and relaunching has been conceptualised and planned by Totem, a specialist rebranding company based in Spain, but with international experience. It promises a brand new look and experience which will ensure that Pine Crest will not only stay the most popular shopping centre in the area but also keeps on growing.

This capital investment keeps the centre relevant to its customer base, which has changed dramatically in recent years.

Current Vukile projects

Our major development capital expenditure projects approved and incurred to 31 March 2019 are:

Approved	Completion	Approved R000	Paid to 31 March 2019 R000	Budget April 2019 to March 2020 R000
Phuthaditjhaba: Maluti Crescent	31 August 2019	391 650	**304 594**	87 056
Pinetown: Pine Crest	31 July 2019	200 000	**138 435**	61 565
Durban: Phoenix Plaza	31 May 2018	35 000	**31 444**	3 556
Meadowdale Mall	29 August 2018	16 264	**14 365**	1 899
Springs Mall (25%)	29 March 2019	8 560	**8 102**	458
Hammarsdale Junction Extension	31 March 2019	4 500	**3 227**	1 273
		655 974	**500 167**	155 807

The projects will be financed out of the proceeds of property sales and existing bank facilities.

PORTFOLIO REVIEW – southern Africa continued

Property sales

Vukile concluded property sales during the year of R138 million, which supported our strategy to focus on a low-risk, high-quality portfolio of retail properties.

	Sale price R000	Yield* %	Date of sale
Hillcrest Richdens Shopping Centre	138 000	9.8	29 March 2019
	138 000	9.8	

** Based on year one net operating income forecast.*

Summary of portfolio changes

GLA reconciliation	GLA m²	
Balance at 31 March 2018	937 463	
GLA adjustments	187	
Disposals	(10 196)	
Acquisitions and extensions	60 849	
Balance at 31 March 2019	**988 303**	
Vacancy reconciliation	**GLA m²**	**%**
Balance at 31 March 2018	39 681	4.2
Less: Properties sold since 31 March 2018	(864)	8.5
Remaining portfolio balance at 31 March 2018	38 817	4.2
Leases expired or terminated early	204 625	
Tenants vacated	38 197	
Renewal of expired leases	(137 991)	
Leases to be renewed	(26 872)	
Development vacancy	(2 840)	
New letting of vacant space	(75 091)	
Balance at 31 March 2019	**38 845**	3.9

Alternative income management (AIM) initiatives

The AIM strategy is based upon three main pillars. One, to drive efficiencies with regards to all forms of media and court income, which entails maximising sustainable revenue with indoor media, outdoor media, and digital media within the mall environment. Secondly, AIM seeks to drive the overarching strategy with regards to promotions and in-mall marketing within the portfolio thus ensuring that the mall is promoted within the current and potential customer base. The last is predicated on customer centricity. The need to know the customers better has resulted in the formation of the third pillar, the idea of digitising the mall, wifi enabling it, creating a vehicle to collect customer data and communicate that which is important to them directly to create a sticky customer. To this end AIM has in conjunction with MTN FTTB fibre enabled 35 malls and is in the process of trialling an uncapped wifi solutions with an application which allows for rewards to be granted to shoppers.

AIM has also in the past year played an active role in the redesign and development philosophy of assets within the portfolio. In conjunction with the world-renowned branding expert Andy Stalman, the team has created a template that will aid in the approach of our design philosophy in developments. It caters for branding and customer understanding as a genesis for design. The first such design has been Pine Crest and all future redevelopments will use this IP to better capture the consumer needs and requirements within mall design and architecture.

PORTFOLIO REVIEW – southern Africa continued

Portfolio profiles

Geographic profile

Vukile's portfolio is well represented in most South African provinces and in Namibia. At the same time, it is focused on high-growth nodes and some 76% of the gross income comes from Gauteng, KwaZulu-Natal, Western Cape and Limpopo.

	% of gross income	% of GLA
Gauteng	38	43
KwaZulu-Natal	22	16
Western Cape	8	6
Limpopo	8	7
Namibia	7	7
Free State	6	8
North West	4	5
Mpumalanga	4	5
Eastern Cape	3	3

Sectoral profile

Based on value, 92% of the southern African portfolio is in the retail sector, followed by 3% in the industrial, 3% in the office, 1% in the motor-related sector and 1% in the residential sector.

Tenant profile

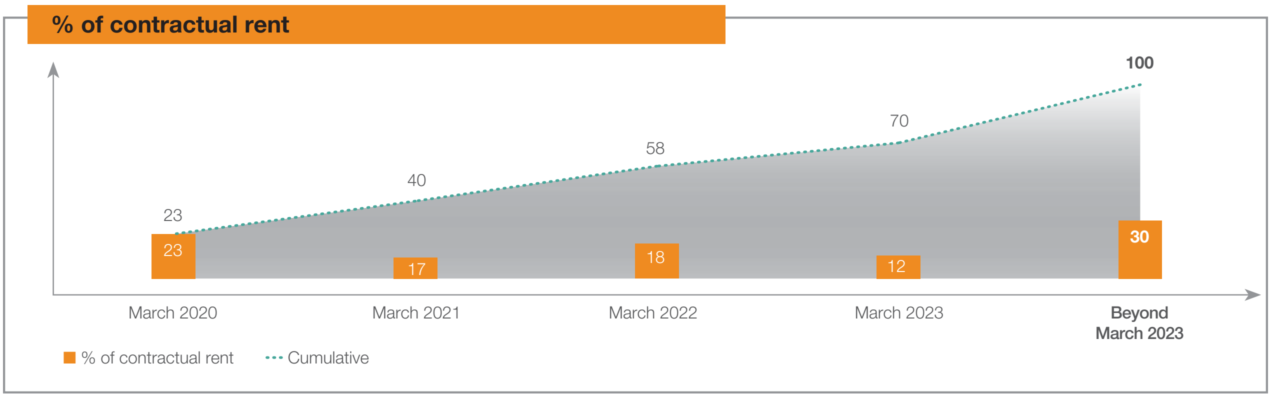
Large national and listed tenants and major franchises account for 77% of our tenants by rentable area. In our retail portfolio this is even higher, with 83% exposure to national, listed and franchised tenants.

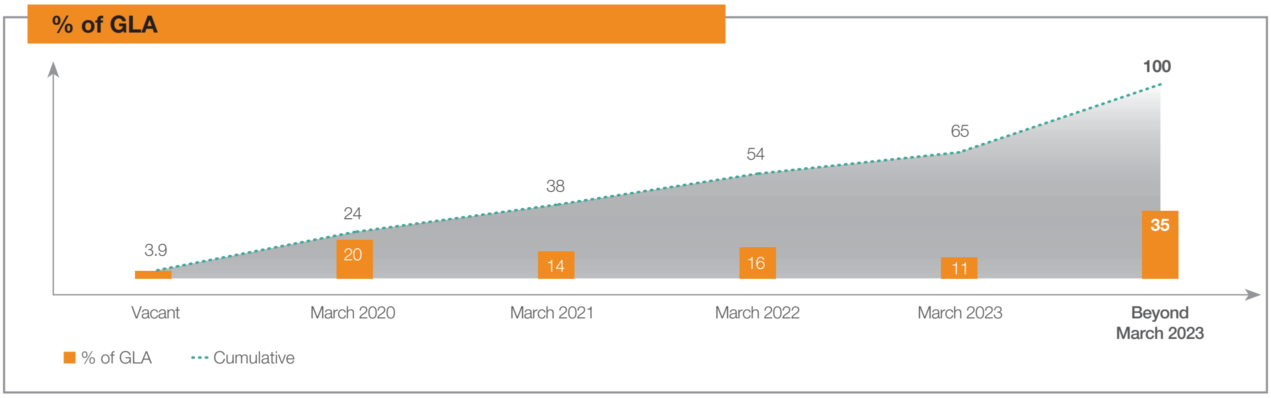
% of GLA	Retail %	Total portfolio %
A – Large national and listed tenants and major franchises	74	69
B – National and listed tenants, franchised and medium to large professional firms	9	8
C – Other (1 193 tenants)	17	23

Excluding 180 residential units.

Lease expiry profile

Vukile's southern African lease expiry profile shows that 23% of the leases based on rentals that are due for renewal in 2020. Some 42% of leases are due to expire in 2023 and beyond (up from 38% beyond 2022 in the prior year).





Vacancy profile

We measure our portfolio's vacancy as a percentage of gross rental. Excluding development vacancy, the portfolio's vacancy was 3.6% at year-end compared to 3.7% for the 2018 financial year. Retail vacancies decreased from 3.4% to 3.0% and industrial from 6.0% to 2.9%. The main reason for the increased office vacancies during 2019 is the high vacancy at Sunninghill Sunhill Park which is held for sale.

Vacancies (% of gross rental)	March 2019 %	March 2018 %
Retail	**3.0**	3.4
Industrial	**2.9**	6.0
Offices	**19.6**	10.3
Motor-related	**—**	—
Total*	**3.6**	3.7

Including development vacancy the 2019 vacant rent is 4.4%.
** Excluding 14 vacant residential units.*

Vacancies (% of GLA)	March 2019 %	March 2018 %
Retail	**3.0**	3.9
Industrial	**5.7**	3.5
Offices	**21.0**	13.5
Motor-related	**—**	—
Total*	**3.9**	4.2

Including development vacancy the 2019 vacant GLA is 4.2%.
** Excluding 14 vacant residential units.*

PORTFOLIO REVIEW – southern Africa continued

Individual property vacancy profile

The properties with the highest vacancies as a percentage of GLA, where each had a vacancy higher than 1 000m² during the last two years, excluding development vacancy, are:

	Vacancy				
	31 March 2019		31 March 2018		Movement
	m²	**%**	m²	%	m²
Vereeniging Bedworth Centre	**1 066**	**3**	2 596	8	(1 530)
Roodepoort Hillfox Power Centre	**2 037**	**5**	3 448	9	(1 411)
Randburg Square	**2 267**	**6**	3 500	9	(1 233)
Sandton Linbro 7 On Mastiff Business Park	**—**	**—**	1 075	7	(1 075)
Hammanskraal Renbro Shopping Centre	**438**	**3**	1 062	8	(624)
Soshanguve Batho Plaza	**949**	**7**	1 525	11	(576)
Midrand Allandale Industrial Park	**1 095**	**5**	1 560	7	(465)
Johannesburg Houghton 1 West Street	**1 577**	**36**	1 975	45	(398)
Letlhabile Mall	**1 811**	**11**	2 086	12	(275)
Emalahleni Highland Mews	**1 512**	**9**	1 679	10	(167)
Moruleng Mall (80%)	**1 241**	**5**	1 186	5	55
Oshikango Shopping Centre	**1 087**	**12**	551	6	536
Mbombela Shoprite Centre	**2 847**	**20**	1 842	13	1 005
Windhoek 269 Independence Avenue	**2 003**	**16**	907	7	1 096
Pinetown Richmond Industrial Park	**2 636**	**33**	—	—	2 636
Sandton Sunninghill Sunhill Park	**7 435**	**50**	3 714	25	3 721

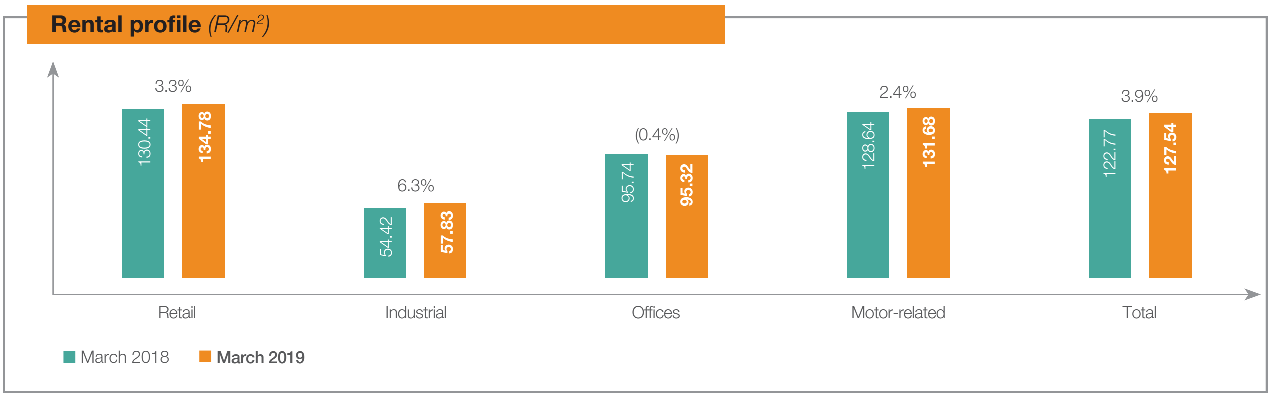
Leasing profile

Vukile concluded new leases and renewals in excess of 218 000m² with a contract value of R1.8 billion. Tenant retention on the total portfolio was 81%, with retail retention at 87%.

Rental profile

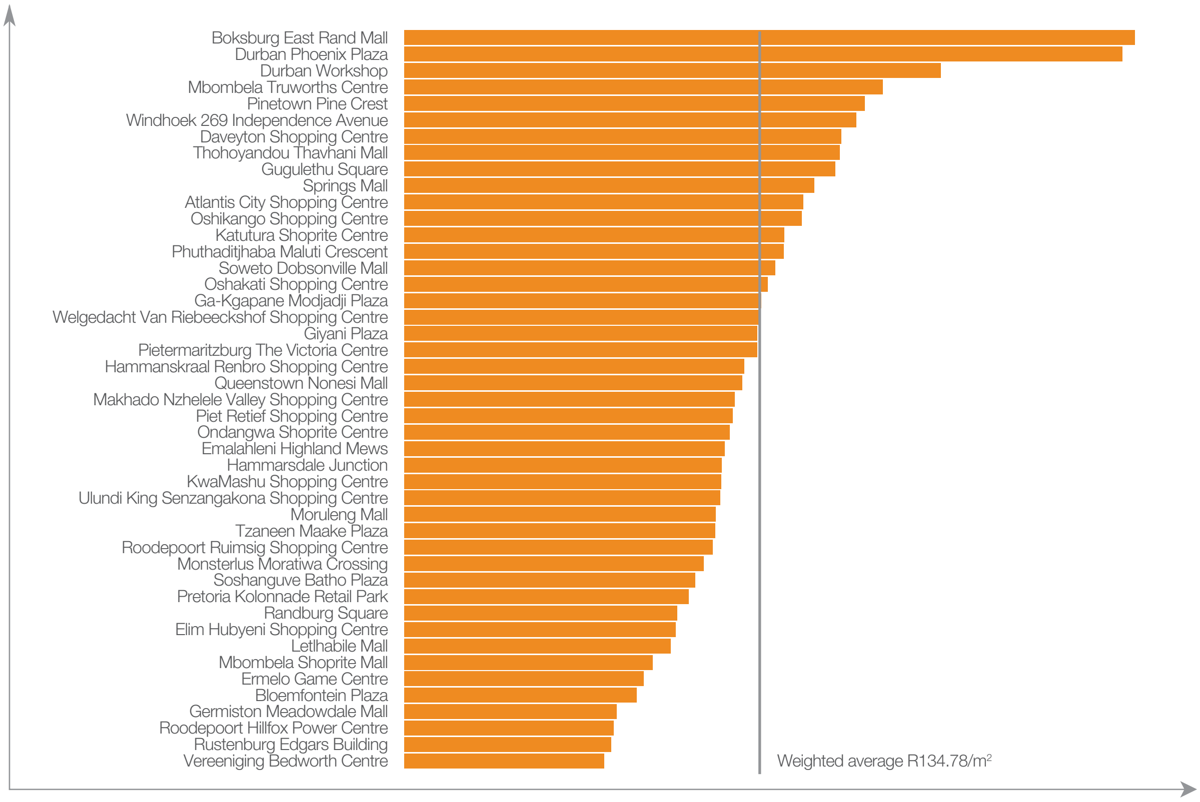
We achieved positive reversions of 4.0% on the total portfolio, with retail reversions at 4.5% and industrial at 5.5%. Reversions were concluded at lower rates in the offices sector. Containing vacancy levels, new leases were concluded at 3.2% above budget in the retail sector. The ongoing pressure in the office and industrial sectors, to which we now have little exposure, dictated that new leases be concluded below budget rates. This resulted in the total portfolio's new leases finalised at 1.4% above budget.

The weighted average base rental rates per sector during the year are set out below where the percentages represent the annual escalation:

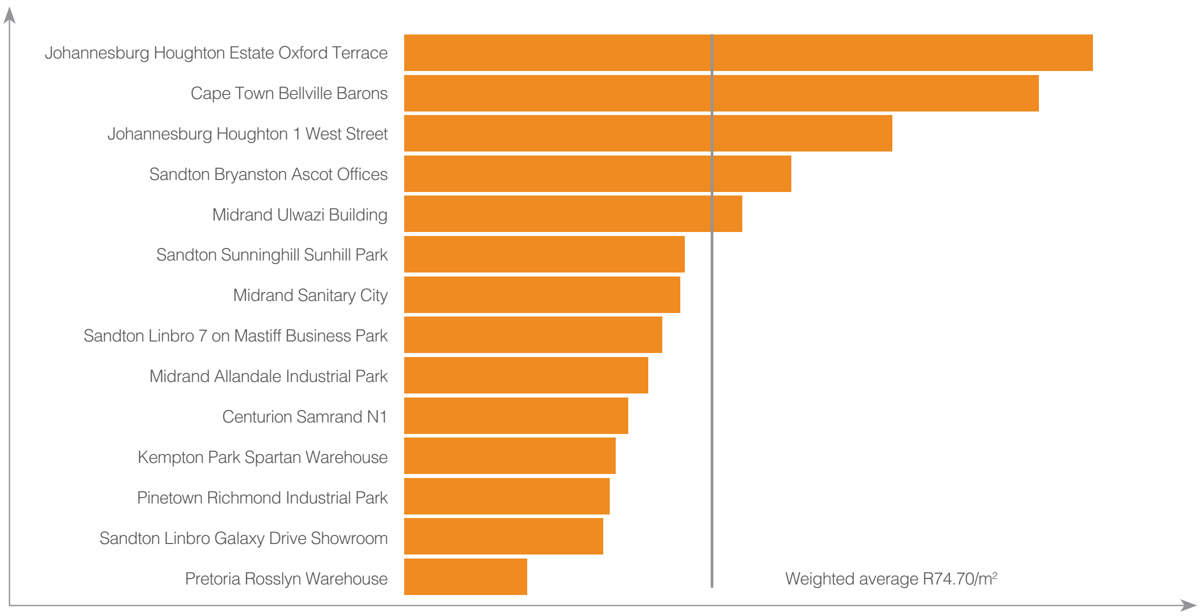


The average growth in the retail rental rate is influenced by the newly acquired Pretoria Kolonnade Retail Centre's lower than average rate of R108/m². If this property is excluded, the average retail rental rate is R136.13/m² showing a year-on-year growth of 4.4%.

Weighted average base rentals *(R/m²) retail portfolio (excluding recoveries)*



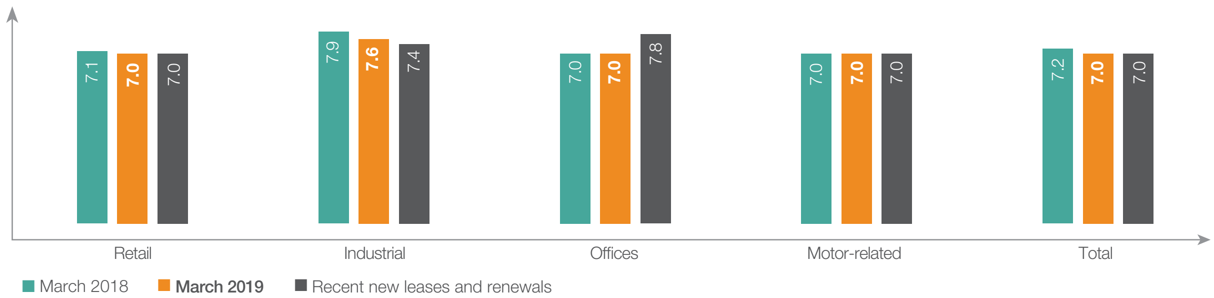
Weighted average base rentals *(R/m²) other properties (excluding recoveries)*



PORTFOLIO REVIEW – southern Africa continued

Contractual rental escalations *(%)*

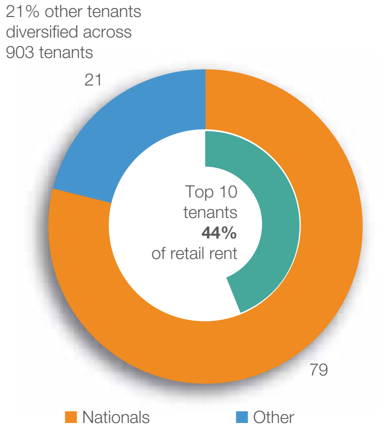
The average contractual rental escalation of 7.0% is slightly lower than the previous year at 7.2%.



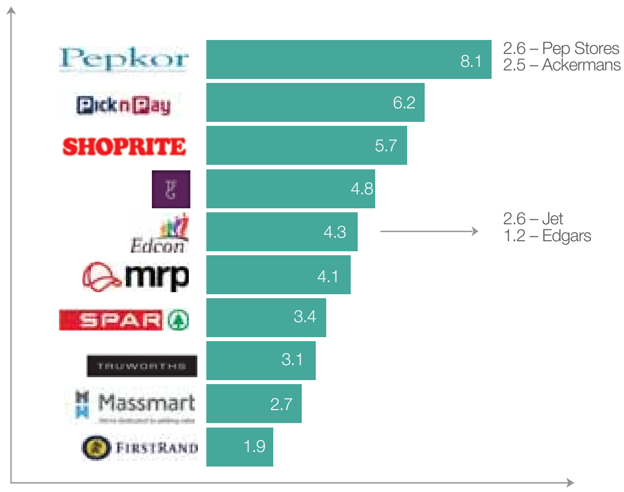
Retail tenant profile and exposure

Vukile's tenant exposure is low risk, with national tenants representing c.80% of retail rental income.

Tenant profile by contractual rent *(%)*



Top 10 tenants by rent *(%)*



Our top 10 tenants account for 44.2% of total rent and 53.8% of GLA. Pepkor and Pick n Pay are our two single largest tenants, accounting for 8.1% and 6.2% of total rent respectively.

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

Vukile's total exposure to Edcon tenancies equates to 6.2% of the occupied retail GLA (5.5% of total portfolio GLA) of our southern African portfolio, or 4.3% of its retail rental income (4.0% of total portfolio rental income). Most of this is leased by Edcon's value brands, with Jet accounting for 3.5% of the 6.2% of GLA.

We have, however, been in discussion with Edcon to restructure specific leases, including reducing store sizes and store closures. The space in question accounts for 1.4% of the occupied retail GLA. This would reduce Vukile's exposure to Edcon from 6.2% to 4.9% of occupied retail GLA.

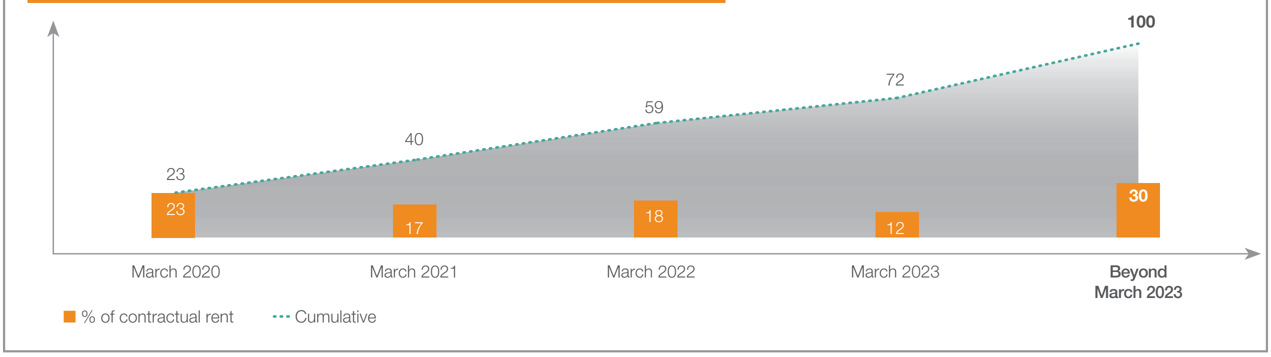
We view "opening up" this 1.4% of retail space as an opportunity for Vukile to attract a more diversified tenant mix, including a greater number of second-tier nationals that generally commit to higher rentals and escalations. Our early discussions with second-tier nationals have been positive. Supporting the lettability of these spaces, they are in good positions within our shopping centres and are big-box spaces that are easily sub-divided.

The effects of the restructured Edcon leases have already been factored into our figures and form part of Vukile's guidance for our next financial year. We will continue to monitor and engage with Edcon as part of our ongoing risk management.

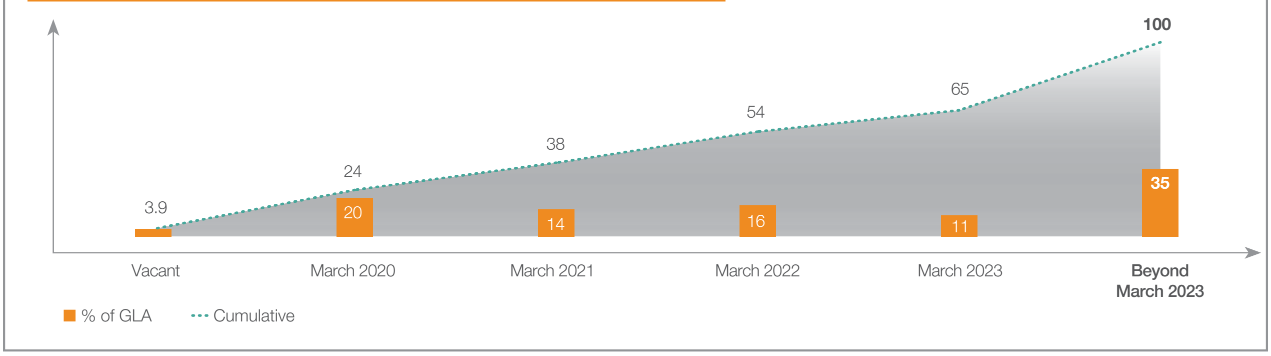
Weighted average lease expiry (WALE)

Vukile has a retail tenant expiry profile based on rent of 4.0 years, with 41% of contractual rental expiring in 2023 and beyond.

% of retail contractual rent



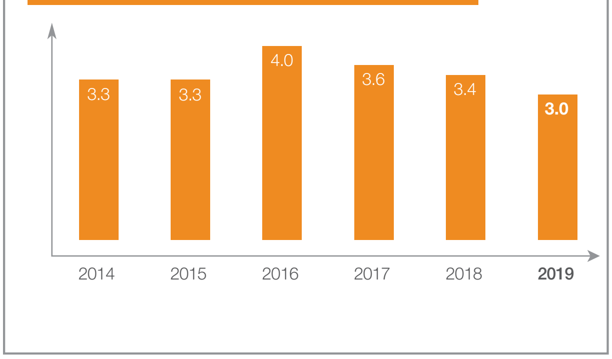
% of GLA



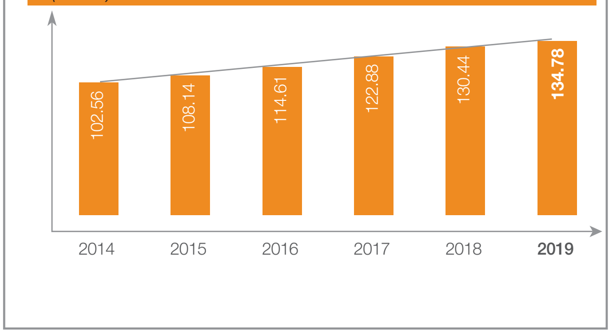
Retail tenant affordability

Consistently strong metrics dominate our portfolio's retail tenant affordability.

Retail vacancy profile by rent *(%)*

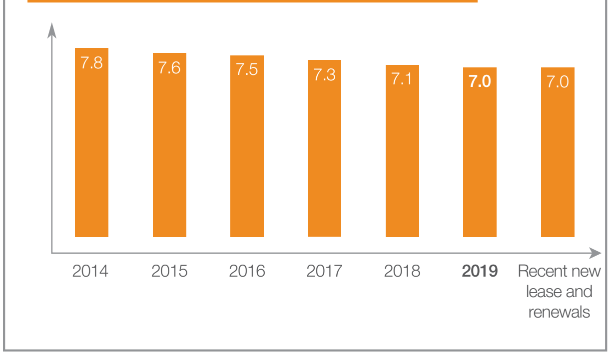


Retail average base rentals *(excluding recoveries) (R/m²)*

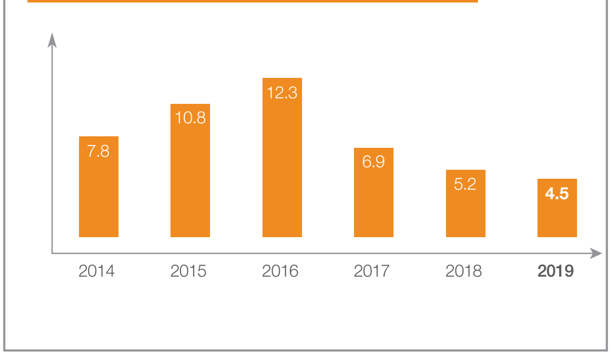


PORTFOLIO REVIEW – southern Africa continued

Retail contractual escalations *(%)*



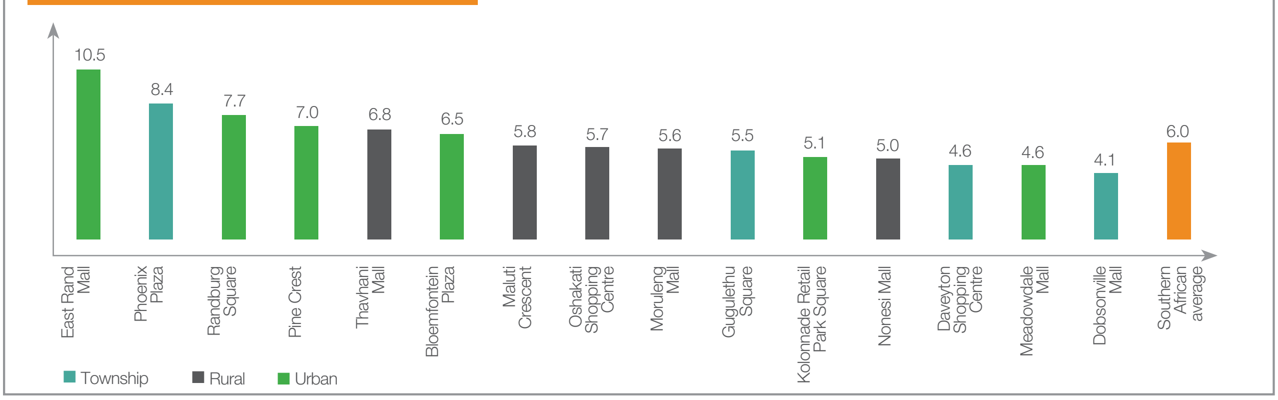
Retail rent reversions *(%)*



Rent to sales ratio

Vukile remains ahead of industry benchmarks. This is a draw-card for tenants as the cost of occupancy is low.

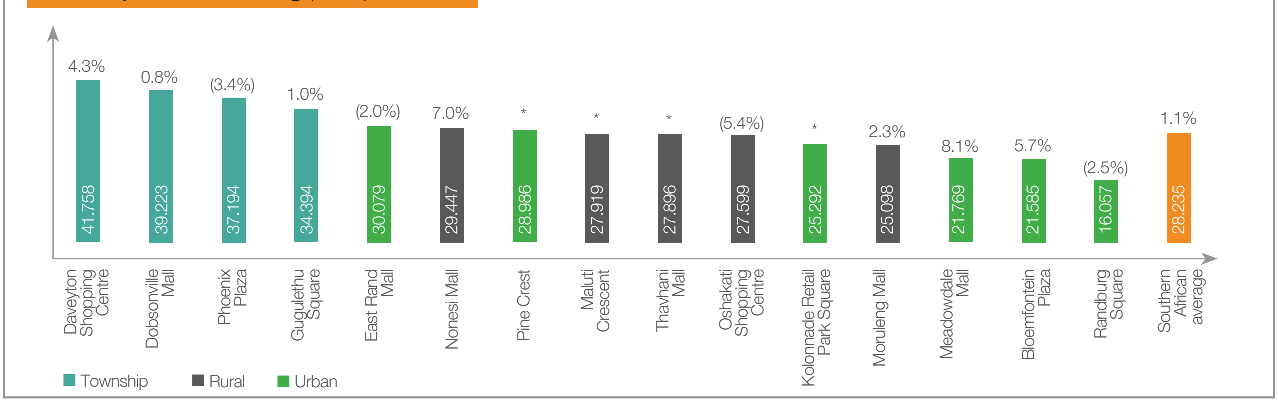
Rent to sales ratio *(%)*



Retail portfolio trading

Our retail portfolio trading statistics show high-trading density with solid growth that is ahead of comparable market figures.

Retail portfolio trading *(R/m²)*

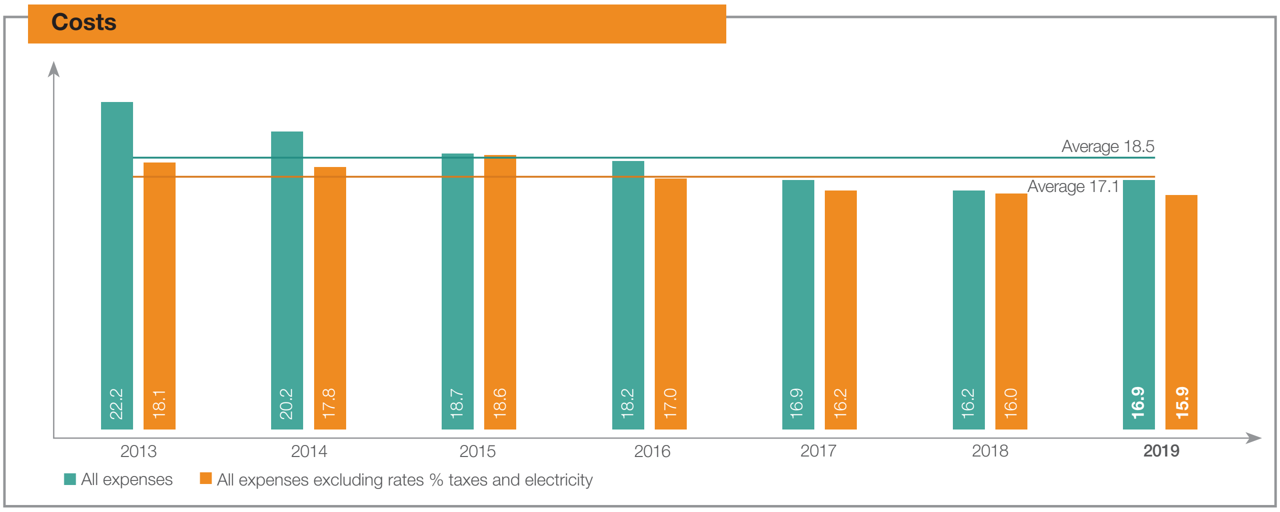


Note: Annualised trading density calculated using monthly trading density over 12 months. Trading density like-for-like growth calculated on stable tenants.

** Trading density like-for-like growth excludes Pine Crest, Maluti Crescent, Thavhani Mall and Kolonnade as recent developments/refurbishments/acquisition.*

Costs

We continuously evaluate methods of containing costs in the portfolio and urge our property managers to implement innovative solutions to achieve this. The stable portfolio's recurring net costs to income ratios remained stable and well contained at 16.9% during the year.



Prospects

Vukile's retail portfolio is defensively positioned to continue to deliver sustainable returns. It is well placed to meet the challenges of the ongoing weak domestic economic environment.

This report is being written as South Africa is undergoing the process of national elections, the sensible outcome of which is crucial to economic, consumer and retail fundamentals. As we have said before, we need at least a year or more of real GDP growth before we are likely to see any measurable improvement. We hope to see this start soon.

Meanwhile, we expect retail dynamics to be persistently challenging in the immediate future, but we are in a confident position to face this challenge.

Without economic growth, South Africa's retail sector has been treading water, cutting space and shedding jobs. With their bottom lines under pressure, operational efficiencies are a significant focus in retail businesses, thus driving operational efficiencies through our business has become an even higher priority for us.

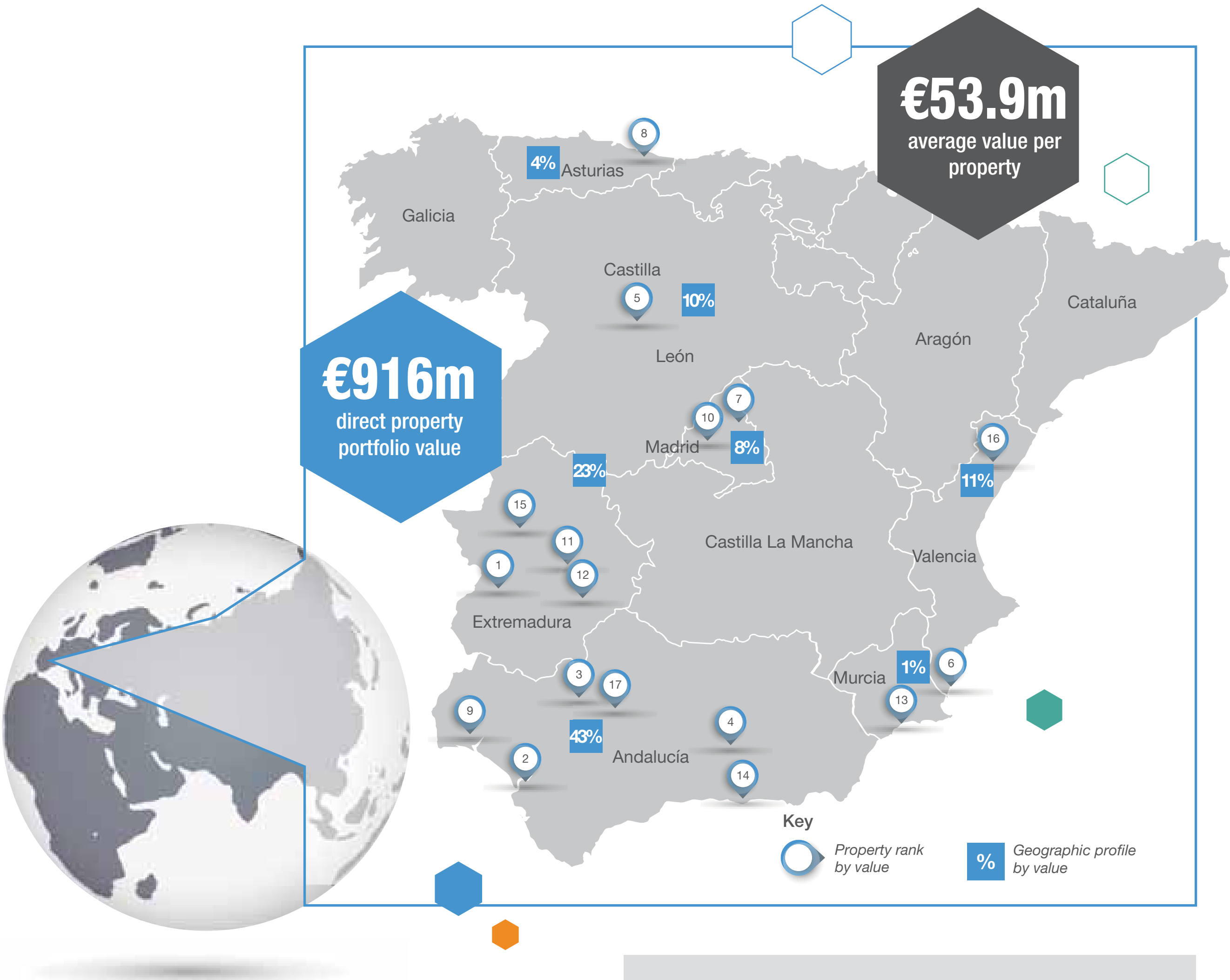
We look forward to the upside we are creating by taking a different approach to soft and hard services in the shopping centre environment. We are confident that our restructured contracts with our property managers will result in innovative solutions that offer us better value in the year ahead.

Our investment strategy will remain focused on enhancing our low-risk, high-quality retail portfolio. Significant acquisitions remain a rare opportunity in the prevailing market. We will continue to focus on unlocking opportunities, potential and value within our portfolio with our asset management and market expertise.

Alternative income management continues to be an ongoing focus for Vukile's portfolio. As important as this area's potential for revenue generation is, another key benefit is getting to know our customers better so that we can offer them a superior shopping experience and give retailers a superior trading environment. This will have direct benefits for our portfolio.

Spain

OUR FOOTPRINT – Spain



Our properties

1	El Faro	10	Edificio Alcobendas
2	Bahía Sur	11	La Heredad
3	Los Arcos	12	La Serena
4	Granaita Retail Park(iii)	13	Pinatar Park
5	Vallsur	14	Motril Retail Park
6	Habaneras	15	Mejostilla
7	Parque Oeste	16	Ciudad del Transporte
8	Parque Principado	17	Edificio Bollullos
9	Marismas del Polvorín		

Total property portfolio*

€916.5m
Direct property portfolio value

€53.9m
Average value per property

6.0%
Average exit capitalisation rate

15(i)(ii)
Retail properties

7.8%
Average discount rate

Gross lettable area (GLA)
317 106m²

* At 31 March 2019.

(i) Parque Oeste comprises two adjacent properties acquired in two separate companies but is treated as a single combined property for reporting purposes.

(ii) La Serena comprises two adjacent properties acquired in two separate companies but is a single combined property for reporting purposes. Note: All data represents 100% of Castellana, of which Vukile's shareholding is 72.12% at 31 March 2019.

(iii) Granaita is the integration of the former Kinepolis Retail Park, Kinepolis Leisure Centre and Alameda City Store into one account.

PORTFOLIO REVIEW – Spain

"The Spanish portfolio is now substantial at over €900 million. The management team is positioned to add significant value to our strategic assets through upgrades and repositioning projects."

Castellana has cemented itself as a premier retail-focused Socimi in Spain, ranking as the ninth largest Socimi in Spain by market capitalisation. In 2018, four flagship shopping centre assets were acquired from Unibail-Rodamco-Westfields for a total price of €480.6 million (including acquisition costs). Castellana also acquired a shopping centre in May 2018, the Habaneras Shopping Centre, for €83.8 million (including acquisition costs) increasing its property values to over €916 million. Castellana now holds a diversified portfolio of high-performing shopping centres and retail parks.

Mirroring Vukile's successful strategy, Castellana has invested in high-performing, low-risk retail assets, with attractive rental growth in the medium and long term. Castellana has 97% of its Spanish portfolio invested in retail property, which now accounts for over €890 million of Castellana's total assets.

Shopping centres are the most significant type of retail asset after the acquisition of Habaneras and the shopping centre portfolio from Unibail-Rodamco-Westfields. This supports a well-balanced portfolio that is defensive and maximises returns.

The team, now with a significant retail portfolio platform in place, continues to deliver sustainable returns from the assets and drive out-performance through active asset management.

Value creation

The asset management team has successfully added value to the retail park portfolio through asset management initiatives and repositioning projects. They have subsequently spent time studying the new acquisitions and will implement value-add initiatives to these assets in the next 18 months.

We are pleased with the focus, operation, enhanced quality, and defensive position of our Spanish portfolio, and the value this signifies for Castellana and Vukile.

At 31 March 2019 the Spanish portfolio consisted of 17 properties, with a total GLA of 317 106m². Total property values increased from €308.0 million to €916.5 million at year-end. Castellana's net profit from property operations amounted to R668 million (35.7% of the total net profit from property operations) for the year ended 31 March 2019 and contributed 32% towards Vukile's distributable income over the financial period.

Investment strategy

Castellana's investment strategy entails building and optimising a portfolio of retail-related assets with retail parks and shopping centres being the focus. It seeks assets that offer stable, predictable and growing income in the medium to long term.

Valuation of Spanish portfolio

The Spanish portfolio has been independently valued by Colliers at R14.9 billion (€916.5 million) at 31 March 2019 (2018: R4.5 billion; €308.1 million).

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

PORTFOLIO REVIEW – Spain continued

The shopping centre market in Spain remains a strategic investment opportunity, having proved resilient through the hardest years of the economic crisis. This is a result of the profile of the tenants in shopping centres, which are predominantly international brands, together with a relatively high demand for space. Retail parks follow the latest trends in consumption and are well positioned in the multichannel strategies of retailers. Furthermore, these locations serve as centres for collection and distribution, which is increasingly relevant for retailers.

Spanish retail assets are a compelling investment proposition for Vukile because:

- Retail property in Spain has outperformed other property sub-sectors over the long term;
- The Castellana portfolio, specifically, is well diversified across regions, types of retail property and tenants, which results in stable and predictable income;
- The portfolio focuses on retail parks, which are well suited to omnichannel marketing, and shopping centres that mostly cater to non-discretionary spend, which helps protect against the negative impact of economic downturns. Over 94% of tenants are international retailers with strong brand loyalty focused on selling staple goods;
- The portfolio quality has significant growth potential over the long term, which fortifies its ability to deliver sustainable results through different cycles;
- The centres in the Castellana portfolio are dominant in their respective catchment areas;
- The portfolio is well aligned with the latest shopping trends of the biggest consumer markets in the country;
- The centres are strongly positioned to add value to their customer and retailer experience; and
- Several portfolio assets include built-in future-growth potential with opportunities for developments, expansions or upgrades.

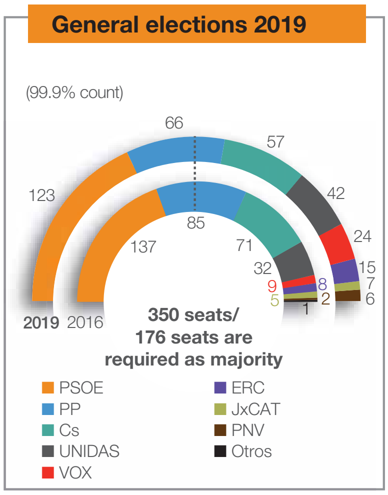
Operating environment

Economy and political environment

The Spanish economy remains strong

The GDP outlook in Spain is highly favourable after registering growth of 2.6% in 2018, with a consensus forecast growth of 2.2% for 2019 according to Spanish market analysts. Consumption grew by 2.6% in 2018 and will grow by 2.0% this year. Inflation increased to 1.2% by the end of 2018 and is forecast to reach 1.4% at the FY19 financial year-end. The most impressive key performance indicator is employment growth, which is a positive economic driver as households start to increase their spending power. The unemployment rate decreased from 26% at its peak in 2012, to 14.3% at the end of 2018, and it is forecast to reduce to 13.9% in 2019.

The political environment looks more stable now that elections have taken place with 75% participation – the highest ever recorded in Spain. The Socialist Party, led by Pedro Sanchez, won the elections with 123 parliamentary seats. As 176 seats are required for a majority, it is envisaged that Mr Sanchez will make coalitions with other parties on the left wing such as Unidas Podemos, the Catalans ERC and others to reach 198 seats. It remains to be seen whether he will get enough support to form a government. With regard to the centre and right-wing parties, although achieving a higher number of votes collectively, having divided the votes between them, they ended up with fewer seats in parliament – totalling 147, still not a majority. Below is a summary of the results of the elections:



Retail environment

Spanish consumption continues to grow

The Spanish consumer continues to recover. At present, given an extended recovery after the double-dip economic crisis in the preceding six years, capital values and rentals, which previously plummeted, have increased significantly with an influx of private equity funds chasing yield. Even so, rental levels have not yet reached half the pre-crisis levels. This means there are considerable opportunities for rental growth in the medium-term and long-term investment horizon.

One of the main industries in Spain, and a major driver of its economy, is tourism. Spain is the second biggest tourist destination in the world. It is only behind France having now moved ahead of the US. In 2018, international tourist visits to the country grew 9%, accounting for more than 82.6 million visits keeping its spot as the second largest shopping tourism destination in the EU. In 2017, international tourist spending in Spain

PORTFOLIO REVIEW – Spain continued

reached almost €87 billion, 12% higher than in 2016. These figures reveal an optimistic landscape for retail parks and shopping centres in Spain.

Omnichannel retail environment

We are keeping a close eye on the dynamics around ecommerce within the Spanish context.

"The 21st century customer does not only want to buy products, but they also want to have experiences. Knowing a brand is not experiencing a brand …" *Andy Stalman, global branding thought leader and game changer, writer, lecturer, entrepreneur and university professor.*

Furthermore, technology is playing an ever-increasing role in the way consumers behave, where consumers are demanding products, spaces and places that simplify their lives through technological automation, connectivity and digitalisation. Retailers and landlords are starting to use technology to anticipate their customers' needs faster and more accurately through, among others, robotics and big data. In addition, consumers are becoming more environmentally aware and are demanding the same from retailers.

Internationally, the major transformation in retail is ongoing. The latest retail developments have made it clear that it is a combination of online and bricks-and-mortar channels driving the transformation of retail. Tenants like Media Markt have cleverly created an appealing tool for customers to come to the shop to pick up their goods, and increasing the likelihood of customers making other purchases while there. If you buy online but do not want to wait for delivery, you can go to your nearest shop, normally in a retail park, to pick up the order within an hour. The retailer provides a reserved lane and parking space right at the collection point and an employee of Media Markt places your purchases in your car. This is, in our view, a very good example of how omnichannelling is the winning strategy to embrace all possible ways of retailing.

In Spain, online shopping accounts for around 5% of all retail. This is lower than the European average of 9%, which is pushed out by countries such as the UK (18%) and Germany (15%). Of the 5% online sales in Spain, less than a third is pure retail sales, or transactions that can also be made in a shopping centre or retail park. Although online sales of fashion and accessories are growing, fashion only accounts for 22% of all online sales in Spain. Most online spend is on leisure and entertainment, such as music and event tickets.

Spain is unlikely to experience similar negative impact as the United Kingdom and the United States. Spanish culture is keenly geared towards socialising and eating out. In fact, Spanish consumers spend the highest proportion of their budgets on eating out in Europe. In addition, favourable year-round weather conditions and tourism also encourage increased food, beverage and leisure offerings in retail centres.

In addition, we believe that the current online sales system is not a sustainable model. Last Mile delivery currently accounts for 52% of total delivery costs, according to a study by McKinsey. While consumers were encouraged to use the newly developed online platforms of the retailers over the past few years, we are already seeing that those same retailers will encourage customers to collect in store. On the one hand to save on delivery costs and secondly to encourage more impulse purchases from their customers.

Management

Asset management

Castellana's in-house asset management is undertaken by its experienced and respected team of hands-on Spanish retail property experts.

The team is led by our asset management director, Julio Garcia, who has in-depth knowledge of the Spanish retail property market gained over nearly 23 years. Garcia has a bachelor degree in economics from the University of Cadiz. He has worked for various real estate companies in his career, all of them in the retail sector. He has worked for Carrefour Properties as an asset manager and spent the majority of his career at Pradera as head of asset management.

Highlights for the year include:

- Surpassing budgeted net operating income targets for the portfolio overall by 1.23%
- Containing vacancy at 2.1% for the period. In fact, leases agreed but not yet signed will take the vacancy down to 0.9% post-year-end
- Letting activity has been vibrant, with more than 6 000 m² of GLA let in the year
- Successful completion and leasing of Granaita Leisure Centre, creating additional annualised net operating income of €595 000
- Maintaining a rent collection rate of over 99%.

Property management

Castellana's property management is a mix of internal services and external outsourced property managers who oversee the day-to-day operations of our properties. Maximising rental income is a priority, and by internalising rent collection and tenant relations we have direct control over these tasks. On-site centre management and leasing

PORTFOLIO REVIEW – Spain continued

are outsourced, and both activities are coordinated through our asset management team to optimise and leverage the good relationships we have with tenants in the market.

Jones Lang Lasalle (JLL) is the main provider of leasing services. With an *ad hoc* and exclusive team dedicated to the Castellana portfolio, the efficiency of the team is reflected in its records, 6 049m² let in the last 12 months. The on-site centre management is distributed among the main players in the Spanish market, Cushman & Wakefield, CBRE and JLL. However, a large component of our portfolio is retail parks, which do not need dedicated on-site management, so we contract a local company for these properties. This achieves a good balance of efficiency and cost savings.

The on-site centre managers are mainly responsible for daily property operations including:

- On-site tenant interactions;
- Financial scrutiny of property expenses; and
- Managing relationships with third-party service providers and local government.

We manage these relationships with:

- Service level agreements;
- Formal monthly meetings to monitor performance and operational issues; and
- Frequent interactions about property-specific issues.

The leasing services we outsourced are also contracted to JLL nationwide. Their main tasks are all coordinated by our asset management team and are as follows:

- Sourcing of new tenants for our vacant units
- Pre-negotiations of lease agreements
- Preparation and build-up of lease agreement documents
- Signature procurement to close the lease agreements.

Strategic milestones achieved

- Castellana, after its most recent acquisitions, has created a strong and stable retail portfolio across Spain. Its portfolio value increased to €916.5 million at 31 March 2019.
- Habaneras Shopping Centre was acquired on 9 May 2018 for €83.8 million (including transaction costs).
- Four shopping centres were acquired from Unibail-Rodamco-Westfields in July 2018 for c.€480.6 million (including transaction costs).
- Castellana successfully acquired the entire share capital of Morzal Property Iberia in exchange for Castellana shares on 24 January 2019.
- Castellana was successfully listed on the MAB sub-market of the Madrid Stock Exchange on 25 July 2018.
- The Castellana asset management team have successfully completed the redevelopment of the Granaita Leisure Centre (formerly Kinepolis Leisure Centre) and have successfully increased the net operating income by €595 000 on an annualised stabilised basis.
- Castellana joined the European Public Real Estate Associations Standards and is now actively reporting to the association.
- Castellana recently joined ASOCIMI, an association representing the interests of Spanish Socimis (REITs). The association aims to increase the visibility of Socimis within the investment community and to actively participate in the regulatory development of Socimis.
- Alfonso Brunet has been named as a member of the Spanish Shopping Centre Association (AECC).
- We continue to see a strong pipeline of acquisition opportunities.

The Spanish portfolio

A low-risk, high-quality portfolio of assets diversified across Spain that is extremely defensive, with a strong focus on large national retail operators.

- Total property value of €916.5 million.
- 17 properties (15 retail properties and two offices).
- 317 106m² of lettable retail space.
- 2.1% vacancy rate excluding development vacancy.
- 93% of retail income earned from national tenants.
- €53.9 million average asset value.
- 14.2 years WALE to expiry on retail properties, 4.2 years to first break.

Top 10 properties by value

Nine of our top 10 properties are retail assets, with Edificio Alcobendas the only office development in the top 10. Cumulatively, 91% of their tenants are national and international tenants. These properties comprise 91% of the total portfolio value and 82% of the total portfolio GLA.

Top 10 properties at 31 March 2019

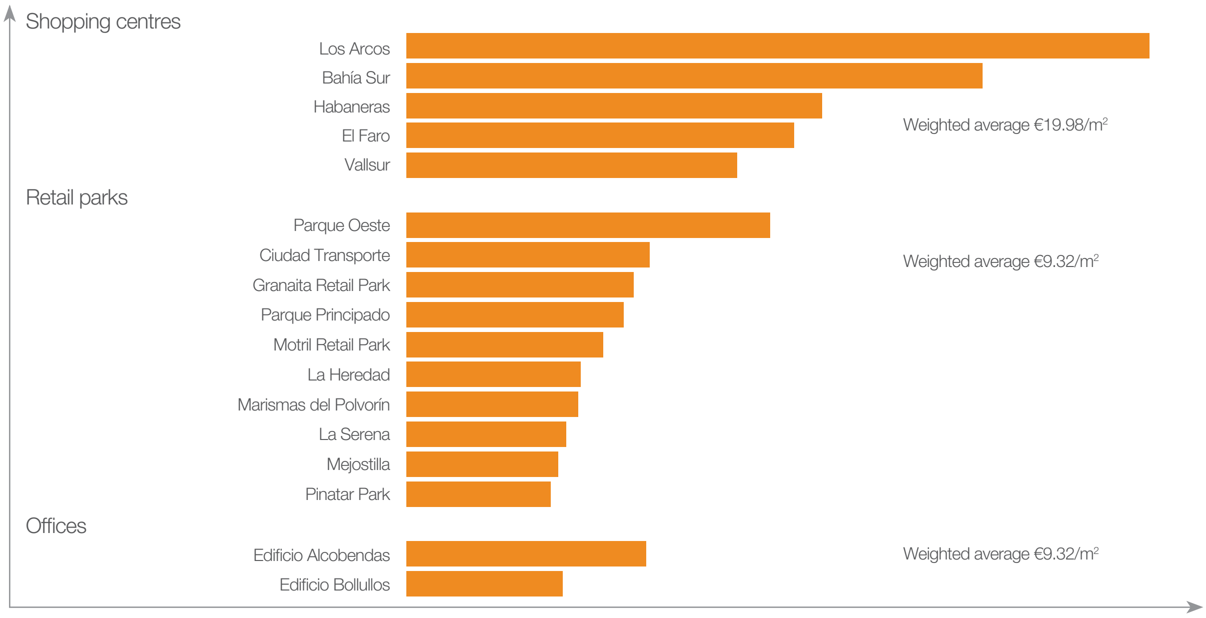
1. El Faro
2. Bahía Sur
3. Los Arcos
4. Granaita Retail Park
5. Vallsur
6. Habaneras
7. Parque Oeste
8. Parque Principado
9. Marismas del Polvorín
10. Edificio Alcobendas

PORTFOLIO REVIEW – Spain continued

Weighted average rental profile at 31 March 2019

The Castellana portfolio's weighted average rental is €14.14/m². We believe that a significant portion of the portfolio is at below-market rentals. We anticipate rental growth to come through over the short to medium term.

Weighted average rentals *(€/m²)*



The average retail rental rate increased from €9.24/m² to €14.41/m² due to the acquisition of the five shopping centres during the year.

Portfolio highlights

Asset management in action

We are committed to constantly improving and optimising our portfolio to create both long-term and short-term value. Value-add projects include the refurbishment at Granaita Leisure Centre (formerly Kinepolis Leisure Centre), down-sizing of low-rent boxes to increase rentals, and consistently filling vacancies. In addition, we are continuously making new acquisitions to strengthen and grow the portfolio.

Acquisitions

In May 2018, Castellana acquired the Habaneras Shopping Centre for €83.8 million. The GLA of the centre is 24 158m², the average unexpired lease term is 6.1 years with an occupancy rate of 95.8%. The shopping centre has a 91.9% national tenant component.

Vukile announced on 31 July 2018 that its subsidiary, Morzal, had acquired four high-quality shopping centres in Spain at a cost of €480.6 million (including acquisition costs), at an attractive pre-gearing yield of 5.7%. The acquisition is in line with Vukile's strategy of increasing its international exposure to developed Europe.

PORTFOLIO REVIEW – Spain continued

The five shopping centres referred to previously have a WALE of 10 years. The total GLA of the shopping centres is 145 487m² and 96% of gross revenue is derived from leading Spanish national and international retail tenants including Media Markt, Decathlon, Carrefour, Inditex Group, Primark, AKI and Mercadona. The average monthly rental of €19.98/m² across the centres is at the lower end of the market rental which is between €15/m² and €32/m², which is well positioned for income growth.

	Province	GLA m²	Weighted average rental per m²	Purchase price of the property €m*
El Faro	Extremadura	43 423	17.10	157.36
Bahía Sur	Andalucía	24 789	25.40	120.92
Los Arcos	Andalucía	17 906	32.76	110.70
Vallsur	Castilla Leon	35 211	14.58	91.61
Habaneras	Com. Valenciana	24 158	18.33	83.81
Total		145 487	19.98	564.40

** Including transaction costs.*

Redevelopment projects completed

Granaita Retail Park

Kinepolis Retail Park, Kinepolis Leisure Centre and Alameda Shopping Centre were merged and rebranded as a single shopping node – Granaita Retail Park. Now, Granaita, as the largest retail and leisure park in the Granada region, offers a wide range of leisure, fashion, food and beverage to the local community. Granaita has emerged as a unique and powerful brand among customers.

In March 2019, Castellana completed and launched the newly redeveloped Granaita Leisure Centre in Granada. The project achieved and surpassed the following objectives:

- Interior was upgraded and natural light was increased
- Installation of a customised high-visibility kid's play area
- New outdoor terraces were opened up to take advantage of the favourable Spanish climate
- Improvement of green areas
- Improvement of tenant mix.

In its entirety, the project capital expenditure was c.€5.4 million. The project will add an additional c.€600 000 to the portfolio net operating income (NOI) on an annualised stabilised basis resulting in a yield on capex of 10.9%.

The major upgrade, merger and rebranding responds to shopper and retail demand. It builds on the centre's excellent trading metrics and unlocks further income enhancement.

PORTFOLIO REVIEW – Spain continued

Portfolio profiles

Geographic profile

The geographical distribution of the Spanish portfolio is indicated in the table below. Some 87% of the gross income comes from Andalucía, Extremadura, Castilla Leon and Com. Valenciana.

Geographic portfolio	% of rental income	% of GLA
Andalucía	44	40
Extremadura	22	24
Castilla Leon	11	11
Com. Valenciana	10	9
Madrid	8	8
Asturias	4	5
Murcia	1	3

Tenant profile

Large national and listed tenants and major franchises account for 89% of tenants by GLA, and 90% of tenants by rent.

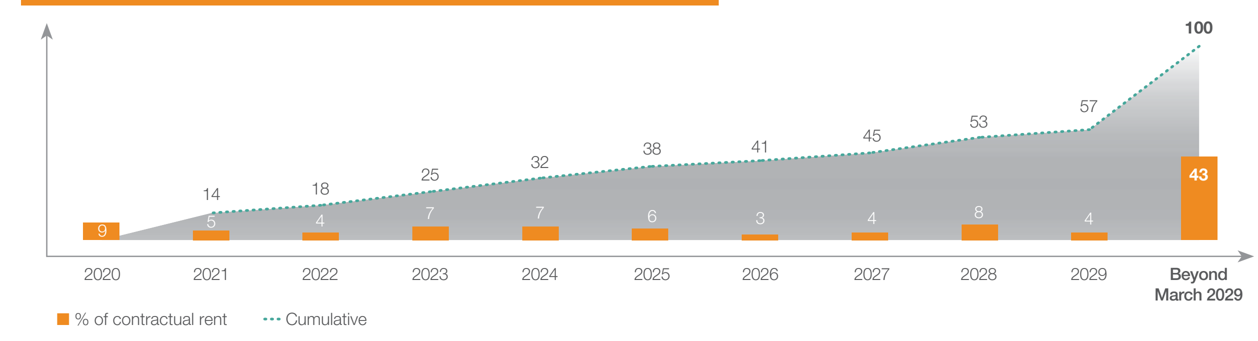
% of GLA	Retail %	Total portfolio %
Large national and international tenants	94	89
Local tenants (83 tenants)	6	11

Expiry profile

Castellana has a 14.2-year retail tenant expiry profile and 4.2 years to break with 45% (47% including the office tenant expiry profile) of contractual rental expiring in 2029 and beyond.

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

Expiry profile *(%)*

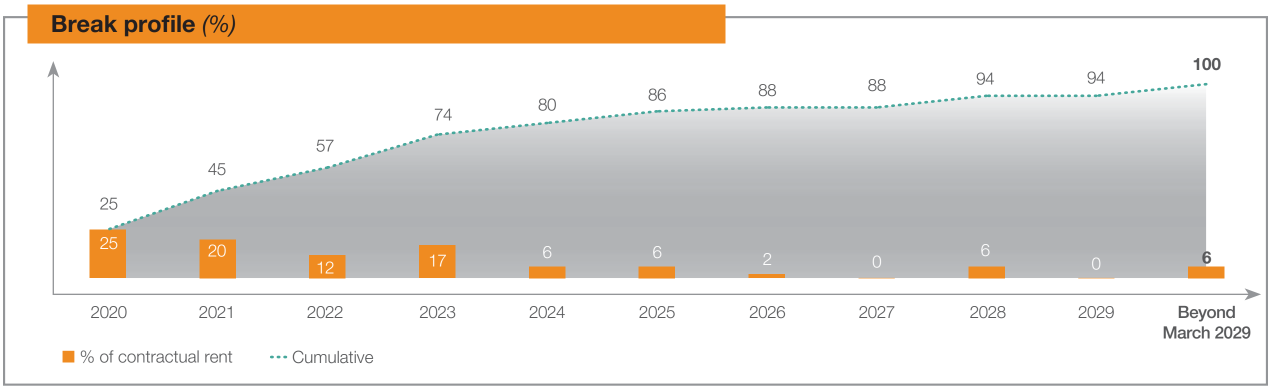


PORTFOLIO REVIEW – Spain continued

	March 2020 %	March 2021 %	March 2022 %	March 2023 %	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	Beyond March 2029 %
Retail	9	6	4	7	7	6	3	5	8	4	41
Offices	—	—	—	—	—	—	—	—	—	—	100

Break profile

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



	March 2020 %	March 2021 %	March 2022 %	March 2023 %	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	March 2029 %	Beyond March 2029 %
Retail	26	21	13	18	6	7	2	—	6	—	1
Offices	—	—	—	—	—	—	—	—	—	—	100

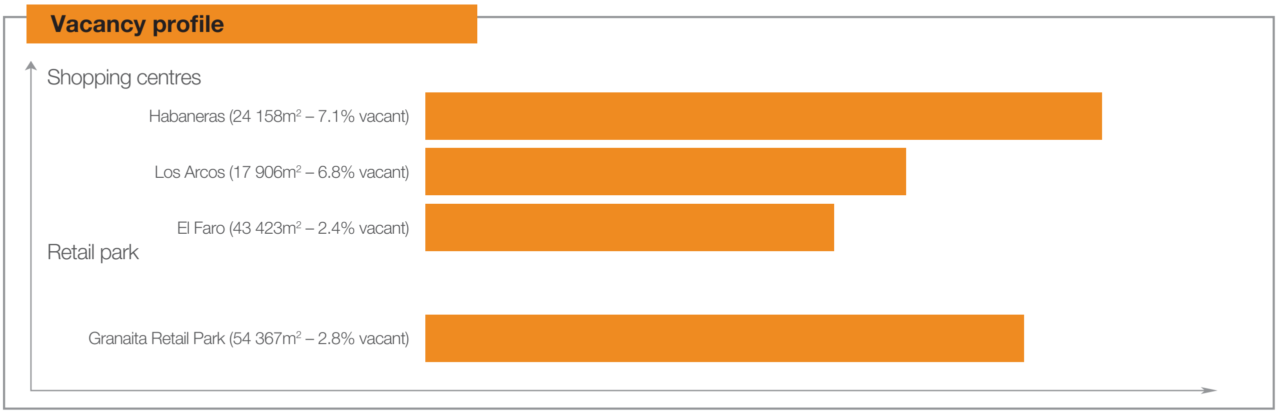
PORTFOLIO REVIEW – Spain continued

Vacancy profile

We measure our portfolio's vacancy as a percentage of its GLA. The portfolio's vacancy was 2.1% at year-end.

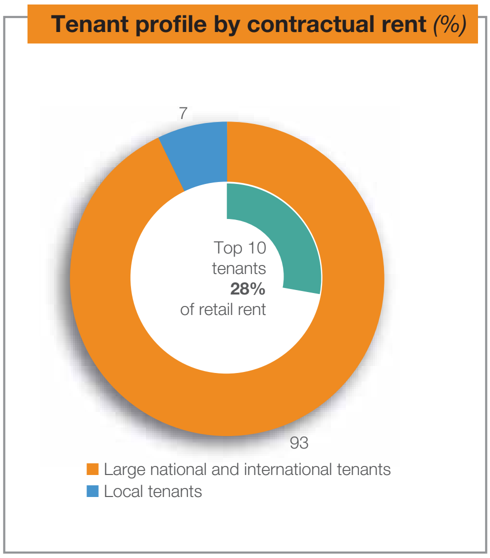
Individual property vacancy profile

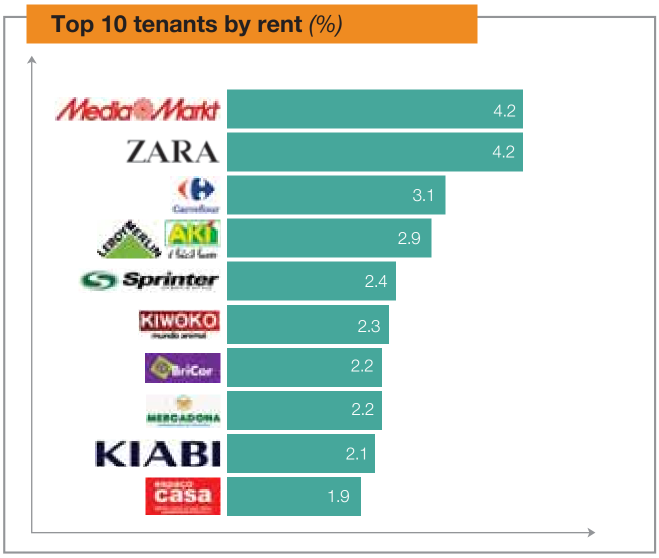
The properties with the highest vacancies as a percentage of GLA, where each has a vacancy higher than 1 000m², excluding development vacancy, are:



Retail tenant profile and exposure

Castellana's tenant exposure is low risk, with national and international tenants representing 93% of retail rental income at 31 March 2019.



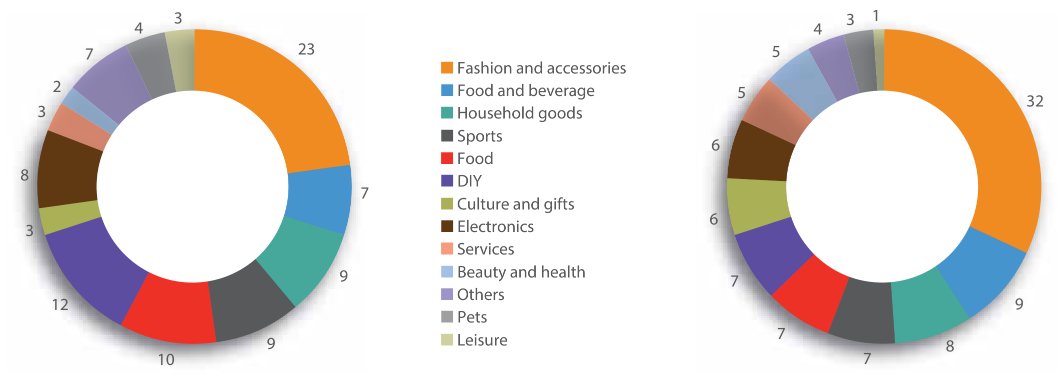


Our top 10 tenants account for 28% of total rent. Media Markt and Zara are our two single largest retail tenants, accounting for 8.4% of total rent.

PORTFOLIO REVIEW – Spain continued

Category profile by GLA (%)

Category profile by rent (%)



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

Prospects

Castellana's retail portfolio is well placed to deliver sustainable returns. Castellana's strategy is to keep growing the portfolio through organic growth, value-added asset management and accretive acquisitions.

The Spanish retail real estate market is forecast to be less active this year as opportunistic investors have turned to other asset classes; as a result, many opportunities are coming to Castellana as the acquisitions pipeline shows. Our investment strategy will remain focused on enhancing and adding value to our portfolio of low-risk, dominant retail assets that produce predictable and sustainable income streams.

While capital values and yields are reaching cycle peak levels, we expect rentals to start growing at better rates as spending and confidence return to the Spanish population.

We believe the time is right for a different approach to soft services, repairs and maintenance in the Spanish shopping centre environment. We are challenging our property managers to develop innovative solutions that offer us better value in the year ahead.

We do believe that within the near future we will position Castellana at the top end of the market with our quality retail portfolio and its integrated opportunities for value enhancement.

COMBINED PROPERTY PORTFOLIO DATA

COMBINED PROPERTY PORTFOLIO DATA

The table below provides information in respect of the total direct portfolio of the Vukile group at 31 March 2019:

	Southern Africa	Spain	Total directly held properties
Number of properties	60	17	77
Sectoral spread (GLA)	%	%	%
Retail	87	95	89
Industrial	8	5	7
Offices	4	—	3
Motor-related	1	—	1
Sectoral spread (rent)	%	%	%
Retail	92	96	94
Industrial	3	—	2
Offices	3	4	3
Motor-related	1	—	1
Residential	1	—	—
Sectoral spread (value)	%	%	%
Retail	92	97	94
Industrial	3	—	2
Offices	3	3	3
Motor-related	1	—	1
Residential	1	—	—
Vacant land	—	—	—
Vacancy profile (% of GLA)	3.9	2.1	3.5
Retail	3.0	2.3	2.8
Industrial	5.7	—	5.7
Offices	21.0	—	15.1
Motor-related	—	—	—
Weighted average rental per m²	R127.54/m²	€14.14/m²	R153.13/m²
Retail	R134.78/m²	€14.41/m²	R161.06/m²
Industrial	R57.83/m²	—	R57.83/m²
Offices	R95.32/m²	€9.32/m²	R114.54/m²
Motor-related	R131.68/m²	—	R131.68/m²
Weighted average rental escalation percentage	7.0	Inflation-based	
Retail	7.0		
Industrial	7.6		
Offices	7.0		
Motor-related	7.0		
Tenant profile (GLA)	%	%	%
A – Large national, international and listed tenants and major franchises	69	89	80
B – National and listed tenants, franchised and medium to large professional firms	8		
C – Other (1 276 tenants)	23	11	20
Average annualised property yield %	**8.4**	**6.2**	**7.3**

COMBINED PROPERTY PORTFOLIO DATA continued

	Southern Africa	Spain	Total directly held properties
Lease expiry profile – Total portfolio (GLA)	%	%	%
Current vacancy	3.9	2.1	3.5
2020	20	20	20
2021	14	17	14
2022	16	13	15
2023	11	14	12
2024 and beyond	35	34	35
Lease expiry profile – Retail portfolio (GLA)	%	%	%
Current vacancy	3.0	2.3	2.8
2020	20	21	20
2021	13	18	14
2022	17	14	16
2023	11	15	12
2024 and beyond	36	30	35
Lease expiry profile – Industrial portfolio (GLA)	%	%	%
Current vacancy	5.7	—	5.7
2020	32	—	32
2021	28	—	28
2022	11	—	11
2023	10	—	10
2024 and beyond	13	—	13
Lease expiry profile – Office portfolio (GLA)	%	%	%
Current vacancy	21.0	—	15.1
2020	6	—	4
2021	14	—	10
2022	1	—	—
2023	14	—	10
2024 and beyond	44	100	61
Lease expiry profile – Motor-related portfolio (GLA)	%	%	%
Current vacancy	—	—	—
2020	—	—	—
2021	—	—	—
2022	—	—	—
2023	25	—	25
2024 and beyond	75	—	75

COMBINED PROPERTY PORTFOLIO DATA continued

	Southern Africa	Spain	Total directly held properties
Lease expiry profile – Total portfolio (rent)	%	%	%
2020	23	25	24
2021	17	20	18
2022	18	12	16
2023	12	17	14
2024 and beyond	30	26	28
Lease expiry profile – Retail portfolio (rent)	%	%	%
2020	23	26	24
2021	17	21	18
2022	19	13	17
2023	13	18	14
2024 and beyond	28	22	27
Lease expiry profile – Industrial portfolio (rent)	%	%	%
2020	36	–	36
2021	30	–	30
2022	14	–	14
2023	13	–	13
2024 and beyond	7	–	7
Lease expiry profile – Office portfolio (rent)	%	%	%
2020	14	–	8
2021	20	–	11
2022	1	–	1
2023	13	–	7
2024 and beyond	52	100	73
Lease expiry profile – Motor-related portfolio (rent)	%	%	%
2020	–	–	–
2021	–	–	–
2022	–	–	–
2023	10	–	10
2024 and beyond	90	–	90

COMBINED PROPERTY PORTFOLIO DATA continued

	Southern Africa	Spain	Total directly held properties
Geographical spread (GLA)	%	%	%
Southern Africa			
Gauteng	43		33
KwaZulu-Natal	16		12
Free State	8		6
Limpopo	7		5
Namibia	7		5
Western Cape	6		5
North West	5		4
Mpumalanga	5		4
Eastern Cape	3		2
Spain			
Andalucía		40	10
Extremadura		24	6
Castilla Leon		11	2
Com. Valenciana		9	2
Madrid		8	2
Asturias		5	1
Murcia		3	1
Geographical spread (rent)	%	%	%
Southern Africa			
Gauteng	38		23
KwaZulu-Natal	22		14
Western Cape	8		5
Limpopo	8		5
Namibia	7		5
Free State	6		4
North West	4		2
Mpumalanga	4		3
Eastern Cape	3		2
Spain			
Andalucía		44	16
Extremadura		22	8
Castilla Leon		11	4
Com. Valenciana		10	4
Madrid		8	3
Asturias		4	1
Murcia		1	1

RECENTLY RENOVATED, REBRANDED AND RELAUNCHED CENTRES

RECENTLY RENOVATED, REBRANDED AND RELAUNCHED CENTRES

Adding value within our portfolios, both in South Africa and Spain, is a key focus area for Vukile and one where we have demonstrated success and delivered pleasing results. Our strategic asset management interventions are designed to extract value from assets and secure their market position and performance for the long term.

SPAIN

Harnessing the power of three good centres into one great centre that offers a reimagined connected experience

Granaita Retail Park, Granada (relaunched July 2018)

The situation

Three properties in the Castellana portfolio located in Granada were adjacent to each other but functioned separately with different identities. We saw an opportunity to combine Kinepolis Retail Park, Kinepolis Leisure Centre and Alameda City Store into a single integrated precinct to establish a more connected, comprehensive and complete shopping and leisure precinct which would be dominant in its market.

The challenge

The goal was to transform separation into an opportunity with reimagined and connected experiences.

The site was large but fragmented. Our challenge was to connect different zones and improve its overall retail and leisure mix and experience. Besides integrating the physical fabric of the properties, we also set out to unite them under one brand.

The response

We achieved a magnificent result by renovating the facilities at Kinepolis, integrating the outdoor areas of the properties, implementing a new way-finding system and introducing more than 250 trees in its first phase. Parking areas, which had before divided the assets into separated little islands, were transformed from barriers to bridges, and instead became connectors.

Besides integrating the three properties, we sought ways to connect our community and shoppers with the district. The rebranding of the former “Kinepolis-Alameda” node to “Granaita” united it under a single brand that reflects its community by using a word from its unique local dialect to describe the centre; its name means “Little Granada”. We also ensured the combined centre connected guests with different experiences by offering customers a wide variety of activities for the whole family, including a new children’s club with dedicated facilities for children’s leisure, and appealing upgrades to the food and beverage areas.

The result

Granaita is now the largest and most complete commercial and leisure offering in the city and the province at 104 000m^2. The flagship project is a new benchmark for the commercial and leisure sector, offering a reimagined connected shopping experience in a vibrant retail, entertainment, leisure and social district. Improving the customer’s shopping experience was a key objective that we achieved. The new positioning, naming, brand, identity and environmental design have been warmly welcomed by tenants, media and customers. The successful completion and leasing of Granaita Retail Park has added EUR595 000 to Castellana’s annual net operating income. Its renovation and repositioning into a single holistic shopping and leisure node is a long-term play and value-adding strategy.

RECENTLY RENOVATED, REBRANDED AND RELAUNCHED CENTRES continued

Pine Crest, Pinetown, KwaZulu-Natal (relaunching July 2019)

SOUTH AFRICA

Transforming the first shopping centre in Pinetown into the town's first choice for shopping and socialising

The situation

Pine Crest has been serving the community for over 30 years. It opened in the late 1980s to become the leading shopping centre in Pinetown, and it is still the biggest. Pine Crest Centre and its brand had become dated and were in need of a major revamp. A significant change was needed to achieve a revitalised and aspirational offering. Also, it was originally designed for mid- to higher-income customers who would arrive by car, which had necessitated a multilevel parking garage and limited direct off-street pedestrian access. Now, the centre caters to a different market over a wider range of income groups, and most shoppers use public transport such as taxis and buses.

The challenge

We wanted to upgrade, enlarge and redesign the centre to give it a new lease on life, better cater to its changed market and make it a place for the people again. Our goal was to draw people into the centre and give them reasons to stay. We also needed to comprehensively rebrand and relaunch the centre to reflect its improved user experience, reach more visitors and reinforce its closer connection to its shoppers. All this was needed to support better retailer performance, and ultimately our property income stream.

The response

Internally, the entire mall will be given a new fresh look, improved retail mix and better customer flows to ensure the entire mall is activated. Its new indoor/outdoor food court will be unique in Pinetown and with eateries, seating and a children's play area, it is designed to become the heart of the centre. Access to public transport is being enhanced by making an underutilised parking area with direct access to the centre available for the western terminus of phase 1 of the eThekwini municipality's Integrated Rapid Public Transport Network. A portion of the ground level parking is being converted to additional retail space, with new shops and a welcoming new entrance that is perfect for pedestrians using the bustling Kings Road.

The new Pine Crest brand links with its heritage and history and is inspired by Zulu symbology. A blend between aspirational brand character and local culture, the renovated Pine Crest will be culturally connected and future-focused. It embraces its market leadership as the first centre in the city – the first in attitude, service, experience, emotion and loving its public. This makes it the first choice in Pinetown. Its new brand is also designed to help build pride in the area.

The result

After being the first shopping centre in its market and part of the community for 30 years, Pine Crest is being reinvigorated to again lead the market with a revitalised and aspirational offer. It will relaunch at the end of July 2019 positioned as the definitive retail and leisure hub for Pinetown and its surrounds with an inspiring experience and space that is open, inviting and welcoming to all. It is now a place for people to spend their time, not just their money. With this new exciting dynamic, it will be a truly world-class offering. The new Pine Crest will be able to maintain and strengthen its popularity and dominance, despite increased competition in its market.

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

The group's total assets amounted to R35.1 billion at 31 March 2019. The group's direct property investments were valued at R30.5 billion at 31 March 2019 (March 2018: R19.2 billion), and are located in South Africa, Namibia and Spain. The Spanish properties were valued at R14.9 billion (€916 million) at year-end (March 2018: R4.5 billion (€308 million)).

Additionally, Vukile held the following listed investments at year-end:

- A 34.9% shareholding in an associate, Atlantic Leaf Properties Limited (Atlantic Leaf) with a carrying value of R1.3 billion (March 2018: R1.2 billion). The net asset value of Atlantic Leaf at February 2019 amounted to £195 million (February 2018: £204 million).
- A 26.9% shareholding in Fairvest Property Holdings Limited (Fairvest) valued at R568 million (March 2018: R595 million).
- A 25.3% shareholding in Gemgrow Properties Limited (Gemgrow) valued at R729 million (March 2018: R790 million).

Ongoing improvements in financial and operating metrics

The group is focused on generating dividends that are growing, sustainable and predictable over the long term. Key decisions and strategies are aligned to this long-term approach and the group will avoid transactions which do not complement the longer-term strategies of the group.

It is pleasing to report that the dividend for the six months ended 31 March 2019 increased by 7.5% to 103.37872 cents per share. Dividends for the full year rose by 7.5% to 181.48123 cents per share, in line with guidance.

The group's net profit available for distribution was R1.7 billion for the year ended 31 March 2019, representing an increase of 29% (March 2018: R1.3 billion).

The proposed total dividend for the year comprises:

	Rm	% split	Cents per share
First	701.5	41.5	78.10251
Second[1]	988.5	58.5	103.37872
Total	**1 690.0**	**100.0**	**181.48123**

[1] *Based on shares in issue at 31 March 2018.*

Key financial measures	March 2019	March 2018	% change
Dividend per share (cents)	181.48	168.82	7.5
Earnings (Rm)	1 709	2 402	(28.9)
Net asset value per share (cents)	2 026	2 010	0.8
Loan to value ratio net of cash (%)[1]	37.2	28.2	
Gearing ratio (%)[2]	37.0	29.6	

[1] *Based on directors' valuations of the group's portfolio and the market value of equity investments at 31 March 2019 less cash (excluding cash held on deposit from tenants).*

[2] *The gearing ratio is calculated by dividing total interest-bearing borrowings by total assets.*

FINANCIAL PERFORMANCE continued

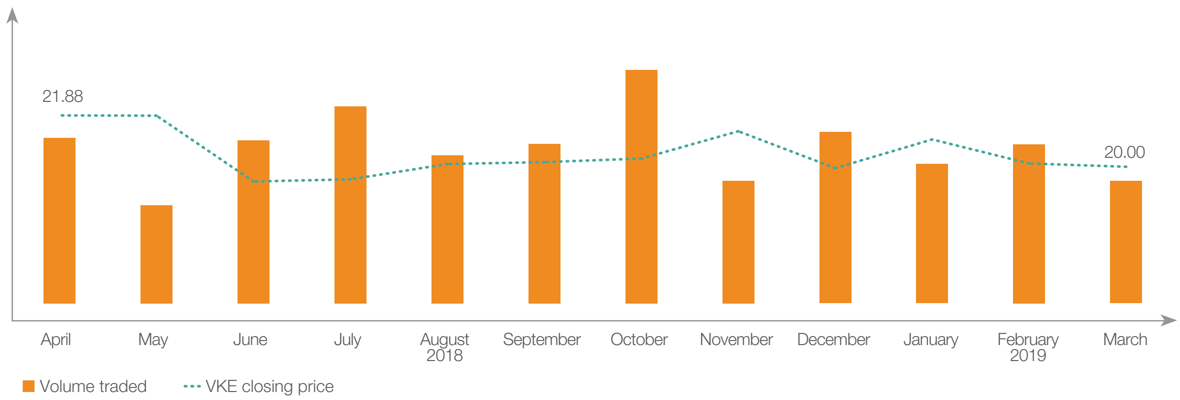
Share price and liquidity

Vukile's share price decreased by 8.6%, from R21.88 per share at 31 March 2018 to R20.00 per share at year-end. Vukile's share price performed better than the SAPI index which declined by 12.2% over the same period.

Vukile's market capitalisation at year-end amounted to R18.4 billion (March 2018: R17.2 billion).

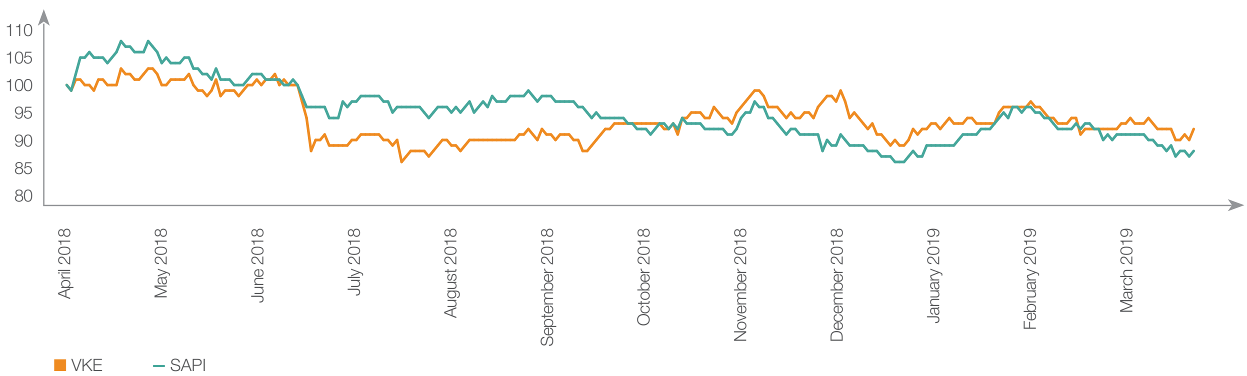
During the 12 months ended 31 March 2019, 344 million Vukile shares were traded, which equates to approximately 28.7 million shares per month. The total value of shares traded during the year amounted to R7 billion or 38% of the company's market capitalisation at 31 March 2019 (March 2018: 41%), demonstrating the liquidity of Vukile's shares in the market.

Closing price and trading volumes *(Price)*



The graph below reflects Vukile's share price performance against the SAPI index for the year ended 31 March 2019:

Vukile versus SAPI *(based to 100)*



Equity issuances

Equity issuance and dividend reinvestments for the year amounted to R2.6 billion:

- Vukile issued 86 715 812 shares under an accelerated bookbuild on 26 July 2018 at R18.66 per share, including a specific issue to Encha Properties Equity Investments (Pty) Ltd (Encha) at R19.60 per share, raising R1.6 billion.
- Shares issued under an election to reinvest cash dividends in return for shares were as follows:
  - 22 June 2018: 3 857 140 shares at R20.30 – R78 million; and
  - 24 December 2018: 4 480 038 shares at R19.40 – R87 million.
- On 5 November 2018, Vukile issued 22 889 305 shares to settle the purchase price of R470.6 million for Kolonnade Retail Park.
- Vukile issued 18 253 483 shares under two further issuances in February and March 2019 at an average of R20.21 per share – raising R369 million.

Cash flow (Rm)

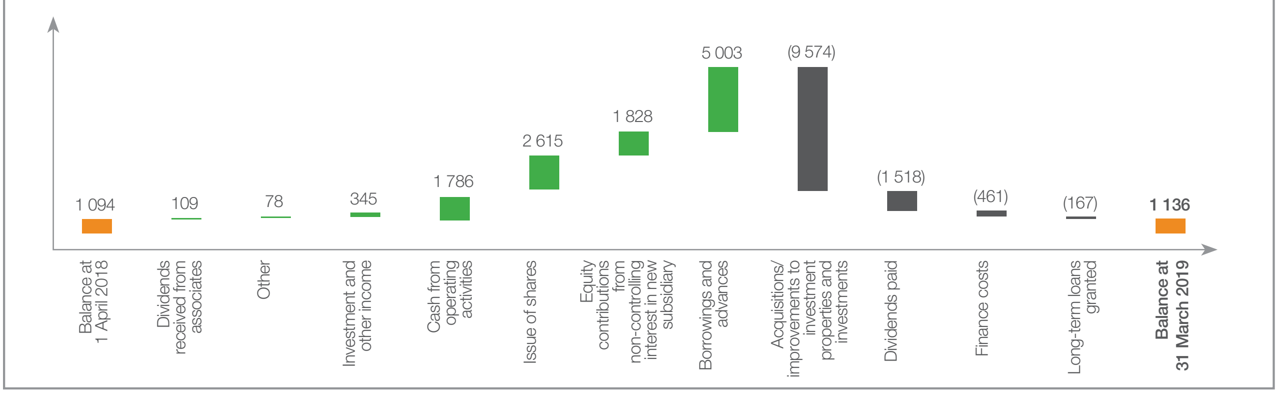
The major items reflected in the composition of cash generated and utilised during the year under review are set out below:

	Rm
Cash from operating activities	1 786
Issue of shares	2 615
Borrowings and advances	6 895
Borrowings repaid	(1 892)
Acquisitions/improvements to investment properties: Local	(988)
: Spain	(8 586)
Dividends paid	(1 518)
Equity contribution from non-controlling shareholders	1 828

Cash flow from operating activities more than covered the full dividend for the year.

Additional net debt raised of R5.6 billion, share issuances of R2.6 billion and external investors funding into Castellana of R1.8 billion were utilised to acquire investment properties of R10.1 billion, mainly in Spain.

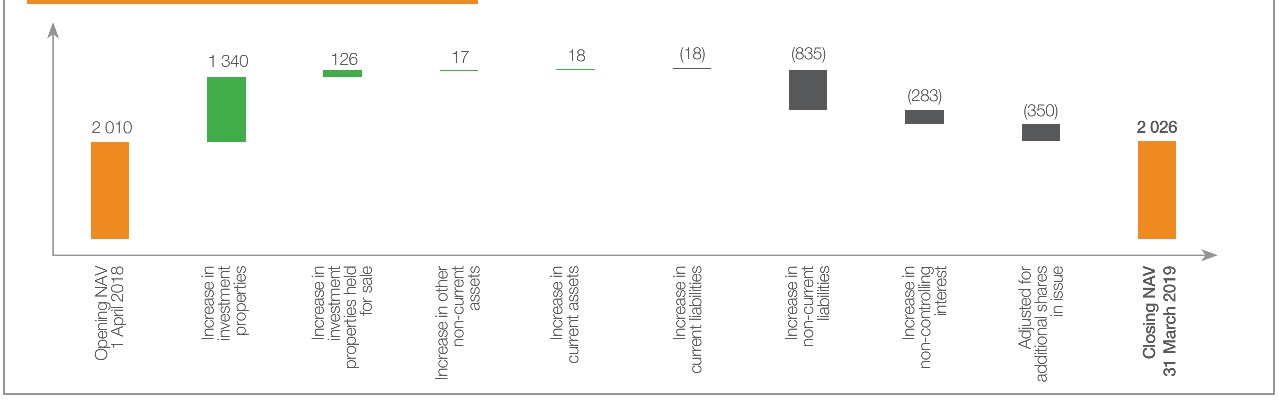
Group net cash flow for the year ended 31 March 2019 *(Rm)*



Net asset value (cents per share)

The net asset value (NAV) of the group increased over the reporting period by 0.8% from 2 010 cents per share to 2 026 cents per share at 31 March 2019, as set out in the graph below.

NAV *(cents per share)*



FINANCIAL PERFORMANCE continued

The NAV of 2 026 cents per share represents a slight premium to Vukile's share price of 2 000 cents per share at 31 March 2019.

It should be noted that although the gross change in fair value of investments amounted to R804 million for the year ended 31 March 2019 this increase to NAV was offset by the following:

	Rm
Unrealised fair value loss on listed property shares	(88)
Unrealised foreign exchange loss on foreign loans	(66)
Impairment of goodwill	(48)
Fair value loss on net settled derivatives	(208)
	(410)

The group's NAV would increase to 2 070 cents per share if the impact of the temporary items above are excluded.

Extract from the calculation of distributable earnings for the year ended 31 March 2019

	2019		2018		Variance	
Group	R000	R000	R000	R000	%	Notes
Property revenue		2 186 904		1 561 798	40.0	
Property expenses (net of recoveries)		(312 603)		(252 723)	(23.7)	
Net profit from property operations per segmental report excluding straight-line rental income accrual		1 874 301		1 309 075	43.2	(i)
Investment and other income		344 815		323 255	9.5	(ii)
Dividends received	126 390		137 889		(8.3)	
Interest and other income	218 425		185 366		17.8	
Share of income from associate (Atlantic Leaf)		53 585		95 485	(43.8)	
Corporate expenditure		(199 371)		(127 474)	(56.4)	(iii)
Finance costs		(509 749)		(367 808)	(38.6)	(iv)

Full details of distributable income are set out in the segmental report included in the separate consolidated annual financial statements for the year ended 31 March 2019.

See notes on following page.

(i) Group net profit from property operations

Net group profit from property operations, excluding the straight-line income adjustment, increased by R565 million (43%), from R1.31 billion to R1.87 billion. The Castellana group contributed R669 million (36%) towards the group's net profit from property operations (March 2018: R174 million). The like-for-like growth in southern Africa's net property revenue of the stable portfolio was 3.4%.

Group tenant arrears

Group tenant arrears (including tenant recharge accruals) amounted to R189 million at year-end (March 2018: R116 million) or 6.7% of gross rental income (March 2018: 5.8%). The increase of R73 million mainly arises due to the addition of Morzal debtors of R46 million being included for the first time. Castellana's in-house leasing team collects at least 99% of monthly rentals invoiced.

The retail sector reported lower sales growth in general during the past financial period and the difficult trading environment has affected certain non-national tenants negatively. Our primary property managers, Excellerate Real Estate Services (Pty) Ltd trading as JHI and Broll Property Group (Pty) Ltd, report similar trends across the various portfolios they manage.

Impairment allowance – tenant receivables

The allowance for the impairment of tenant receivables decreased by R9.5 million from R43.7 million at 31 March 2018 to R34.2 million at 31 March 2019, under the new IFRS 9 requirements which applies an expected credit loss model to calculate impairment against trade receivables. The model converts a historic expected credit loss into a probability-weighted forward-looking expected credit loss value. The allowance is considered to be adequate. The impairment allowance represents 1.2% of gross property revenue (March 2018: 2.2%). In total, 26% of group tenant arrears have been accounted for as impaired. A summary of the movement in the impairment allowance of trade receivables is set out below:

	Group R000
Allowance for impairment of trade receivables:	
At 1 April 2018	**43 709**
IFRS 9 adjustment	**(8 397)**
Reduction in the impairment allowance	**(1 098)**
At 31 March 2019	**34 214**
Rental written off in the statement of profit or loss	**14 868**

(ii) Group investment and other income

Investment and other income increased by R21.6 million to R345 million, made up as follows:

	2019 R000	2018 R000	Movement R000	Movement %
Dividends	**126 390**	137 889	(11 499)	(8.3)
Interest and other income	**55 351**	91 490	(36 139)	(39.5)
Net interest received on cross-currency interest rate swaps (CCIRS) after deducting finance costs	**163 074**	93 876	69 198	73.7
	344 815	323 255	21 560	6.7

- Dividends received of R126.4 million during the year comprised:

Fairvest	R54.5 million
Gemgrow	R71.9 million
	R126.4 million

Fairvest has performed well during the year, while Gemgrow's results have been disappointing, resulting in a reduction in dividend income of R11.5 million year-on-year.

FINANCIAL PERFORMANCE continued

- Higher net interest of R69 million on CCIRS was generated mainly due to €89 million new CCIRS concluded during the year. This higher income was offset by lower bank and money market interest compared to the prior year as surplus cash resources were extensively used to part fund new acquisitions in Spain.

(iii) Group corporate expenditure

Group corporate and administrative expenditure of R199.4 million is R71.9 million higher than the previous year's expenditure (March 2018: R127.5 million).

The key factors giving rise to the above increases in corporate costs are as follows:

- South Africa:
  - Salary and related costs increased by R18 million comprising normal increases and the appointment of two new employees, including the appointment of an in-house leasing specialist.
  - New costs relating to the Vukile Academy of R5.5 million.
- Spain:
  - Salary costs increased to €2.7 million approximating R43 million at 31 March 2019 (March 2018: €0.5 million). The number of employees in the Castellana team increased to 24 employees compared to eight employees in the previous year. The Castellana team is now at scale and the business could absorb another three assets without having to increase the staff complement.

Corporate expenditure equates to 0.57% of total assets.

(iv) Group finance costs

Group finance costs increased by R142 million, from R368 million to R510 million.

The primary reasons for this increase are set out below:

- Interest was incurred on new R600 million debt drawn from local banks off Vukile's balance sheet to part fund the acquisitions of Habaneras and the four shopping centres by Castellana from Unibail-Rodamco-Westfields – refer to page 45.
- Additional debt of €300 million was raised by Castellana to part fund the above mentioned acquisitions which incurred finance costs of R113 million. This new debt is compared to the €246 million debt in place in the prior year. This debt is non-recourse to Vukile and secured against Spanish assets only.

The average cost of finance (including amortisation of debt raising fees) for the year equates to 4.53% (March 2018: 5.74%), with interest-bearing term debt 96% hedged (March 2018: 100%).

(v) Investments in associates at fair value

Fairvest – 26.9%

Fairvest continues to focus on the lower living standards measure (LSM) retail market, similar to Vukile's strategy, but targeting smaller properties. Fairvest management has forecast a distribution growth of 8% to 10% for the period ending 30 June 2019.

Vukile owned 270 million shares in Fairvest at 31 March 2019 valued at R568 million. Dividends of R54.5 million were received during the year ended 31 March 2019. Dividends calculated on a full 12-month period equates to a yield of 9.6% based on the value of Fairvest's shares at year-end. Vukile will continue to monitor Fairvest's total return to shareholders.

Gemgrow – 25.3%

Vukile owned 4.7 million Gemgrow "A" shares and 114.4 million Gemgrow "B" shares with a combined value of R729 million at year-end.

Gemgrow's management has forecast a reduction in dividends for the "B" shares of 10% for the year ending 30 September 2019.

Dividends received in respect of the "A" and "B" shares held by Vukile for the year ended 31 March 2019 amounted to R71.9 million (March 2018: R92.6 million), a decrease of 6.5% over the prior year.

FINANCIAL PERFORMANCE continued

The management of Gemgrow and Arrowhead Properties Limited announced on 10 April 2019 that an agreement in principle had been reached for a reverse takeover of Gemgrow by Arrowhead, creating a company with a market capitalisation of R6.8 billion. This should result in a savings in corporate costs and provide for a Gemgrow "B" share which is expected to be significantly more liquid than at present.

Vukile does not consider this investment core to its strategy and will seek to dispose of this investment at an appropriate time and price, in order to reinvest the proceeds into investment opportunities in Spain or South Africa.

(vi) Investment in associate equity accounted

Atlantic Leaf – 34.9%

Atlantic Leaf's assets have increased to £372 million at 28 February 2019 (February 2018: £363 million) while total revenue has increased by 11.5% to £26.9 million for its financial year ended 28 February 2019.

The company's focus on the UK industrial and warehouse distribution centres, an attractive market segment, has provided growth in distributions of 2.2%, from 9.1 pence to 9.3 pence for the year ended 28 February 2019.

Dividends of R115.4 million, including the positive impact of hedging these dividends, were earned during the year to 31 March 2019. Vukile's share of equity-accounted profits from Atlantic Leaf for the year ended 31 March 2019 amounted to R53.6 million. Dividend income has generated an 8.3% yield in pound sterling for Vukile, based on the carrying value of the investment in Atlantic Leaf at year-end of R1.3 billion.

Atlantic Leaf's management are forecasting a dividend of 10 pence per share for the year ending 28 February 2020, or a 7.5% growth in dividends. However, Atlantic Leaf's after-tax earnings will be boosted due to corporate taxes no longer being payable following its conversion to a UK REIT. Any dividends it declares will be subject to a 20% withholding tax, with 5% being recoverable from the UK tax authorities in terms of the double tax agreement concluded between South Africa and the United Kingdom. In total, 72% of the £5.6 million dividends forecast to be received from Atlantic Leaf by Vukile for the year ending March 2020 are subject to forward exchange contracts, at an average exchange rate of R20.38.

While performing in line with expectations, Vukile is open to exploring an exit of its stake in Atlantic Leaf and to redeploy the proceeds in its core Spanish strategy.

(vii) Investment in subsidiary

Castellana – 72.2%

Despite Castellana's significant growth in assets for the current year, Vukile's shareholding in Castellana has decreased over the year from 98.7% to its current level of 72.2% as a result of introducing a strategic minority shareholder who part funded the equity required for the Unibail-Rodamco-Westfields transaction and now holds 18.2% of Castellana. Other minority shareholders hold 9.6%.

Details of the Spanish property portfolio, including details relating to acquisitions, valuations, value creation and investment strategy are set out in the portfolio review – Spain section in this report.

Key financial measures

	2019	2018	
Cash dividends net of withholding taxes ((2.0%) (March 2018: 2.66%))	–	€10.4 million	Declared and paid in May 2018 for the year ended 31 December 2017
	€7.5 million	–	Declared for the six months ended 30 September 2018 and paid in November 2018
	€11.3 million	–	Declared and paid in May 2019 for the year ended 31 March 2019
Investment properties	**€916 million**	€308 million	
Interest-bearing debt	**€450 million**	€146 million	
Loan to value ratio net of cash	**45.9%**	42.2%	

FINANCIAL PERFORMANCE continued

It should be noted that under Spanish law, Castellana and its subsidiaries are required to utilise Spanish GAAP in the preparation of their individual annual financial statements and requires Castellana's consolidated annual financial statements to be prepared under IFRS. The consolidated IFRS financial statements have been used in the preparation of Vukile's consolidated annual financial statements.

Treasury management

Group borrowings

The group's finance strategy is to optimise funding costs and minimise refinance risk.

Total debt as at 31 March 2019 amounted to R13.2 billion. A detailed breakdown is provided below:

	Rm*	
Foreign Spanish funders (EUR) – 4 Spanish bank lenders	7 322	Secured only against Castellana's balance sheet with no recourse to Vukile
Local funders (EUR) – 4 local bank funders	2 140	Partly secured against Vukile's SA balance sheet
Local funders (GBP) – 1 local bank funders	542	
Local funders (EUR) – 4 local bank funders	1 219	
DMTN (ZAR)	2 007	
	13 230	

** Excluding debt raising fees of R252 million.*

Sources of funding

Vukile's funding of R13.2 billion is well diversified across a number of funders, in line with its strategy of reducing refinancing risk.

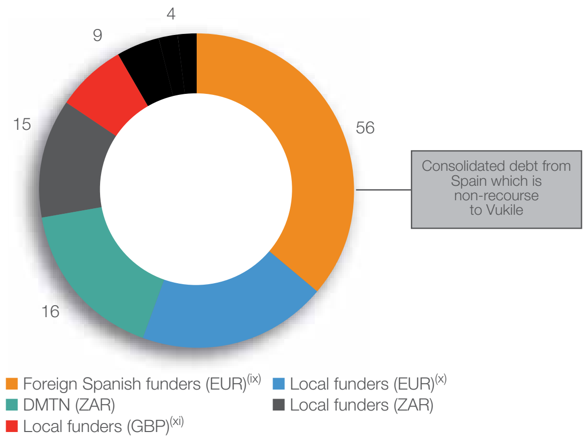
Group debt and hedging exposure per bank in ZAR	Debt[(1)] R000	Debt exposure per bank %	Hedging and fixed debt[(2)] R000
Aareal[(3)]	4 850 309	36.66	4 850 309
DMTN term debt	2 007 000	15.17	–
Absa	1 520 478	11.49	2 616 957
Caixabank[(3)]	1 296 781	9.80	1 235 623
Banco Santander[(3)]	991 522	7.49	954 827
Investec	921 420	6.96	1 155 497
Standard Bank	777 812	5.88	902 323
RMB	581 735	4.40	40 646
Banco Popular[(3)]	183 247	1.39	183 247
Nedbank	100 000	0.76	280 000
Grand total	13 230 304	100.00	12 219 429

(1) Foreign currency denominated debt converted at EUR/ZAR spot rate of R16.2582 and GBP/ZAR spot rate of R18.8855 at 31 March 2019.
(2) Hedging exposure is represented by exposure per banking relationship.
(3) Group exposure includes Castellana Properties SOCIMI debt of €450.3 million (R7.32 billion equivalent), and swaps of €146.0 million (R2.37 billion equivalent).

Consolidated debt summary at 31 March 2019

Total debt as at 31 March 2019 amounted to c.R13.23 billion. A detailed breakdown by debt provider is as follows:

Consolidated debt summary at 31 March 2019 *(%)*

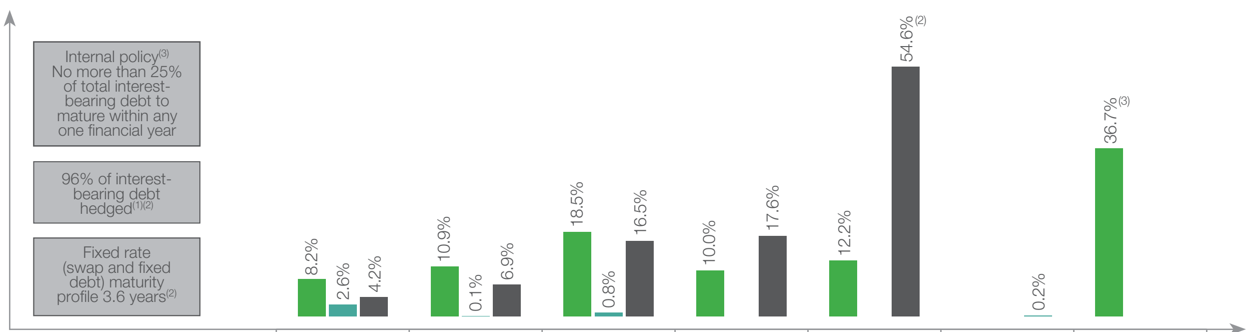


(ix) *Castellana EUR debt comprises €450.3 million converted at the EUR/ZAR spot rate of R16.2582 at 31 March 2019, which is non-recourse to Vukile.*
(x) *Vukile EUR debt comprises €131.7 million converted at the EUR/ZAR spot rate of R16.2582 at 31 March 2019.*
(xi) *Vukile GBP debt comprises £28.7 million converted at the GBP/ZAR spot rate of R18.8855 at 31 March 2019.*

Vukile group loan and swap expiry profile at 31 March 2019

The strategy of ensuring that no more than 25% of debt expires in any one year is being monitored.

Vukile group loan and swap expiry profile at 31 March 2019 *(Rm)*



	2020	2021	2022	2023	2024	2025	2026
Loan expiry profile	1 084	1 441	2 454	1 330	1 612		4 850
Commercial paper and access facility expiry profile	347	12	100				
Hedging (swap and fixed debt) profile	518	842	2 013	2 145	6 676	25	

(1) *Excluding access facilities and commercial paper.*
(2) *c.€42.3 million of debt with Aareal related to Habaneras is fixed for five years (and has been included in the interest-bearing debt hedged ratio and fixed rate maturity profile). €256 million of debt with Aareal related to Project West is fixed for five years (and has been included in the interest-bearing debt hedged ratio and fixed rate maturity profile).*
(3) *More than 25% of debt will mature in FY26. The intention is that as the debt reaches maturity, Castellana's overall debt will increase and as a percentage this debt will be less than 25% of total debt at that point in time.*

FINANCIAL PERFORMANCE continued

A summary of group debt ratios at 31 March 2019 is provided below:

	Group R000	South Africa R000	Spain €000
Total debt (excluding access facilities and commercial paper)	12 771 363	5 449 504	450 349
Interest-bearing debt hedged (%)	95.68	91.67	98.66
Debt maturity profile (years)	3.92	2.01	5.46
Swaps – maturity profile (years)	3.55	2.66	4.16
Directors' valuation LTV ratio (excluding MTM of derivatives) and net of cash[(1)] (%)	37.18	29.98	45.93
Gearing ratio[(2)] (%)	37.00	30.13	45.63
ICR (times)[(3)]	6.05	7.94	4.07

(1) Directors' valuation LTV ratio calculated as a ratio of interest-bearing debt divided by the sum of (i) the amount of the most recent directors' valuation of all the properties in the Vukile group property portfolio, on a consolidated basis, and (ii) the market value of equity investments.

(2) Gearing is calculated as a ratio of total interest-bearing borrowings to total assets.

(3) ICR is based on the operating profit excluding straight-line lease income plus dividends from equity-accounted investments and listed securities income (EBITDA) divided by the finance costs after deducting all finance income (net interest cost).

Stress testing

In order to breach Vukile's group LTV covenant with debt funders of 50%, the group asset values would need to reduce by R6.5 billion (a total 20% decrease in all assets). Assuming all listed investments (Gemgrow, Fairvest and Atlantic Leaf) were valued at zero this would only be a R2.5 billion movement. Similarly, a R6.5 billion asset reduction is equivalent to the nine largest southern African assets or the three largest Spanish assets.

In order to breach Vukile's group ICR covenant with debt funders of two times, the group EBITDA would need to reduce by R1.2 billion (a total 67% decrease in EBITDA). A R1.2 billion EBITDA reduction is larger than the 10 largest southern African tenants' rental and the 10 largest Spanish tenants' rental combined.

	Group R000	South Africa R000	Spain €000
LTV covenant level	50%	50%	65%
LTV stress level margin (% asset value reduction to respective covenant levels)	20%	35%	24%
LTV stress level amount (asset value reduction to respective covenant levels)	6 522 696	6 266 262	223 626
ICR covenant level	two times	two times	two times
ICR stress level margin (% EBITDA reduction to respective covenant levels)	67%	75%	51%
ICR stress level amount (EBITDA reduction to respective covenant levels)	1 210 979	909 634	18 534

Undrawn available facilities at 31 March 2019

Undrawn available facilities amount to R1.4 billion.

Unencumbered assets at 31 March 2019

As at 31 March 2019, unencumbered assets amounted to R7.2 billion (R3.4 billion property assets and R3.8 billion listed shares) compared with unsecured debt of R1.3 billion. The total unsecured debt to unencumbered assets ratio at 31 March 2019 was 18.7% and total unsecured debt to unencumbered property assets ratio at 31 March 2019 was 39.9%.

Ratings

Global Credit Rating Company (Pty) Ltd (GCR) affirmed a secured long-term credit rating of $AA+_{(ZA)}$, corporate long-term credit rating upgraded to $A+_{(ZA)}$ and corporate short-term rating of $A1_{(ZA)}$, with the outlook accorded as stable, in July 2018.

Group debt movement during the year ended 31 March 2019

During the 12-month period ended 31 March 2019 the total group debt increased by R6.2 billion.

Significant financing transactions are summarised below:

- R456 million of bank debt was repaid.
- R660 million unlisted and listed corporate bonds were repaid during the year.
- R317 million commercial paper was repaid during the year.
- R1.2 billion of new corporate bonds were issued.
- Within Castellana, €42 million of fixed bank debt was entered for the Habaneras acquisition – this debt is non-recourse to Vukile.
- Proceeds of the Vukile equity bookbuild issuance of R1.6 billion were partially utilised together with R400 million of ZAR bank debt and €15 million of EUR bank to acquire shares in Morzal for the acquisition of four shopping centres in Spain.
- Within Castellana, €256 million of fixed bank debt was entered and restructured to facilitate the acquisition of four shopping centres – this debt is non-recourse to Vukile.
- Vukile rebalanced/extended and entered new ZAR interest rate swaps totalling c.R1.9 billion and entered new EUR interest rate swaps totalling €15 million, at an estimated annualised additional cost of R2.5 million (R0.8 million cost for FY19).

The group has complied with all the bank's LTV covenants. The southern African group has also complied with the DMTN covenants.

Group foreign exchange currency hedges at 31 March 2019

Vukile has adopted a strategy of hedging its foreign dividend exposure at 75% over a three to five-year period in line with anticipated dates of dividend receipts.

EUR net income exposure – as at 31 March 2019

Dividend payment dates	June 2019 €000	December 2019 €000	June 2020 €000	December 2020 €000	June 2021 €000	December 2021 €000	June 2022 €000	December 2022 €000	June 2023 €000
Net EUR dividends forecast	6 616	7 881	8 549	8 439	7 551	9 416	9 721	11 270	11 533
Existing CCIRS hedge interest costs[1]	(2 278)	(2 291)	(2 316)	(2 278)	(2 278)	(1 228)	(1 228)	–	–
Existing forward exchange contract (FEC) hedges on dividends	(7 684)	(5 375)	(5 289)	(5 495)	(5 508)	(4 600)	(4 600)	(4 600)	(4 600)
Average FEC EUR/ZAR rate	16.9725	17.7734	18.4981	18.5148	19.4321	20.6629	21.5255	22.4193	23.3412
Unhedged dividend income	(1 068)	2 506	3 260	2 944	2 043	4 816	5 121	6 670	6 933
FEC hedges/(net distribution) + CCIRS hedge) (%)	116.13	68.20	61.87	65.11	72.95	48.85	47.32	40.82	39.89
Average hedge (%)	75								

[1] Funded out of EUR dividends receivable from Castellana.

In total, 75% of net EUR dividends are hedged over the next two and a half years (five Castellana dividends).

GBP net income exposure – as at 31 March 2019

Dividend payment dates	May 2019 £000	November 2019 £000	May 2020 £000	November 2020 £000
Net GBP dividends forecast (after interest cost)	2 546	2 282	2 282	2 338
FEC hedges on dividends	(2 035)	(1 996)	(2 045)	(2 070)
Average FEC GBP/ZAR rate	19.2135	19.9029	20.6072	21.3622
Unhedged dividend income	511	286	237	268
FEC hedges/net distribution (%)	80	87	90	89
Average hedge (%)	86			

In total, 86% of net GBP dividends forecast are hedged over the next two years (four Atlantic Leaf dividends).

FINANCIAL PERFORMANCE continued

Group cost of finance at 31 March 2019

The make-up for the year ended 31 March 2019 of the historic weighted average interest cost of 4.53% comprises the following:

	FY19 Historic weighted average cost of finance (%)	Debt as at 31 March 2019 Rm
ZAR	9.21	3 226
EUR	2.70	9 462
GBP	3.45	542
TOTAL	4.53	13 230

SA REIT Association best practice recommendations

The SA REIT Association has published a draft second edition to its best practice recommendations (BPR) for financial reporting. In support of the sector's transparency, Vukile is engaging SA REIT regarding the reporting measures that will most clearly, accurately and consistently represent the performance of REITs such as Vukile. The sector representative body has indicated that it expects to finalise the second edition before the end of 2019 and that it should be effective for financial year-ends starting from 1 January 2020. This will not impact Vukile's reporting for FY20.

FIFTEEN-YEAR REVIEW HIGHLIGHTS

Summarised income statements

Group	2019 R000	2018 R000	2017 R000	2016 R000	2015 R000
Property revenue	**2 806 484**	2 014 966	1 964 202	2 096 400	1 579 099
Straight-line rental income accrual	**28 506**	5 401	161 077	243 221	97 315
Property expenses	**(932 183)**	(705 891)	(717 970)	(780 584)	(585 372)
Net profit from property operations	**1 902 807**	1 314 476	1 407 309	1 559 037	1 091 042
Income from asset management business		—	—	2 074	24 694
Expenditure from asset management business		—	—	—	(34 388)
Corporate administrative expenses	**(199 371)**	(127 474)	(96 155)	(84 288)	(36 992)
Investment and other income	**344 815**	323 255	198 523	99 337	76 269
Income from associate	**53 585**	95 485	45 251	19 423	—
Operating profit before finance costs	**2 101 836**	1 605 742	1 554 928	1 595 583	1 120 625
Finance costs	**(509 749)**	(367 808)	(362 074)	(394 301)	(273 498)
Profit before debenture interest	**1 592 087**	1 237 934	1 192 854	1 201 282	847 127
Debenture interest	**—**	—	—	—	—
Operating profit after finance costs	**1 592 087**	1 237 934	1 192 854	1 201 282	847 127
Headline earnings per share (cents)	**123.04**	164.10	151.13	168.00	186.81

Summarised statements of financial position

Group	2019 R000	2018 R000	2017 R000	2016 R000	2015 R000
Assets					
Investment properties	**29 681 046**	19 156 685	13 497 445	13 737 892	13 105 328
Straight-line rental income adjustment	**(346 673)**	(335 434)	(329 106)	(435 506)	(281 206)
Other non-current assets	**3 344 190**	3 207 498	2 686 176	2 223 295	805 735
Current assets	**1 431 118**	1 287 893	1 585 561	831 794	621 451
Investment properties held for sale	**1 016 220**	10 500	76 632	1 997 744	280 019
Total assets	**35 125 901**	23 327 142	17 516 708	18 355 219	14 531 327
Equity and liabilities					
Equity attributable to owners of the parent	**18 655 690**	15 770 080	13 111 424	11 932 574	9 830 646
Non-controlling interest	**2 300 320**	81 311	73 367	556 681	516 317
Non-current liabilities	**12 035 162**	5 484 980	2 794 638	4 114 331	2 830 180
Linked debentures and premium	**—**	—	—	—	—
Other interest-bearing borrowings	**11 547 551**	5 346 371	2 767 590	4 098 319	2 816 088
Derivative financial instruments	**480 350**	131 304	26 115	5 269	12 919
Deferred taxation liabilities	**7 260**	7 305	933	10 743	1 173
Current liabilities	**2 134 730**	1 990 771	1 537 279	1 751 633	1 354 184
Total equity and liabilities	**35 125 901**	23 327 142	17 516 708	18 355 219	14 531 327

FIFTEEN-YEAR REVIEW HIGHLIGHTS continued

2014 R000	2013 R000	2012 R000	2011 R000	2010 R000	2009 R000	2008 R000	2007 R000	2006 R000	2005 R000
1 389 625	1 166 940	933 269	836 124	742 072	673 285	612 727	553 480	567 688	400 954
53 493	4 829	45 993	14 368	7 041	6 209	7 226	22 100	19 144	27 062
(516 517)	(452 811)	(334 421)	(293 603)	(267 061)	(235 606)	(208 851)	(195 751)	(201 174)	(137 992)
926 601	718 958	644 841	556 889	482 052	443 888	411 102	379 829	385 658	290 024
92 654	77 974	53 317	65 146	10 208	—	—	—	—	—
(38 917)	(32 022)	(30 792)	(20 233)	(7 141)	—	—	—	—	—
(34 964)	(29 192)	(25 919)	(25 509)	(23 781)	(20 137)	(20 914)	(12 032)	(21 598)	(9 320)
64 279	25 615	13 557	14 380	21 188	8 712	9 262	12 122	4 355	2 438
—	—	—	—	—	—	—	—	—	—
1 009 653	761 333	655 004	590 673	482 526	432 463	399 450	379 919	368 415	283 142
(256 605)	(194 285)	(165 633)	(161 803)	(145 340)	(131 358)	(124 059)	(139 022)	(144 978)	(110 865)
753 048	567 048	489 371	428 870	337 186	301 105	275 391	240 897	223 437	172 277
(691 667)	(554 368)	(437 224)	(403 948)	(319 231)	(288 755)	(260 292)	(213 088)	(200 632)	(149 582)
61 381	12 680	52 147	24 922	17 955	12 350	15 099	27 809	22 805	22 695
—	136.16	134.48	124.36	107.89	99.56	91.36	83.19	74.14	72.91

2014 R000	2013 R000	2012 R000	2011 R000	2010 R000	2009 R000	2008 R000	2007 R000	2006 R000	2005 R000
9 989 994	7 389 656	5 806 158	5 083 993	4 811 152	4 545 731	4 277 548	3 876 332	3 094 470	3 141 623
(202 581)	(148 411)	(131 179)	(99 153)	(85 715)	(79 024)	(72 142)	(66 036)	(40 697)	(29 105)
951 825	529 061	501 650	502 579	546 733	166 845	199 984	127 511	124 194	88 155
626 399	1 351 664	266 881	409 218	261 066	89 935	77 844	223 382	99 357	41 029
312 567	323 202	321 195	281 422	92 333	—	53 450	—	574 256	—
11 678 204	9 445 172	6 764 705	6 178 059	5 625 569	4 723 487	4 536 684	4 161 189	3 851 580	3 241 702
3 108 689	2 626 187	2 074 470	1 696 065	1 381 502	1 145 101	1 095 851	836 137	482 739	207 621
—	—	—	—	—	—	—	—	—	—
6 668 564	5 755 367	3 022 150	3 618 098	3 463 718	3 258 160	3 184 109	3 079 211	2 995 529	2 869 235
4 526 816	3 275 222	2 113 213	2 116 916	1 890 753	1 534 420	1 535 427	1 535 971	1 351 708	1 391 463
2 133 878	2 414 522	448 790	1 226 282	1 012 203	1 245 827	1 190 744	1 127 403	1 315 974	1 300 815
—	59 330	25 644	21 867	28 136	16 493	—	7 720	47 166	20 562
7 870	6 293	434 503	253 033	532 626	461 420	457 938	408 117	280 681	156 395
1 900 951	1 063 618	1 668 085	863 896	780 349	320 226	256 724	245 841	373 312	164 846
11 678 204	9 445 172	6 764 705	6 178 059	5 625 569	4 723 487	4 536 684	4 161 189	3 851 580	3 241 702

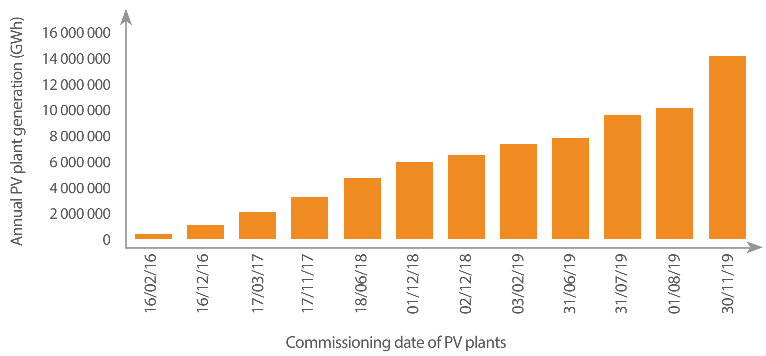
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

ENVIRONMENT AND ENERGY MANAGEMENT

Managing electricity and water usage with a sustainable strategy is part of Vukile's core business. We ensure that water and electricity are used sparingly and billed optimally by the municipality and to our clients. Our goal remains to reduce the environmental impact year-on-year supporting the environmental strategies of our clients. Installing renewable energy plays a key role in achieving this and was one of the focus areas for the 2019 financial year.

The roll out of Photo Voltaic (PV) plants is illustrated in the graph below. It should be noted that there has been a continual growth year-on-year with a majority of the plants investigated, approved and installed in 2018 and 2019. The numbers presented in this report demonstrate that we action our environmental commitments.

Annual generated kWh for PV plants



R2.8 million
saved through billing and metering optimisation

4.8MW
to date total installed PV capacity

5.5 million
kWh sustainable electricity savings annually (5.5GWh)

ENVIRONMENT AND ENERGY MANAGEMENT continued

We outperformed our goals for energy and water saving during the year. Our achievements in responsible environmental management during the year are set out below.

FY19 achievements	Unit	Achieved outcome	Original goal
Reduced impact on the national grid due to lesser consumption and renewables	Kilowatt hours (kWh)	**5.52 million**	**5.5 million**
Savings resulting from optimised metering and billing	Rand (Rm)	**2.8**	**0.6**
Creation of additional renewable energy capacity	Megawatt (MW)	**2**	**2**

FY20 goals	Unit	Goal
Reduced impact on the national grid due to lesser consumption and renewables	Kilowatt hours (kWh)	8.4 million
Savings resulting from optimised metering and billing	Rand (Rm)	0.5
Creation of renewal energy capacity	Megawatt (MW)	3.6

Vukile has dedicated operational strategies to reduce both the consumption and footprint of our activities. We benchmark our properties according to their indirect consumption, which is the consumption for which the landlord is responsible. Vukile continually seeks opportunities to account and bill out utilities optimally and impartially. Vukile consistently seeks opportunities to reduce electricity and water-related costs.

Operational energy and water-saving strategies:

- Ensuring that electricity and water usage in vacant premises or buildings are minimised
- Conducting annual technical inspections to verify connections and billing
- Ensuring that the usage by building systems, ie air conditioning, escalators, lifts and lighting are minimised, controlled and are separately metered and recorded
- Review the usage and expenses per utility types in a prescribed format monthly
- On a continuous basis ensuring that energy consumption at all properties is minimised and addressing large variations
- All new electricity and water meters to be smart meters
- New energy-efficiency equipment to be standardised
- Energy-efficiency equipment to be standardised for new developments
- Continuously monitor, maintain and review projects in place to ensure that the savings are sustainable
- Online metering portals allow tenants to access and monitor their own consumption.

Electricity

Our approach to energy savings, renewable energy sources and recoveries has been well covered in previous years' reports and it remains relevant.

Vukile's electricity cost saving strategy still aligns with the original ISO-based strategy of identify, investigate, install and review. Billing and metering are optimised ensuring correct and sustainable billing. The latest focus area is to ensure that alternative sources such as PV are installed in centres that allow for the additional roof loading. For the past two and a half years multiple PV projects have been completed. Renewables have become one of the biggest focus areas that provide a bankable long-term electricity cost reduction. PV plants provide a year-on-year growth in cost savings as per the annual electricity hike prescribed by Eskom.

Water

South Africa is a water-scarce country, which makes water a precious resource. The total cost of municipal water has increased annually by more than 10% since 2015. Water management and monitoring remains a key focus area. When comparing utility expenses, water and sewer has a much lower cost contribution compared to electricity. However, the common area water costs compared to electricity in certain buildings are the same. We are also committed to providing backup water to centres that struggle with water outages in their areas, to ensure that tenants can continue trading should they find themselves without water. Shopping centres across the portfolio were reviewed according to the water supply risk factor. The risk factors considered are listed below:

1. Annual water expense and usage
2. Potential water interruptions or water restrictions from council (reservoir levels)
3. Environmental challenges in area (regional drought).

We identified centres with high water consumption, with a focus on common areas and cooling systems, and responded by installing smart water metres thus enabling us to quickly detect abnormal consumption and take remedial action where necessary, as well as the ongoing task of accurately measuring and billing for use.

TRANSFORMATION AND SOCIAL RESPONSIBILITY REPORT

The past financial year has been a culmination of our dream and vision to create an impactful and sustainable transformation and empowerment strategy. It was an opportunity for Vukile to step back and craft a platform that would allow us to meaningfully contribute to our communities, the property sector, our stakeholders and the country.

Our review and analysis of the past, allowed us to consult and engage widely with our board of directors, our staff and the Vukile family at large. This resulted in a holistic approach towards addressing the needs and trajectory of the socio-economic, environmental and developmental challenges within the South African landscape.

This gave birth to the Vukile Development and Transformation Academy, simply known as the Vukile Academy, the dawn of a new era for our transformation chapter.

The focus of Vukile's strategy is centred around creating long-lasting and tangible programmes, that would see us move away from a mere compliance and checklist exercise. The strategy is aimed at changing lives and experiences for our communities and stakeholders. At the heart of our strategy lies the commitment and responsibility to create deep, meaningful and impactful outcomes in line with our strong ethical role as a good corporate citizen.

The changes that have been adopted comprise the following aspects:

- The introduction of a multilayered education and skills development programme, to address the shortfall and lack of high-quality black professionals and entrepreneurs in the property sector (see details below)
- Sharing of the Vukile brand DNA with people and organisations beyond our doors in the property industry and the country
- Creating an inclusive and customer-centric community participation and liaison platform, to allow for loyalty and mutual benefit for all parties
- Developing new and maintaining existing strong partnerships with organisations and NPOs that have a national footprint and are focused on community driven education, health and entrepreneurial projects
- Increasing our commitment and dedication towards transformation and the betterment of our people.

Transformation

Vukile's continued growth in size and performance has a close correlation to operating within an inclusive and genuinely empowered South African environment. A significant portion of our retail investments are located within previously disadvantaged areas, that require Vukile to constantly and sustainably uplift the people and communities in those areas.

We view transformation as a strong pillar of our key success factors and have prioritised this by making it a division within Vukile with a full executive resource to champion it. By embracing the developmental state of our country and winds of change, we have remained at the forefront of transformation even with its challenges.

The implementation of our revised strategy has resulted in the following sustainable outcomes:

The Vukile Academy (www.vukileacademy.co.za)

- The Vukile Academy is a three-tiered programme that focuses on the following areas:
  - A tertiary education Bursary Fund in partnership with established industry bodies (SAPOA, WPN, SAIBPP) and tertiary institutions (Wits University, UKZN and UP). The Academy has funded over 50 students in the last financial year focusing on property-related studies
  - An industry-leading internship programme that is delivered over 11 modules. The programme is run over a year and is designed as an integration process into the REAL life of the professional environment. It has increased our employment equity status through fixed-term employment contracts for 10 interns
  - An entrepreneurial, small to medium-sized property development programme, that assists new entrants into the property sector to realise their property development and ownership dreams. The projects are a partnership between our interns, the Vukile team and the entrepreneurs
  - Mentorship and personal mastery skills form an integral part of the programme
  - Vukile has spent in excess of R6 million in the last financial year to create and develop the Vukile Academy.

Social responsibility

The strength of Vukile's impact and integration into the communities where we operate and own our retail centres, lies in our ability to give back and create a sense of belonging for those communities.

We aim to deliver high-quality retail experiences, but over and above this we endeavour to build mutually beneficial relationships and partnerships with our communities.

TRANSFORMATION AND SOCIAL RESPONSIBILITY REPORT continued

To grow and enhance our partnerships we focus on skills development, entrepreneurship and primary health. Eight regions have been identified for the initial phase of the roll out.

Community liaison and participation

The following projects have been identified and developed through partnerships with established organisations:

- Reach for a Dream: Dream Room – Baragwanath Hospital – a partnership between Vukile Property Fund and Reach for a Dream, to create dream rooms for children with life-threatening illnesses. The second Dream Room was launched at the Chris Hani Baragwanath Hospital Paediatric Oncology Ward on 13 December 2018. The Dream Room is a sanctuary within the hospital, that allows the children to escape the clinical surroundings and experience life as a child. The second Dream Room is named after the late Darren Serebro. In the words of our CEO "every child who battles a life-threatening disease deserves a sanctuary. We want to give them a place, purpose and hope"
- uMastandi – a partnership between Avocado Vision and TUHF (Trust for Urban Housing Finance) to create a legal and formalised approach to "informal landlords" and backyard rental entrepreneurs in the townships. The programme aims to give enterprise development skills support and mortgage finance to "informal landlords" through the use of simulation workshops **(www.umastandi.co.za)**
- Black Suppliers – a national organisation that focuses on the development of emerging building services suppliers predominantly in townships and semi-urban areas. The Vukile Academy has partnered with Black Suppliers to uplift small to medium-size contractors, artisans and tradesmen in our communities **(www.blacksuppliers.co.za)**
- Afrika Tikkun – a long-standing partnership between Vukile and Afrika Tikkun focused on early learning centres in Gauteng **(www.afrikatikkun.org)**
- Neh! – Seskhona Women Food Entrepreneurs – an initiative in partnership with Elements to develop and integrate informal women food vendors into our retail environment through an enterprise development programme. Two sites, namely Thavhani Mall and Dobsonville Mall, were identified and modular container-based restaurants offering African cuisine, were erected and are being handed over to the women entrepreneurs.

Property sector scorecard and verification

Vukile Property Fund and its subsidiaries spent the last financial year gearing up for its verification process by aligning to the amended property sector charter scorecard. The alignment was undertaken with a very different approach, we entered our journey by deliberately migrating from a mere compliance and checklist mechanism, to implementing a more sustainable and value-driven approach.

This approach required us to review and critically evaluate the sections of the codes that would allow us to have the most tangible impact and meaningful contribution towards transformation of the property sector. Our aim was to deliver an outcome that would go beyond the requirements of the scorecard.

Due to delays, which resulted in us changing our verification agency, after they were suspended by the B-BBEE commission, we expect the verification process to be completed in August 2019.

One of our very own, Dr Sedise Moseneke, was elected as the chairman of the Property Sector Charter Council (PSCC), effective from 1 March 2019. He will serve a three-year term and build on the legacy created by the previous leadership of the PSCC.

Our commitment and passion to do good for our sector and the country remains a key focus area, we will continue to create long-lasting partnerships that will assist in building a better South Africa for all.

TRANSFORMATION AND SOCIAL RESPONSIBILITY REPORT continued

The Vukile Academy

The Vukile Academy (www.vukileacademy.co.za) is a skills development, mentorship and transformation platform which was launched in January 2019.

The Academy was initiated by Vukile to create a meaningful and impactful contribution towards reducing the skills gap in the property sector and to also create economic transformation.

The Academy is designed as a three-tiered programme which focuses on the following areas:

- **The Vukile Bursary Fund –** The Vukile Bursary Fund is a tertiary education targeted fund. On an annual basis, 50 plus students are identified and awarded bursaries for studies in property/real estate related fields. The students are in their third year or honours year of studies. The Bursary Fund is in partnership with industry organisations or the tertiary institutions directly. We have partnered with SAPOA, WPN, SAIBPP as well as Wits, UP, UKZN and UJ. Vukile has invested in excess of R5 million in the past financial year on our bursary programme.
- **The Vukile Internship Programme –** On an annual basis, Vukile undertakes a rigorous and transparent selection process to identify and offer 10 deserving candidates a position in the Vukile Internship Programme. The programme is designed as an integration platform into the REAL professional world for 10 graduates from our Bursary Fund. The industry leading programme is designed with curriculum experts and professionals from the industry and tertiary institutions like GIBS and UP. It runs over 11 modules. A personal mastery programme forms a crucial element of the programme, for a holistic integration process. The essence of the internship programme is to impart the Vukile Brand DNA to our candidates. They are each offered a fixed-term employment contract for a period of one year.
- **The Entrepreneur Property Development Hub –** An incubator programme which is designed to assist black professionals and entrepreneurs realise their dreams and vision of entering the property development market. The developments are small to medium-sized and generally located in underserviced areas of South Africa. The entrepreneurs receive support and guidance from the Vukile Academy interns and the full Vukile Property Fund team. Three projects have been identified located in Daveyton, Phuthaditjhaba and Thokoza, which comprise two retail centres and one student accommodation development.

The Vukile Academy is our initiative to give back to our communities and South Africa as a whole. We endeavour to uplift the lives of our people and create a better environment for all.

GOVERNANCE

Board of directors

SKILLS AND EXPERIENCE

8 Retail/property

6 Financial

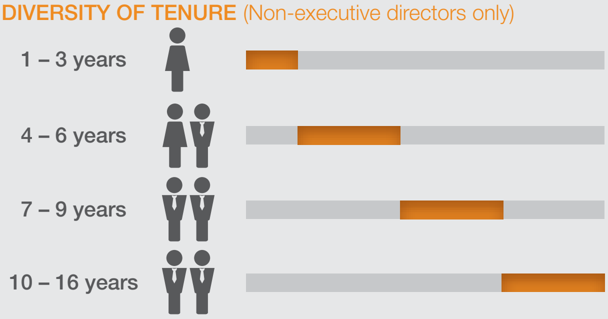
11 Management

INDEPENDENT THINKING

7 Independent

4 Executives

DIVERSITY OF TENURE (Non-executive directors only)



1. Laurence Rapp (48)
Executive
Chief executive officer

- **Skills and expertise:** General management, corporate finance, capital markets and real estate
- **Years property experience:** eight years
- **Previous positions held:** Head: insurance and asset management – Standard Bank, head: strategic investments – Standard Bank, chairman of Synergy Income Fund Limited
- **Current directorships:** Atlantic Leaf Properties Limited, Castellana Properties SOCIMI and other Vukile group entities
- **Appointment date:** 1 August 2011

4. Gabaiphiwe Sedise Moseneke (43)
Executive
Executive director

- **Skills and expertise:** General management and real estate
- **Years property experience:** 15 years
- **Previous positions held:** CEO of Encha Property Group and CEO of Synergy Income Fund Limited
- **Current directorships:** SAPOA
- **Appointment date:** 1 August 2013

2. Michael Potts (64)
Executive
Financial director

- **Skills and expertise:** General management, corporate finance, capital markets, accounting, taxation and real estate
- **Years property experience:** 18 years
- **Previous positions held:** Managing director and financial director of the South African group that forms part of UK-based Hanover Acceptances Group, independent adviser to the Bridge Capital Group, Outspan International and Synergy Income Fund Limited
- **Current key directorships:** Castellana Properties SOCIMI and other Vukile group entities
- **Appointment date:** 17 May 2004

5. Peter Sipho Moyanga (54)
Independent non-executive

- **Skills and expertise:** General management and retail
- **Previous positions held:** Executive management: McDonalds Corporation
- **Current directorships:** Reach for a Dream Foundation
- **Appointment date:** 17 May 2004

3. Ina Lopion (59)
Executive
Executive director: asset management

- **Skills and expertise:** General management and real estate
- **Years property experience:** 28 years
- **Previous positions held:** Executive director: asset management – Sanlam Properties
- **Current directorships:** SA Council of Shopping Centres
- **Appointment date:** 1 January 2010

6. Steve Booysen (57)
Independent non-executive

- **Skills and expertise:** General management, investment banking, capital markets
- **Previous positions held:** CEO of Absa Bank
- **Current directorships:** Steinhoff International Holdings NV, Clover Industries Limited, Efficient Financial Holdings Limited and Senwes Limited
- **Appointment date:** 20 March 2012

GOVERNANCE continued

7. **Nigel George Payne** (59)
Independent non-executive

- **Skills and expertise:** General management, accounting, audit and retail
- **Previous positions held:** Partner at a big four accounting firm
- **Current directorships:** Bidvest Group Limited, Bidcorp Limited, Alexander Forbes Holdings Limited, Mr Price Group Limited (chairman)
- **Appointment date:** 20 March 2012

8. **Hymie Mervyn Serebro** (72)
Independent non-executive

- **Skills and expertise:** General management, retail and real estate
- **Previous positions held:** Managing director of OK Bazaars
- **Current directorships:** Reach for a Dream Foundation (chairman) and Innovative Cancer Care Foundation
- **Appointment date:** 17 May 2004

9. **Hatla Ntene** (65)
Independent non-executive

- **Skills and expertise:** General management, quantity surveying, project management and real estate
- **Previous positions held:** Managing partner of AECOM South Africa
- **Current directorships:** Calgro M3 Holdings Limited, The Don Group Limited and AECOM South Africa

Appointment date: 25 October 2013

10. **Renosi Denise Mokate** (61)
Lead independent non-executive

- **Skills and expertise:** General management, development economics and banking
- **Previous positions held:** Executive director: World Bank, Deputy Governor of the South African Reserve Bank
- **Current directorships:** Bidvest Bank, Government Employees Pension Fund (chairman)
- **Appointment date:** 11 December 2013

11. **Babalwa Ngonyama** (44)
Independent non-executive

- **Skills and expertise:** General management, accounting, audit and financial services
- **Previous positions held:** CFO of Safika Holdings, partner at Deloitte
- **Current directorships:** Aspen Limited, Implats Limited and Clover Limited
- **Appointment date:** 12 February 2018

Vukile, incorporated under the provisions of the Companies Act, 71 of 2008 (the Companies Act), maintains a primary listing of its shares on the JSE and a secondary listing on the NSX.

The board considers corporate governance a priority and the application of sound corporate governance structures, policies and practices as paramount to the success of a sustainable business for the benefit of all Vukile stakeholders.

King IV

For the year under review, the board committed to applying King IV, in a manner that reflects the stature, market position and size of the group. A register of the group's application of the King IV principles can be viewed on Vukile's website under the governance section.

The board

The board is collectively responsible to the group's stakeholders for the long-term success of the group and the overall strategic direction and control of the group. The board exercises this control through the governance framework of the group, which includes detailed reporting to the board and its committees, a system of internal controls and a delegation of authority through an approval framework.

The board discharges its responsibilities as contained in its charter. The board charter can be viewed at http://vukile.co.za/corporate-overview/corporate-governance.php#.

Composition and appointment of directors

The details of the directors, including their experience, expertise and appointment dates appear on pages 84 and 85 of this integrated annual report.

Directors are appointed by the board
in a formal and transparent manner, after review and nomination by the nominations committee. All nominated candidates are subject to an interview by the full board.

Directors

At the date of this report, the board consisted of 11 directors.

Chairman

NG (Nigel) Payne*

Executive directors

LG (Laurence) Rapp
(chief executive)*
MJ (Mike) Potts (financial director)
HC (Ina) Lopion
(managing director: southern Africa)
GS (Sedise) Moseneke*
(executive director)

Independent non-executive directors

SF (Steve) Booysen*
PS (Peter) Moyanga*
HM (Mervyn) Serebro*
H (Hatla) Ntene
RD (Renosi) Mokate
B (Babalwa) Ngonyama

** Due to retire at the next AGM.*

GOVERNANCE continued

Chairman and independence

The roles of the chairman and chief executive officer are separate. An independent non-executive director occupies the office of chairman. The formal delegation of authority framework ensures there is a clear division of responsibilities between the chairman and chief executive officer (CEO) and those of the board as a whole. All other non-executive directors are also considered to be independent. At board level, there is a clear division of responsibilities to ensure that no one director has unfettered powers in decision making.

Lead independent director

In line with the requirements for King IV, Vukile has appointed Dr Renosi Mokate as lead independent director.

Chief executive

The board appoints the CEO. Mr Laurence Rapp is the CEO and was appointed on 1 August 2011.

Rotation of directors

In line with the provisions of the company's Memorandum of Incorporation (MOI), one-third of both non-executive and executive directors are required to retire annually at the company's annual general meeting (AGM). In addition to this, all directors appointed by the board during the year are required to retire at the AGM. In both of the cases above, directors, being eligible, offer themselves for re-election.

Information and professional advice

The directors are entitled to seek independent professional advice at the group's expense concerning group affairs and have access to any information they may require in discharging their duties as directors. They also have unrestricted access to the services of the company secretary.

Board evaluation

The board assesses its performance and that of its individual directors, as well as their independence, on an ongoing basis. The company secretary facilitates a comprehensive board and committee evaluation biennially, with the last evaluation conducted in May 2019. Matters considered in the evaluation focused on the effectiveness of the board and its committees, including:

- Composition;
- Performance;
- Role of the chairman;
- Appropriateness of the board charter and its committees' terms of reference;
- Communication and interpersonal relationships;
- Board dynamics and leadership; and
- Independence considerations for all directors and specific consideration of directors with terms of service of more than nine years.

In addition to the biennial formal board and committee evaluation, the board also conducts annual assessments of all directors who are being put forward for re-election at the AGM. The annual assessment includes an independence consideration.

Dealing in group securities

A formal securities dealings policy has been developed and adopted by the board to ensure that directors and employees conduct securities dealings in compliance with the JSE Listings Requirements and the insider trading legislation in terms of the Financial Markets Act.

Directors' declarations and conflict of interests

Directors' declarations of interests are tabled and circulated at every board meeting. All directors are required to assess any potential conflict of interest and to bring such circumstances to the attention of the chairman. In addition the company has also adopted a Conflict of Interest policy.

Gender and race diversity policy

The board has adopted a formal policy on the promotion of gender and race diversity at board level. Although the company has not set detailed targets, it is the board's intention to maintain female and black representation at board level of 25% and 50% respectively.

B-BBEE annual compliance report

The B-BBEE annual compliance report will be submitted to the B-BBEE commission and will be available for inspection on the Vukile website.

Company secretary

The company secretary is responsible for the duties set out in section 88 of the Companies Act and for ensuring compliance with the JSE Listings Requirements. Director induction and training are part of the company secretary's responsibilities. He is responsible to the board for ensuring the proper administration of board proceedings, including the preparation and circulation of board papers, drafting annual work plans, ensuring that feedback is provided to the board and board committees, and preparing and circulating minutes of board and board committee meetings. He provides practical support and guidance to the board and directors on governance and regulatory compliance matters.

The JSE Listings Requirements and King IV require that company boards must consider and satisfy themselves annually regarding the competence, qualifications and experience of the company secretary, and also whether he maintains an arm's length relationship with the board.

The board has evaluated the company secretary and it is satisfied that he is suitably qualified for the role and that he maintains an arm's length relationship with the board because he is not a member of the board or a material shareholder.

The company secretary's qualifications and competencies are:

Group secretary	Johann Neethling
Date appointed	June 2010
Qualifications	FCIS, MCom, JSE Sponsor Development Programme
Experience and expertise	Johann has 21 years' experience in the areas of assurance, corporate finance, governance, company secretariat and corporate services. He joined Vukile as part of the management team when Sanlam's asset management business was acquired by Vukile. Before that, he held various positions within the property division of Sanlam, including manager: finance and head: internal audit. Johann is a past president of Chartered Secretaries Southern Africa (CSSA).

Board and committee attendance

The attendance register of non-executive directors for each board and committee meeting for the year ended 31 March 2019 is set out below:

Director	Scheduled board meetings	Special board meetings	Audit and risk committee meetings	Social, ethics and human resources committee meetings	Property and investment committee meetings	Nominations committee meetings
NG Payne	4/4	2/2	1/1	2/2	4/4	2/2
SF Booysen	4/4	2/2	4/4	3/3	—	3/3
PS Moyanga	4/4	2/2	1/1	—	4/4	—
RD Mokate	4/4	1/2*	4/4	3/3	—	3/3
H Ntene	4/4	2/2	—	—	4/4	—
HM Serebro	4/4	2/2	—	—	4/4	—
B Ngonyama	4/4	2/2	3/3	—	—	—
AD Botha#	1/1	2/2	—	1/1	—	1/1

** With prior apology.*
 # Mr Botha retired from the board at the AGM on 12 September 2018.

Executive directors attended every meeting that required their attendance during the year under review.

GOVERNANCE continued

Board committees

Property and investment committee

Current members

HM Serebro (chairman)
HC Lopion
PS Moyanga
NG Payne
LG Rapp
H Ntene

The property and investment committee (PI committee) is an important element of the board's system to drive its growth strategy through acquisitions, redevelopments and refurbishments. The committee comprises two executive directors and four independent non-executive directors.

The PI committee's terms of reference can be viewed at http://vukile.co.za/corporate-overview/corporate-governance.php#.

Social, ethics and human resources committee

The report by the social, ethics and human resources committee (SEHR committee) is set out on page 92 of this integrated annual report.

The SEHR committee's terms of reference can be viewed at http://vukile.co.za/ corporate-overview/corporate-governance.php#.

Nominations committee

Current members

NG Payne (chairman)
SF Booysen
RD Mokate

The nominations committee (NC) assists the board with the review, evaluation and assessment of the board and its committees. The NC also considers new appointments in line with the company's gender, race and transformation agenda.

Audit and risk committee

The report by the audit and risk committee (AR committee) is set out on pages 125 to 128 of the annual financial statements. The AR committee's terms of reference can be viewed at http://vukile.co.za/ corporate-overview/corporate-governance.php#.

Internal control

It is the board's responsibility to oversee the group's system of internal controls and to keep its effectiveness under review. The system is designed to provide reasonable assurance against material misstatement and loss. The system of internal financial control is designed to provide assurance on the maintenance of proper accounting records and the reliability of financial information used within the business and for publication. The internal control system includes a reasonable division of responsibility and the implementation of policies and procedures which are communicated throughout the group.

Internal audit

The group operates on an outsourced internal audit model, currently outsourced to Deloitte. Internal audit is responsible for assisting the board and management in maintaining an effective internal control environment by evaluating those controls continuously to determine whether they are adequately designed and operating efficiently and to recommend improvements. Post-year-end the AR committee considered the effectiveness of the internal audit function and concluded that it was effective.

External audit

PricewaterhouseCoopers Inc is the external auditor of Vukile and its subsidiaries, including the Namibian and Spanish subsidiaries. The independence of the external auditors is recognised and annually reviewed by the AR committee.

The external auditors attend all AR committee meetings and have unrestricted access to the chairman of the AR committee.

Risk management review

Our approach

The group has documented its approach to risk management in a formal policy. The strategic intent of our risk management policy is to create an environment in which risk management is applied at a consistently high level across the group, enabling management to take informed decisions, achieve business objectives and maximise returns for shareholders.

REIT risk management policy

The company has adopted a REIT risk management policy in line with section 13.46(h) of the JSE Listings Requirements. The policy is in accordance with industry practice and specifically prohibits Vukile from entering into any derivative transactions that are not in the normal course of Vukile's business.

The AR committee confirms that it has monitored compliance with the policy during the year under review and also that the company has, in all material respects, complied with the policy.

Key risks

Risk priority	Risk type	Risk description	Risk ownership	Risk actions/treatment
1	**Growth risk**	Risk associated with the execution of mergers, acquisitions and divestitures. Includes the risk of closing the transactions timeously and within value-enhancing financial parameters and limiting cost associated with abortive transactions especially where these transactions have a significant budget impact.	Executive	Strong board oversight in respect of deal activity. Experienced senior deal making and execution team. Strong corporate and legal advisory team.
2	**Derivative instrument risk**	Risk associated with the use of derivative instruments such a CCIRS, including assumptions made and the impact of severe currency or interest rate market movements.	Treasury	Multiple bank exposure. Spread of maturity/ expiry. Monitoring our underlying risk and then extending/rebalancing exposure appropriately when suitable. Monitoring LTV covenants with MTM of derivatives. R100 million zero deposit for our CCIRS with Nedbank. Derivatives are used to hedge a specific risk so the underlying (eg FX exposure) should counter any severe market movement.
3	**Balance sheet risk**	Risk of insufficient balance sheet capacity due to higher than optimal LTV levels.	Executive	Various plans are currently under way to reduce gearing focused on both the South African and Spanish balance sheets. Since Unibail-Rodamco-Westfields acquisition LTV has decreased from 42% to 36%.
4	**Growth risk**	Risk associated with the major economical headwinds in the South African retail sector. Rental pressure is also expected from other retailers as a result of the Edcon transaction.	Executive/ asset management	The restructuring of Edcon has allowed for time to lighten the exposure to Edcon with various options being pursued. Significant work is being done by our in-house leasing team to build relationships with second-tier retailers that could be possible replacement tenants.
5	**Growth risk**	Risk associated with the integration of mergers, acquisitions and divestitures. Building and bedding down operational, financial and governance processes.	Executive	Core competency in integrating M&A in the South African environment. Significant interventions have been made in Spain, including expanding the financial and asset management teams to build capacity, hiring a new, experienced CFO and driving group governance interventions with the Spanish team.
6	**Utility supply risk**	Inconsistent supply of critical services (electricity, water, municipal services – refuse, property transfer, legal services). Eskom's problems means the electricity supply will be a high risk in the medium term.	Asset management	(a) Diversification across nodes. (b) Installing generators for emergency power. (c) Installing water tanks where necessary.

GOVERNANCE continued

Risk priority	Risk type	Risk description	Risk ownership	Risk actions/treatment
7	**Property management risk**	Risk of severe underperformance by the property managers.	Executive	(a) Strong performance clauses in property management agreement. (b) Relationship building to improve morale. (c) Constant monitoring and management.
8	**Interest rate and currency risk**	Risk of adverse interest rate and currency fluctuations on the financial position and performance of the group. Severe movements will negatively impact discount rates (and therefore property valuations and potentially LTVs).	Executive	Interest rate and currency risk are managed through hedging where appropriate. Where we can manage the risk (eg base bond rate impact on discount rates) we apply our valuation methodology consistently and accept the risk.
9	**Regulatory risk**	Risk related to new/revised regulations, including the JSE, SARB, SARS, AEAT, CNMV, etc.	Finance/ corporate services	Management is revising the group compliance framework to ensure that we adequately identify new/revised regulations and manage any risk associated with it. Constant monitoring of the compliance universe.
10	**Social instability risk**	Risk of political and social disturbances and labour unrest in areas where Vukile has properties.	Asset management	(a) SASRIA insurance cover of R1.5 billion. (b) Fostering good relationships with the communities through the implementation of our community liaison policy.

REPORT OF THE SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE

Dear stakeholders

I am pleased to present the report of Vukile's social, ethics and human resources committee (the SEHR committee) for the year ended 31 March 2019. In line with the dual mandate of the committee the report is presented in two parts, namely the remuneration report and the social and ethics statement. In addition to the social and ethics statement, we have provided a comprehensive overview of Vukile's transformation journey and social and community involvement – which can be found in the environmental, social and governance (ESG) section set out on pages 81 to 83.

The remuneration report, in line with King IV's prescribed format, is presented in three parts, namely the background statement, the remuneration philosophy and policy, and the implementation report. The monitoring of the remuneration policy and the remuneration implementation report is the responsibility of the committee.

Governance of the committee

Composition of the committee

Steve Booysen (chairman) Profile on page 84	**Nigel Payne** Profile on page 85	**Renosi Mokate** Profile on page 85
Independent non-executive director	Independent non-executive director and board chairman	Lead independent non-executive director
Meeting attendance		
Attended 3/3	Attended 2/2	Attended 3/3
Attendance by invitation: Chief executive officer, director: corporate services/group company secretary and representatives from PricewaterhouseCoopers (PwC), the company's remuneration advisers (on occasion)		

Annual work plan of the committee

May 2018	▪ Reviewed and approved salary increases for employees with effect from 1 July 2018. ▪ Reviewed and approved the short-term incentive bonuses for the year ended March 2018. ▪ Reviewed and approved annual allocations in terms of the Conditional Share Plan (CSP) for 2019. ▪ Reviewed and approved annual allocations in terms of the Share Purchase Plan (SPP) for 2019. ▪ Reviewed and approved the vesting of shares under the Conditional Share Plan (CSP) in May 2018 in respect of the performance period. ▪ Reviewed and recommended to the board for approval the performance measures – 2019 for executive directors. ▪ Reviewed the benchmarking results of the non-executive directors' fees conducted by PwC. ▪ Reviewed and recommended to the shareholders for approval the non-executive directors' fees for 2019. ▪ Reviewed the annual performance of the CEO and executive directors at 31 March 2018. ▪ Approved the remuneration policy for non-binding vote at the AGM. ▪ Reviewed the company's social and ethics activities in line with the requirements of the Companies Act. ▪ Reviewed progress of the company's transformation activities.
November 2018	▪ Consulted with shareholders regarding the negative voting at the AGM in respect of the SPP for executive directors. ▪ Considered the progress of the succession plan for the financial director. ▪ Reviewed the company's social and ethics activities in line with requirements of the Companies Act. ▪ Considered the company's progress in respect of the Vukile Academy.
March 2019	▪ Considered the remuneration governance of the Spanish subsidiary, Castellana. ▪ Reviewed and approved the bonus accrual for the year ended 31 March 2019. ▪ Reviewed and approved the percentage salary increases for inclusion in the annual budget. ▪ Reviewed the company's social and ethics activities in line with the requirements of the Companies Act.

SF Booysen
Chairman of SEHR committee

REMUNERATION REPORT

Part 1: background statement

This report provides an account of the remuneration and people management for 2019. The report provides an overview of the various actions undertaken during the year under review, particularly our remuneration policy and our remuneration implementation policy – which are both subject to non-binding advisory votes at the AGM – and various performance and reward elements. In line with last year we are continuing on the journey of preparing our report in line with King IV.

The remuneration of the company must be considered in the context of maintaining a 15-year unbroken track record of dividend growth through achieving a market leading 7.5% growth in dividends for the year ended 31 March 2019. What is further important to consider is that this strong financial performance was delivered against the backdrop of executing a significant international expansion strategy and significant economic headwinds and fallout in the listed property sector.

To remain competitive, the nurturing and retention of our human capital is extremely important, which includes competitive remuneration. Vukile's southern Africa workforce comprises only 35 people, due to our outsourced property management model. We continue to focus on top-quality asset management, innovation, creative deal making and the growth of our quality portfolio. Having the right organisation, culture and people development building blocks in place ensures that we can execute our strategy. The launch of the Vukile Academy has added a further eight interns to our staff component since January 2019.

Remuneration disclosure

In line with the requirements of King IV and the JSE Listings Requirements, details of remuneration awarded or paid to executive directors during the year and post-year-end are set out in part 3 of this report. Vukile does not have any prescribed officers other than the executive directors.

Shareholder engagement

At the AGM held on 14 August 2018, our 2018 remuneration report was endorsed by shareholders with 83% for the remuneration policy and 99% for the implementation thereof. Shareholder engagement remains a focus area for the committee. If our remuneration policy (as contained in part 2 of this report) or the remuneration implementation report (as contained in part 3 of this report) receive a vote of 25% or more against, the committee will, at a minimum, take the following steps:

- Enter into an engagement process with shareholders to ascertain the reasons for dissenting votes; and thereafter
- Follow a process of addressing legitimate and reasonable objections raised, which may include amending our remuneration policy or clarifying or adjusting our remuneration governance or processes.

Focus areas for 2020

We will continue to effectively drive the attraction and retention of key talent and critical skills and ensure our key people are adequately rewarded for their performance, especially as the business expands internationally. We will continue to focus on overseeing the development of a workforce that is globally competitive.

Part 2: remuneration philosophy and policy

Our philosophy

Vukile's remuneration philosophy remained largely unchanged during the year under review. The philosophy aims to deliver a competitive, unique, and flexible pay structure to attract, reward and retain high-quality individuals. We believe our remuneration practices must be performance driven. It is important that our employees align with Vukile's workplace culture. Our selection process aims to achieve the optimum mix of competencies, abilities, experiences and skills needed to realise our strategic priorities.

Vukile's remuneration strategy is designed to attract and retain the skills needed to meet our strategic priorities. Although competitive financial rewards are key to attract employees, we believe that our entrepreneurial orientation, strong ethics and open workplace culture sets us apart in retaining quality employees. Operating in a very dynamic industry demands that we incentivise high performers significantly, while balancing this with the expectation of shareholders.

Key principles of the remuneration policy

Vukile has a robust remuneration policy which strives to uphold the following key principles:

- Remunerate to encourage and reward positive behaviour and performance of our employees and executives
- Align our strategic business objectives with shareholder interests
- Ensure that correct governance measures are applied in our remuneration practices
- Ensure that performance metrics are fair, sustainable and challenging and apply to all aspects of our business
- The performance conditions used in the variable pay structures support positive outcomes across the economic, social and environmental context in which the company operates
- Apply the appropriate remuneration benchmarks to determine fair, transparent and responsible remuneration for executive management and staff
- Provide competitive rewards to attract, motivate and retain highly skilled executives and staff vital to the success of the organisation
- Promote an ethical culture and responsible corporate citizenship.

Remuneration structure

Vukile's remuneration policy applies common principles and practices to all employees, including executive directors. Although the exact structure and quantum of individual packages vary by role, seniority and retention criteria, generally employees are remunerated on a total guaranteed package (TGP) approach, which includes a combination of base remuneration and benefits, commonly referred to as fixed remuneration. The table on the following page broadly summarises the components of the remuneration paid to executive directors and management.

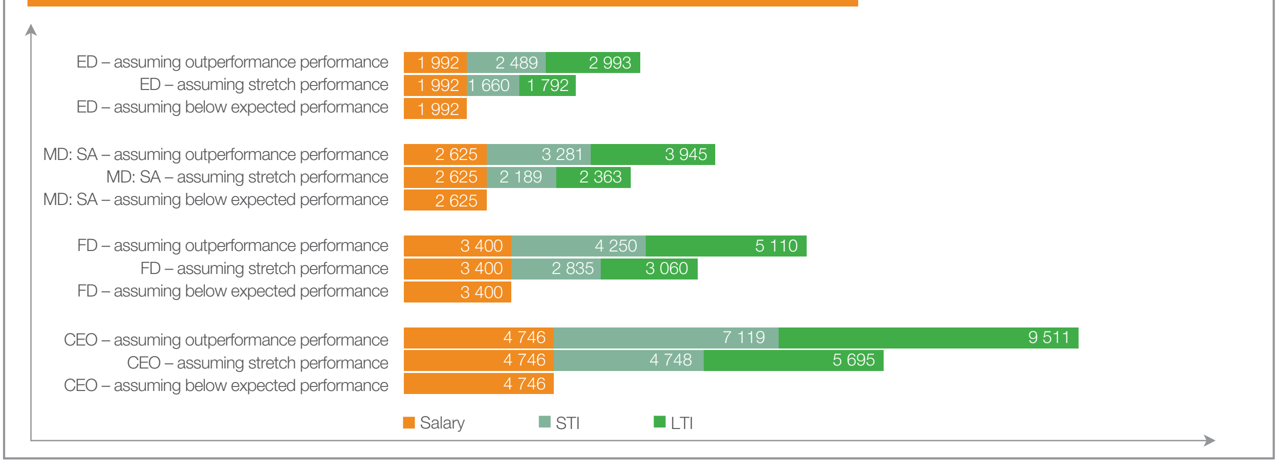
Fixed variable	Component	Component description and intent	Delivery mechanism
Fixed remuneration	Base salary	▪ This is the non-variable element of the employees' package typically benchmarked and positioned at the ***market median*** (with certain exceptions in appropriate circumstances). ▪ The base salary reflects the scope and nature of the role.	TGP
	Benefits	▪ Benefits include health cover, retirement cover and insurance products such as death and disability cover (included as part of TGP in a total cost-to-company approach).	TGP
Variable remuneration	Short-term incentives (STIs)	▪ This aligns individual and group performance with the short-term objectives of the group primarily through the targeted annual growth in dividends. ▪ Focuses employees on achieving their targets in their critical performance areas (CPAs).	STI bonus scheme
	Long-term incentives (LTIs)	▪ LTIs promote a longer-term view of the business and ensure wealth creation for both shareholders and employees.	CSP and SPP

Package design

The company's policy for executive directors results in a significant portion of the remuneration received being dependent on company performance. In part 3 of the report the total pay outcomes related to the 12 months ended 31 March 2019 (although not necessarily paid and accrued yet) are depicted. The potential total pay opportunities for the executive directors under the following three different performance scenarios are illustrated below:

Total pay opportunities

Total pay opportunities illustration (R000)



TGP

TGP for executive directors and employees is determined by using benchmarking data from PwC RemChannel and 21st Century, both reputable remuneration consultancies. For both executive directors and employees, TGP is set by using the median (50th percentile) of the benchmark data as a target point. Any variances from this principle are approved by the committee based on specific circumstances (such as scarce skills, etc). In respect of executive directors, TGP is set at the median of PwC RemChannel's National Circle – job title benchmark. All employees have the option of choosing a benefit package in respect of retirement planning and related products; however, this option forms part of TGP.

REMUNERATION REPORT continued

STI bonus scheme

The principles of the STI bonus scheme (bonus scheme) are as follows:

Maximum bonus amounts for executive directors	▪ CEO – 150% of TGP. ▪ Other executive directors – 125% of TGP.
Participants in the scheme	▪ Senior staff members on a Paterson grade D or higher. ▪ Staff members have a maximum potential cash bonus cap. ▪ Staff members on Paterson grades lower than D are paid an annual bonus equal to a maximum of 15% of TGP, subject to the achievement of CPA targets.
Principle of determination of bonus pool	▪ The bonus pool comprises two components: on-target and outperformance. ▪ On-target performance levels are determined annually between 33.3% and 66.7% of the maximum potential bonus pool size, considering the specific targets, strategies and issues relevant to the group at the time of setting the range. ▪ Bonus pool threshold levels are 95% of the on-target group performance level. ▪ Group performance at that threshold level will yield a bonus pool equal to 25% of the maximum potential bonus pool. Achievement below this level will result in no STI being paid unless the committee recommends the payment of bonuses to a limited number of employees for exceptional performance. ▪ Any group performance that falls above the threshold level, yet beneath the on-target level, will result in a bonus pool (other than the people on the 15% scheme) pro rated on a straight-line basis to reflect the achieved performance. ▪ Outperformance of the on-target benchmark will result in the staff sharing in a percentage of such excess profit, which will be determined by the committee, but not more than 50% of such excess profit. ▪ This will be paid out in cash but always limited to the individual's maximum capped cash bonus level. Should the performance in any one year yield an amount that is more than the maximum cash cap, such excess will fall within the terms of conditions of the CSP. ▪ In determining the final bonus pool, the committee always considers specific market conditions, individual performance and affordability of the bonus pool.
Amount paid out	▪ For staff on the Paterson D grade and above, any bonus payment will be split into two equal tranches, the first of which will be payable in May and the second six months later in November. All other staff will be paid their bonus in full in May.
Bonus – *malus and clawback*	▪ Short-term bonuses are paid subject to malus and clawback provisions. ▪ Malus means the adjustment of a bonus amount (typically the second tranche of the bonus amount) upon the discovery of deficient performance relative to the evaluation on which the payment was initially made. Clawback means the recovery of a bonus amount which has already been paid, in the case of malice or *mala fide* error becoming apparent.

Conditional Share Plan (CSP)

The principles of the CSP are as follows:

Plan type	▪ Conditional shares are awarded and shares will vest subject to the achievement of continued employment and performance conditions.
Plan limits	▪ Overall limit: 2.5% of issued capital. ▪ Individual limit: 0.5% of issued capital. ▪ Annual limit: 0.5% of issued capital. ▪ Current use of the scheme is equal to 0.46% of issued capital or 18.4% of approved capacity.
Eligibility	▪ Senior staff members on a Paterson grade of D or higher.

Allocation policy	▪ Regular annual awards as a percentage of TGP.
	▪ Allocation percentages are reviewed annually.
	▪ Allocation percentages for June 2019 allocation cycle:
	  ▪ CEO: 100% to 120%.
	  ▪ Executive directors and other executive managers: 70% to 90%.
	  ▪ Senior management: 40% to 60%.
	  ▪ Other participants: 20% to 40%.

Dividend equivalents	▪ Paid to participants as a bonus, subject to clawback.
Mix between group and individual performance conditions	▪ First portion of the award, up to 33% of TGP, is subject to personal performance of CPAs. ▪ Balance subject to group performance.

Performance conditions	Allocations comprise both a personal performance portion and company performance portion:
	▪ Threshold target: 30% vesting.
	▪ Stretch target: 100% vesting.
	▪ Linear vesting: in between.
	
	Personal performance portion (CPA score):
	▪ Threshold: 70%.
	▪ Stretch: 90%.
	
	Company performance comprises two elements measured over a three-year period aligned with the financial year of the company:
	▪ 50% ***absolute measure*** of performance.
	▪ Growth in dividends measured against CPI + margin with the following targets:
	  ▪ Threshold: CPI + 100bps.
	  ▪ Stretch: CPI + 200bps.
	  ▪ Outperformance: CPI + 300bps.
	
	Appropriateness of the margin used
	The committee has considered the appropriateness of the margins and deems it appropriate due to the REIT business model where c.100% of all profits are paid out as dividends to shareholders, ie the company has no return on capital retained, given that no capital is retained.
	
	▪ 50%: ***relative*** performance measure.
	▪ Growth in dividends and share price versus ***peer group index*** over a three-year period with the following targets:
	  ▪ Threshold: 100% of peer group index.
	  ▪ Stretch: 110% of peer group index.
	  ▪ Outperformance: 120% of peer group index.
	▪ Current peer group comprises: Emira Property Fund, SA Corporate Real Estate Fund, Rebosis Property Fund, Growthpoint Properties, Delta Property Fund, Investec Property Fund, Texton Property Fund, Tower Property Fund, Redefine Properties and Hyprop Investments.
	▪ Outperformance of a specific grant over the three-year performance period (120% of the index) will result in double the number of shares delivered. Performance must be consistent with 90th percentile performance of the peer group as approved by the committee.

REMUNERATION REPORT continued

Share Purchase Plan (SPP)

The principles of the SPP are as follows:

Plan type	▪ Purchase plan: shares are acquired by the participant through a loan provided by the company.
Plan limits	▪ Overall limit: 3% of issued capital (1.25% utilised at year-end). ▪ Individual limit: 1% of issued capital.
Eligibility	▪ Executive directors and key management employees.
Awards	▪ Discretionary based on attraction, retention and incentive criteria, with allocation multiples ranging from 20 x TGP (CEO level) to 5 x TGP (senior management and key staff). ▪ Awards are generally phased in over two to three years, unless specific circumstances warrant acceleration (new appointments, etc).
Plan debt	▪ 10-year loan. ▪ Interest-bearing at weighted average cost of debt or actual cost of funds raised for the allocation.
Discontinuation of the plan for executive directors	▪ Following the failing of the special resolution to enable this plan for executive directors at the AGM held on 12 August 2018, the plan will no longer be made available to executive directors. Other management will continue to participate in the plan.

Termination policy

The following applies in the event of termination of employment:

Reasons for termination

Remuneration component	Voluntary resignation	Dismissal/termination for cause	Normal and early retirement, retrenchment and death	Mutual separation
Base salary	Paid over the notice period or as a lump sum	No payment	Base salary is paid for a defined period based on cause	Paid over the notice period or as a lump sum
Benefits	Applicable benefits may continue to be provided during the notice period but will not be paid on a lump sum basis	Benefits will fall away at such time that employment ceases	Benefits will fall away at such time that employment ceases	Applicable benefits may continue to be provided during the notice period but will not be paid on a lump sum basis
SPP	The plan debt will become payable within 30 days from date of termination	The plan debt will become payable within 30 days from date of termination	The plan debt will become payable within 12 months from the date of termination If after the date of termination the plan debt exceeds the market value of the plan shares, the excess amount will become payable immediately	Discretion applied based on terms of the separation agreement
CSP	All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of termination	All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of termination	All good leavers awards will be pro rated to time applying the average performance appraisals up to date of termination (unless otherwise determined by the SEHR committee) **Retirement** – company performance linked will remain subject to the natural duration of the plan. Personal performance will be tested on day of retirement and vest on that day, unless specifically determined to remain in place for the duration of the plan **Death** – a *pro rata* portion of the award may vest based on performance and time	Discretion applied based on terms of the separation agreement

Non-executive directors' fees

Vukile believes in strong governance and attracting truly independent non-executive directors. Given this we consider it appropriate to position our non-executive directors' fees benchmarked off the JSE mid-cap sector rather than the property sector. The company utilises the services of PwC to conduct appropriate benchmarking.

Our most recent benchmarking was performed in 2018 comprising a peer group of REITs, retail and financial service companies in the JSE mid-cap sector.

For the current year an overall increase of 6.1% is proposed for approval by shareholders at the upcoming AGM.

Part 3: implementation report

This section explains how the remuneration policy was implemented in the reporting year, and the resulting payments each of the directors received. The implementation report should be read in conjunction with the disclosure contained in the directors' report.

Annual adjustments to total guaranteed pay

The committee approved a 5.0% increase on the guaranteed packages for executive directors and senior management with effect from 1 July 2019, while other employees received a general increase of 6%.

STI bonus scheme outcomes for 2019

The extent to which annual performance measures were met in 2019 is set out below.

CEO and other executive directors

Performance condition	Performance: Target	Performance: Actual achievement for 2019
Annual dividend per share relative to board approved target (cents)	180.97dps	181.48dps*

** Actual achievement represents a 7.5% growth in dps year-on-year.*

CEO

Personal performance measures

Performance measures	Description	Weighting	Performance: Threshold target	Performance: Stretch target	Performance: Actual achievement for 2019	Performance: Performance score	Performance: STI result
Responsible growth in the business	Execute the strategy in line with the approved strategic plan including: ▪ Identifying and concluding value accretive acquisitions in line with the approval framework ▪ Implementing board approved strategies to enter new markets and/or geographies ▪ Achieving growth in dividend in line with board set targets ▪ Growing the non-GLA and energy management initiatives ▪ Growing the retail exposure and strengthening portfolio quality through dealmaking, disposals and accretive acquisitions where applicable ▪ Oversee the listing of Castellana Properties SOCIMI on the MaB and to continue building the business and its infrastructure to ensure sustainability.	40%	70%	90%	▪ Successfully concluded the acquisition of Habaneras Shopping Centre for €80.6 million ▪ Successfully concluded the acquisition of a portfolio of high-quality retail shopping comprising Bahía Sur, El Faro, Los Arcos and Vallsur at transaction value of €490 million ▪ Successfully grown the Spanish management team to a team of 26 property professionals including the recruitment of a new industry-leading CFO	98%	Out-performance

REMUNERATION REPORT continued

CEO continued

Personal performance measures

Performance measures	Description	Weighting	Threshold target	Stretch target	Actual achievement for 2019	Performance score	STI result
			Performance				
Responsible growth in the business					▪ Successful listing of Castellana on the Mercado Alternativo Bursátil (MAB) in Madrid in July 2019. Following its listing Castellana ranks as the ninth largest REIT in Spain ▪ Successful acquisition of Kolonnade Retail Park for R470 million, thereby growing our quality South African retail portfolio ▪ Strong progress on growing Vukile AIM with the roll out of fibre to 35 of our retail centres completed during the year and a wifi pilot project in progress at two retail centres ▪ Strong progress on sustainability initiatives with 4.8MW of PV installed to date and an additional 3.9MW of PV in progress while and a further 2.6MW is currently under investigation. In addition, four water backup projects are presently in progress with three water savings projects having been completed ▪ Continued the 15-year unbroken record of growth in dividends by delivering growth of 7.5%, significantly ahead of other sector peers.		

CEO continued

Performance measures	Description	Weighting	Threshold target	Stretch target	Performance: Actual achievement for 2019	Performance score	STI result
Staff management, leadership behaviour and succession planning	Key objectives are: ▪ Ensuring a fully committed and motivated management team ▪ Ensuring minimum staff turnover ▪ Ensuring adequate succession planning for the retirement of the financial director and managing director: southern Africa ▪ Living the Vukile values and being a positive role model to the team ▪ Transformation.	**30%**	**70%**	**90%**	▪ Stable and committed management team with <3% overall staff turnover during 2019 ▪ Successful implementation of the succession plan for the financial director with the appointment of Laurence Cohen, former Hyprop CFO, as CFO designate on 1 March 2019 ▪ Successful implementation of the succession plan for the managing director: southern Africa role with Itumeleng Mothibeli being appointed in the role effective 1 July 2019 ▪ Successful launch of the Vukile Academy which drives transformation through a professionally structured intern programme.	93%	Out-performance
Balance sheet management	Ensuring that Vukile maintains a prudent funding strategy in line with approved policies that include the following: ▪ Gearing < 40% ▪ Hedging >75% ▪ Diversified sources of funding ▪ Maintaining the GCR credit rating.	**20%**	**70%**	**90%**	▪ Reduced group cost of funding to 4.60% compared to target of <6.25% ▪ Achieved loan to value ratio of 38% compared to target ▪ Term debt 95% hedged compared to policy target of 75% ▪ Secured a credit upgrade from GCR of A+.	100%	Out-performance
Stakeholder management	Maintaining active and regular stakeholder engagement including: ▪ Buy-and-sell side equity analysts ▪ Bank funders and debt holders ▪ Ratings agencies ▪ Retailer CEOs ▪ Media ▪ Board members.	**10%**	**70%**	**90%**	▪ Active management of all stakeholder groupings resulting in strong relationships between Vukile and all stakeholders ▪ Strong support from the market based on active engagement.	100%	Out-performance
					Overall performance	**97%**	

REMUNERATION REPORT continued

Financial director

Personal performance measures

Performance measures	Description	Weighting	Threshold target	Stretch target	Performance: Actual achievement for 2019	Performance: Performance score	Performance: STI result
Responsible growth in the business	Execute the strategy in line with the approved strategic plan including: ▪ Identifying and concluding value accretive acquisitions in line with the approval framework ▪ Implementing board approved strategies to enter new markets and/or geographies ▪ Achieving growth in dividend in line with board set targets ▪ Growing the non-GLA and energy management initiatives ▪ Growing the retail exposure and strengthening portfolio quality through dealmaking, disposals and accretive acquisitions where applicable.	**20%**	**70%**	**90%**	▪ Successfully concluded the acquisition of Habaneras Shopping Centre for €80.6 million ▪ Successfully concluded the acquisition of a portfolio of high-quality retail shopping comprising Bahía Sur, El Faro, Los Arcos and Vallsur at transaction value of €490 million ▪ Successfully grown the Spanish management team to a team of 26 property professionals including the recruitment of a new industry-leading CFO ▪ Successful listing of Castellana on the MAB in Madrid in July 2019. Following its listing Castellana ranks as the ninth largest REIT in Spain ▪ Successful acquisition of Kolonnade Retail Park for R470 million, thereby growing our quality South African retail portfolio ▪ Continued the 15-year unbroken record of growth in dividends by delivering growth of 7.5%, significantly ahead of other sector peers.	98%	Out-performance

Financial director continued

Personal performance measures

Performance measures	Description	Weighting	Threshold target	Stretch target	Actual achievement for 2019	Performance score	STI result
			Performance				
Implementation of portfolio acquisitions and corporate actions	▪ Ensuring that all transactions are seamlessly implemented and bedded down from a financial, regulatory, reporting and funding perspective.	**20%**	**70%**	**90%**	▪ Successfully implemented the acquisition of Habaneras Shopping Centre ▪ Successfully implemented Project West (Spanish portfolio) ▪ Successfully implemented the acquisition of Kolonnade Retail Park.	95%	Out-performance
Staff management, leadership behaviour and succession planning	Key objectives are: ▪ Ensuring a fully committed and motivated finance team ▪ Ensuring minimum finance staff turnover ▪ Ensuring adequate succession planning and mentoring given likely retirement ▪ Living the Vukile values and being a positive role model to the finance team.	**20%**	**70%**	**90%**	▪ Stable and committed finance team with zero staff turnover during 2019 ▪ Successful mentoring of the new financial director: southern Africa and group head of treasury ▪ Successful implementation of the succession plan for the financial director with the appointment of Laurence Cohen, former Hyprop CFO, as CFO designate on 1 March 2019.	90%	Stretch
Balance sheet management	Ensuring that Vukile maintains a prudent funding strategy in line with approved policies that include the following: ▪ Gearing < 40% ▪ Hedging >75% ▪ Diversified sources of funding ▪ Maintaining the GCR credit rating.	**30%**	**70%**	**90%**	▪ Reduced group cost of funding to 4.60% compared to target of <6.25% ▪ Achieved loan to value ratio of 38% compared to target ▪ Term debt 95% hedged compared to policy target of 75% ▪ Secured a credit upgrade from GCR of A+.	100%	Out-performance

REMUNERATION REPORT continued

Financial director continued

Personal performance measures

			Performance				
Performance measures	Description	Weighting	Threshold target	Stretch target	Actual achievement for 2019	Performance score	STI result
Financial reporting	- Stabilising the finance function of Castellana to ensure timeous and accurate reporting.	10%	70%	90%	- Successful stabilising of the Castellana finance function with appointment of new CFO and introduction of structured finance processes.	90%	Stretch
					Overall performance	96%	

Managing director: southern Africa

Personal performance measures							
			Performance				
Performance measures	Description	Weighting	Threshold target	Stretch target	Actual achievement for 2019	Performance score	STI result
Responsible growth in the business	Execute the strategy in line with the approved strategic plan including: ▪ Identifying and concluding value accretive acquisitions in line with the approval framework ▪ Implementing board approved strategies to enter new markets and/or geographies ▪ Achieving growth in dividend in line with board set targets ▪ Growing the non-GLA and energy management initiatives ▪ Growing the retail exposure and strengthening portfolio quality through dealmaking, disposals and accretive acquisitions where applicable.	15%	70%	90%	▪ Successful acquisition of Kolonnade Retail Park for R470 million, thereby growing our quality South African retail portfolio. ▪ Strong progress on growing Vukile AIM with the roll out of fibre to 35 of our retail centres completed during the year and a wifi pilot project in progress at two retail centres ▪ Strong progress on sustainability initiatives with 4.8MW of PV installed to date and an additional 3.9MW of PV in progress while and a further 2.6MW is currently under investigation. In addition, four water backup projects are presently in progress with three water savings projects having been completed ▪ Continued the 15-year unbroken record of growth in dividends by delivering growth of 7.5%, significantly ahead of other sector peers.	98%	Out-performance

REMUNERATION REPORT continued

Managing director: southern Africa continued

Personal performance measures

			Performance					
Performance measures	Description	Weighting	Threshold target	Stretch target	Actual achievement for 2019	Performance score	STI result

Performance of the Vukile property portfolio	Execute the property strategy in line with the approved budget guidelines, including:
	▪ Managing net income through:
	  ▪ Optimising gross income and recoveries
	  ▪ Optimising net recurring expenditure
	  ▪ Optimising net non-recurring expenditure
	▪ Managing the vacancy of the overall portfolio
	▪ Managing rental collection
	▪ Managing the lease renewal process.
		60%	70%	90%	▪ Outperformed the net income target
					▪ Like-for-like net income growth of 4.4%
					▪ Retail vacancies reduced to 3.0%
					▪ Positive reversions of >4.5%
					▪ Tenant retention of 87% in a very difficult market
					▪ Successful management of the Edcon risk by reducing our exposure from 5.7% to 4.3%.
						95%	Out-performance

Staff management, leadership behaviour and succession planning	Key objectives are: ▪ Ensuring a fully committed and motivated asset management team ▪ Ensuring minimum staff turnover ▪ Ensuring adequate succession planning and mentoring given likely retirement ▪ Living the Vukile values and being a positive role model to the asset management team.	10%	70%	90%	▪ Stable and committed asset management team with zero staff turnover during 2019 ▪ Successful implementation of the succession plan and mentoring of successor ▪ Successful establishment of an in-house strategic leasing function ▪ Successful recruitment of a new capex and efficiency resource.	95%	Out-performance

Managing director: southern Africa continued

Personal performance measures

Performance measures	Description	Weighting	Threshold target	Stretch target	Performance: Actual achievement for 2019	Performance score	STI result
Alternative Income Management (AIM)	▪ Growing AIM by building a solid operating platform for future value enhancement.	**15%**	**70%**	**90%**	▪ Strong progress on growing Vukile AIM with the roll out of fibre to 35 of our retail centres completed during the year and a wifi pilot project in progress at two retail centres ▪ Strong progress on sustainability initiatives with 4.8MW of PV installed to date and an additional 3.9MW of PV in progress while and a further 2.6MW is currently under investigation. In addition, four water backup projects are presently in progress with three water savings projects having been completed.	85%	Between threshold and stretch
					Overall performance	**94%**	

REMUNERATION REPORT continued

Executive director

Personal performance measures

Performance measures	Description	Weighting	Threshold target	Stretch target	Actual achievement for 2019	Performance score	STI result
			Performance				
Responsible growth in the business	Execute the strategy in line with the approved strategic plan including: ▪ Identifying and concluding value accretive acquisitions in line with the approval framework ▪ Implementing board approved strategies to enter new markets and/or geographies ▪ Achieving growth in dividend in line with board set targets ▪ Growing the non-GLA and energy management initiatives ▪ Growing the retail exposure and strengthening portfolio quality through dealmaking, disposals and accretive acquisitions where applicable.	5%	70%	90%	▪ Successful acquisition of Kolonnade Retail Park for R470 million, thereby growing our quality South African retail portfolio ▪ Strong progress on growing Vukile AIM with the roll out of fibre to 35 of our retail centres completed during the year and a wifi pilot project in progress at two retail centres ▪ Strong progress on sustainability initiatives with 4.8MW of PV installed to date and an additional 3.9MW of PV in progress while and a further 2.6MW is currently under investigation. In addition, four water backup projects are presently in progress with three water savings projects having been completed ▪ Continued the 15-year unbroken record of growth in dividends by delivering growth of 7.5%, significantly ahead of other sector peers.	90%	Stretch

REMUNERATION REPORT continued

Executive director continued

Personal performance measures

Performance measures	Description	Weighting	Threshold target	Stretch target	Actual achievement for 2019	Performance score	STI result
		Performance					
Driving tangible Black Economic Empowerment (BEE)	▪ To establish a real tangible way of executing BEE outside of the normal BEE scorecard environment.	**50%**	**70%**	**90%**	▪ Successful launch of the Vukile Academy comprising: ▪ Eight property interns working on one-year structured intern programme to empower them for the workplace ▪ 50 full-time black bursary students who will become eligible for selection into the intern programme.	96%	Out-performance
Staff management and leadership	Key objectives are: ▪ Ensuring a fully committed and motivated team ▪ Ensuring minimum staff turnover ▪ Living the Vukile values and being a positive role model to the team.	**5%**	**70%**	**90%**	▪ Stable and committed team with zero staff turnover during 2019 ▪ Inspirational leadership in promoting the Vukile Academy.	95%	Out-performance
Transformation, corporate social investment (CSI) and community liaison	▪ Refining and executing the transformation and CSI policy in both the Vukile corporate environment and within the various geographies where the properties are located ▪ Driving the community liaison process to ensure strong relationships.	**40%**	**70%**	**90%**	▪ Continued management of the BEE rating within the scorecard parameters despite it being very challenging ▪ Strong community relationships with no major community or stakeholder issue reported.	85%	Between threshold and stretch
					Overall performance	**91%**	

REMUNERATION REPORT continued

Incentives awarded: 2019 performance period

Taking into account the actual achievement relative to the corporate performance target and individual performance scores, the allocation for incentives for the 2019 performance period are set-out in the table below:

Executive director	TGP[1] R	Maximum %	Maximum bonus potential R	Cash bonus earned R	CSP allocation *in lieu* of annual performance	Total incentive (cash and CSP)	% of maximum bonus	% of TGP
CEO	4 520 000	150	6 780 000	5 150 000	1 630 000	6 780 000	100	150
Financial director	3 048 000	125	3 810 000	2 900 000	910 000	3 810 000	100	125
MD: SA	2 500 000	125	3 125 000	2 100 000		2 100 000	67	84
Executive director[2]	1 896 500	125	2 370 625	1 100 000		1 100 000	46	58

[1] *TGP effective 1 July 2018.*
[2] *Based on a four-day week.*

Long-term initiative scheme (LTIs)

In line with the new disclosure format recommended by King IV, the following information relating to LTIs is disclosed:

LTI allocations made post-year-end

Executive director	New TGP[1]	CSP allocations 2019
CEO	4 746 000	**5 695 200**
Executive director	1 991 500	**1 732 000**

[1] *TGP effective: 1 July 2019.*

No LTI allocations were made to the financial director and managing director: southern Africa due to their impending retirement on 30 June 2019.

The CSPs awarded during 2019 are to be tested over a three-year period commencing on 1 April 2019 and ending on 31 March 2021 in line with performance targets and weightings as set out in the performance measurement section on page 96.

LTI outcomes for 2019

Details of the LTIs vesting on 31 May 2019 and measured over the performance period from 1 April 2016 to 31 March 2019 are set out in the table below:

Absolute performance

	Performance criteria			Actual performance		
Performance level	Performance measure %	CPI (note 1) %	Performance target %	Average growth in dividends (note 2) %	Performance level achieved	Vesting %
Threshold	CPI + 1	4.73	5.73	8.02	Yes	30
Stretch	CPI + 2	4.73	6.73	8.02	Yes	100
Outperformance	CPI + 3	4.73	7.73	8.02	Yes	200

Note 1 – Determined over the performance period.
Note 2 – Measured over the performance period.

Relative performance

	Performance criteria		Actual performance		
Performance level	**Performance measure**	**Performance target**	**Relative performance achieved %**	**Performance level achieved**	**Vesting %**
Threshold	Growth in dividends and share price versus peer group weighted by market value over a three-year period	100% of index performance	203	Yes	30
Stretch		110% of index performance	203	Yes	100
Outperformance		120% of index performance	203	Yes	200

LTIs outstanding and settled during 2019

Details relating to the settlement of LTIs and LTIs outstanding at 31 March 2019 are contained in the table below:

	Opening number 1 April 2018	Granted during the year[(2)]	Forfeited during the year	Settled during the year	**Closing number 31 March 2019**	Closing estimated fair value[(1)]
LG Rapp						
Awards with CPA (personal performance conditions)						
CSP 2015	54 764	–	–	(54 764)	**–**	–
CSP 2016	75 557	–	–	–	**75 557**	1 511 140
CSP 2017	89 695	–	–	–	**89 695**	1 793 900
CSP 2018	–	68 373	–	–	**68 373**	1 367 460
Awards with VKE performance (company performance conditions)						
CSP 2015	144 367	72 183		(216 550)	**–**	–
CSP 2016	152 371		–	–	**152 371**	3 047 420
CSP 2017	227 248		–	–	**227 248**	4 544 960
CSP 2018	–	180 255	–	–	**180 255**	3 605 100
Special performance awards						
CSP 2015	69 059	–	–	(69 059)	**–**	–
CSP 2016	–	–	–	–	**–**	–
CSP 2017	–	–	–	–	**–**	–
CSP 2018		–	–	–	**–**	–
Total	**813 061**	**320 811**	**–**	**(340 373)**	**793 499**	**15 869 980**

REMUNERATION REPORT continued

	Opening number 1 April 2018	Granted during the year[2]	Forfeited during the year	Settled during the year	**Closing number 31 March 2019**	Closing estimated fair value[1]
MJ Potts						
Awards with CPA (personal performance conditions)[3]						
CSP 2015	36 540	–	–	(36 540)	**–**	–
CSP 2016	50 999		–	–	**50 999**	1 019 983
CSP 2017	58 506	–	–	–	**58 506**	1 170 117
CSP 2018	–	41 915	–	–	**41 915**	838 300
Awards with VKE performance (company performance conditions)						
CSP 2015	63 098	31 549		(94 647)	**–**	–
CSP 2016	63 042				**63 042**	1 260 837
CSP 2017	103 191	–	–	–	**103 191**	2 063 825
CSP 2018	–		–	–	**–**	–
Special performance awards						
CSP 2015	38 614	–	–	(38 614)	**–**	–
CSP 2016	–	–	–	–	**–**	–
CSP 2017	53 240	–	–	–	**53 240**	1 064 800
CSP 2018	–	–	–	–	**–**	–
Total	**467 230**	**73 464**	**–**	**(169 801)**	**370 893**	**7 417 862**

Details relating to the settlement of LTIs and LTIs outstanding at 31 March 2019 are contained in the table below:

	Opening number 1 April 2018	Granted during the year[2]	Forfeited during the year	Settled during the year	**Closing number 31 March 2019**	Closing estimated fair value[1]
HC Lopion						
Awards with CPA (personal performance conditions)[4]						
CSP 2015	32 555	–	–	(32 555)	**–**	–
CSP 2016	41 553	–	–	–	**41 553**	831 065
CSP 2017	44 986	–	–	–	**44 986**	899 724
CSP 2018	–	34 379	–	–	**34 379**	687 580
Awards with VKE performance (company performance conditions)						
CSP 2015	56 231	28 114	–	(84 345)	**–**	–
CSP 2016	60 069	–	–	–	**60 069**	1 201 380
CSP 2017	78 686	–	–	–	**78 686**	1 573 720
CSP 2018	–	–	–	–	**–**	–
Special performance awards						
CSP 2015	34 528	–	–	(34 528)	**–**	–
CSP 2016	–	–	–	–	**–**	–
CSP 2017	53 230	–	–	–	**53 230**	1 064 596
CSP 2018		–	–	–	**–**	–
Total	**401 838**	**62 493**	**–**	**(151 428)**	**312 903**	**6 258 065**

	Opening number 1 April 2018	Granted during the year[2]	Forfeited during the year	Settled during the year	**Closing number 31 March 2019**	Closing estimated fair value[1]
GS Moseneke						
Awards with CPA (personal performance conditions)						
CSP 2015	25 543		(5 633)	(19 910)	**–**	–
CSP 2016	31 736	–	–	–	**31 736**	634 723
CSP 2017	33 695	–	–	–	**33 695**	673 892
CSP 2018	–	28 688	–	–	**28 688**	573 760
Awards with VKE performance (company performance conditions)						
CSP 2015	44 105	22 052	–	(66 157)	**–**	–
CSP 2016	47 983	–	–	–	**47 983**	959 660
CSP 2017	58 771	–	–	–	**58 771**	1 175 420
CSP 2018	–	49 551	–	–	**49 551**	991 020
Special performance awards						
CSP 2015	25 983	–	–	(25 983)	**–**	–
CSP 2016	–	–	–	–	**–**	–
CSP 2017	–	–	–	–	**–**	–
CSP 2018		–	–	–	**–**	–
Total	**267 816**	**100 291**	**(5 633)**	**(112 050)**	**250 424**	**5 008 475**

[1] The 2015 to 2018 CSPs with performance conditions are included at the spot price as at 31 March 2019 of R20.00 and an estimated 100% of performance conditions to be met.
[2] Allocations for CSP 2015 during the 2019 financial year relates to shares awarded due to outperformance of the relative performance measure.
[3] Personal performance conditions require MJ Potts to remain a director of Castellana Properties SOCIMI until vesting date.
[4] Personal performance conditions require HC Lopion to remain available to Vukile for consultation on matters relating to events prior to 30 June 2019 until vesting date.

Special long-term incentive scheme allocation made to CEO under existing CSP

At the annual general meeting (AGM) of Vukile held on 12 August 2018, shareholders voted against the special resolution to provide financial assistance to executive directors under the provisions of the Vukile Share Purchase Plan (SPP). This negative vote resulted in the resolution failing to pass and rendering the SPP redundant as an incentive scheme for executive directors. At the time, all executive directors participating in the scheme were fully allocated in respect of their participation, except for the CEO. Post the AGM, management, the chairman of the board and the chairman of the SEHRC met with shareholders to understand their reasons for not supporting the resolution. Shareholders indicated that as a matter of principle, and not specifically relating to Vukile, they would no longer support these types of schemes in the sector, citing recent governance collapses and the extreme quantum of use in the sector. Following this feedback, the SEHRC retained the services of PwC for advice to ensure that the CEO is appropriately incentivised and aligned with shareholder interests. Following feedback from PwC, the board resolved post-year-end to make a special allocation to the CEO under the provisions of the existing Conditional Share Plan *in lieu* of his participation in the SPP, as detailed below.

LTI allocation made post-year-end *in lieu* of participation in the SPP

Executive director	Vesting conditions	CSP allocation	Vesting period
CEO	Combination of personal performance (25%), achievement of strategic goals set by the board (25%) and specific performance targets for both Vukile and Castellana (50%)	R22 million	10 years*

** The special allocation has a ten-year vesting period with potential early vesting after five years provided that all the vesting conditions are met within five years. In line with prudent accounting principles the allocation will be amortised over a five-year period.*

REMUNERATION REPORT continued

Total remuneration outcome

Total remuneration for 2019 is reflected in the table below. The format is aligned to the King IV recommended total single figure disclosure of remuneration.

Executive directors' remuneration

All figures stated in R000	Salary	Dividend equivalents[1]	Short-term incentive – cash[2]	Short-term incentive – deferred[2]	LTIP reflected[3]	Total single figure of remuneration
LG Rapp	4 517 208	1 382 821	5 150 000	1 630 000	7 605 960	20 285 989
MJ Potts	3 008 250	646 351	2 900 000	910 000	3 541 600	11 006 201
HC Lopion	2 436 500	545 292	2 100 000	—	3 233 800	8 342 592
GS Moseneke	1 887 985	436 410	1 100 000	—	2 383 580	5 807 975

[1] *Distributions equivalents paid in the current financial year on the CSP.*

[2] *The short-term incentive bonus determined in May 2019 based on performance for the year ended 31 March 2019. The cash portion will be paid 50% in May 2019 and 50% in November 2019, while the deferred portion will be delivered through the CSP over a three-year vesting period with retention conditions only.*

[3] *LTIP reflected includes the 2016 CSP awards which vested post-year-end on 31 May 2019 with a performance period from 1 April 2016 to 31 March 2019. These were included at the spot price of R20.00 as at 31 March 2019 and an estimated 100% achievement of performance conditions, plus outperformance.*

Non-executive directors' fees

Increase in non-executive directors' fees

For 2019, non-executive directors' fees will be adjusted by 6.1% in line with inflation. Please refer to special resolution number 1 as set out in the notice convening the annual general meeting, for the proposed adjustments to be approved by shareholders at the 2019 AGM. The tables below reflect non-executive directors' fees for 2019 and 2018.

Non-executive directors' remuneration

Rand	Directors' fees	**2019 Total remuneration**	2018 Total remuneration
AD Botha	367 125	**367 125**	676 500
SF Booysen	690 875	**690 875**	604 750
RD Mokate	698 542	**698 542**	509 578
PS Moyanga	515 375	**515 375**	529 751
B Ngonyama	493 875	**493 875**	50 833
H Ntene	445 375	**445 375**	401 751
NG Payne	757 750	**757 750**	696 250
HM Serebro	552 875	**552 875**	501 751
Total	4 521 792	**4 521 792**	3 971 164

SOCIAL AND ETHICS STATEMENT

The committee performs an oversight and monitoring role in respect of issues detailed in the Companies Act. The committee is responsible for, among other things:

- Monitoring the group's activities against global responsibility protocols, including the UN Global Compact Code and the principles of the Organisation for Economic Development Guidance (OEDG);
- Monitoring compliance with the Employment Equity Act and B-BBEE Act; and
- Monitoring of corporate citizenship, consumer relations and the group's impact on the environment, health and public safety.

Social and ethics statement	
Global responsibility protocols	▪ The group supports and respects the principles set out in the UN Global Compact Code, OEDG's recommendation on the prevention of corruption and the International Labour Organisation's directive on decent work and working conditions.
Work environment	▪ The group considers its workforce, which included a total of 35 southern African employees as at 31 March 2019, to be its biggest and most important asset. Human rights and friendly labour practices are embedded in the company's official values. In addition to the full-time employees, Vukile also has eight interns employed on fixed-term contracts as part of the Vukile Academy.
Employment equity, B-BBEE and transformation	▪ The group has identified transformation as a critical success factor. ▪ Our empowerment partner, Encha Properties' shareholding was 7.0% on 31 March 2019, which represents a 23.3% effective shareholding under the property sector charter code.
Corporate citizenship, consumer relations, and the group's impact on the environment, health and public safety	▪ The group aims to be a good corporate citizen and to be active in uplifting the communities in which we operate. A report on our community involvement is presented on page 81. The group's impact on the environment is detailed on pages 79 and 80 of this integrated annual report.
Record of sponsorship, donations and humanitarian initiatives	▪ The company maintains a register of the sponsorships, donations and humanitarian initiatives.

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The audited annual financial statements for year ended 31 March 2019, set out on pages 129 to 199 of these annual financial statements and the directors' report on pages 121 to 124, are the responsibility of the directors. The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for the safeguarding of assets, and for developing and maintaining a system of internal controls that, among other things, will ensure the preparation of financial statements that achieve fair presentation. After conducting appropriate procedures, the directors are satisfied that the group will be a going concern for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements. The annual financial statements were approved by the directors and are signed on their behalf by:

Nigel Payne
Chairman

Laurence Rapp
Chief executive

Houghton Estate
29 May 2019

COMPANY SECRETARY'S CERTIFICATION

Declaration by the company secretary in respect of section 88(2)(e) of the Companies Act

I declare that, to the best of my knowledge, the company has lodged with the Companies and Intellectual Property Commission all such returns as required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Johann Neethling
Group company secretary

Houghton Estate
29 May 2019

The group and separate annual financial statements have been audited by PricewaterhouseCoopers Inc, in compliance with the applicable requirements of the Companies Act of South Africa, 2008 and the JSE Listings Requirements. The group and separate annual financial statements were compiled under the supervision of Michael John Potts CA(SA), the financial director of the company.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Vukile Property Fund Limited

Report on the audit of the consolidated financial statements

Our opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Vukile Property Fund Limited (the company) and its subsidiaries (together the group) as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited
Vukile Property Fund Limited's consolidated financial statements set out on pages 129 to 199 comprise:
- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach
Overview

Overall group materiality
- R98.3 million, which represents 5% of the group's consolidated profit before tax.

Group audit scope
- The group consists of three components (including the holding company), that directly or indirectly own the group's 77 properties.
- Full scope audits were performed on all three components.

Key audit matters
- Valuation of investment properties.
- Investment in Morzal.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R98.3 million
How we determined it	5% of the group's consolidated profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group owns 77 properties throughout South Africa, Namibia and Spain, which are managed via the three components, Vukile Property Fund Limited, Castellana Properties Socimi S.A. and Clidet No 1011 (Pty) Limited. Full scope audits were performed on all three components. The South African and Namibian operations were audited by the group engagement team, while the Spanish operations were audited by a component audit team.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, and component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The majority of the group's investment property comprises retail investment properties. At 31 March 2019, the carrying value of the group's total investment property portfolio was R30.7 billion representing a R11.5 billion increase compared to the prior year. This portfolio includes investment properties classified as non-current assets held for sale. The measurement of fair value of investment properties is dependent on the valuation techniques applied and the inputs into the valuation model. The group has applied the discounted cash flow model to value its investment properties at year-end. In the current year, external property valuers were engaged by management to value the Spanish portfolio. Internal valuations were performed by management on the southern African portfolio. Management further engaged external property valuers to value 51% of the southern African portfolio to test the robustness of their internal valuation. Inputs into the valuation model include estimated rental income streams, operating costs, discount rates and the capitalisation rate. The estimated rental stream takes into account current occupation levels, estimated future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the buildings. The most significant assumptions used in determining the fair value are the: ▪ reversionary capitalisation rates; and ▪ discount rates applied by management. We considered the valuation of investment properties as a matter of most significance to our current year audit due to: ▪ the judgements required in determining the fair value; and ▪ the magnitude of the investment property balances at year-end. Refer to notes 3 and 17.4 to the financial statements for disclosure related to this matter.	We obtained the valuation reports prepared by management as at 31 March 2019 for the southern African portfolio, as well as the valuation reports obtained by management from the external property valuers for the Spanish portfolio and 51% of the southern African portfolio. For the southern African portfolio, we obtained an understanding of and tested the relevant controls over the internal valuations including: ▪ Entering into and amending of lease contracts in support of contractual rental income; ▪ Setting and approval of estimated rental streams, operating costs, discount rates and the capitalisation rates; ▪ Comparison of external valuation results to management's internal valuation; and ▪ Board approval of the valuations obtained. In respect of the external property valuers we evaluated their objectivity, independence and expertise by inspecting the external valuers' valuation reports for a statement of independence and compliance with generally accepted valuation standards. No exceptions were noted. For a sample of properties, we independently tested the calculation of the fair values in the management and external valuers' valuation reports by performing the following procedures, with no exceptions noted: ▪ Utilised our internal valuation expert to assess the appropriateness of the valuation methodology; ▪ Assessed the reasonableness of the inputs including the reversionary capitalisation rate and the discount rate applied by management against market-related data for similar investment properties; ▪ Independently recalculated the accuracy of the valuations; and ▪ Inspected the final valuation reports and agreed the fair value to the group's accounting records.

INDEPENDENT AUDITOR'S REPORT continued

Key audit matter	How our audit addressed the key audit matter
Investment in Morzal Two co-investors participated in the acquisition of four shopping centres in Spain ("Morzal" transaction). This resulted in the co-investors holding a 25.6% shareholding in Castellana. The shareholders' agreements concluded in terms of this transaction provided for the two co-investors to exit their Castellana shareholding at predetermined future dates. In the event that the co-investors do not achieve a predetermined price on the sale of their shares, Vukile is required to settle the shortfall (the "put option"). The measurement of fair value of the net settled derivative is dependent on the valuation techniques applied and the inputs into the valuation model. The group has applied the Black Scholes model to value these derivatives at year-end. The most significant inputs are the: ▪ discount rate; and ▪ volatility assumption. We considered the acquisition of Morzal to be a matter of most significance due to: ▪ the magnitude of the transaction; and ▪ the judgement involved in valuing the derivative arising as a result of the shareholder agreement. Refer to note 20 to the financial statements for disclosure related to this matter.	We obtained copies of the contracts for the acquisition of Morzal, and copies of the accounting opinions regarding the implications of the acquisition from management. We inspected these, considering the requirements of IFRS 9 – *Financial Instruments*, and agreed with management's assessment that the shortfall payment by Vukile should be accounted for at fair value. We utilised valuation experts to assess the valuation methodology and inputs (including the discount rate and volatility of the index). This was done by comparing the methodology to industry practice, and obtaining independent data for the inputs used. We then compared the results of an independently calculated fair value to management's valuation. We concurred with the methodology applied and found no material differences in relation to the valuation. We reviewed the disclosures provided against the requirements of the IFRS standards, and found them to be compliant.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Vukile Property Fund Limited consolidated annual financial statements for the year ended 31 March 2019 and the Vukile Property Fund Limited separate annual financial statements for the year ended 31 March 2019, which include the directors' report, the report of the audit and risk committee and the company secretary's certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the Vukile Property Fund Limited integrated annual report 2019, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Vukile Property Fund Limited for one year.

PricewaterhouseCoopers Inc.

Director: A Taylor

Registered auditor

Johannesburg

29 May 2019

DIRECTORS' REPORT

The directors have pleasure in submitting the fifteenth directors' report, which forms part of the annual financial statements of the group and company for the year ended 31 March 2019.

Vukile was listed on 24 June 2004 with a market capitalisation of approximately R1.03 billion. The company's market capitalisation has increased to R18.4 billion at year-end.

It is pleasing to announce that the group has performed well over the review period and that profit available for distribution has increased by 29.3% from R1.31 billion to R1.69 billion for the year ended 31 March 2019.

Summary of financial performance and dividends

The information presented for the year ended 31 March 2019 has been prepared in accordance with International Financial Reporting Standards (IFRS) and the group's accounting policies. The presentation of the results also complies with the relevant section of the Companies Act and the JSE Listings Requirements. The annual financial statements have been audited by PwC.

The board approved a final dividend on 29 May 2019 of 103.37872 cents per share for the year ended 31 March 2019. This brings the dividend for the year ended 31 March 2019 to 181.48123 cents per share (March 2018: 168.81975 cents), an increase of 7.5% for the year. The increase in dividend is in line with the growth forecast of 7.5% for the second half dividend provided to the market at the interim reporting stage in November 2018.

The company's use of dividend per share as a relevant measure of results for trading statement purposes remains unchanged from prior periods.

Nature of business

Vukile is a property holding and investment company through the direct and indirect ownership of immovable property. The group holds a portfolio of direct property assets as well as strategic shareholdings in listed REITs. The company is listed on the JSE and the NSX in Namibia under the retail REITs sector.

Capital structure

The authorised share capital comprises 1 500 000 000 ordinary shares with no par value. There were 960 962 145 shares in issue at 31 March 2019. The company issued the following shares during the year under review:

Date of issue	Purpose	Number of shares issued	Issued price per share Rand
27 June 2018	Dividend reinvestment plan	3 857 140	20.30
26 July 2018	General issue for cash (Encha)[(1)]	12 755 102	19.60
26 July 2018	General issue for cash[(1)]	57 385 615	18.66
26 July 2018	General issue for cash (Encha matching)[(1)]	12 755 102	18.66
26 July 2018	Vendor placement[(1)]	3 819 993	18.66
5 November 2018	Acquisition issue	22 889 305	20.56
28 December 2018	Dividend reinvestment plan	4 480 038	19.40
8 February 2019	General issue for cash	5 000 000	20.50
13 March 2019	General issue for cash	13 253 483	19.85

[(1)] *Effected through an accelerated bookbuild process.*

The group has no unlisted securities in issue.

Compliance with SA REIT best practice recommendations (BPR) publication

The SA REIT sector has published a BPR document that is intended to make financial reporting of SA REITs clearer and more comparable, and afford easier analysis and comparison of different SA REIT counters. Vukile subscribes to this BPR document and the financial reporting provided is in compliance with the recommendations therein.

Management and administration

The management of Vukile is responsible for the property asset management functions of the group.

Vukile has contracted the following property managers to undertake the day-to-day management of the group's property portfolio:

- JHI Properties (Pty) Ltd
- Broll Property Group (Pty) Ltd
- McCormick Property Development (Pty) Ltd
- Spire Property Management (Pty) Ltd
- Trafalgar Property Management (Pty) Ltd.

Directors

Details of the directors, providing their full names, ages, qualifications and a brief *curriculum vitae,* are set out in the governance review of the integrated annual report.

In terms of the Memorandum of Incorporation (MOI) of the company, one-third of the non-executive and executive directors has to retire annually by rotation. Any new directors that have been appointed during the year also have to retire at the next annual general meeting. All retiring directors will subsequently be eligible for re-election. The composition of the board of directors and its sub-committees is detailed below and on the next page.

Board of directors

Composition of board	Date of appointment	Audit and risk committee	Social, ethics and human resources committee	Nominations committee	Property and investment committee
Independent non-executive directors					
NG Payne (Chairman)	20 March 2012		Member	Chairman	Member
SF Booysen	20 March 2012	Member	Chairman	Member	
RD Mokate	11 December 2013	Member	Member	Member	
PS Moyanga	17 May 2004				Member
B Ngonyama	12 February 2018	Chairman			
H Ntene	25 October 2013				Member
HM Serebro	17 May 2004				Chairman
Executive directors					
LG Rapp (CEO)	1 August 2011				Member
MJ Potts (FD)	17 May 2004				
HC Lopion	1 January 2010				Member
GS Moseneke	1 August 2013				

Directors' interest in material contracts

During the year under review, the directors had no interest in material contracts or transactions, other than those directors involved in the operation of the company as set out in this report. There have been no bankruptcies or voluntary arrangements of the abovementioned persons.

The directors have not been the subject of public criticisms by statutory or regulatory authorities (including professional bodies) and have not been disqualified by a court from acting as directors of a company or from acting in the management or conduct of the affairs of any company. There have been no offences involving dishonesty by the directors.

DIRECTORS' REPORT continued

Executive directors' service contracts

The executive directors do not have fixed-term contracts with the company. A three- and six-month notice period is required of the executive directors and the CEO respectively for the termination of services. Details of remuneration and incentive bonuses are set out in the following tables:

Non-executive directors' remuneration

Rand	Directors' fees	2019 Total remuneration	2018 Total remuneration
AD Botha	367 125	**367 125**	676 500
SF Booysen	690 875	**690 875**	604 750
RD Mokate	698 542	**698 542**	509 578
PS Moyanga	515 375	**515 375**	529 751
B Ngonyama	493 875	**493 875**	50 833
H Ntene	445 375	**445 375**	401 751
NG Payne	757 750	**757 750**	696 250
HM Serebro	552 875	**552 875**	501 751
Total	4 521 792	**4 521 792**	3 971 164

Executive directors' remuneration

Rand	Salary#	Short-term bonus	Distribution equivalents*	Value of LTI scheme vested	2019 Total remuneration	2018 Total remuneration
Executive directors						
LG Rapp	4 517 208	4 795 000	1 382 821	7 379 287	**18 074 316**	12 002 826
MJ Potts	3 008 250	2 700 000	646 351	3 681 264	**10 035 865**	6 961 562
HC Lopion	2 463 500	2 000 000	545 292	3 282 959	**8 291 751**	5 994 272
GS Moseneke	1 887 985	800 000	436 410	2 429 244	**5 553 639**	3 995 245
Total	11 876 943	10 295 000	3 010 874	16 772 754	**41 955 571**	28 953 905

** Amount earned in respect of dividend paid as a bonus in respect of the Conditional Share Plan.*
 # Includes pension fund and life cover contributions, where applicable.

Directors' interests in shares

Shares	Direct beneficial	Indirect beneficial	2019 Total
Executive directors			
LG Rapp	562 055	4 191 611	**4 753 666**
MJ Potts	830 279	—	**830 279**
HC Lopion	140 882	—	**140 882**
GS Moseneke	—	13 074 194	**13 074 194**
Total	1 533 216	17 265 805	**18 799 021**

Movement of directors' interests in shares

Shares	Held at 1 April 2018	Acquired during the period	Disposed of during the period	**Held at 31 March 2019**
Executive directors				
LG Rapp	3 332 426	1 814 995	(393 755)	**4 753 666**
MJ Potts	852 279	93 390	(115 390)	**830 279**
HC Lopion	57 597	83 285	—	**140 882**
GS Moseneke	10 224 554	3 031 552	(181 912)	**13 074 194**
Total	14 466 856	5 023 222	(691 057)	**18 799 021**

Financial assistance

Since the approval by shareholders of the Share Purchase Plan (SPP), the board, after considering the provisions of sections 44 and 45 of the Companies Act, 71 of 2008, has provided financial assistance in the form of loans to executive directors and other members of the executive committee eligible for participation under the scheme. The loans awarded to date, as well as the shares that have been ceded and pledged as security for the repayment of the loan, are set out in note 32 of the annual financial statements.

Loans to directors

Loans to directors under the provisions of Vukile's SPP, including shares ceded and pledged as security for these loans, are set out below:

	Loan balance as at 31 March 2019 (R)	Number of shares held under the SPP	**Market value of shares as at 31 March 2019 (R)**	Loan balance as at 31 March 2018 (R)
LG Rapp[(1)]	76 334 998	4 006 611	**80 132 220**	46 596 419
MJ Potts	449 000[(2)]	200 000	**4 000 000**	2 600 123
HC Lopion	—	—	**—**	—
GS Moseneke[(1)]	28 285 001	1 477 670	**29 553 400**	15 788 093
Total	105 069 008	5 684 281	**113 685 620**	64 984 635

(1) *Includes loan extended in 2018 to a personal investment company of which the director is the sole shareholder and director.*
(2) *Repaid in full in April 2019.*

Directors' beneficial interests under the current long-term incentive (LTI) scheme

The following table sets out the directors' interests in shares through the LTI scheme as at 31 March 2019. The vesting of such shares remain subject to the fulfilment of performance conditions:

Vukile shares	GS Moseneke	MJ Potts	HC Lopion	LG Rapp
Balance at 1 April 2018	267 815	467 229	401 837	813 061
Vested during the year	(112 050)	(169 800)	(151 428)	(340 373)
Shares forfeited	(5 632)	—	—	—
Allocated during the year (outperformance allocation)	22 052	31 549	28 115	72 183
Allocated during the year (normal annual allocation)	78 239	41 915	34 379	248 628
Balance at 31 March 2019	250 424	370 893	312 903	793 499
Market value of shares at 31 March 2019 (R)	5 008 480	7 417 860	6 258 060	15 869 980

No changes in directors' interests occurred between 31 March 2019 and 29 May 2019, being the date of approval of the annual financial statements, other than as disclosed above.

AUDIT AND RISK COMMITTEE REPORT

The summary below reflects the activities undertaken by the Vukile audit and risk committee (ARC) during the year in terms of its terms of reference and in support of the board. The key activities and relevant outcomes are as follows:

Key activities	Outcome
Engagement with the group's external auditors	• Led the process of reviewing the external audit function in light of Vukile's international expansion. • Received proposals and met with two potential firms, ultimately appointing PwC as new external auditor in September 2019. • Nominated and recommended to shareholders the appointment of Grant Thornton as outgoing external auditor of Vukile, after considering and concluding that they are independent. • Determined the fees to be paid to the outgoing external auditor as well as the fees and terms of the incoming external auditor. • Ensured that the appointment of the auditor complies with the Companies Act, the applicable JSE Listings Requirements, and any other legislation relating to the appointment of the auditor. • Determined the nature and extent of any non-audit services that the auditor may provide to the group. • Pre-approved any proposed agreement with the auditor for the provision of non-audit services to the group which are of a material nature as provided for in the group's non-audit services policy. • Prepared this report in compliance with section 94(7)(f) of the Companies Act, which report has been included in the annual financial statements by reference.
Internal financial controls, internal audit and combined assurance	• Considered and confirmed its satisfaction with the effectiveness of the outsourced internal audit function. • Assessed internal financial controls and concluded that no material breakdowns in the functioning of the internal financial controls were noted during the year under review and that the results of the audit tests conducted indicate that the internal financial controls provided a sound basis for the preparation of financial statements. • Ensured that a comprehensive combined assurance model was applied to the group's key risks to ensure a co-ordinated approach to all assurance activities. • Monitored the implementation of the internal audit coverage plan as approved by the committee. • Received and reviewed the annual representation letters from the outsourced property managers of the group, citing no material control breakdowns.
Oversight of risk management	• Reviewed and considered the activities and reports presented to the committee. • Reviewed and recommended for approval by the board, the revised group risk framework including the risk appetite guidance. • Considered and monitored the key financial, information technology, operational and strategic risks facing the group and the various mitigating controls thereof. • Overseeing compliance with the risk management requirements in accordance with the JSE Listings Requirements in respect of REITs.
Integrated reporting and assurance in respect of financial expertise of the financial director and finance function	• Reviewed and recommended the group's integrated annual report and annual financial statements for approval by the board. • Confirmed the expertise and experience of the financial director and the group's finance function

Key activities	Outcome
Compliance with Companies Act requirements and JSE Listings Requirements	• ARC stands ready to receive and deal with any concerns or complaints relating to the accounting practices or the content or auditing of the group annual financial statements. • Made submissions to the board on matters concerning the group's accounting policies, financial controls, records and reporting. • The ARC confirms that the REIT risk management policy has been complied with, in all material respects, as further disclosed in the governance report included in the integrated annual report. • Considered the JSE Proactive Monitoring Report and its impact on the annual financial statements.

Terms of reference

The ARC has adopted formal terms of reference which has been approved by the board of directors. The terms of reference are reviewed as necessary. The ARC has conducted its affairs in compliance with these terms of reference and has discharged its responsibilities contained therein, as well as in the Companies Act.

Membership, meeting attendance and evaluation

The ARC consists of three non-executive directors, all of whom are independent. At 31 March 2019, the ARC comprised the following members:

Director	Period served
B Ngonyama (chairman)	12 September 2018 to date
SF Booysen	20 March 2012 to date
RD Mokate	1 July 2015 to date

Members who retired during the year:

NG Payne (Former chairman)	20 March 2012 to 12 September 2018
PS Moyanga	24 May 2007 to 12 September 2018

The *curricula vitae* of the members of the ARC are set out in the governance review of the integrated annual report. The chief executive officer, the financial director, other members of senior management and representatives from the external and internal auditors attend the ARC meetings by invitation only. The internal and external auditors have unrestricted access to the chairman and other members of the ARC. The company secretary is the secretary of the committee.

In accordance with the terms of reference, the ARC meets at least four times annually, but more often if needed. Details of the ARC meeting attendance are set out in the governance review of the integrated annual report. The overall average attendance for the ARC meetings held during the year was 100%.

Roles and responsibilities

The ARC has an independent role with accountability to both the board and our shareholders. The ARC does not assume the functions of management, which remain the responsibility of the executive directors, officers and other senior members of management.

The ARC is responsible for assisting the Board in discharging its duties in respect of the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of the group annual financial statements in line with the relevant financial reporting standards as applicable from time to time. The execution of the ARC's responsibilities, which comprise both statutory duties and duties delegated by the board, are detailed more fully below.

External auditor

Following Grant Thornton's merger with BDO and being consolidated under the BDO South Africa brand, the group's auditors changed to PwC. The ARC has satisfied itself that both the former external auditor, Grant Thornton and the current external auditor, PwC were independent of the group, as required by the Companies Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by both auditors that internal governance processes within the audit firm support and demonstrate its claim to independence.

AUDIT AND RISK COMMITTEE REPORT continued

The ARC has also satisfied itself with the quality of the external audit work being performed by PwC in respect of the financial year-end under review.

There is a formal procedure that governs the process whereby the external auditor is considered for non-audit services. The ARC approved the terms of the service agreement for the provision of non-audit services by the external auditor and approved the nature and extent of non-audit services that the external auditor provided in terms of the agreed pre-approval policy. For the year under review, non-audit services fees paid to PwC were immaterial relative to the audit fees.

Internal financial controls

The key internal financial controls in operation for all significant business operations within the group have been formalised and are maintained and updated by management when required. The board has approved a delegation of authority to ensure good governance and an appropriate level of oversight.

Based on the results of the various reports submitted by Deloitte – the outsourced internal audit service providers, representations received from outsourced property managers and explanations given by management, the ARC is satisfied with the control environment with no material breakdowns noted in the functioning of the internal financial controls during the year under review.

Expertise and experience of the financial director and the finance function

The ARC has considered and is satisfied with the expertise and experience of Michael Potts (outgoing financial director) and Laurence Cohen (incoming chief financial officer) who will perform the duties of the company's financial director.

In addition, the ARC has considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the group's finance function and experience of the senior members of management responsible for the group's finance function.

Annual financial statements

The ARC assists the board with all financial reporting and reviews the annual financial statements as well as results announcements and interim financial information.

The ARC has reviewed the annual financial statements, results announcements and interim financial information of the group and is satisfied that they comply with International Financial Reporting Standards.

The following significant matters were considered by the A&R Co in relation to the annual financial statements for the year ended 31 March 2019:

- Evaluation of goodwill in Castellana Properties Socimi at 31 March 2019
- The property valuations as at 31 March 2019 for the southern Africa portfolio
- The property valuations as at 31 March 2019 for the Spanish portfolio
- Valuation of the listed property securities as at 31 March 2019
- Investment in associate – Atlantic Leaf Properties Limited as at 31 March 2019
- The accounting treatment resulting from the Morzal share swap.

The ARC was satisfied with adequate accounting treatment of the matters listed above.

Going concern

The ARC reviewed a documented assessment by management of the going concern premise of the group before recommending to the board that the group is a going concern and will remain so for the foreseeable future.

Integrated reporting

The ARC fulfils an oversight role regarding the group's integrated annual report and the reporting process, including the system of internal financial controls. The ARC is satisfied that the information, as presented in the Integrated Annual Report 2019, is reliable, consistent and fairly presented.

Tax and treasury oversight

The ARC receives regular feedback on both tax compliance and tax risk matters of the group from management. The ARC is satisfied that the group faces no material tax risks or that a material non-compliance event has occurred.

In respect of the treasury function, the ARC receives regular feedback on the group debt and interest rate hedge position as well as the group foreign exchange rate position. The ARC is satisfied that treasury risks are adequately managed within the parameters of the group's hedging policies and in line with the risk management requirements in accordance with the JSE Listings Requirements in respect of REITs.

Internal audit

The ARC is responsible for overseeing the internal audit and has considered and approved the annual risk-based internal audit plan.

AUDIT AND RISK COMMITTEE REPORT continued

for the year ended 31 March 2019

Internal audit is outsourced to Deloitte and tasked with providing assurance on the adequacy of the internal control environment across all of the group's significant operations. The internal audit plan follows a three-year cycle and is revised regularly in accordance with the risk profiles, as discussed and tabled at the ARC meetings, with any changes to the internal audit plan being approved by the ARC.

Each internal audit conducted is followed up by a detailed report to management, including recommendations on aspects requiring improvement. The Engagement Partner is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the ARC at each meeting.

The Engagement Partner has direct access to the ARC, primarily through its chairman, and attends ARC meetings by invitation.

Combined assurance

Vukile applies a combined assurance approach to the group's key risks to validate the effectiveness of controls related to risk responses and mitigation activities and thereby corroborate management's self-assessment of the effectiveness of existing risk responses. This provides the board with a corroborated evaluation of the risk responses and mitigation controls through a combination of the following five lines of assurance:

1. Line functions of the outsourced property managers and the group that own and manage risks – first line of assurance
2. Specialist functions that facilitate and oversee risk management and compliance (risk and compliance function) – second line of assurance
3. Internal assurance providers (internal audit) – third line of assurance
4. Independent external assurance providers (external audit and external property valuers) – fourth line of assurance
5. Board and committees – fifth line of assurance.

Risk governance

Oversight of the group's risk management function has been assigned to the ARC.

The ARC assists the board to fulfil its responsibilities with regard to risk management, including:

- Reviewing the effectiveness of the risk management arrangements;
- Ensuring that a risk management plan is developed and progress against it is monitored;
- Reviewing the group risk register and the key risks emanating from group functional risk registers, including any mitigating actions and emerging risks;
- Reviewing the reports on incidents, losses and claims; and
- Ensuring that a combined assurance plan is developed and executed.

The board of directors is responsible for the governance of risk across the group, for setting the risk appetite and for monitoring the effectiveness of our risk management processes.

The group's integrated risk management model considers strategic, operational, financial and compliance risks. Reputational risks and uncertain risks, which are inherent to our business and to the real estate industry in general, are also identified, monitored, recorded and appropriately managed.

IT governance

The ARC periodically reviews the group's maturity in respect of IT governance by considering reports from the Group IT and assurance as provided by the internal audit function in accordance with the approved internal audit plan.

The governance and management of IT is based on an operating model where Vukile's businesses in southern Africa and Spain are responsible for the implementation, management and operation of IT considered appropriate to enable those businesses and functional departments.

The ARC is satisfied that it has complied with its statutory responsibilities and the responsibilities assigned to it by the board.

Babalwa Ngonyama
ARC chairman

Houghton Estate
29 May 2019

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2019

Group	Note	2019 R000	2018 R000
ASSETS			
Non-current assets		**32 678 563**	22 028 749
Investment properties including straight-line rental adjustments		**29 334 373**	18 821 251
Investment properties	3	**29 517 796**	19 102 209
Investment properties under development	3	**163 250**	54 476
Total investment properties		**29 681 046**	19 156 685
Straight-line rental income adjustment	4	**(346 673)**	(335 434)
Other non-current assets		**3 344 190**	3 207 498
Straight-line rental income asset	4	**346 673**	335 434
Investments in associates at fair value	8	**1 296 737**	1 384 645
Investment in associate equity accounted	9	**1 302 925**	1 199 292
Property, plant, equipment and intangible assets	22, 23	**43 370**	75 342
Executive share scheme financial asset	21	**27 822**	34 099
Derivative financial instruments	20	**42 291**	26 039
Long-term loans granted	32	**270 709**	103 672
Deferred taxation assets	29	**13 663**	48 975
Current assets		**2 447 338**	1 298 393
Trade and other receivables	7	**281 380**	186 743
Derivative financial instruments	20	**10 333**	—
Current taxation assets	31.3	**3 155**	7 290
Cash and cash equivalents	31.5	**1 136 250**	1 093 860
Non-current assets held for sale	11	**1 016 220**	10 500
Total assets		**35 125 901**	23 327 142
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent		**18 655 690**	15 770 080
Stated capital	14	**12 142 017**	9 527 445
Other components of equity	15	**5 888 689**	5 737 852
Retained earnings		**624 984**	504 783
Non-controlling interest	16	**2 300 320**	81 311
Non-current liabilities		**12 035 161**	5 484 980
Interest-bearing borrowings	18	**11 547 551**	5 346 371
Derivative financial instruments	20	**480 350**	131 304
Deferred taxation liabilities	29	**7 260**	7 305
Current liabilities		**2 134 730**	1 990 771
Trade and other payables	10	**641 225**	428 733
Short-term portion of interest-bearing borrowings	18	**1 430 736**	1 554 359
Derivative financial instruments	20	**60 415**	175
Current taxation liabilities	31.3	**2 354**	7 504
Total equity and liabilities		**35 125 901**	23 327 142

STATEMENT OF PROFIT AND LOSS

for the year ended 31 March 2019

Group	Note	2019 R000	2018 R000
Property revenue	5	2 806 484	2 014 966
Straight-line rental income accrual	4	28 506	5 401
Gross property revenue		2 834 990	2 020 367
Property expenses	6	(932 183)	(705 891)
Net profit from property operations		1 902 807	1 314 476
Corporate and administrative expenses	25	(199 371)	(127 474)
Total investment and other income		344 815	323 255
Investment and other income	27	134 083	150 813
Finance income	27	47 658	78 566
Net interest from cross-currency interest rate swaps	20	163 074	93 876
Fair value movement on non-designated portion of cross-currency interest rate swaps	20	47 603	—
Operating profit before finance costs		2 095 854	1 510 257
Finance costs	19	(509 749)	(367 808)
Operating profit after finance costs		1 586 105	1 142 449
(Loss)/profit on sale of investment properties		(6 368)	13 405
(Loss)/profit on sale of furniture and equipment		(18)	144
Fair value loss on associates at fair value	8	(87 908)	(16 411)
Fair value movement of derivative financial instruments		(1 581)	7 408
Cost of terminating derivative financial instrument		—	(3 250)
Executive share scheme financial asset – current period loss		(28 946)	—
Foreign exchange (loss)/profit	33	(65 912)	59 936
Restructuring fee on associate		(815)	—
Impairment of goodwill	22	(48 218)	—
Loss on sale of listed property securities	8	—	(26 240)
Fair value loss on net settled derivatives	20	(208 104)	—
Profit before changes in fair value of investment property		1 138 235	1 177 441
Fair value adjustments		775 076	1 149 988
Gross change in fair value of investment properties	3	803 582	1 155 389
Straight-line rental income adjustment	4	(28 506)	(5 401)
Profit before equity-accounted investment		1 913 311	2 327 429
Share of income from associate	9	53 585	95 485
Profit before taxation		1 966 896	2 422 914
Taxation	28	(18 427)	(10 668)
Profit for the year		1 948 469	2 412 246
Attributable to owners of the parent		1 709 426	2 401 943
Attributable to non-controlling interest	16	239 043	10 303
Basic and diluted earnings per share (cents)	30	199.05	320.65

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

Group	Note	2019 R000	2018 R000
Profit for the year		**1 948 469**	2 412 246
Other comprehensive income			
Items that will be reclassified to profit and loss			
Foreign currency translation reserve	13	**36 348**	(69 047)
Foreign currency translation reserve: associates		**140 220**	(7 826)
Foreign currency translation reserve: subsidiaries		**(103 872)**	(61 221)
Cash flow hedges	13	**(24 825)**	(60 202)
Deferred tax on hedging instruments	13	**(34 720)**	—
Executive share scheme financial assets – prior year losses		**—**	(17 610)
Other comprehensive loss for the year		**(23 197)**	(146 859)
Total comprehensive income for the year		**1 925 272**	2 265 387
Attributable to owners of the parent		**1 604 158**	2 254 319
Attributable to non-controlling interest	16	**321 114**	11 068

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

R000	Stated capital	Other components of equity	Retained earnings	Shareholders' interest Total	Non-controlling interest (NCI)	Total
Balance at 31 March 2017	7 970 814	4 681 806	458 805	13 111 425	73 367	13 184 792
Issue of share capital	1 556 631	–	–	1 556 631	–	1 556 631
Dividend distribution	–	–	(1 176 155)	(1 176 155)	(2 741)	(1 178 896)
	9 527 445	4 681 806	(717 350)	13 491 901	70 626	13 562 527
Profit for the year	–	–	2 401 943	2 401 943	10 303	2 412 246
Change in fair value of investment properties	–	1 155 389	(1 155 389)	–	–	–
Change in fair value of investment properties attributable to non-controlling interest	–	(6 486)	6 486	–	–	–
Share-based remuneration	–	21 077	–	21 077	–	21 077
Deferred taxation on change in fair value of derivatives	–	(2 241)	–	(2 241)	–	(2 241)
Transfer to non-distributable reserves – currency revaluation	–	59 936	(59 936)	–	–	–
Transfer from non-distributable reserve	–	(4 498)	12 835	8 337	–	8 337
Share issue expenses of a subsidiary	–	(3 637)	–	(3 637)	(59)	(3 696)
Change in shareholding of a subsidiary	–	324	–	324	(324)	–
Legal reserve transfer – foreign subsidiary	–	217	(217)	–	–	–
Revaluation of equity investments	–	(16 411)	16 411	–	–	–
Other comprehensive loss						
Currency loss on translation of investment in foreign entities	–	(70 129)	–	(70 129)	803	(69 326)
Currency loss on translation of goodwill	–	279	–	279	–	279
Revaluation of available-for-sale financial asset	–	(17 610)	–	(17 610)	–	(17 610)
Revaluation of cash flow hedges	–	(90 737)	–	(90 737)	(38)	(90 775)
Deferred taxation on change in fair value of cash flow hedges	–	30 573	–	30 573	–	30 573
Balance at 31 March 2018	9 527 445	5 737 852	504 783	15 770 080	81 311	15 851 391
Initial application of IFRS 9		113 152	(83 139)	30 013	326	30 339
Lease receivables: impairment provision	–	–	8 342	8 342	55	8 397
Deferred tax on above	–	–	(1 752)	(1 752)	(11)	(1 763)
Executive share scheme: change in classification	–	113 152	(113 152)	–	–	–
Borrowings: non-substantial loan modification	–	–	23 423	23 423	282	23 705
Issue of share capital	2 614 572	–	–	2 614 572	1 944 877	4 559 449
Dividend distribution	–	–	(1 456 219)	(1 456 219)	(62 185)	(1 518 404)
	12 142 017	5 851 004	(1 034 575)	16 958 446	1 964 329	18 922 775
Profit for the year	–	–	1 709 426	1 709 426	239 043	1 948 469
Transfer to non-distributable reserve	–	221 525	(221 525)	–	53	53
Share issue expenses of a subsidiary	–	(2 315)	–	(2 315)	(122 372)	(124 687)
Change in ownership of a subsidiary recognised in equity	–	(106 969)	–	(106 969)	106 969	–
Subsidiary share swap		–	171 658	171 658	37 934	209 592
Equity-settled share scheme	–	23 005	–	23 005	–	23 005
Other comprehensive loss						
Foreign currency translation reserve	–	(45 723)	–	(45 723)	82 071	36 348
Cash flow hedges	–	(17 118)	–	(17 118)	(7 707)	(24 825)
Deferred tax on hedging instruments	–	(34 720)	–	(34 720)	–	(34 720)
Balance at 31 March 2019	**12 142 017**	**5 888 689**	**624 984**	**18 655 690**	**2 300 320**	**20 956 010**

STATEMENT OF CASH FLOW

for the year ended 31 March 2019

Group	Note	2019 R000	2018 R000
Cash flow from operating activities		**1 785 694**	1 333 611
Profit before taxation		**1 966 896**	2 422 914
Adjustments	31.1	**(266 204)**	(1 216 409)
Net changes in working capital	31.2	**110 371**	145 376
Taxation paid	31.3	**(25 368)**	(24 797)
Deferred tax balance acquired		**–**	6 527
Cash flow from investing activities		**(7 362 201)**	(4 664 679)
Acquisition and improvements of investment properties		**(9 574 280)**	(4 703 030)
Disposal/(acquisition) of furniture, fittings, computer equipment and intangible assets	22	**(20 738)**	(1 913)
Acquisition of investments		**–**	(61 057)
Increase in investment in associate (including capitalised costs)	9	**(2 551)**	(418 281)
Equity contributed from non-controlling interest	16	**1 827 741**	–
Settlement of long-term loans		**34 482**	–
Long-term loans granted	31.6	**(201 519)**	(65 562)
Investment and other income	27	**181 741**	322 988
Cash flow from cross-currency interest rate swaps		**163 074**	–
Cost of acquiring share warrant		**(17 812)**	–
Dividends received from equity-accounted associate	9	**108 663**	86 716
Proceeds on sale of furniture and equipment		**997**	144
Proceeds on sale of investment properties		**138 000**	175 316
Cash flow from financing activities		**5 616 823**	3 096 868
Interest-bearing borrowings advanced	18	**6 894 960**	5 857 327
Interest-bearing borrowings repaid	18	**(1 891 575)**	(2 762 399)
Acquisition of executive share scheme financial assets		**(22 668)**	(27 854)
Proceeds from issue of share capital		**2 614 572**	1 556 631
Finance costs paid		**(460 995)**	(352 990)
Dividends paid	31.4	**(1 518 404)**	(1 180 331)
Cash from settlement of forward exchange contracts		**3 248**	–
Change in shareholding in foreign subsidiary		**–**	13 649
Cost of terminating derivative financial instruments		**–**	(3 469)
Share issue expenses of a subsidiary		**(2 315)**	(3 696)
Net increase/(decrease) in cash and cash equivalents		**40 316**	(234 200)
Foreign currency movement in cash		**2 075**	(1 885)
Cash and cash equivalents at the beginning of the year		**1 093 860**	1 329 945
Cash and cash equivalents at the end of the year	31.5	**1 136 250**	1 093 860

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

1 General accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa, 2008, as amended.

1.1 Basis of preparation

The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporated the principal accounting policies set out below and in the individual notes to the financial statements.

Except for the amendments adopted as set out below, all accounting policies applied by the group in the preparation of these consolidated financial statements are consistent with those applied by the group in its consolidated financial statements as at and for the year ended 31 March 2018.

The group has adopted the following new standards, or amendments to standards which were effective for the first time for the financial period commencing 1 April 2018:

- Amendments to IAS 40 – *Investment Properties.*
- IFRS 9 – *Financial Instruments*.
- IFRS 15 – *Revenue from Contracts with Customers.*
- Amendments to IFRS 2 – *Share-based Payment.*
- International Financial Reporting Interpretations Committee (IFRIC) 22 – *Foreign Currency Transactions and Advance Considerations.*

Based on management's assessment of the above, the only material impact on the financial statements relates to the application of IFRS 9, which is disclosed in note 1.2.1. The impact of IFRS 15 has also been disclosed in note 1.2.2.

These annual financial statements were compiled under the supervision of Michael John Potts CA(SA), the financial director of the company.

1.2 Change in accounting policy

1.2.1 IFRS 9

The group has initially adopted IFRS 9 – *Financial Instruments* from 1 April 2018. IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 – *Financial Instruments: Recognition and Measurement*. The group has elected not to restate comparatives on initial application. The group also elected to adopt the IFRS 9 hedge accounting requirements which is applied prospectively.

Hedge accounting

IFRS 9 requires that the group's hedge accounting relationships are aligned with risk management objectives and strategies and to apply a more qualitative and forward-looking approach in assessing hedge effectiveness.

All hedging relationships designated under IAS 39 at 31 March 2018 met the criteria for hedge accounting under IFRS 9 at 1 April 2018. The following table summarises the group's hedging relationships under IFRS 9:

Hedging instrument	Hedged item	Hedging relationship
Interest rate swaps	Floating rate debt	Cash flow hedge
GBP forward exchange contracts	GBP dividend income	Net investment hedge
EUR forward exchange contracts	Net investment in a foreign operation	Net investment hedge
Cross-currency interest rate swaps	Net investment in a foreign operation	Net investment hedge
EUR denominated debt	Net investment in a foreign operation	Net investment hedge

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

1 General accounting policies continued

1.2 Change in accounting policy continued

1.2.1 IFRS 9 continued

Classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the group's accounting policies related to financial liabilities and derivative financial instruments. The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at fair value through profit and loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial instruments as at 1 April 2018. The only change in classification relates to the executive share scheme that is now classified as fair value through profit and loss due to IFRS 9's business models and contractual cash flow characteristics:

Group	IAS 39 classification	IFRS 9 classification	IAS 39 measurement	IFRS 9 measurement
ASSETS				
Equity investments	Fair value through profit and loss	Fair value through profit and loss – mandatory	1 384 645	1 384 645
Executive Share Scheme[(2)]	Available-for-sale	Fair value through profit and loss – mandatory	34 099	34 099
Long-term loans granted	Loans and receivables	Amortised cost	103 672	103 672
Trade and other receivables[(1)(3)]	Loans and receivables	Amortised cost	186 743	195 140
Cash and cash equivalents	Loans and receivables	Amortised cost	1 093 860	1 093 860
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss – mandatory	26 039	26 039
Total			2 829 058	2 837 455
LIABILITIES				
Borrowings	Loans and receivables	Amortised cost	6 900 730	6 878 408
Trade and other payables	Loans and receivables	Amortised cost	428 733	428 733
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss – mandatory	131 479	131 479
Total			7 460 942	7 438 620

(1) Lease receivables continue to be measured in terms of IAS 17.
(2) Movement due to reclassification.
(3) Movement due to remeasurement.

1 General accounting policies continued

1.2 Change in accounting policy continued

1.2.1 IFRS 9 continued

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, lease receivables and debt investments at fair value through other comprehensive income, but not to investments in equity instruments.

At each reporting date, the group assesses whether financial assets carried at amortised cost (such as long-term loans granted) have significantly increased in credit risk. The group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive).

The group has elected to measure loss allowances for trade receivables (including lease receivables) at an amount equal to lifetime ECLs by making use of the simplified impairment model. When estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information based on the group's historical experience and includes forward-looking information.

The following analysis provides further detail about the calculation of ECLs related to lease receivables on the adoption of IFRS 9. The group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty. The ECLs were calculated based on actual credit loss experience over the past 12 months. The group performed the calculation of ECL rates separately for national tenants, government entities, and other tenants.

Exposures within each group were segmented based on common credit risk characteristics. The weighted average loss rate was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for lease receivables as at 1 April 2018:

Group	Gross carrying amount R000	Weighted average loss rate %	Impairment loss allowance R000
National tenants			
Current	9 192	10.53	968
30 days past due	1 766	11.51	203
60 days past due	904	10.43	94
90 days past due	951	10.99	104
120 days past due	441	11.83	52
150 days past due	2 223	12.62	281
South African government			
Current	401	6.17	25
30 days past due	316	9.63	30
60 days past due	168	9.63	16
90 days past due	57	10.24	6
120 days past due	68	11.56	8
150 days past due	191	15.6	30

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

1 General accounting policies continued

1.2 Change in accounting policy continued

1.2.1 IFRS 9 continued

Group	Gross carrying amount R000	Weighted average loss rate %	Impairment loss allowance R000
Namibian government			
Current	686	10.00	69
30 days past due	506	10.00	51
60 days past due	275	10.00	27
90 days past due	258	10.00	26
120 days past due	257	10.00	26
150 days past due	3 234	10.00	323
Regular tenants			
Current	12 365	28.54	3 529
30 days past due	5 825	36.91	2 150
60 days past due	4 112	38.51	1 583
90 days past due	3 511	44.77	1 572
120 days past due	3 437	49.87	1 714
150 days past due	40 966	55.01	22 535
Other tenants	5 889	—	—

Financial liabilities

Under current IAS 39, a foreign subsidiary modified its financial liabilities without triggering derecognition. Under IFRS 9, this modification resulted in an adjustment to opening retained earnings.

Conclusion

The following table summarises the overall impact, net of tax, of the transition to IFRS 9 at 1 April 2018:

R000	Opening retained earnings Dr/(Cr)	Borrowings Dr/(Cr)	Non-controlling interest net of deferred tax Dr/(Cr)	Impairment provision Dr/(Cr)	Deferred tax asset Dr/(Cr)
Non-substantial loan modifications	(23 423)	23 705	(282)	—	—
Expected credit losses on receivables	(6 590)	—	(44)	8 397	(1 763)

1.2.2 IFRS 15

IFRS 15 established a comprehensive framework for determining and reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It replaces all existing revenue standards and their related interpretations in IFRS and applies to all contracts with customers except for contracts that are within the scope of other standards on leases, insurance contracts and financial instruments and therefore does not impact the majority of the group's revenue. The standard outlines the principles that must be applied to measure and recognise revenue with the core principle being that revenue should be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for fulfilling its performance obligations to a customer.

The principles in IFRS 15 must be applied using the following five-step model:

i. Identify the contract(s) with a customer.
ii. Identify the performance obligations in the contract.
iii. Determine the transaction price.
iv. Allocate the transaction price to the performance obligations in the contract.
v. Recognise revenue when or as the entity satisfies its performance obligations.

1 General accounting policies continued

1.2 Change in accounting policy continued

1.2.2 IFRS 15 continued

The group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application (being 1 January 2018). Accordingly, the information presented for the prior period has not been restated. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. Apart from providing more qualitative disclosures on the group's revenue transactions, the application of IFRS 15 has not had a significant impact on the group. As at the date of initial application, no adjustments were required to the group's statement of comprehensive income or statement of financial position.

The only revenue stream within the scope of IFRS 15 is municipal recoveries. There has been no material impact on the recognition of municipal recoveries as this is recognised over time; similar to how rendering of services was recognised in IAS 18.

1.3 Revenue recognition

Types of revenue	Recognition
Operating lease income	Recognised as income on a straight-line basis over the lease term.
Revenue from contracts with customers: Municipal recoveries	Municipal recoveries are recognised over the period for which the services are rendered. The group acts as a principal on its own account when recovering operating costs, such as utilities, from tenants.
Contingent rents (turnover rental)	Included in revenue when the amounts can be reliably measured.
Dividends	Recognised when the group's right to receive payment is established.
Interest earned on cash invested with financial institutions	Recognised on an accrual basis using the effective interest method.

1.4 Leases

Group as lessee	Group as a lessor
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.	Properties leased to third parties under operating leases are included in investment property in the statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. This does not affect distributable earnings.

1.5 Basis of consolidation

Control is achieved when the company:

- has power over the investee
- is exposed or has a right to variable returns from its involvement with the investee
- has the ability to use its power to affect its returns

The company reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The group annual financial statements include the financial statements of the company and its subsidiaries, including any entities over which the group has control. The operating results of the subsidiaries are included from the effective dates of acquisition up to the effective dates of disposal.

Intra-company balances and transactions are eliminated.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

1 General accounting policies continued

1.6 Impairment losses

At each reporting date, the carrying amounts of the tangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Irrespective of whether there is an indication of impairment, the group also: Tests goodwill acquired in a business combination for impairment annually by comparing its carrying amount with its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Value in use, included in the calculation of the recoverable amount, is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the recoverable amount. The impairment loss is firstly allocated to goodwill. For the purpose of impairment testing, goodwill is also allocated to each of the cash-generating units (properties) expected to benefit from the synergies of the business combination. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for assets is adjusted to allocate the remaining carrying value, less any residual value, over the remaining useful life. Impairment losses are recognised in profit or loss.

If any impairment loss subsequently reverses, due to an indication that the impairment no longer exists and the recoverable amount increases as a result of a change in estimates used to determine the recoverable amount, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

Goodwill impairment losses are subsequently not reversed. The attributable amount of goodwill is included in the profit or loss on disposal when the relevant cash-generating unit is sold.

1.7 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Except for foreign currency differences arising on a net investment in foreign operations, foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the group's presentation currency (rand) at the reporting date. The income and expenses of foreign operations are translated to rand at exchange rates at the dates of the transactions (an average rate per month is used). These foreign currency translations are included in other comprehensive income.

1.8 New and revised International Financial Reporting Standards not yet adopted

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

All of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group financial statements is provided on the following pages. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group financial statements.

1 General accounting policies continued

1.8 New and revised International Financial Reporting Standards not yet adopted continued

Standard	Details of amendments	Impact on the financial statements
IFRS 3 – *Business Combinations (amendment):* Effective for reporting periods beginning on or after 1 January 2020	On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.	The amendment is not expected to impact the group.
IAS 1 – *Presentation of financial statements* and IAS 8 – *Accounting policies, changes in accounting estimates and errors (amendment):* Effective for reporting periods beginning on or after 1 January 2020	On 31 October 2012, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.	The amendment is not expected to impact the group.
IFRS 16 – *Leases:* Effective for reporting periods beginning on or after 1 January 2019	IFRS 16 introduces a single lessee accounting model by eliminating the classification of leases as either operating leases or finance leases. As such, a lessee will be required to recognise a "right-of-use" asset and a lease liability for all future lease payments (unless the lease term is shorter than 12 months, or the underlying asset is of low value). IFRS 16 also provides new guidance on what constitutes a lease, how the lease term is determined, and introduces new disclosure requirements for both lessees and lessors.	For lease contracts where the group is the lessor, the new Standard will not impact the group, other than the additional disclosure requirements. Per IFRS 16.34, the right of use asset for land leases will be measured at fair value in accordance with IAS 40. It is expected that in the next financial year, IFRS 16 will result in a right of use asset and lease liability in the region of R200 million. The group is currently a lessee under operating leases for land and vehicles. By applying IFRS 16, the group will recognise a "right-of-use" asset and a lease liability for all future lease payments. The group will apply the low value exemption to the printers and copiers being leased, thus not having an accounting impact on transition date. The group will elect the modified retrospective approach, thus not restating comparative periods, instead; the cumulative impact of applying IFRS 16 will be accounted for as an adjustment to the opening equity on the date of initial application.
IAS 28 – *Investments in Associates and Joint Ventures (amendment):* Effective for reporting periods beginning on or after 1 January 2019	On 12 October 2017, the IASB published 'Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)' to clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019.	The amendment is not expected to impact the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

1 General accounting policies continued

1.8 New and revised International Financial Reporting Standards not yet adopted continued

Standard	Details of amendments	Impact on the financial statements
IAS 19 – *Employee Benefits (amendments):* Applicable to periods beginning on or after 1 January 2019	On 7 February 2018, the IASB published 'Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)' to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.	The amendment is not expected to impact the group.
IFRS 3 – *Business Combinations* and IFRS 11 – *Joint Arrangements (amendments):* Applicable to periods beginning on or after 1 January 2019	The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.	The amendment is not expected to impact the group.
IFRIC 23 – *Uncertainty over Income Tax Treatments:* Applicable to reporting periods beginning on or after 1 January 2019	This clarification relates to the application and recognition principles when there is uncertainty over income tax treatments.	The group is in the process of assessing the impact of this clarification but given that the company is a REIT this IFRIC is not expected to impact the group materially.
IAS 23 – *Borrowing Costs (amendment):* Applicable to periods beginning on or after 1 January 2019	The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	The amendment is not expected to impact the group.

2 Accounting estimates and judgements

Estimates and judgements are an integral part of financial reporting and as such have an impact on the amounts reported in the group's income, expenses, assets and liabilities.

Estimates

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

Information on the key estimations and uncertainties that have had the most significant effect on the amounts recognised in the financial statements are set out in the following notes in the financial statements:

- Application of the following accounting policies, namely:
  - Taxation;
  - Financial instruments;
  - Revenue;
  - Impairment;
  - Furniture, fittings, computer equipment and intangible assets;
  - Borrowing costs; and
  - Share-based payments.
- Investment property valuation – notes 3 and 17.4.
- Investments – notes 8, 9, 12 and 17.
- Deferred taxation – note 29.
- Trade and other receivables – note 7.
- Goodwill – note 22.
- Executive share scheme financial asset – notes 17 and 21.

Investment properties

The revaluation of investment property requires judgement in the determination of future cash flows from leases and an appropriate reversionary capitalisation rate. Note 17.4 sets out further details of the fair measurement of investment properties.

Deferred tax and taxation

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date in the form of future cash flows using a suitable growth rate.

As the group has obtained REIT status effective 1 April 2013, the group is not liable for capital gains tax on the disposal of directly held properties and local REIT securities. In addition, the following must be noted:

- Deferred tax is not recognised on the fair value of investment property as capital gains tax on investment property is not applicable to REITs in terms of section 25BB of the Income Tax Act.
- Deferred tax is not calculated on the straight-line rental income accrual as it affects neither the group's distributable income nor taxable profit.
- Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.
- Deferred tax is not recognised on goodwill that arises on initial recognition.
- Deferred tax is not recognised on the temporary differences relating to investments in subsidiaries or jointly controlled entities to the extent that the group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Deferred tax may, however, be calculated on derivatives as the group excludes the gains or losses on realised derivatives when the distribution for the year is calculated. A deferred tax asset will only be recognised if it is therefore probable that taxable profit will be available against which the deductible temporary difference can be utilised relating to the same taxation authority and the same taxable entity.

Management has assessed the position and recoverability of the deductible temporary differences at reporting period. Given the fact that the antecedent dividend has significantly increased, and that Vukile plans to continue issuing shares to fund Spanish acquisitions, an additional section 25BB distribution is expected in the foreseeable future to cater for the payment of the antecedent dividend. As such, it is unlikely that Vukile will have a tax liability that can be used to offset the deductible temporary differences. Consequently, no deferred tax asset has been recognised for the current reporting period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

2 Accounting estimates and judgements continued

Impairment of assets and goodwill

The group tests whether assets have suffered any impairment in accordance with the accounting policy stated in notes 22 and 23. The recoverable amounts of cash-generating units, intangible assets and tangible assets have been determined based on future cash flows discounted to their present value using appropriate rates. Estimates are based on interpretation of generally accepted industry-based market forecasts.

Trade receivables

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables in terms of IFRS 9's expected credit loss (ECL) model. This is achieved by converting a historic ECL into a probability-weighted forward-looking ECL using a Moody's Analytics impairment tool. This tool uses validated historical macro-economic data and vetted forecasts and scenarios.

Judgements

Judgement is applied in certain areas based on historical experience and reasonable expectations relating to future events. Key areas of judgement are noted below:

Business combination versus asset acquisition

Management assessed properties acquired and has concluded that in its view, except for Castellana Properties SOCIMI SA (acquired in a prior period), all acquisitions are property acquisitions in terms of IAS 40 – *Investment Property* and are therefore accounted for in terms of that standard. Apart from Castellana, in the opinion of management, these properties did not constitute a business as defined in terms of IFRS 3 – *Business Combinations*, as there were no adequate processes identified within these properties to warrant classification as businesses.

Investments

Note 8 sets out the rationale behind management's opinion regarding the accounting for Fairvest and Gemgrow.

Non-current assets held for sale

Management applied judgement in assessing whether investment properties and subsidiaries that are actively being marketed qualify to be classified as held for sale. In management's opinion, only MICC Namibia met all the IFRS 5 requirements and is classified as held for sale. Refer to note 11 for further details. Although the non-core assets in southern Africa are actively being marketed, management is of the opinion that it is not highly probable that the sale will occur within 12 months. As such, the non-core assets in southern Africa are included as part of investment properties.

3 Investment properties

Investment properties, which are stated at fair value, constitute land and buildings held by the group for rental producing purposes until or unless a property is no longer considered a core property and does not meet strategic requirements. At that stage a sale of the property will be approved and the property will be transferred to non-current assets held for sale. Investment property is initially recorded at cost, which includes transaction costs directly attributable to the acquisition thereof. The directors value all the properties bi-annually to fair value. Approximately 50% of all properties are valued every six months on a rotational basis by qualified independent external property valuers and any material differences between the respective valuations are reported in the notes to the financial statements.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace, a part of a property. Tenant installation costs are capitalised to the cost of a building. All these items are included in the fair value of investment properties. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Letting commissions are capitalised and amortised over the lease period. The carrying value of letting commissions is included with investment properties.

Investment property is maintained, upgraded and refurbished, where necessary, in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are charged against profit or loss.

Fair value is the open market value, which, in the opinion of the directors, is the fair market price at which the property would have been sold unconditionally on a willing buyer/willing seller basis for a cash consideration on the date of the valuation. Gains and losses arising from changes in the fair value of investment properties are recognised in net profit or loss for the period in which they arise. Such gains or losses are transferred to a non-distributable reserve in the statement of changes in equity and excluded from the calculation of distributable earnings.

3 Investment properties continued

The straight-lining of lease income is deducted from investment properties as the discounted value of future rental cash flows forms part of the valuation methodology of investment properties.

Gains or losses on the disposal of investment properties are recognised in net profit or loss, and are calculated as the difference between the net selling price and the fair value of the property as valued in the most recent annual financial statements. Such gains or losses are excluded from the calculation of distributable earnings.

Investment property held under an operating lease relates to long-term land leases and is recognised in the group's statement of financial position at its fair value. This accounting treatment is consistently applied for all such long-term land leases.

Investment properties under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development until construction or development is complete. These investment properties are carried at cost as they are still undergoing construction or improvements, and fair values could not be reliably measured at year-end.

Investment property held for sale

Investment properties held for sale are properties that will be recovered principally through a sale transaction rather than continuing use. These properties are measured at their fair values.

IFRS 5 measurement does not apply to IAS 40 – *Investment Property* carried at fair value.

	2019 R000	2018 R000
Investment properties stated at fair value		
Property acquisitions and development costs	22 879 327	12 940 835
Capital expenditure and tenant installations	1 415 502	1 184 824
Net gain from fair value adjustment of investment properties	6 188 983	4 952 020
Fair value	30 483 812	19 077 679
Lease commissions	35 657	35 030
Investment properties at the end of the year	30 519 468	19 112 709
Less: Fair value of investment properties held for sale	(1 001 672)	(10 500)
	29 517 796	19 102 209
Investment properties under development	163 250	54 476
Total	29 681 046	19 156 685

3.1 Details of investment properties

Investment properties include commercial properties in South Africa, Namibia and Spain, which are owned to earn rental income and for capital appreciation.

Note 17.4 sets out how the fair value of investment properties has been determined.

The group's properties are mortgaged to the value of R27.0 billion as security for the Domestic Medium Term Note (DMTN) debt and bank loans (2018: R18.5 billion) – refer note 18.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

3 Investment properties continued

3.2 Movement for the year

	2019 R000	2018 R000
Investment properties at 1 April	**19 167 185**	13 625 268
Capital expenditure and tenant installations	**231 409**	247 834
Acquisitions and development costs	**905 191**	1 488 435
Acquisitions of Spanish properties	**8 646 371**	2 951 997
Foreign currency translation	**1 072 447**	(154 591)
Changes in fair value of investment properties	**803 582**	1 155 389
Disposal of and loss of control of investment properties	**(144 368)**	(161 911)
Movement in lease commissions	**901**	14 764
Investment properties at 31 March	**30 682 718**	19 167 185
Reflected on the statement of financial position under:		
Non-current assets	**29 681 046**	19 156 685
Non-current assets held for sale	**1 001 672**	10 500
Total	**30 682 718**	19 167 185

4 Straight-line rental income adjustment

	2019 R000	2018 R000
Balance at 1 April	**335 434**	330 033
Current year movement	**28 506**	5 401
Balance at 31 March	**363 940**	335 434
Reflected on the statement of financial position under:		
Non-current assets	**346 673**	335 434
Non-current assets held for sale	**17 266**	—
Total	**363 940**	335 434

5 Revenue

"Property revenue" is generated from rental income from investment properties.

"Revenue from contracts with customers" arises from transactions not associated with financial instruments or investment properties. The group's only revenue from contracts with customers relate to municipal recoveries. The group applies a revenue recognition method that faithfully depicts the group's performance in transferring control of the service to the customer. Due to the nature of the group's business, all revenue from customers is considered to be recognised "over time". The group has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated.

	2019 R000	2018 R000
Property revenue	**2 806 484**	2 014 966
Included in property revenue: Turnover rental	**25 629**	15 879
Included in property revenue: Revenue from contracts with customers (recoveries)	**619 580**	

6 Property expenses

	2019 R000	2018 R000
Municipal fixed charges	**176 289**	121 096
Municipal consumption costs	**334 347**	308 729
Operating costs[1]	**334 431**	184 245
Repairs and maintenance	**38 135**	35 982
Property management fees	**48 981**	55 839
Total	**932 183**	705 891

[1] *Operating costs include asset management fees that are charged internally and eliminated on consolidation. Asset management fees amount to R60.6 million for 2019 (2018: R50.5 million).*

7 Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less expected credit losses. Discounting is omitted where the effect of discounting is immaterial.

	2019 R000	2018 R000
Gross rental receivables	**133 743**	87 699
Expected credit losses	**(34 214)**	(43 709)
Income accruals	**89 785**	72 392
Prepaid expenses	**11 380**	21 506
Interest receivable on cash deposits	**17 000**	7 414
Municipal deposits	**24 643**	20 526
Dividends receivable	**—**	48
VAT and sundry debtors	**39 043**	20 867
Total	**281 380**	186 743

Further information on receivables is set out in note 24.2.

All amounts are short term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

8 Investments in associates at fair value

	2019 R000	2018 R000
Investment in Fairvest Property Holdings Limited (Fairvest)	**567 829**	594 868
Investment in Gemgrow Properties Limited (Gemgrow)	**728 908**	789 777
	1 296 737	1 384 645
Investment in Fairvest	**Fairvest**	Fairvest
Number of shares held	**270 394 812**	270 394 812
% holding	**26.9**	31.4
Price at year-end (cents per share)	**210**	220
	R000	R000
Opening balance at fair value	**594 869**	463 175
Shares acquired	**—**	61 057
Fair value adjustment	**(27 039)**	70 696
Closing balance at fair value	**567 829**	594 928
Investment in Gemgrow	**Gemgrow**	Gemgrow
Number of shares held – "A" shares	**4 691 084**	4 691 084
Number of shares held – "B" shares	**114 438 564**	114 438 564
% holding	**25.3**	26.33
Price at year-end (cents per share) – "A" shares	**950**	979
Price at year-end (cents per share) – "B" shares	**598**	650
	R000	R000
Opening balance at fair value	**789 776**	903 064
Shares disposed of (3 748 549 "B" shares)	**—**	(26 240)
Fair value adjustment	**(60 868)**	(87 047)
Closing balance at fair value	**728 908**	789 777
Fair value (loss)/gain on investments		
Fairvest	**(27 039)**	70 636
Gemgrow	**(60 868)**	(87 047)
Net fair value (loss)/gain	**(87 908)**	(16 411)

Classification of the Fairvest and Gemgrow investments

The investments in Fairvest and Gemgrow are held by Vukile's investment division, being separate medium-term investments that are not part of Vukile's long-term strategy. The investment division actively monitors the total return to shareholders and the fair value of the investments on an ongoing basis which includes an appropriate medium-term exit strategy. The investment division is separate from the decision-maker of the equity-accounted associates. Vukile's investment division has elected to measure these investments at fair value through profit and loss in accordance with IFRS 9 in line with the exemption in IAS 28. Vukile's shareholding in Fairvest amounts to 26.9% and 25.3% in Gemgrow. Vukile does not have board representation in Fairvest and Gemgrow nor has there been an exchange of managerial personnel. Vukile has not provided any guarantees of indebtedness nor extended any credit to the above companies.

8 Investments in associates at fair value continued

The summarised financial information of Gemgrow is set out below:

Statement of comprehensive income

	6 months Unaudited at 31 March 2019 R000	6 months Unaudited at 31 March 2018 R000
Revenue	427 433	370 914
Profit before tax	189 948	178 605
Total comprehensive income	189 948	178 605

Statement of financial position

	6 months Unaudited at 31 March 2019 R000	6 months Unaudited at 31 March 2018 R000
Assets	6 083 916	5 477 381
Non-current assets	5 424 576	5 334 028
Current assets	659 340	143 353
Total assets	6 083 916	5 477 381
Equity	3 918 878	3 872 359
Liabilities	2 165 038	1 605 022
Non-current liabilities	1 864 794	1 278 660
Current liabilities	300 244	326 362
Total equity and liabilities	6 083 916	5 477 381

The summarised financial information of Fairvest is set out below. The information for the six months ended represents the latest available information:

Statement of comprehensive income

	6 months Unaudited at 31 December 2018 R000	6 months Unaudited at 31 December 2017 R000
Revenue	239 399	186 878
Profit before tax	164 833	148 173
Total comprehensive income	164 258	148 151

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

8 Investments in associates at fair value continued

Statement of financial position

	6 months Unaudited at 31 December 2018 R000	6 months Unaudited at 31 December 2017 R000
Assets	**3 519 782**	3 062 620
Non-current assets	**3 419 692**	2 996 190
Current assets	**100 090**	66 430
Total assets	**3 519 782**	3 062 620
Equity	**2 452 085**	2 020 850
Liabilities	**1 067 697**	1 041 770
Non-current liabilities	**588 544**	590 063
Current liabilities	**479 153**	451 707
Total equity and liabilities	**3 519 782**	3 062 620

9 Investment in associate equity accounted – Atlantic Leaf Properties Limited (Atlantic Leaf)

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

On acquisition of the investment in an associate, any excess of the cost of the investment over the investor's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the investor's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. Any dividends received are utilised to reduce the carrying value of the investment.

The results and assets and liabilities of associates are incorporated into these financial statements using the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the investor's share of the profit or loss and other comprehensive income of the associate. When the investor's share of losses of an associate exceeds the investor's interest in that associate, the investor discontinues recognising its share of further losses.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale.

Name of associate	Principal activity	Place of incorporation	Place of operation	March 2019	March 2018
Atlantic Leaf	Investment in commercial property	Mauritius	United Kingdom	**34.9%**	34.9%

	March 2019 R000	March 2018 R000
Opening balance at carrying value	**1 199 292**	780 347
Additional shares purchased	**—**	417 960
Share of profits	**53 585**	95 485
Dividends received	**(108 663)**	(86 716)
Share of fair value movement on cash flow hedge	**(4 261)**	8 337
Capitalised costs	**2 768**	321
Foreign currency translation profit/(loss)	**160 204**	(16 442)
Carrying value of investment	**1 302 925**	1 199 292

9 Investment in associate equity accounted – Atlantic Leaf continued

Atlantic Leaf is a Mauritian incorporated real estate company. On 1 March 2019, Atlantic Leaf redomiciled its jurisdiction of incorporation from Mauritius to Jersey and entered the UK real estate investment trust regime. Following the redomiciliation, Atlantic Leaf has a secondary listing on the official list of the Stock Exchange of Mauritius (SEM) and a primary listing on the Main Board of the Johannesburg Stock Exchange (JSE). The company was incorporated on 11 November 2013 in Mauritius, and holds a Category 1 Global Business Licence in accordance with the Mauritian Companies Act 2001 and the Financial Services Act 2007 of Mauritius.

The company has been established with the objective of investing in high-quality, investment grade real estate assets and companies which deliver solid returns for investors through both income and capital growth. The company focuses on investments in the United Kingdom. The carrying value of the investment has been assessed and no impairment is required.

During the year, Vukile did not increase its interest in Atlantic Leaf but continues to exercise significant influence over it by virtue of its 34.9% (2018: 34.9%) voting rights held, and a seat on the board and investment committee of the company.

The summarised financial information of Atlantic Leaf is set out below:

Statement of comprehensive income

	12 months Audited as at 28 February 2019 £000	12 months Audited as at 28 February 2018 £000
Rental revenue	**25 340**	21 201
Straight-line lease income adjustment	**1 520**	2 893
Revenue	**26 860**	24 094
Property operating expenses	**(2 373)**	(857)
Net property income	**24 487**	23 237
Other operating expenditure	**(2 819)**	(2 615)
Net operating income	**21 668**	20 622
Investment and other income	**577**	164
Profit on disposal of investment properties	**250**	—
Profit on disposal of listed investments	**128**	135
Profit on foreign exchange	**100**	67
Fair value adjustments	**(9 118)**	586
Equity-accounted profit (net of taxation)	**2 664**	1 806
Finance costs	**(5 592)**	(4 860)
Profit before taxation	**10 676**	18 520
Taxation	**(1 493)**	(1 552)
Profit for the year	**9 183**	16 968
Other comprehensive (loss)/income		
Fair value movement on cash flow hedge	**(629)**	1 385
Total comprehensive income for the year	**8 554**	18 353
Vukile's share of profit from Atlantic Leaf	**2 949**	5 800
Vukile's share of other comprehensive loss from Atlantic Leaf	**(238)**	(466)

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9 Investment in associate equity accounted – Atlantic Leaf continued

Statement of financial position

	Audited as at 28 February 2019 £000	Audited as at 28 February 2018 £000
Assets		
Non-current assets	**332 691**	352 475
Investment properties	**328 910**	319 405
Investment in joint venture	**–**	25 766
Other non-current assets	**3 781**	7 304
Current assets	**15 999**	10 379
Assets held for sale	**23 000**	–
Total assets	**371 690**	362 854
Equity	**195 280**	204 206
Liabilities	**176 410**	158 648
Long-term borrowings	**163 850**	131 830
Current liabilities	**12 560**	26 818
Total equity and liabilities	**371 690**	362 854

	2019		2018	
	R000	£000	R000	£000
Vukile's share of net assets at March 2019				
Share of equity acquired	**1 358 157**	**67 567**	1 358 157	70 113
Goodwill	**1 790**	**95**	1 573	95
Foreign currency translation reserve	**(2 741)**	**–**	(2 523)	–
Cost of investment in Atlantic Leaf	**1 357 206**	**67 662**	1 357 207	70 208
Dividends received	**(108 663)**	**(6 101)**	(140 051)	(7 425)
Share of profits	**53 585**	**2 949**	95 485	5 800
Share of retained income	**(158 236)**	**4 230**	64 674	3 294
Share of other comprehensive income	**(4 260)**	**(238)**	(2 158)	14
Foreign currency translation reserve through other comprehensive income/(accumulated losses)	**160 204**	**–**	(176 186)	–
Capitalised costs	**3 089**	**–**	321	–
	1 302 925	**68 501**	1 199 292	71 891
Rand/GBP exchange rate at 31 March	**18.89**		16.59	

The information was extracted from Atlantic Leaf's summarised audited financial statements for the year ended 28 February 2019, being the latest available audited results.

There has been no material movement for the month of March 2019 between the audited results and the financial information shown above.

10 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest method.

	2019 R000	2018 R000
Trade creditors	**126 526**	118 082
Accrued municipal expenses	**111 039**	57 165
Accrued capital expenditure	**33 298**	16 250
Accrued trade expenses	**112 312**	115 467
Tenant deposits	**258 051**	121 771
	641 225	428 735

All amounts are short term. The carrying value of trade and other payables is considered to be a reasonable approximation of fair value.

11 Non-current assets held for sale

MICC Properties Namibia

Vukile has actively been marketing a wholly owned subsidiary, MICC Properties Namibia (Pty) Ltd, which is available for immediate sale. The price at which it is being marketed is in line with the fair value of the subsidiary, primarily driven by the fair value attached to the properties. As at 31 March 2019, no sale has been concluded but it is highly probable that a sale will occur within 12 months. An offer has been received to purchase 70% of the share capital and shareholders' loans of the entity, subject to, *inter alia*, the satisfactory completion of a due diligence, Competition Commission and other regulatory approval and the purchaser's board of directors and shareholder approval.

The subsidiary held for sale is presented within the southern Africa reportable segment in accordance with IFRS 8.

The group's goodwill relating to MICC Properties Namibia has been impaired during the current reporting period – refer to note 22 for further details regarding the impairment.

Subsidiaries held for sale includes the following items:

Group	Note	2019 R000	2018 R000
Non-current assets held for sale		**1 016 220**	10 500
Investment properties		**984 406**	10 500
Investment properties	3	**1 001 672**	10 500
Straight-line rental income adjustment	4	**(17 266)**	—
Other net assets held for sale		**31 814**	
Straight-line rental income asset	4	**17 266**	—
Other assets		**24 932**	—
Other liabilities		**(10 384)**	—

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12 Joint operations

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement and have rights to their assets and obligations for their liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity transacts with its joint operation, profits and losses resulting from the transactions with the joint operation are recognised in the group's consolidated annual financial statements only to the extent of interests in the joint operation entity that are not related to the group.

When a group entity undertakes its activities under joint operations, the group, as a joint operator, recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

The group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

Refer to note 41 for detailed property disclosures relating to each joint operation.

	2019 %	2018 %
Joint operations comprise the following properties:		
Boksburg East Rand Mall	**50.0**	50.0
Meadowdale Mall	**67.0**	67.0
Monsterlus Moratiwa Crossing	**94.5**	94.5
Thavhani Mall	**33.3**	33.0
Tzaneen Maake Plaza	**70.0**	70.0
Ga-Kgapane Modjadji Plaza	**30.0**	30.0
Springs Mall	**25.0**	25.0

The above operations are classified as joint operations whereby the group recognises its share of the assets and liabilities and income and expenses.

12 Joint operations continued

	2019 R000	2018 R000
Vukile's share of profit and loss and net assets		
Statement of profit or loss and other comprehensive income		
Revenue	320 559	281 131
Property expenses	(117 740)	(115 279)
Property operating profit	202 819	165 852
Straight-line lease income adjustment	4 818	(656)
Fair value adjustments	69 285	216 457
Operating profit	276 923	381 653
Statement of financial position		
Opening fair value of property assets	2 775 135	2 165 611
Acquisitions	—	367 581
Capital expenditure	42 570	25 485
Net fair value adjustments	69 285	216 457
Straight-line lease income adjustment	4 818	(656)
Fair value of investment property for accounting purposes	2 891 809	2 774 478
Straight-line lease income adjustment	(4 818)	656
Closing fair value of property assets	2 886 990	2 775 134
Current assets	44 348	42 726
Total assets	2 931 339	2 817 860
Owners' equity	1 485 287	(442 129)
Other non-current liabilities	1 399 216	3 229 365
Current liabilities	46 835	30 624
Total equity and liabilities	2 931 339	2 817 860

13 Hedge accounting

The group has elected to adopt IFRS 9's hedge accounting requirements. The table below details the hedged items and hedging instruments included in other comprehensive income since the adoption of IFRS 9:

Hedge designation	Other comprehensive income	2019 R000	Line item impacted on statement of financial position
Net investment hedge	**Foreign currency translation reserve: associates**	140 220	
Hedged item	Share of other comprehensive income of associate	(4 261)	Investment in associate
Hedged item	Foreign currency translation of associate	160 204	Investment in associate
Hedging instrument	Mark-to-market on GBP forward exchange contracts (FECs)	(13 192)	Derivatives
Hedging instrument	Other GBP hedging instruments	(2 531)	
Net investment hedge	**Foreign currency translation reserve: subsidiaries**	(103 872)	
Hedged item	Foreign currency translation of subsidiaries	328 686	Other components of equity
Hedging instrument	Foreign currency movement on euro denominated non-derivative instruments	(237 253)	Borrowings
Hedging instrument	Effective portion of mark-to-market on euro cross-currency interest rate swaps (CCIRS) and FECs	(197 728)	Derivatives
Hedging instrument	Other euro hedging instruments	2 423	

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for the year ended 31 March 2019

13 Hedge accounting continued

Movements in hedging instruments were as follows:

	CCIRS R000	FEC R000	IRS R000	Other derivatives[1] R000
Balance at 1 April 2018	(55 789)	22 502	(72 153)	—
Cash flow	—	(3 248)	—	17 812
Other comprehensive income	(217 308)	6 388	(24 264)	—
Profit and loss	47 603	—	—	(209 685)
Balance at 31 March 2019	(225 494)	(25 642)	(96 417)	(191 873)

[1] *Other derivatives comprise net settled derivatives and share warrants. Refer to note 20.*

Changes to Vukile or the counterparty's credit risk is a potential source of hedge ineffectiveness. As all critical terms match, the economic relationships and hedge ratios are 100% effective.

Refer to note 20 for nominal values and further details on hedging instruments.

14 Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

	2019	2018
Authorised ordinary shares of no par value (000)	**1 500 000**	1 500 000
Issued ordinary shares of no par value (000)	**920 962**	784 766
Reconciliation of movement of issued shares	**R000**	R000
In issue at the beginning of the year – 784 766 367 (2018: 701 885 532) ordinary shares of no par value	**9 527 445**	7 970 814
136 195 778 shares issued during the year net of costs (2018: 82 880 835)	**2 614 572**	1 556 631
Total	**12 142 017**	9 527 445

Shares under control of the directors

At the AGM held on 14 August 2018, shareholders approved a resolution whereby 78 862 351 shares of the unissued shares of the company were placed under the control of the directors. As at 29 May 2019, 2 455 080 shares under this authority are still unutilised. In addition to this facility, another R500 million worth of capital is under the control of the directors as a result of resolutions passed by shareholders approving the Encha equity funding platform and matching placement facility.

15 Other components of equity

The non-distributable reserves within equity, as disclosed below, comprise gains and losses due to the revaluation of investment property, foreign exchange gains and losses, and other capital items. Gains and losses on certain financial instruments are included in reserves for executive share scheme financial assets and cash flow hedges respectively.

Share-based payments comprising the payments made by the group in respect of long-term incentive and retention scheme awards are included in non-distributable reserves.

Retained earnings include all current and prior period retained profits and losses.

	Non-distributable reserves R000	Revaluation reserves available-for-sale assets R000	Foreign currency translation reserve R000	Cash flow hedges R000	Total R000
Balance at 31 March 2017	4 953 404	(95 542)	(164 498)	(11 558)	4 681 806
Change in fair value of investment properties	1 155 389	—	—	—	1 155 389
Change in fair value of investment properties attributable to non-controlling interest	(6 486)	—	—	—	(6 486)
Share-based remuneration	21 077	—	—	—	21 077
Deferred taxation on change in fair value of derivatives	(2 241)	—	—	—	(2 241)
Transfer to non-distributable reserves	59 936	—	—	—	59 936
Transfer from non-distributable reserves	(12 835)	—	—	8 337	(4 498)
Share issue expenses of a subsidiary	(3 637)	—	—	—	(3 637)
Loss of control of subsidiary	324	—	—	—	324
Legal reserve transfer – foreign subsidiary	217	—	—	—	217
Revaluation of equity investments	(16 411)		—	—	(16 411)
Other comprehensive loss					
Currency loss on translation of investment in foreign entities	13 649	—	(83 778)	—	(70 129)
Currency loss on translation of goodwill	—	—	279	—	279
Revaluation of available-for-sale financial asset	—	(17 610)	—	—	(17 610)
Revaluation of cash flow hedges (net of tax)	—	—	—	(60 164)	(60 164)
Balance at 31 March 2018	6 162 386	(113 152)	(247 997)	(63 385)	5 737 852
Adjustment from initial application of IFRS 9	**—**	**113 152**	**—**	**—**	**113 152**
Executive share scheme: change in classification	**—**	**113 152**	**—**	**—**	**113 152**
Transfers to non-distributable reserves	**221 525**	**—**	**—**	**—**	**221 525**
Share issue expenses of a subsidiary	**(2 315)**	**—**	**—**	**—**	**(2 315)**
Change in ownership of a subsidiary recognised in equity	**(106 969)**	**—**	**—**	**—**	**(106 969)**
Equity-settled share scheme	**23 005**	**—**	**—**	**—**	**23 005**
Other comprehensive loss					
Foreign currency translation reserve	**—**	**—**	**(45 723)**	**—**	**(45 723)**
Revaluation of cash flow hedges	**—**	**—**	**—**	**(17 118)**	**(17 118)**
Deferred tax on hedging instruments	**—**	**—**	**(15 621)**	**(19 099)**	**(34 720)**
Balance at 31 March 2019	**6 297 633**	**—**	**(309 341)**	**(99 602)**	**5 888 689**

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16 Non-controlling interest

2019

The non-controlling interest of R2.3 billion represents 27.88% of the net asset value of Castellana and 20.00% of the net asset value of Clidet No.1011 (Clidet) at 31 March 2019. The following is summarised financial information for Castellana and Clidet, prepared in accordance with IFRS, adjusted for fair value adjustments on acquisition and differences in group accounting policies. The information is before intra-company eliminations with other companies in the group.

	Castellana R000	Clidet R000	March 2019 R000
Extracts from statement of profit or loss and other comprehensive income			
Revenue, excluding straight-line lease income adjustment	674 858	56 154	731 013
Profit after taxation	329 029	8 050	337 079
Attributable to owners of the parent	91 597	6 440	98 036
Attributable to non-controlling interest	237 433	1 610	239 042
Total comprehensive income	410 878	(2 380)	408 498
Attributable to owners of the parent	91 374	(3 990)	87 384
Attributable to non-controlling interest	319 504	1 610	321 114
Dividends paid to non-controlling interest during the year	12 773	1 966	14 739
Extracts from statement of financial position			
Non-current assets	14 999 604	499 984	15 499 587
Current assets	558 646	33 390	592 036
Non-current liabilities	(7 341 954)	(283 641)	(7 625 595)
Current liabilities	(135 161)	(11 348)	(146 509)
Net assets	8 081 135	238 384	8 319 519
Net assets attributable to non-controlling interest	2 252 641	47 679	2 300 320
Extracts from statement of cash flows			
Cash flows from operating activities	559 209	37 031	596 240
Cash flows from investing activities	(1 460 326)	(1 927)	(1 462 253)
Cash flows from financing activities	1 119 094	(30 049)	1 089 045
Net cash inflow	217 977	5 055	223 032

16 Non-controlling interest continued

2018

The non-controlling interest of R81.3 million represents 1.26% of the net asset value of Clidet and 20.00% of the net asset value of Castellana at 31 March 2018. The following is summarised financial information for Castellana and Clidet, prepared in accordance with IFRS, adjusted for fair value adjustments on acquisition and differences in group accounting policies. The information is before intra-company eliminations with other companies in the group.

	Castellana R000	Clidet R000	March 2018 R000
Extracts from statement of profit or loss and other comprehensive income			
Revenue, excluding straight-line lease income adjustment	213 708	54 314	268 022
Profit after taxation	366 561	19 844	386 405
Attributable to owners of the parent	360 227	15 875	376 102
Attributable to non-controlling interest	6 334	3 969	10 303
Total comprehensive income	296 992	19 844	316 836
Attributable to owners of the parent	289 893	15 875	305 768
Attributable to non-controlling interest	7 099	3 969	11 068
Dividends paid to non-controlling interest during the year	233	2 508	2 741
Extracts from statement of financial position			
Non-current assets	4 524 004	503 251	5 027 255
Current assets	261 443	27 133	288 576
Non-current liabilities	(2 056 477)	(281 407)	(2 337 884)
Current liabilities	(89 564)	(9 028)	(98 592)
Net assets	2 639 406	239 949	2 879 355
Net assets attributable to non-controlling interest	33 321	47 990	81 311
Extracts from statement of cash flows			
Cash flows from operating activities	156 974	36 252	193 226
Cash flows from investing activities	(2 635 372)	1 953	(2 633 419)
Cash flows from financing activities	2 722 411	(45 611)	2 676 800
Net cash inflow	244 013	(7 406)	236 607

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17 Fair value measurement

17.1 Fair value measurement of financial instruments

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

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

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

Level 3: unobservable inputs for the asset or liability.

17.2 Fair value hierarchy

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

	2019				2018		
Group	**Level 1 R000**	**Level 2 R000**	**Level 3 R000**	**Total R000**	Level 1 R000	Level 2 R000	Total R000
Assets							
Investments in associates at fair value	1 296 737	–	–	1 296 737	1 384 645	–	1 384 645
Executive share scheme net financial assets	72 439	–	–	72 439	79 152	–	79 152
Derivative financial instruments	–	52 624	–	52 624	–	26 039	26 039
Total	1 369 176	52 624	–	1 421 800	1 463 797	26 039	1 489 836
Liabilities							
Executive share scheme financial liabilities	–	(44 617)	–	(44 617)	–	(45 053)	(45 053)
Derivative financial instruments	–	(316 430)	(224 335)	(540 765)	–	(131 479)	(131 479)
Total	–	(361 047)	(224 335)	(585 382)	–	(176 532)	(176 532)
Net fair value	1 369 176	(308 423)	(224 335)	836 418	1 463 797	(150 493)	1 313 304

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

Investments in associates at fair value (note 8)

This comprises shares held in listed property companies at fair value which is determined by reference to quoted closing prices at the reporting date.

Executive share scheme financial assets and liabilities (note 21)

This comprises equity-settled share-based long-term incentive reimbursement rights net of executive rights, stated at fair value. Note 21 sets out further details of the relevant inputs utilised.

Derivative financial instruments (note 20)

Level 2 derivatives consist of interest rate swap contracts, cross-currency interest rate swaps and forward exchange contracts. The fair values of these derivative instruments are determined by Absa Capital, Rand Merchant Bank, Standard Bank, Nedbank, Investec Bank Limited, Banco Popular, Banco Santander and Caixabank using a valuation technique that maximises the use of observable market inputs. Level 3 derivatives consist of net settled derivatives and share warrants that have been valued using the Black Scholes option pricing model.

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

17 Fair value measurement continued

17.3 Financial instruments by category

The carrying amounts of financial assets and financial liabilities per classification category are as follows:

	2019		2018		
	Amortised cost R000	Fair value through profit and loss R000	Loans and receivables R000	Available-for-sale financial asset R000	Fair value through profit and loss R000
Assets per statement of financial position					
Cash and cash equivalents	1 136 250	—	1 093 860	—	—
Investments in associates at fair value	—	1 296 737	—	—	1 384 645
Executive share scheme financial asset	—	27 822	—	34 099	—
Derivative financial instruments	—	52 624	—	—	26 039
Long-term loans granted	270 709	—	103 672	—	—
Trade and other receivables (excluding prepayments)	270 000	—	164 064	—	—

	2019		2018	
	Financial liabilities at amortised cost R000	Fair value through profit and loss R000	Financial liabilities at amortised cost R000	Fair value through profit and loss R000
Liabilities per statement of financial position				
Borrowings	11 547 551	—	3 299 331	—
Derivative financial instruments	—	540 766	—	128 413
Trade and other payables (excluding non-IAS 39 liabilities)	383 174	—	259 870	—
Current portion of borrowings	1 430 736	—	1 631 359	—

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17 Fair value measurement continued

17.4 Fair value measurement of non-financial assets (investment properties)

As at 31 March 2019, the directors have valued the southern African property portfolio at R15.8 billion, and an external valuer has valued the Spanish portfolio at R14.9 billion (2018: R11.8 billion and R7.3 billion respectively). This includes assets classified as held for sale.

This is R11.5 billion or 60.08% higher than the group's valuation as at 31 March 2018.

The external valuations performed by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd at 31 March 2019 on 51% of the southern African portfolio are in line with the directors' valuations. The Spanish portfolio was valued by Colliers International.

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

The most significant inputs are the discount rate and the reversionary capitalisation rate. The inputs used in the valuations at 31 March were:

	2019				2018			
	Discount rate		Reversionary capitalisation rate		Discount rate		Reversionary capitalisation rate	
	Range	Weighted average	Range	Weighted average	Range	Weighted average	Range	Weighted average
Southern Africa	12.4% to 17.4%	13.5%	7.4% to 13.0%	8.7%	12.2% to 17.3	13.4%	7.5% to 12.8	8.6%
Spain	7% to 9.0%	7.9%	5% to 9.2%	6%	7.5% to 10.3	8.8%	5% to 9.1	6.1%

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

The effect of a 25 basis point change to the base discount rate will have the following impact on the 31 March 2019 value of the portfolio:

		25bps increase			25bps decrease		
	Fair value R000	Decreased fair value R000	Decrease R000	% decrease	Increased fair value R000	Increase R000	% increase
Southern Africa[1]	15 501 000	15 050 000	(451 000)	(2.91)	15 979 000	478 000	3.1
	Fair value €000	**Decreased fair value €000**	**Decrease R000**	**% decrease**	**Increased fair value €000**	**Increase R000**	**% increase**
Spain	916 470	899 945	(16 525)	(1.8)	933 420	16 950	1.8

[1] *Fair value excludes non-controlling interest in Clidet and excludes properties under development recognised at cost.*

17 Fair value measurement continued

17.4 Fair value measurement of non-financial assets (investment properties) continued

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value at 31 March:

	2019 Recurring fair value measurements Level 3 R000	2018 Recurring fair value measurements Level 3 R000
Investment properties	**29 517 796**	19 102 209
Investment properties under development	**163 250**	54 476

	2019 Non-recurring fair value measurements Level 3 R000	2018 Non-recurring fair value measurements Level 3 R000
Investment properties held for sale	**1 001 672**	10 500

There were no transfers in or out of level 3 in the reporting period under review.

18 Interest-bearing borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets.

Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Where applicable, investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are expensed in the period in which they are incurred.

Reconciliation of interest-bearing borrowings:

	2019 R000	2018 R000
Balance at 1 April	**6 900 730**	3 940 171
IFRS 9 opening balance adjustment	**(23 423)**	—
Proceeds from additional borrowings raised	**6 894 960**	4 523 815
Borrowings acquired	**—**	1 333 367
Transaction costs paid	**(161 875)**	(104 329)
Transaction costs amortised (non-cash)	**48 754**	14 818
Repayment of debt	**(1 729 700)**	(2 658 070)
Foreign exchange differences (non-cash)	**271 308**	(59 936)
Foreign currency translation reserve (non-cash)	**777 533**	(89 106)
Balance at 31 March	**12 978 287**	6 900 730
Current portion	**1 430 736**	1 554 359
Non-current portion	**11 547 551**	5 346 371

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18 Interest-bearing borrowings continued

Details of borrowings

	2019			
	Group total facilities available R000	Group issuances/ draw downs R000	Interest rate[1] %	Latest repayment dates
Interest-bearing borrowings		12 978 287		
Interest-bearing borrowings: Non-current		11 547 551		
Interest-bearing borrowings: Current		1 430 736		
DMTN programme	5 000 000			
Variable rate bonds[2]		2 007 000	8.50 – 9.50	July 2023
Secured		772 000		
Unsecured		1 235 000		
Less: Net debt raising fees offset against borrowings		(2 908)		
		2 004 092		
Total DMTN debt		2 004 092		
Variable rate bank loans[2]	3 963 165	3 901 445	2.15 – 10.05	December 2022
Secured		3 795 767		
Unsecured		105 678		
Less: Net debt raising fees offset against borrowings		(10 529)		
		3 890 915		
Foreign debt – Spain				
Secured fixed rate loans	4 850 309	4 850 309	1.78 – 1.92	September 2025
Less: Net debt raising fees offset against borrowings		(123 225)		
Secured variable rate loans[2]	2 384 249	2 384 249	1.84 – 2.25	November 2023
Less: Net debt raising fees offset against borrowings		(28 052)		
		7 083 280		

(1) *Interest rates incorporate swap rates, where applicable, and margins.*
(2) *Variable rate loans have been fixed/hedged by way of interest rate swaps. Refer to note 20 and note 24.3.*

18 Interest-bearing borrowings continued

Details of borrowings continued

	2018			
	Group total facilities available R000	Group issuances/ draw downs R000	Interest rate[1] %	Latest repayment dates
Interest-bearing borrowings		6 900 730		
Interest-bearing borrowings: Non-current		5 346 371		
Interest-bearing borrowings: Current		1 554 359		
DMTN programme	5 000 000			
Secured variable rate bonds		1 152 000	9.02 – 9.50	July 2022
Less: Net debt raising fees offset against borrowings		(1 063)		
		1 150 937		
Unsecured variable rate bonds and commercial paper		520 000	7.68 – 9.91	March 2019
Less: Net debt raising fees offset against borrowings		(229)		
		519 771		
Total DMTN debt		1 670 708		
Secured bank variable rate loans	4 152 158	3 099 497	2.00 – 10.05	December 2022
Less: Net debt raising fees offset against borrowings		(10 242)		
		3 089 255		
Unsecured bank variable rate loans	94 725	94 725	2.33	December 2019
Less: Net debt raising fees offset against borrowings		(998)		
		93 727		
Foreign debt – Spain				
Secured variable rate loan	2 127 658	2 127 658	1.84 – 2.25	November 2023
Less: Net debt raising fees offset against borrowings		(80 618)		
		2 047 040		

[1] *Interest rates incorporate swap rates, where applicable, and margins.*

19 Finance costs

	2019 R000	2018 R000
Secured loans	**475 727**	357 530
Less: Capitalised interest on developments	**(16 721)**	(5 231)
Unsecured loans	**1 989**	691
Amortisation of debt raising fees	**48 754**	14 818
	509 749	367 808

Refer note 24.3 for hedging details.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

20 Derivative financial instruments

The group uses derivative financial instruments including interest rate swaps, swaptions, forward rate agreements and interest rate caps, forward exchange contracts and cross-currency interest rate swaps to hedge its exposure to interest rates and currency risk. It is the policy of the group not to trade in derivative financial instruments for speculative purposes. Derivative financial instruments are initially and subsequently recognised at fair value.

In terms of IFRS 9's hedge accounting, the group enters into net investment hedges and cash flow hedges. Any ineffective portion of the hedge is recognised in profit or loss for the period.

	2019 Assets (liabilities) R000	2018 Assets/ (liabilities) R000
Derivative assets are disclosed as follows:		
Non-current portion	**42 291**	26 039
Foreign exchange contracts	**19 642**	20 801
Cross-currency interest rate swaps	**3 355**	—
Interest rate swaps	**3 063**	5 238
Share warrant	**16 231**	—
Current portion	**10 333**	—
Foreign exchange contracts	**10 137**	—
Cross-currency interest rate swaps	**115**	—
Interest rate swaps	**81**	—
Total	**52 624**	26 039
Derivative liabilities are disclosed as follows:		
Non-current portion	**(480 350)**	(131 304)
Foreign exchange contracts	**(2 555)**	(1 547)
Cross-currency interest rate swaps	**(224 917)**	(55 789)
Interest rate swaps	**(60 745)**	(73 969)
Net settled derivative	**(192 133)**	—
Current portion	**(60 415)**	(175)
Foreign exchange contracts	**(1 581)**	—
Cross-currency interest rate swaps	**(4 048)**	—
Interest rate swaps	**(38 816)**	(175)
Net settled derivative	**(15 970)**	—
Total	**(540 765)**	(131 479)

Refer note 24.3 for further disclosure.

20 Derivative financial instruments continued

Interest rate swaps

The group has entered into interest rate swaps whereby the variable rate loans have been converted to fixed rate debt as follows:

	2019 Group nominal value Rm	2018 Group nominal value Rm
Rand denominated swaps	**2 767 000**	2 538 000
Foreign currency denominated swaps	**4 602 120**	4 049 000
Total interest rate swaps	**7 369 120**	6 587 000
Weighted average (years)	**4.6**	3.6

Forward exchange contracts

Vukile has adopted a strategy of hedging its net investment in associate. Vukile enters into hedges to cover approximately 75% of the dividend cash flow over a three-year period.

Euro foreign exchange currency hedges

Maturity date	Jun 2019 €000	Dec 2019 €000	Jun 2020 €000	Dec 2020 €000	Jun 2021 €000	Dec 2021 €000	June 2022 €000	Dec 2020 €000
FEC hedge – nominal value	**7 684**	**5 375**	5 289	5 495	5 508	4 600	4 600	4 600
Fixed EUR/R rate	**16.9725**	**17.7734**	18.4981	18.5148	19.4321	20.6629	21.5255	22.4193

GBP foreign exchange currency hedges

Maturity date	May 2019 £000	Nov 2019 £000	May 2020 £000	Nov 2020 £000
FEC hedge – nominal value	2 035	1 996	2 045	2 070
Fixed GBP/R rate	19.2135	19.9029	20.6072	21.3622

Cross-currency interest rate swaps

Rand denominated loans obtained for certain foreign acquisitions together with cash raised from property sales and equity raises are utilised to enter into cross-currency interest rate derivatives to swap the rand for a foreign currency. The interest receipt on the hedge of R163.07 million is recognised in profit or loss. As only the nominal amount of the CCIRS is designated in a hedge relationship, an amount of R47.6 million is recognised directly in profit or loss as the fair value movement on the non-designated portion of the derivative.

Maturity of existing CCIRS	14 June 2021	14 June 2021	13 June 2022	13 June 2022
Nominal value: ZAR	R1 346 million	R360.38 million	R629.86 million	R401.37 million
Nominal value: Euro	€93.2 million	€23.8 million	€40.0 million	€25.5 million
Weighted average ZAR rate	8.81%	8.81%	11.88%	11.88%
Foreign rate	1.90%	1.29%	3.70%	3.72%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

20 Derivative financial instruments continued

Net settled derivative

Derivative financial liabilities include a net settled derivative of R208.1 million in respect of the Morzal acquisition.

Two co-investors participated in the acquisition of the four shopping centres from Unibail-Rodamco together with Vukile, which resulted in these co-investors holding 25.6% shareholding in Castellana. The shareholder agreements concluded in terms of this transaction provide for an exit for the two co-investors at 31 July 2019 and 31 July 2021 respectively. Castellana is required to act as agent to sell the two co-investors shareholding in Castellana to a third party at a predetermined price. In the event that Castellana does not successfully place the shares at the predetermined price, Vukile will be required to make good the difference between the selling price and the predetermined rate, namely will be required to net settle any shortfall.

The derivative has been valued using a Black Scholes option pricing model which assumes the efficient market hypothesis requiring that markets react to perfect information and that share price movements are normally distributed. Although Castellana shares are listed but illiquid, the Black Scholes model still provides the best estimate of the value of this derivative.

The following inputs were used in the Black Scholes option pricing model:

	Co-investor 1		Co-investor 2	
Description	Put		Put	
Number of shares (options)	As specified in legal agreements	5 833 333	As specified in legal agreements	13 332 833
Strike price	As specified in legal agreements	6.67	As specified in legal agreements	6.50
Exchange rate	Closing rate	16.2582	Closing rate	16.2582
Expiry date	As specified in legal agreements	31 July 2019	As specified in legal agreements	31 July 2021
Discount rate	Three-year EURIBOR swap (%)	(0.16)	Three-year EURIBOR swap (%)	(0.16)
Volatility of the index price	In terms of an index based on the largest 10 Spanish REITs	9.8%	In terms of an index based on the largest 10 Spanish REITs	9.8%
Share price	Fair value of Castellana	6.64	Fair value of Castellana	6.64[(1)]

[(1)] An adjustment has been made to account for the expected dividend over the full period.

The table below details the movement in the derivative balance:

	2019 R000	2018 R000
Opening balance	–	–
Fair value movement	(208 104)	–
Closing balance	(208 104)	–

Share warrant

During October 2018, Vukile entered into an investment agreement with Diversified Real Estate Asset Management S.L. ("DREAM") whereby Vukile has the right to instruct the shareholders of DREAM, at any time up to 7 December 2021, to issue sufficient share capital to Vukile resulting in Vukile owning 50% of the shares in DREAM. Vukile paid R17 812 125 for the share warrant, giving Vukile significant influence over DREAM due to the potential voting rights that are currently exercisable.

At 31 March 2019, Vukile has not yet exercised the right. As such, derivative financial assets includes an amount of R16 231 332 relating to the share warrant. The derivative has been valued using a Black Scholes option pricing model which assumes the efficient market hypothesis where shares price movements follow a normal distribution. Although DREAM shares are not actively traded, the Black Scholes model still provides the best estimate of the value of the share warrant. Although Black Scholes is generally used to price European style options (which include dividends in the cash flow), academic research suggests that Black Scholes can be used to value American style options, where there are no dividends.

20 Derivative financial instruments continued

Share warrant continued

The following inputs were used in the Black Scholes option pricing model:

Number of shares (options)		1 500
Description		Call warrant
Strike price	Net asset value at time of valuation	1 186.61
Exchange rate	Closing rate	16.2582
Expiry date	As specified in legal agreements	7 December 2021
Fair value of DREAM shares	Price-earnings ratio	1 857.08
Discount rate	Three-year Euribor swap	0.16%
Volatility of the index price	In terms of an index based on the largest 10 Spanish REITs	9.8%

DREAM is a Spanish real estate focused property asset management business and is currently considering a number of non-retail real estate opportunities in Spain, which may result in value creation for its shareholders.

Vukile has not committed any capital to DREAM at year-end.

The summarised financial information of DREAM is set out below:

Statement of comprehensive income

	12 months unaudited as at 31 December 2018 €000
Rental revenue	7 680
Other operating expenditure	(5 211)
Net operating income	2 469
Investment and other income	7
Profit before taxation	2 476
Taxation	(619)
Profit for the year	1 857

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

20 Derivative financial instruments continued

Statement of financial position

	Unaudited 31 December 2018 €000
Assets	
Non-current assets	151
Intangible assets	1
Property, plant and equipment	53
Other non-current assets	97
Current assets	6 330
Total assets	6 481
Equity	3 560
Liabilities	2 921
Current liabilities	2 921
Total equity and liabilities	6 481

The information was extracted from DREAM's summarised unaudited financial statements for the year ended 31 December 2018, being the latest available results. The financial statements have been prepared in accordance with Spanish GAAP.

21 Executive share scheme financial asset

The executive share scheme financial asset comprises the long-term incentive reimbursement right, which is legally offset by the long-term employee benefit liability in the statement of financial position. The reimbursement right is recognised at FVTPL in terms of IFRS 9.

The reimbursement asset of R72.4 million (2018: R79.2 million) is based on the number of shares held by Sanlam Capital Markets (SCM) who have assumed all of Vukile's obligations in respect of the executive share scheme, valued at the closing share price at year-end (level 1 financial instrument – note 17.2). The liability portion of R44.6 million (2018: R45.1 million) is determined by the number of shares expected to vest in future, valued at the year-end share price, weighted for the expected performance achievement and based on the number of days to vesting (level 2 financial instrument).

	2019 R000	2018 R000
Reimbursement right		
Balance at 1 April	34 099	23 855
Performance and retention long-term incentive scheme awards	22 668	27 854
Fair value adjustment of reimbursement right	437	(13 567)
	57 204	38 142
Movements of executive rights	(29 382)	(4 043)
Total reimbursement right	27 822	34 099

The terms and conditions of the Conditional Share Plan were approved by shareholders at a general meeting held on 25 April 2013, and the financial assistance authority confirmed at the AGM held on 29 August 2016.

21 Executive share scheme financial asset continued

SCM has assumed the obligation to discharge Vukile's conditional financial obligations towards its executives and management as follows:

		Rm	Vesting dates
(i)	Based on 33.5% to 100% CPA[1] targets and 66.5% to 0% of group performance	18.5	31 May 2019
(ii)	Special award – retention based	0.8	31 May 2019
(iii)	Based on 22.5% to 100% CPA[1] targets and 72.5% to 0% of group performance	27.4	31 May 2020
(iv)	Special award – retention based	0.5	31 May 2020
(v)	Based on 27.5% to 100% CPA[1] targets and 72.5% to 0% of group performance	22.7	31 May 2021

[1] *Critical performance areas (CPA).*

The executive directors have been allocated the following percentages of the schemes:

Scheme	LG Rapp	MJ Potts	HC Lopion	GS Moseneke
(i)	21.60%	10.80%	9.60%	7.50%
(iii)	21.38%	14.50%	11.93%	6.24%
(v)	23.90%	4.00%	3.30%	7.50%

Further details of the existing long-term retention and incentive share scheme are set out in the governance review of the integrated annual report.

22 Goodwill

Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a business is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are measured at their acquisition date fair values.

Goodwill is calculated as the excess of the sum of (a) the fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) the acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets.

If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on bargain purchase) is recognised in profit or loss immediately.

Acquisitions of non-controlling interests that do not result in a loss of control are accounted for as transactions with equity holders in their capacity as equity holders and therefore, no goodwill is recognised as a result of such transactions.

Subsidiaries

Refer to note 34 for details regarding the group's subsidiaries and related shareholding.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

22 Goodwill continued

Goodwill

Goodwill represents the future economic benefits arising from a business combination that is not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

Group	2019 R000	2018 R000
Balance at 1 April	**63 288**	63 009
Less: Goodwill impairment	**(48 218)**	
	15 070	63 009
Foreign currency translation of Castellana goodwill	**1 743**	279
Total	**16 813**	63 288
Goodwill is allocated to the following cash-generating units:		
Germiston Meadowdale Mall	**–**	8 716
Katutura Shoprite Centre	**–**	5 613
Ondangwa Shoprite Centre	**–**	2 390
Oshakati Shopping Centre	**–**	10 425
Oshikango Shopping Centre	**–**	2 751
Piet Retief Shopping Centre	**–**	2 726
Pietermaritzburg The Victoria Centre	**–**	7 358
Roodepoort Hillfox Power Centre	**–**	8 239
MICC	**–**	48 218
Castellana	**16 813**	15 070
Total	**16 813**	63 288

Goodwill relating to MICC Properties (Pty) Ltd and MICC Properties Namibia

Goodwill was tested for impairment by comparing both the estimated combined recoverable amount attributable to the subsidiaries and the valuation per investment property with the respective carrying values. Details of the judgements and assumptions used to determine the valuation of the relevant investment properties are set out in note 17.4.

Due to the planned restructure with MICC Properties (Pty) Ltd becoming dormant and MICC Properties Namibia being held for sale, there are no further future economic benefits expected from the original business combination. As such, the goodwill balance has been impaired.

Goodwill on acquisition of Castellana

Goodwill of R15.1 million previously arose on the acquisition of 86.89% of Castellana, and represents a premium paid on the net assets and liabilities of the company, comprising the Konecta Madrid and Konecta Seville buildings (cash-generating units).

Goodwill was tested for impairment by comparing the fair value less costs to sell of the underlying cash-generating units with its carrying value. The fair value less costs to sell were determined by an external valuer, Colliers International. The fair value less cost to sell for Konecta Madrid and Konecta Seville is R334.8 million and R92.8 million respectively. As such, goodwill, net of the foreign currency translation, is not considered to be impaired.

Refer note 17.4 for details of the judgements used in the investment property (cash-generating units) fair value determinations.

23 Property, plant, equipment and intangible assets

Property, plant, equipment and intangible assets are stated at cost less accumulated depreciation/amortisation and any impairment losses.

Depreciation/amortisation is charged so as to write off the cost less residual value of assets over their estimated useful lives, using the straight-line basis.

The principal useful lives used for this purpose are:

Computer equipment	3 years
Furniture and equipment	6 years
Motor vehicles	5 years
Developed software	5 years
Other software	2 years

The residual value and useful life of an asset are reviewed at each financial year-end.

	2019 R000	2018 R000
Property, plant and equipment		
Cost	20 700	10 441
Accumulated depreciation	(1 359)	(8 006)
Carrying value	19 341	2 435
Movement for the year		
Net carrying value at 1 April	2 435	2 211
Additions	8 720	1 736
Construction-in-progress[1]	10 274	—
Disposals	(1 015)	—
Foreign currency translation	96	(81)
Depreciation	(1 169)	(1 431)
Net carrying value at 31 March	19 341	2 435

[1] *Construction-in-progress relates to the group's new office building currently under way.*

	2019 R000	2018 R000
Intangible assets (computer software)		
Cost	12 015	12 015
Accumulated depreciation	(4 799)	(2 396)
Carrying value	7 216	9 619
Movement for the year		
Net carrying value at 1 April	9 619	11 838
Additions	—	177
Amortisation	(2 403)	(2 396)
Net carrying value of intangible assets	7 216	9 619
Property, plant and equipment	19 341	2 435
Goodwill	16 813	63 288
Total	43 370	75 342

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

24 Financial instruments risk

24.1 Financial risk management objectives and policies

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The audit and risk committee is responsible for developing and monitoring the group's risk management policies. The audit and risk committee reports regularly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The audit and risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group operates an outsourced internal audit model. For the period under review, Deloitte fulfilled the function of outsourced internal audit service provider. Internal audit is responsible for assisting the board and management in maintaining an effective internal control environment by evaluating those controls continuously to determine whether they are adequately designed and operating efficiently and effectively and to recommend improvements.

The group's financial instruments consist mainly of derivatives, financial assets, loan receivables, deposits with banks, accounts receivable and payable, long-term borrowings, and loans to and from subsidiaries. The group purchases or issues financial instruments to finance operations and to manage interest rate and foreign currency risks that may arise from time to time. The group does not engage in the trading of financial assets for speculative purposes.

24.2 Credit risk analysis

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The group has no significant concentrations of credit risk as exposure is spread over a large number of counterparties.

Potential areas of credit risk comprise mainly cash, money market funds, trade receivables, favourable derivative financial instruments and long-term loans granted. In order to minimise any possible risks relating to cash, derivatives and money market funds, the group only uses reputable banks and AA rated money market funds up to predetermined levels.

While cash and cash equivalents, tenant deposits and long-term loans granted are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. The risks regarding long-term loans granted to directors and senior management are minimised by a cession of Vukile listed shares, held by directors and senior management, and personal suretyship provided by the borrowers in favour of the company.

Trade receivables consist of a large, widespread tenant base. Management has established a credit policy in terms of which each new tenant is analysed individually for creditworthiness before the group's standard payment terms and conditions are offered which include, in the majority of cases, the provision of a deposit of at least one month's rental. When available, the group's credit review includes external ratings. The group monitors the financial position of its tenants on an ongoing basis. The group's lease receivables are subject to the expected credit loss model, and amounted to approximately R34.2 million (2018: R43.7 million) net of tenant deposits held as security. The group held tenant cash deposits amounting to R156.9 million at 31 March 2019 (2018: R92.0 million) as collateral for the rental commitments of tenants.

Analysis of credit quality of financial assets is as follows:

	2019 R000	2018 R000
Trade receivables	**133 743**	87 699
Less: Impairment provision	**(34 214)**	(43 709)
Trade receivables (net of provision)	**99 529**	43 990

The expected loss rates are based on the payment profiles of the tenants, and the historical credit losses experienced within the period. A default was considered to be at the point where a tenant passes 90 days. Once an amount moves through the default gateway, the recoveries, write-offs and timing is tracked to determine loss rates.

24 Financial instruments risk continued

24.2 Credit risk analysis continued

On that basis, the impairment provision at 31 March 2019 was determined as follows:

Group	Gross carrying amount R000	Weighted average loss rate %	Impairment loss allowance R000
National tenants			
Current	16 005	8.34	1 335
30 days past due	4 606	29.97	1 380
60 days past due	1 745	59.63	1 041
90+ days past due	4 617	59.48	2 746
South African government			
Current	245	6.90	17
30 days past due	49	7.60	4
60 days past due	30	8.56	3
90+ days past due	127	9.13	12
Namibian government			
Current	964	5.33	51
30 days past due	1 090	19.14	209
60 days past due	614	38.08	234
90+ days past due	3 688	47.48	1 751
Regular tenants			
Current	17 054	11.59	1 977
30 days past due	9 322	20.87	1 945
60 days past due	7 055	29.33	2 069
90+ days past due	49 919	41.52	20 727
Other tenants	26 738	10.22	2 732
Transferred to held for sale	(10 126)	39.68	(4 018)

Movements on the allowance for impairment of trade receivables are as follows:

	2019 R000	2018 R000
Opening balance (IAS 39)	43 709	32 389
Amounts restated through opening retained earnings	(8 397)	—
Restated opening balance (IFRS 9)	35 312	32 389
Change in expected credit loss	13 693	27 151
Receivables written off during the year as uncollectable	(14 791)	(15 831)
At 31 March 2019	34 214	43 709

Allowance for impaired receivables and receivables written off has been included in "operating costs" in note 6 to the annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

24 Financial instruments risk continued

24.3 Market risk

Interest rate risk management

The group is exposed to market risk through its use of financial instruments, specifically to interest rate risk.

The group's policy is to minimise interest rate cash flow risk exposures on term interest-bearing debt by hedging at least 75% of term interest-bearing debt through fixed-rate loans or by way of interest rate swaps.

At 31 March 2019 the group had interest-bearing borrowings of R13.2 billion (March 2018: R6.9 billion).

Term interest-bearing debt of 96% (March 2018: 100%), excluding development loans and commercial paper, has been fixed or hedged.

The group's interest rate risk management position and maturity analysis of interest-bearing borrowings are summarised below:

Group total debt[1] and swap expiry profile

	2020	2021	2022	2023	2024	2025	2026	Total
Loan expiry profile (Rm)	1 084	1 441	2 454	1 330	1 612	—	4 850	**12 771**
Commercial paper and access Facility expiry profile (Rm)	347	12	100	—	—	—	—	**459**
Hedging (swap and fixed debt) profile (Rm)	518	842	2 013	2 145	6 676	25	—	**12 219**
Loan expiry profile (%)	8.5	11.3	19.2	10.4	12.6	—	38.0	**100**
Commercial paper and access Facility expiry profile (%)	75.6	2.6	21.8	—	—	—	—	**100**
Hedging (swap and fixed debt) profile (%)	4.2	6.9	16.5	17.6	54.6	0.2	—	**100**

[1] *Total debt excludes capitalised fees.*

Interest rate sensitivity

Access facilities, primary to fund developments of R459 million are unhedged in terms of the group's hedging strategy.

It is estimated that for the year ended 31 March 2019, a 1% change in interest rates would have affected the group's profit before taxation by approximately R10.11 million (March 2018: R4.84 million).

Details of the group's interest rate swap contracts are set out in note 20 of these annual financial statements. The exposure to interest rates for the group's money market funds on deposit is considered immaterial.

Other price sensitivity

The group is exposed to other price risk in respect of its listed equity securities. The group limits its exposure to equity price risk by only investing in securities that are listed on a recognised stock exchange and where the directors are satisfied with the overall strategies implemented by such companies.

The investments in listed equity securities are considered medium-term investments that are not part of Vukile's long-term strategy. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the group's favour.

Foreign currency risk

A foreign currency exposure arises from net investments in group entities whose functional currency differs from the parent's functional currency (GBP and EUR). The risk is defined as the risk of fluctuation in spot exchange rates between the functional currency of the net investments and the parent's functional currency. This will cause the amount of the net investment to vary. Such a risk may have a significant impact on the group's financial statements.

The group is exposed to currency risk to the extent that there is a mismatch between the currencies in which dividends and borrowings are denominated and the functional currencies used by the group companies. The primary functional currencies used by the group are the rand, pound and the euro. Forward exchange contract derivatives are acquired to limit exposure to currency fluctuations on net investments in associates and subsidiaries.

24 Financial instruments risk continued

24.3 Market risk continued

Currency exposure

The summary quantitative data about the group's exposure to currency risk as reported by the management of the group is as follows:

	March 2019 €000	March 2019 £000	March 2018 €000	March 2018 £000
Financial assets	–	–	–	–
Financial liabilities	(764 505)	(28 700)	(110 655)	(28 700)
Net exposure	(764 505)	(28 700)	(110 655)	(28 700)

Currency risk sensitivity analysis

	Change in spot rate ZAR GBP %	Profit before tax Strengthening R000	Profit before tax Weakening R000	% of distribution that is hedged through a net investment in associate hedge	Unhedged £000
Final distribution from Atlantic Leaf FY17	15	(7 217)	7 217	79.93	511
Interim distribution from Atlantic Leaf HY18	15	(6 468)	6 468	87.47	287

A strengthening/(weakening) of the euro and pound against the rand at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	March 2019 Change versus R	March 2018 Change versus R	March 2019 Profit before tax Strengthening R000	March 2019 Profit before tax Weakening R000	March 2018 Profit before tax Strengthening R000	March 2018 Profit before tax Weakening R000
GBP	15%	15%	81 350	(81 350)	71 796	(71 796)
EUR	15%	15%	422 804	(422 804)	232 050	(232 050)

The risk is reduced by ensuring that foreign assets are funded with foreign loans in the same currency. On average, 75% of foreign dividends will be hedged by way of forward currency swaps over a three-year period.

24.4 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's policy is to optimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinancing risk.

In effect, the group seeks to borrow for as long as possible at the lowest acceptable cost. The group regularly reviews the maturity profile of its financial liabilities and seeks to avoid concentration of maturities through the regular replacement of facilities and by using a selection of maturity dates. The group's strategy in this regard is to ensure that no more than 25% of debt matures in any one year. The group's objective in managing liquidity risk is to ensure that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Forecast cash flows based on anticipated rentals net of operating expenses, finance costs, other income, corporate expenditure and capital expenditure are reviewed on a regular basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

24 Financial instruments risk continued

24.4 Liquidity risk management continued

The tables below set out the maturity analysis of the group's non-derivative financial liabilities based on the undiscounted contractual cash flows.

Group	Current 12 months maturity analysis R000	Non-current 1 – 5 years R000	Non-current >5 years R000
2019			
Maturity analysis			
Borrowings (including future finance costs)	**1 431 000**	**6 949 000**	**4 850 000**
Trade and other payables (excluding non-IFRS 9 liabilities)	**383 174**	**—**	**—**
2018			
Maturity analysis			
Borrowings (including future finance costs)	1 903 776	5 129 350	986 381
Trade and other payables (excluding non-IAS 39 liabilities)	392 207	—	—

New long-term loans will be entered into with relevant banks on the expiry of existing bank debt facilities. Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet funding requirements.

In terms of the corporate loan-to-value covenants with the bank funders and the DMTN programme, the nominal value of long-term interest-bearing bank debt may not exceed 50% of the external value of investment properties together with the market value of equity investments. Based on the DMTN and bank loan-to-value loan covenants of 50%, the group has the following borrowing capacity:

	2019 R000	2018 R000
External value of property assets and value of listed equity investments	**32 736 704**	18 335 273
50% thereof (2018: 45%)	**16 368 352**	8 250 873
Nominal value of borrowings utilised at year-end	**(13 230 000)**	(6 900 730)
Potential borrowing capacity	**3 138 352**	1 350 143

25 Corporate and administrative expenses

	2019 R000	2018 R000
Administration expenses include:		
Administration costs	**45 140**	28 052
Depreciation of furniture, fittings and computer equipment and amortisation of intangible assets	**3 572**	3 827
Operating lease: Premises	**7 624**	3 459
Share-based remuneration	**27 211**	21 077
Corporate staff and related costs	**106 865**	63 096
Directors' remuneration	**6 124**	3 930
Internal audit fee	**935**	841

25 Corporate and administrative expenses continued

Share-based remuneration

Services received or acquired in a share-based payment transaction are recognised as the services are received. A corresponding increase in equity is recognised if the services were received in an equity-settled share-based payment transaction.

For equity-settled share-based payment transactions, the goods or services received, and the corresponding increase in equity, are measured directly at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity are measured indirectly by reference to the fair value, at grant date, of the equity instruments granted.

When the services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

As the share-based payments granted do not vest until the counterparty completes a specified period of service and also meets various performance hurdles, the group accounts for those services on a straight-line basis over the vesting period.

If the share-based payments vest immediately, the services received are recognised immediately in full.

As reported previously, the shareholders have approved a long-term retention and incentive scheme which is based on individual performance relative to personal critical performance area targets, the group's performance relative to industry benchmarks and relative to an inflation linked target.

Refer note 21 in this regard together with part 2 of the remuneration report of the integrated annual report.

As the above are equity-settled share-based payments, the accounting treatment is to recognise the share-based payments on a straight-line basis over the vesting periods.

Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognised in profit or loss in the period in which the service is rendered and are not discounted.

26 Auditors' remuneration

	2019 R000	2018 R000
External audit fees		
Current year	4 050	5 138
Non-audit services	957	132
	5 008	5 270

27 Investment and other income

	2019 R000	2018 R000
Dividends received from associates at fair value	126 390	137 889
Other income	7 693	12 924
	134 083	150 813
Interest on deposits, receivables and cross-currency interest rate swaps	210 733	172 175
Ineffective hedges	—	267
	344 815	323 255

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

28 Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-taxable or disallowable and any adjustment for tax payable or receivable for previous years.

Current tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

	2019 R000	2018 R000
Normal taxation	**(7 286)**	(9 817)
Non-resident shareholders' tax (NRST)	**(13 089)**	(7 153)
Total current taxation	**(20 375)**	(16 970)
Deferred taxation overprovision in prior year	**(1 219)**	631
Deferred taxation asset – tax losses arising/(utilised)	**2 596**	(652)
Deferred taxation on other temporary differences – refer note 29 for the detailed composition	**571**	6 323
	(18 427)	(10 668)
	%	%
Reconciliation of tax rate		
Standard tax rate	**28.00**	28.00
Non-deductible items	**1.28**	(0.99)
Fair value adjustment – property	**(11.44)**	(13.35)
Fair value adjustment – equity investments	**1.25**	0.19
Profit share of associate	**(0.76)**	(1.10)
Capital losses/(profits)	**0.00**	0.14
NRST	**0.52**	0.29
Overprovision	**(0.23)**	0.03
Namibian rate differential	**0.13**	0.05
Spanish rate differential	**(4.76)**	0.03
Deferred taxation asset not recognised	**0.12**	(0.10)
Other differences	**10.89**	0.00
REIT distribution	**(24.06)**	(12.75)
Effective tax rate	**0.94**	0.44

29 Deferred taxation

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the tax rates and tax laws in the expected manner of realisation or settlement of the carrying amount of assets and liabilities that have been enacted by the reporting date.

A deferred taxation liability is recognised for all taxable temporary differences.

A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The effect on deferred taxation of any changes in tax rates is recognised in the profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to other comprehensive income or equity. Where permissible, deferred taxation assets are offset against deferred taxation liabilities.

29 Deferred taxation continued

Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
Deferred taxation assets and liabilities comprise the following:

	2019 R000	2018 R000
Amounts received in advance	9 131	14 701
Allowance for bad debt	10 512	11 581
Wear and tear on assets acquired in Spain	(6 263)	(6 372)
Wear and tear on developments	(10 652)	(12 060)
Allowance for future expenditure	(295)	(5 962)
Prepayments	(1 360)	(1 768)
Fair value of derivatives	—	34 720
Tax loss	402	667
Leave pay and other accruals	5 768	6 163
	7 244	41 670
Movement		
Balance at 1 April	41 670	13 408
Tax liability acquired	—	(6 527)
Initial adoption of IFRS 9	(1 763)	—
Tax on fair value adjustment of hedging instruments	(34 720)	28 332
Overprovision in prior year	(1 219)	631
Tax loss utilised	2 596	(652)
Other temporary differences	571	6 323
Foreign currency translation	109	155
Balance at 31 March	7 244	41 670
Reflected on the statement of financial position under:		
Deferred taxation assets	13 663	48 975
Other assets held for sale	841	—
Deferred taxation liabilities	(7 260)	(7 305)
	7 244	41 670

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

30 Reconciliation of earnings to headline earnings

	2019		2018	
	R000	Cents per share	R000	Cents per share
Profit attributable to owners of the parent	1 709 426	199.05	2 401 943	320.65
Earnings and diluted earnings	1 709 426	199.05	2 401 943	320.65
Change in fair value of investment properties (net of allocation to non-controlling interest)	(666 843)	(77.65)	(1 148 906)	(153.37)
Impairment of goodwill	48 218	5.61	—	—
Loss/(profit) on sale of investment properties	6 368	0.74	(13 405)	(1.79)
Loss/(profit) on sale of furniture, fittings and computer equipment	18	—	(144)	(0.02)
Remeasurement included in equity-accounted earnings of associate	(40 422)	(4.71)	(10 267)	(1.37)
Headline and diluted headline earnings	1 056 765	123.04	1 229 221	164.10

There are no dilutionary shares in issue.

31 Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group.

The following convention applies to figures under "adjustments" below. Inflows of cash are represented by figures in brackets while outflows of cash are represented by figures without brackets.

31.1 Adjustments

	2019 R000	2018 R000
Fair value adjustments	(803 582)	(1 155 389)
Finance costs	509 749	367 808
Investment and other income	(181 741)	(322 988)
Ineffective portion of cash flow hedge	(47 603)	(267)
Share-based remuneration	23 005	21 077
Loss on sale of listed investments	—	26 240
Revaluation of executive share scheme	28 946	—
Fair value loss/(gain) on listed equity investments	87 908	16 411
Fair value movement of derivative financial instruments	1 581	(7 408)
Costs of terminating derivative financial instruments	—	3 250
Profit share of associate	(53 585)	(95 485)
Foreign exchange loss/(gain)	65 912	(59 936)
Impairment of goodwill	48 218	—
Loss/(profit) on sale of investment properties	6 368	(13 405)
Loss/(profit) on sale of furniture, fittings and equipment	18	(144)
Depreciation on furniture, fittings and equipment and amortisation of intangible assets	3 572	3 827
Fair value movement of net-settled derivative financial instruments	208 104	—
Net cash flow from cross-currency interest rate swaps	(163 074)	—
	(266 204)	(1 216 409)

31 Statement of cash flows continued

31.2 Net changes in working capital

	2019 R000	2018 R000
Movement in working capital		
Decrease/(increase) in trade and other receivables	**(111 172)**	69 662
Increase/(decrease) in trade and other payables	**222 874**	74 365
Foreign currency translation	**(1 331)**	1 349
	110 371	145 376

31.3 Taxation paid

	2019 R000	2018 R000
Amount owing at the beginning of the year	**(214)**	7 226
Foreign currency translation	**(639)**	815
Current taxation	**7 286**	9 817
Non-resident shareholders' tax	**11 557**	7 153
	17 990	25 011
Net amount owing at the end of the year	**(800)**	(214)
Tax paid during year	**25 368**	24 797

31.4 Distribution to shareholders

	2019 R000	2018 R000
Distribution to shareholders owing at the beginning of the year	**—**	1 435
Dividends declared	**1 456 219**	1 176 155
NCI portion of distribution	**62 185**	2 741
Distribution to shareholders owing at the end of the year	**—**	—
Distribution paid during the year	**1 518 404**	1 180 331

31.5 Cash and cash equivalents

	2019 R000	2018 R000
Held on deposit for tenants	**156 926**	92 039
Held on short-term interest-bearing deposits	**119 398**	103 802
Cash on hand	**859 926**	898 019
Cash and cash equivalents	**1 136 250**	1 093 860

31.6 Reclassification of prior year cash flows

During prior periods, cash flows for long-term loans granted have erroneously been included in financing activities. As such, an amount of R65.6 million relating to the prior period have been reclassified from financing activities to investing activities to ensure that the nature of the cash flows are correctly classified.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

32 Long-term loans granted

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less allowances for impairment.

	2019 R000	2018 R000
Loans to executive directors and senior management to acquire Vukile shares	**270 709**	103 672

The loans bear interest at a rate of between 6.12% and 7.21% (2018: 6.17% to 8.53%). The loans are secured by 14 006 561 Vukile shares (2018: 5 763 941) with a level 1 fair value of R280 million (2018: R126 million). The value of security held for each individual loan exceeds the amount of the related loan. The loans are repayable on the 10th anniversary of the loans being granted or date of retirement, death or resignation, if earlier.

Refer to financial assistance in the directors' report for further details.

33 Foreign exchange profit

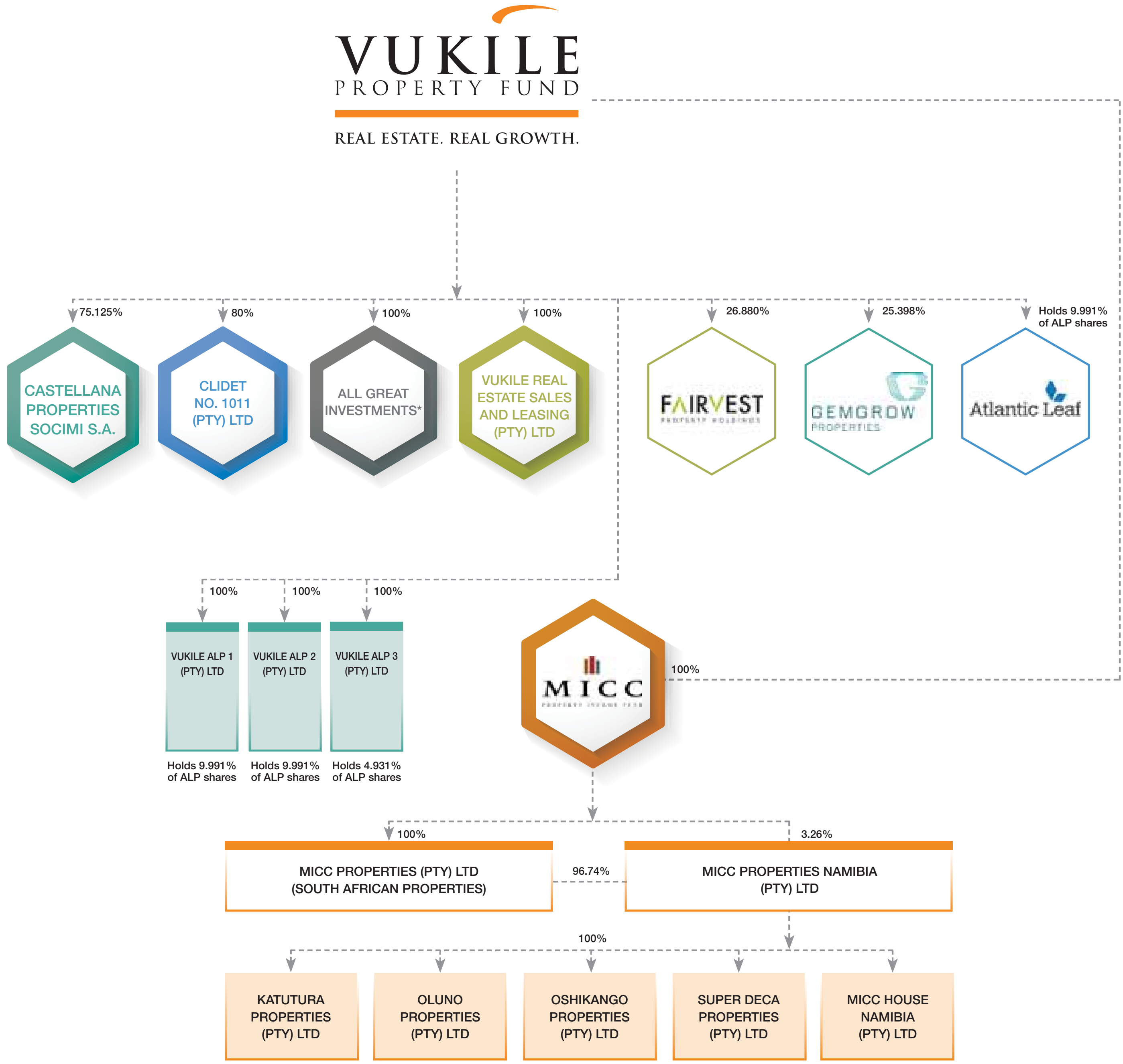
	2019 R000	2018 R000
Foreign currency translation of euro denominated loans	**–**	52 644
Foreign currency translation of pound denominated loans	**(65 912)**	7 292
	(65 912)	59 936

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

34 Related-party transactions and balances

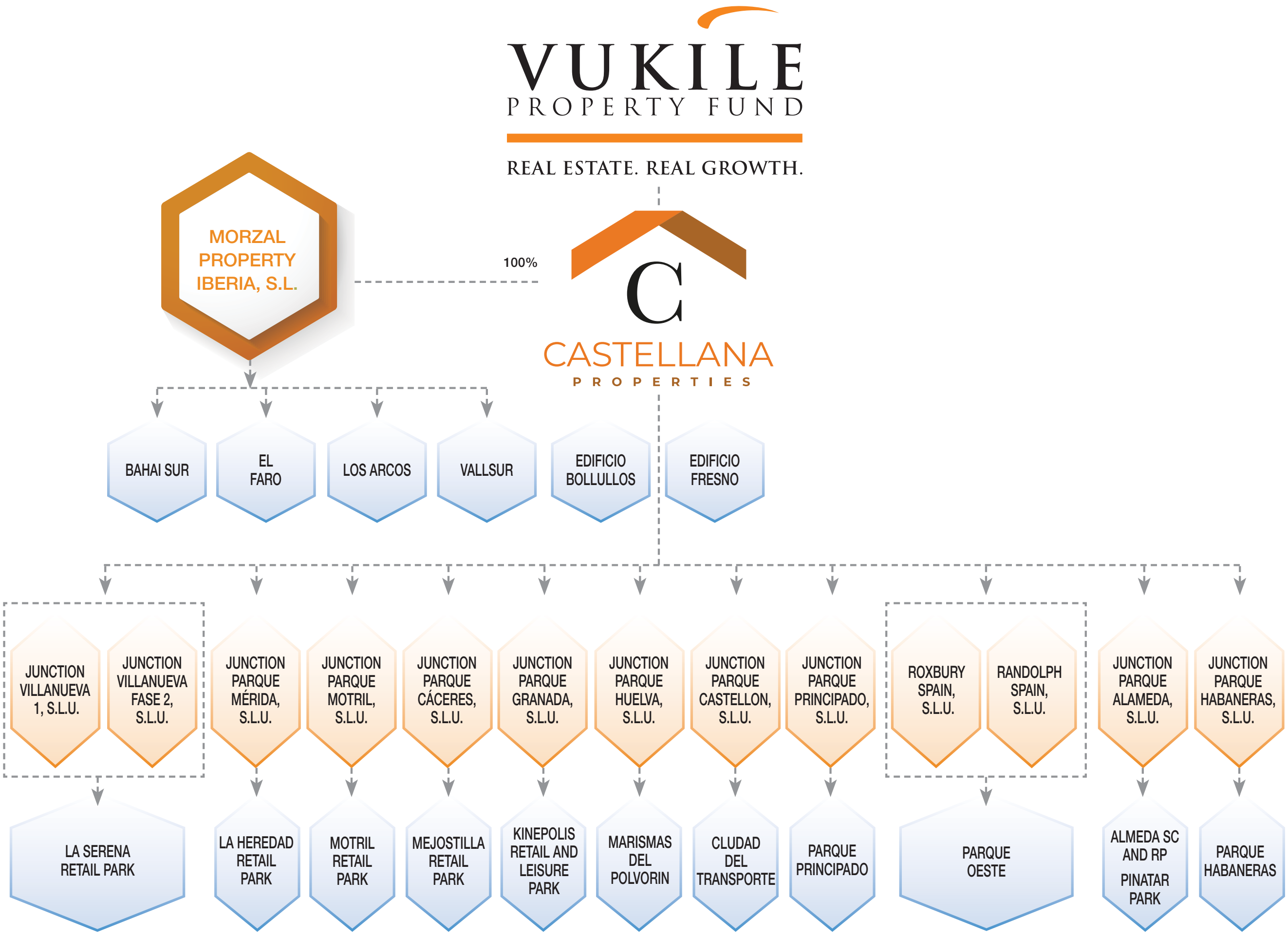
The group comprises three operating companies, being Vukile Property Fund, Clidet and Castellana. The other entities in the group are property owning subsidiaries.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

34 Related-party transactions and balances continued



LEGAL ENTITIES
PROPERTY ASSETS

Summary of share capital		
	Number of shares	%
Issued share capital	**74 848 332**	**100.00**
Issued treasury shares	45 470	
Total issued capital	**74 893 802**	
Vukile	54 016 923	72.17
Morze European Real Estate Ventures	13 333 333	17.81
WestBrooke Yield Plus, S.à r.l.	5 833 333	7.79
Lee Morze	320 000	0.43
DREAM	837 472	1.12
Other minority shareholders	507 271	0.68

34 Related-party transactions and balances continued

Related-party transactions and balances

	Type of transaction	2019 Amount paid/ (received) by Vukile R000	2019 Amount owed to/(by) related parties R000	2018 Amount paid/ (received) by Vukile R000	2018 Amount owed to/(by) related parties R000
Group companies					
MICC Property Income Fund (MICC IF)	Asset management fees[(1)]	46 205	–	42 653	–
MICC Property Income Fund (MICC IF)	Dividends	(35)	–	(37)	–
MICC Property Income Fund (MICC IF)	Debenture interest	(155 555)	37 004	(166 619)	(27 630)
MICC Property Income Fund (MICC IF)	Corporate administration recovery[(2)]	(2 026)	–	(1 915)	–
MICC Properties	Corporate administration recovery[(2)]	(3 065)	–	(2 453)	–
MICC Properties	Interest received	(33 581)	(340 706)	(18 268)	(517 926)
MICC Properties	Interest paid	5 391	–	1 820	77 000
MICC Namibian subsidiaries	Interest paid[(3)]	5 391	–	6 166	77 000
Clidet No. 1011	Dividends received	(7 865)	–	(10 034)	–
Clidet No. 1011	Interest received	(26 022)	(283 641)	(25 871)	(281 408)
Castellana Properties SOCIMI SA	Interest received	–		(695)	–
Morzal Properties Iberia S.L (Morzal)	Initial investment in Morzal	3 630 299	–	–	–
Vukile ALP 1 Pty Ltd	Disposal of shares in Vukile to Vukile ALP 1 Pty Ltd	–	(367 356)	–	–
Vukile ALP 2 Pty Ltd	Disposal of shares in Vukile to Vukile ALP 2 Pty Ltd	–	(367 356)	–	–
Vukile ALP 3 Pty Ltd	Disposal of shares in Vukile to Vukile ALP 3 Pty Ltd	–	(181 288)	–	–
Atlantic Leaf Properties Limited	Dividend received	(108 663)	–	–	–
Fairvest Property Holdings Limited	Dividend received	(54 485)	–	(45 310)	–
Gemgrow Properties Limited	Dividend received	(71 906)	–	(92 580)	–
Castellana Properties SOCIMI SA	Dividend received	(290 150)	–	–	–
Morzal Properties Iberia S.L (Morzal)	Dividend received	(49 087)	–	–	–
Vukile Real Estate Sales and Leasing (Pty) Ltd	Inter-company balance	–	(23)	–	–
Other related parties					
Diversified Real Estate Asset Management (DREAM)	Share warrant	17 812	–	–	–
Diversified Real Estate Asset Management (DREAM)	Refund of salary costs and expenditure incurred in assisting DREAM in preparation of feasibilities, negotiation with debt funders, and review of loan and sale agreements with reference to the acquisition of 11 retail parks (expense recovery at cost)	(16 695)	–	–	–
Directors and other officers	Interest	(13 359)	(270 709)	(7 544)	(103 672)
Executive directors	Remuneration	51 924	–	28 583	–
Key management (excluding directors)	Remuneration	33 922	–	29 079	–

(1) *Fees paid by Vukile for the management of the group's property portfolios by MICC IF.*
(2) *Allocation of corporate and administration costs paid to Vukile.*
(3) *Market-related interest paid by Vukile on listed commercial paper issued to its Namibian subsidiaries.*

Related parties comprise the company's subsidiaries, associates and key management. Refer note 9 for information on associates.

Details of directors' emoluments and related share incentive schemes are set out in the directors' report. Refer to pages 121 to 124. For long-term loans granted to executive directors and senior management, refer note 32 and the financial assistance section in the directors' report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

35 Operating segment report

The group identifies and presents operating segments based on the information that is provided internally to the executive management committee (Exco), the group's operating decision-making forum. This forum reviews the performance of its offshore investments and its investment properties held by the group, on an individual basis.

During the year, there has been a change from prior periods in the measurement methods used to determine reportable segments. Exco, the group's operating decision-making forum, driven by its international strategy and the fact that in excess of 90% of the southern African portfolio is retail, has taken a decision to aggregate operating segments and disclose such reportable segments on a geographical basis, initially:

- Southern Africa; and
- Spain.

The results of the operating segments are reviewed regularly by Exco to assess performance and make decisions to allocate capital to each of the segments.

The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, except that the following items, *inter alia*, are not included in arriving at operating profit of the operating segments:

- Corporate administrative expenditure
- Investment and other income.

Refer note 41 for detailed property information.

35 Operating segment report continued

Group	Southern Africa Retail R000	Southern Africa Other R000	Southern Africa Total R000
Group income for the year ended 31 March 2019			
Property revenue from external customers[i]	1 348 238	140 686	1 488 924
Straight-line rental income accrual	25 937	2 706	28 643
	1 374 175	143 392	1 517 567
Property expenses (net of recoveries)[i]	(277 689)	(5 548)	(283 237)
Profit from property operations	1 096 486	137 844	1 234 330
Corporate and administrative expenses	(110 737)	(11 555)	(122 292)
Investment and other income	119 920	12 513	132 433
Finance income	13 325	34 327	47 652
Fair value movement on non-designated portion of cross-currency interest rate swap	43 511	4 092	47 603
Net interest from cross-currency interest rate swap	149 057	14 017	163 074
Operating profit	1 311 562	191 238	1 502 800
[i] *The property revenue and property expense have been reflected net of recoveries. The audited consolidated statement of profit and loss and other comprehensive income reflects the gross property revenue and gross property expenses.*			
Group statement of financial position at 31 March 2019			
Assets			
Non-current assets	13 525 803	4 250 415	17 776 218
Investment properties including straight-line rental adjustments	13 208 928	1 242 106	14 451 034
Investment properties	13 362 553	1 271 904	14 634 457
Investment property under development	163 250	—	163 250
Total investment properties	13 525 803	1 271 904	14 797 707
Straight-line rental income adjustment	(316 875)	(29 798)	(346 673)
Other non-current assets	316 875	3 008 309	3 325 184
Straight-line rental income asset	316 875	29 798	346 673
Investments in associates at fair value	—	1 296 737	1 296 737
Equity-accounted investment in associate	—	1 302 925	1 302 925
Property, plant, equipment and intangible assets	—	25 210	25 210
Executive share scheme financial asset	—	27 822	27 822
Derivative financial instruments	—	42 291	42 291
Long-term loans granted	—	270 709	270 709
Deferred tax assets	—	12 817	12 817
Current assets	1 182 647	562 412	1 745 059
Trade and other receivables	108 208	54 526	162 734
Derivative financial instruments	—	10 333	10 333
Current taxation	—	6	6
Cash and cash equivalents	58 219	497 547	555 766
Non-current assets held for sale	1 016 220	—	1 016 220
Total assets			
Equity and liabilities			
Equity			
Non-current liabilities	—	4 464 422	4 464 422
Interest-bearing borrowings	—	4 464 271	4 464 271
Derivative financial instruments	—	—	—
Deferred tax liabilities	—	151	151
Current liabilities	240 065	1 530 262	1 773 036
Trade and other payables	240 065	74 903	317 677
Short-term portion of interest-bearing borrowings	—	1 430 736	1 430 736
Derivative financial instruments	—	22 269	22 269
Current taxation liabilities	—	2 354	2 354
Total equity and liabilities			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

Spain Retail R000	Spain Other R000	Spain Total R000	Total group R000
668 327	29 653	697 980	2 186 904
(137)	–	(137)	28 506
668 190	29 653	697 843	2 215 410
(29 345)	(21)	(29 366)	(312 603)
638 845	29 632	668 477	1 902 807
(73 804)	(3 275)	(77 079)	(199 371)
1 650	–	1 650	134 083
6	–	6	47 658
–	–	–	47 603
–	–	–	163 074
566 697	26 357	593 054	2 095 854
13 821 029	1 081 316	14 902 345	32 678 563
13 821 029	1 062 310	14 883 339	29 334 373
13 821 029	1 062 310	14 883 339	29 517 796
–	–	–	163 250
13 821 029	1 062 310	14 883 339	29 681 046
–	–	–	(346 673)
–	19 006	19 006	3 344 190
–	–	–	346 673
–	–	–	1 296 737
–	–	–	1 302 925
–	18 160	18 160	43 370
–	–	–	27 822
–	–	–	42 291
–	–	–	270 709
–	846	846	13 663
694 488	7 791	702 279	2 447 338
118 646	–	118 646	281 380
–	–	–	10 333
–	3 149	3 149	3 155
575 842	4 642	580 484	1 136 250
–	–	–	1 016 220
			35 125 901
			20 956 010
7 570 739	–	7 570 739	12 035 161
7 083 280	–	7 083 280	11 547 551
480 350	–	480 350	480 350
7 109	–	7 109	7 260
311 035	52 660	363 694	2 134 730
272 889	52 660	325 548	641 225
–	–	–	1 430 736
38 146	–	38 146	60 415
–	–	–	2 354
			35 125 901

35 Operating segment report continued

	Southern Africa		
Group	Retail R000	Other R000	Total R000
Group income for the year ended 31 March 2018			
Property revenue[i]	1 232 435	124 674	1 357 109
Straight-line rental income accrual	4 780	484	5 264
	1 237 215	125 158	1 362 373
Property expenses (net of recoveries)[i]	(213 875)	(7 952)	(221 827)
Profit from property operations	1 023 340	117 206	1 140 546
Profit from associate			

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

	Retail R000	Other R000	Total R000
Group statement of financial position at 31 March 2018			
Assets			
Investment properties	13 328 678	1 249 288	14 577 966
Add: Lease commissions			35 030
	13 328 678	1 249 288	14 612 996
Goodwill	48 218		48 218
Investment properties held for sale		10 500	10 500
	13 376 896	1 259 788	14 671 714
Add:			
Investment property under development			54 476
Equity investments			1 384 645
Investment in associate			—
Furniture, fittings, computer equipment and intangible asset			11 202
Available-for-sale financial asset			34 099
Derivative financial instruments	23 808	2 231	26 039
Loans receivable			103 672
Deferred taxation assets			48 975
Trade and other receivables			166 133
Taxation refundable			6
Cash and cash equivalents			826 371
Total assets			
Equity and liabilities			
Stated capital	8 710 972	816 473	9 527 445
Interest-bearing borrowings	4 437 744	415 947	4 853 691
	13 148 716	1 232 420	14 381 136
Add: Excluded items			
Other components of equity and retained earnings			4 146 104
Non-controlling interest			47 990
Derivative financial instruments	82 528	45 885	128 413
Deferred taxation liabilities			934
Trade and other payables			339 325
Current taxation liabilities			7 347
Total equity and liabilities			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

United Kingdom R000	Spain Retail R000	Spain Other R000	Spain Total R000	Total group R000
	177 965	26 724	204 689	1 561 798
	137	—	137	5 401
	178 102	26 724	204 826	1 567 199
	(27 521)	(3 375)	(30 896)	(252 723)
	150 581	23 349	173 930	1 314 476
95 485				95 485
	4 113 957	375 256	4 489 213	19 067 179
			—	35 030
	4 113 957	375 256	4 489 213	19 102 209
		15 070	15 070	63 288
				10 500
	4 113 957	390 326	4 504 283	19 175 997
				54 476
				1 384 645
1 199 292				1 199 292
			852	12 054
				34 099
				26 039
				103 672
				48 975
			20 610	186 743
			7 290	7 290
			267 489	1 093 860
				23 327 142
				9 527 445
	2 047 039		2 047 039	6 900 730
	2 047 039		2 047 039	16 428 175
				—
			2 096 531	6 242 635
				81 311
	3 066		3 066	131 479
				7 305
			89 408	428 733
			157	7 504
				23 327 142

35 Operating segment report continued

Calculation of distributable earnings

	31 March 2019 R000	31 March 2018 R000	Variance %
Property revenue	2 186 904	1 561 798	40.02
Property expenses (net of recoveries)	(312 603)	(252 723)	(23.69)
Net profit from property operations per segmental report excluding straight-line rental income accrual	1 874 301	1 309 075	43.18
Corporate administration expenses	(199 371)	(127 474)	(56.40)
Net interest from cross-currency interest rate swap	163 074	–	100.00
Investment and sundry income	181 741	323 255	(43.78)
Operating profit before finance costs	2 019 746	1 504 856	34.22
Finance costs	(509 749)	(367 808)	(38.59)
Profit before equity-accounted income	1 509 997	1 137 048	32.80
Profit share of associate	53 585	95 485	(43.88)
Profit before taxation	1 563 581	1 232 533	26.86
Taxation	(18 427)	(10 668)	(72.73)
Profit for the year	1 545 154	1 221 865	26.46
Costs of terminating interest rate swap	–	(3 250)	100.00
Net profit attributable to non-controlling interests[2]	(102 304)	(10 303)	(100.00)
Attributable to Vukile group	1 442 850	1 208 312	19.41
Non-IFRS adjustments	247 223	99 064	100.00
Shares issued cum dividend	125 399	35 019	100.00
Accrued dividends and cum dividend on shares acquired[1]	60 036	44 940	33.59
Dividends accrued on listed associate net of share of income	61 788	19 105	100.00
Available for distribution	1 690 073	1 307 376	29.27
Total dividend for the year (rand)	1 690 073	1 301 734	
Total dividend for the year (cents per share)	181.48	168.82	
Number of shares in issue at 31 March	920 962 145	784 766 367	

[1] *Shares in Castellana subsidiaries, owning 11 retail parks, acquired cum dividend on 30 June 2017.*
[2] *Excludes non-distributable fair value adjustments.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

36 Capital management

The group's capital management objectives are:

- To ensure the group's ability to continue as a going concern.
- To provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented in the statement of financial position and derivative liabilities.

Capital for the reporting periods under review is summarised as follows:

	2019 R000	2018 R000
Total equity	18 655 690	15 770 080
Derivative liabilities	540 765	131 479
Cash and cash equivalents	(1 136 250)	(1 093 860)
Capital	18 060 205	14 807 699
Total equity	18 655 690	15 770 080
Borrowings	12 978 287	6 900 730
Overall financing	31 633 977	22 670 810
Capital-to-overall financing ratio	57%	65%

Management assesses the group's capital requirements in order to maintain an efficient overall financing structure which avoids excessive leverage. The group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may issue new shares or sell assets to reduce debt.

The board's policy is to maintain a strong capital base comprising its shareholders' interest so as to maintain investor, creditor and market confidence and to sustain future development of the business. It is the group's stated purpose to deliver long-term sustainable growth in dividend per share. Generally at least 99% of net profits are distributed annually, on a six-monthly basis.

There were no changes in the group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements. The group has complied with its bank and corporate bond covenants.

37 Future minimum lease income

	2019 R000	2018 R000
Receivable within one year	1 988 348	1 388 920
Receivable between one and five years	4 086 289	2 942 353
Receivable after five years	2 600 177	1 647 228
Total future contractual lease revenue	8 674 815	5 978 501
Rental straight-line adjustment already accrued	(363 940)	(335 434)
Future straight-line lease revenue	8 310 875	5 643 067

38 Lease commitments

The group leases the following assets under a non-cancellable operating lease:

	2019 group term
Premises	1 year
Cars	4 years
Printers and copiers	5 years

The minimum total future payments for non-cancellable operational leases are as follows:

	2019 R000	2018 R000
Less than one year	2 309	3 684
Premises	1 440	3 618
Cars	–	50
Printers and copiers	870	16
Between one and five years	1 102	4 066
Premises	–	3 872
Cars	–	138
Printers and copiers	1 102	56
Total	3 411	7 750

39 Capital commitments

	2019 R000	2018 R000
Authorised and contracted	173 881	662 552
Authorised but not contracted	355 848	61 540

It is intended that the above capital expenditure will be funded by way of bank facilities, surplus cash and the sales proceeds of investment properties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

40 Events after reporting period

Dividend declaration

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 dividend on 27 May 2019 of 103.37872 cents per share for the six months ended 31 March 2019 amounting to R988.5 million.

Issue of shares

On 11 April 2019, the company issued 35 264 483 shares at R19.85 in terms of an accelerated bookbuild under the general authority to issue shares for cash.

Acquisition of shopping centres

South Africa

On 13 May 2019, Vukile announced the acquisition of three shopping centres known as Mdantsane City Shopping Centre, Bloed Street Mall and Sunnypark Shopping Centre from Rebosis Property Fund Limited (Rebosis).

The purchase consideration will be an amount determined by applying a yield of 9.00% to the forecast net property income (the "forecast NOI") to be generated from the shopping centres for the 12-month period commencing 31 August 2019. The forecast NOI has been assumed to be R160 million which would translate into an aggregate purchase price of R1.78 billion. The deal remains subject to funding with Vukile prepared to take on no more than 25% of debt to fund the acquisition.

Vukile will acquire the shopping centres with effect from the transfer date, which is anticipated to be 31 August 2019. The purchase consideration will be settled in cash and will be discharged on the transfer date.

The acquisition is still subject to a number of outstanding conditions precedent, including inter alia the completion by Vukile of a comprehensive due diligence investigation in respect of the shopping centres, approval of the Competition Authority, the securing by Rebosis of any necessary shareholder approvals required for it to dispose of the shopping centres, the securing by Vukile of shareholder approval to undertake the vendor consideration placement and the successful conclusion of the vendor consideration placement in respect of at least 75% of the purchase price at a price and on terms acceptable to Vukile.

The acquisition is a non-adjusting event that is not recognised in the financial statements.

Spain

On 27 May 2019, Castellana Properties Socimi announced the purchase of two El Corte Ingles (ECI) units in Bahía Sur and Los Arcos for a total purchase consideration of €38.4 million (including estimated transaction costs), and asset management initiatives incorporating related capex upgrade projects in Bahía Sur, Los Arcos and El Faro for a total capex budget of €28.49 million.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

41 Detailed property information

Properties owned by the group At 31 March 2019	Town	Gross lettable area m²	Purchase price R000	Effective date of acquisition	Weighted average rental R/m² pm	Vacancy by GLA %
Southern Africa total		994 622	8 564 723		127.54	3.9
Southern Africa – retail		803 757	7 605 707		133.95	2.7
Atlantis City Shopping Centre	Atlantis	22 093	302 612	Feb 2015	151.51	1.5
Bloemfontein Plaza	Bloemfontein	43 771	84 150	Apr 2004	88.30	2.0
Boksburg East Rand Mall (50%)	Boksburg	34 126	1 111 816	Apr 2013	277.60	1.8
Daveyton Shopping Centre	Daveyton	17 774	49 883	Apr 2004	165.94	1.4
Durban Phoenix Plaza	Durban	24 231	189 140	Apr 2004	272.72	1.0
Durban Workshop*	Durban	20 223	133 400	Apr 2012	203.69	0.5
Elim Hubyeni Shopping Centre	Elim	12 686	108 559	Feb 2015	103.13	2.6
Emalahleni Highland Mews	Emalahleni	17 032	209 612	Feb 2015	121.74	8.9
Ermelo Game Centre	Ermelo	6 639	57 356	Feb 2015	90.94	1.3
Ga-Kgapane Modjadji Plaza (30%)	Ga-Kgapane	2 940	29 713	Mar 2014	135.51	0.0
Germiston Meadowdale Mall (67%)	Germiston	33 156	66 170	Oct 2003	80.73	0.0
Giyani Plaza	Giyani	9 446	68 250	Jul 2011	134.08	0.0
Gugulethu Square	Gugulethu	25 322	393 147	Feb 2015	163.67	0.0
Hammanskraal Renbro Shopping Centre	Hammanskraal	13 308	163 821	Feb 2015	129.06	3.3
Hammarsdale Junction*	Hammarsdale	20 105	194 194	Jul 2013	120.53	2.6
KwaMashu Shopping Centre	KwaMashu	11 197	106 121	Feb 2015	120.28	1.3
Lethlabile Mall	Lethlabile	17 000	192 878	Mar 2014	101.20	10.7
Makhado Nzhelele Valley Shopping Centre	Makhado	5 297	54 669	Feb 2015	125.46	6.6
Mbombela Shoprite Centre	Mbombela	14 015	39 963	Sep 2010	94.40	20.3
Mbombela Truworths Centre	Mbombela	1 920	7 336	Apr 2004	181.74	0.0
Monsterlus Moratiwa Crossing (94.50%)	Monsterlus	12 058	61 540	Nov 2007	113.63	7.4
Moruleng Mall (Results displayed as 100% ownership)*	Moruleng	31 592	400 000	Apr 2015	118.26	4.9
Phuthaditjhaba Maluti Crescent	Phuthaditjhaba	35 335	289 690	Feb 2015	144.04	0.0
Piet Retief Shopping Centre	Piet Retief	7 546	20 818	Oct 2003	124.73	1.0
Pietermaritzburg The Victoria Centre	Pietermaritzburg	10 271	55 685	Oct 2003	134.02	0.0
Pinetown Pine Crest	Pinetown	43 414	506 297	Apr 2004	174.86	0.0
Pretoria Kolonnade Retail Park	Pretoria	39 450	470 621	Nov 2018	108.11	0.0
Queenstown Nonesi Mall	Queenstown	27 898	376 594	Jul 2015	128.34	0.0
Randburg Square	Randburg	40 767	66 343	Apr 2004	103.63	5.6
Roodepoort Hillfox Power Centre	Roodepoort	38 245	62 098	Oct 2003	79.51	5.3
Roodepoort Ruimsig Shopping Centre	Roodepoort	11 582	116 100	Feb 2015	117.11	4.6
Rustenburg Edgars Building	Rustenburg	9 784	83 750	Sep 2010	78.48	0.0
Soshanguve Batho Plaza	Soshanguve	13 335	143 825	Jun 2015	110.47	7.1
Soweto Dobsonville Mall	Soweto	26 589	56 118	Apr 2004	140.84	0.0
Springs Mall (25%)	Springs	13 352	259 625	Mar 2017	155.68	0.4
Thohoyandou Thavhani Mall (33.33%)	Thohoyandou	17 761	350 076	Aug 2017	165.45	0.9
Tzaneen Maake Plaza (70%)*	Tzaneen	11 010	94 010	Aug 2014	118.05	5.6
Ulundi King Senzangakona Shopping Centre	Ulundi	22 373	232 755	Feb 2015	120.08	3.8
Vereeniging Bedworth Centre	Vereeniging	33 939	335 305	Nov 2015	75.90	3.1
Welgedacht Van Riebeeckshof Shopping Centre	Welgedacht	5 175	61 667	Feb 2015	135.25	0.0

** Leasehold property.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

41 Detailed property information continued

Properties owned by the group At 31 March 2019	Town	Gross lettable area m²	Purchase price R000	Effective date of acquisition	Weighted average rental R/m² pm	Vacancy by GLA %
Southern Africa – other, comprising:						
Auto dealerships		9 857	84 264		131.68	0.0
Cape Town Bellville Barons	Cape Town	7 426	70 000	Apr 2012	160.63	0.0
Sandton Linbro Galaxy Drive Showroom	Sandton	2 431	14 264	Apr 2004	50.4	0.0
Industrial		74 891	220 350		57.83	5.7
Centurion Samrand N1	Centurion	11 413	12 990	Apr 2004	56.67	4.6
Kempton Park Spartan Warehouse	Kempton Park	5 241	5 807	Apr 2004	53.51	0.0
Midrand Allandale Industrial Park	Midrand	21 344	23 175	Apr 2004	61.72	5.1
Midrand Sanitary City	Midrand	6 342	15 277	Apr 2004	69.82	0.0
Pinetown Richmond Industrial Park	Pinetown	7 940	10 800	Apr 2004	51.96	33.2
Pretoria Rosslyn Warehouse	Pretoria	7 541	25 500	Apr 2012	31.16	0.0
Sandton Linbro 7 On Mastiff Business Park	Sandton	15 070	126 801	Oct 2014	65.31	0.0
Office		42 965	362 687		95.32	21.0
Jhb Houghton 1 West Street	Johannesburg	4 415	33 504	Sep 2007	123.54	35.7
Jhb Houghton Estate Oxford Terrace	Johannesburg	2 588	58 345	Jul 2014	174.31	0.9
Midrand Ulwazi Building	Midrand	15 634	78 238	Apr 2004	85.61	0.0
Sandton Bryanston Ascot Offices	Sandton	5 539	49 100	Apr 2012	98	0.0
Sandton Sunninghill Sunhill Park	Sandton	14 790	143 500	Apr 2012	70.94	50.3
Residential		0	4 325			
Randburg Square Apartments	Randburg	0	4 325	Apr 2004		
Vacant land		0	21 000			
Germiston Meadowdale Mall Undeveloped Land	Germiston	0	10 500	Oct 2003		
Midrand IBG Undeveloped Land	Midrand	0	10 500	Mar 2014		
Held for sale		63 152	266 390		145.52	6.9
Katutura Shoprite Centre	Katutura	10 620	41 157	Oct 2003	144.24	5.3
Ondangwa Shoprite Centre	Ondangwa	5 908	17 959	Oct 2003	123.69	2.1
Oshakati Shopping Centre	Oshakati	24 632	76 929	Oct 2003	138.03	2.4
Oshikango Shopping Centre	Oshikango	9 163	19 542	Oct 2003	150.87	11.9
Windhoek 269 Independence Avenue	Windhoek	12 828	110 803	Jul 2007	171.76	15.6
Spain total		317 106	12 967		14.14	2.1
Spain – retail		300 362	12 608		14.41	2.3
El Faro	Extremadura	43 423	2 450	Jul 2018	17.1	2.4
Bahía Sur	Andalucía	24 789	1 817	Jul 2018	25.4	1.9
Los Arcos	Andalucía	17 906	1 722	Jul 2018	32.76	6.8
Granaita Retail Park	Andalucía	54 367	1 488	Jun 2017	10.02	2.8
Vallsur	Castilla Leon	35 211	1 429	Jul 2018	14.58	2.4
Habaneras	Com. Valenciana	24 158	1 249	May 2018	18.33	7.1
Parque Oeste	Madrid	13 604	642	Jun 2017	16.03	0.0
Parque Principado	Asturias	16 246	448	Jun 2017	9.57	0.0
Marismas del Polvorín	Andalucía	18 079	373	Jun 2017	7.57	0.0
La Heredad	Extremadura	13 447	261	Jun 2017	7.68	0.0
La Serena	Extremadura	12 405	209	Jun 2017	7.03	0.0
Pinatar Park	Murcia	10 637	160	Dec 2017	6.35	0.0
Motril Retail Park	Andalucía	5 559	112	Jun 2017	8.68	0.0
Mejostilla	Extremadura	7 281	119	Jun 2017	6.69	0.0
Ciudad del Transporte	Com. Valenciana	3 250	97	Jun 2017	10.72	0.0
El Faro Development	Extremadura		30	Jul 2018		
Los Arcos Development	Andalucía					
Spain – other, comprising call centres	Madrid	16 744	359		9.32	0.0
Edificio Alcobendas	Andalucía	11 046	284	Dec 2016	10.57	0.0
Edificio Bollullos	Andalucía	5 698	74	Dec 2016	6.89	0.0

41 Detailed property information continued

Properties owned by the group At 31 March 2018	Town	Gross lettable area m²	Purchase price R000	Effective date of acquisition	Weighted average rental R/m² pm	Vacancy by GLA %
Southern Africa total		943 748	8 206 085			
Southern Africa – retail		816.682	7 513 459		130.44	3.9%
Atlantis City Shopping Centre	Atlantis	22 115	302 612	Feb 2015	141.88	2.2%
Bloemfontein Jet	Bloemfontein	5 516	38 424	Sep 2017	61.73	0.0%
Bloemfontein Plaza	Bloemfontein	38 255	45 726	Apr 2004	86.64	0.6%
Boksburg East Rand Mall (50%)	Boksburg	34 047	1 111 816	Apr 2013	259.98	0.5%
Daveyton Shopping Centre	Daveyton	17 774	49 883	Apr 2004	153.55	1.4%
Durban Phoenix Plaza	Durban	24 351	189 140	Apr 2004	259.54	1.9%
Durban Workshop*	Durban	20 061	133 400	Apr 2012	191.76	1.2%
Elim Hubyeni Shopping Centre	Elim	12 686	108 559	Feb 2015	93.62	2.5%
Emalahleni Highland Mews	Emalahleni	17 032	209 612	Feb 2015	116.22	9.9%
Ermelo Game Centre	Ermelo	6 639	57 356	Feb 2015	85.56	15.0%
Ga-Kgapane Modjadji Plaza (30%)	Ga-Kgapane	2 942	29 713	Mar 2014	126.52	0.0%
Germiston Meadowdale Mall (67%)	Germiston	31 861	66 170	Oct 2003	75.98	2.2%
Giyani Plaza	Giyani	9 492	68 250	July 2011	127.37	1.1%
Gugulethu Square	Gugulethu	25 322	393 147	Feb 2015	154.6	0.4%
Hammanskraal Renbro Shopping Centre	Hammanskraal	13 308	163 821	Feb 2015	122.67	8.0%
Hammarsdale Junction*	Hammarsdale	19 344	194 194	July 2013	116.97	0.0%
Hillcrest Richdens Shopping Centre	Hillcrest	10 196	111 983	Feb 2015	137.78	8.5%
Katutura Shoprite Centre*	Katutura	10 620	41 157	Oct 2003	136.34	1.6%
KwaMashu Shopping Centre	KwaMashu	11 197	106 121	Feb 2015	116.91	4.6%
Lethlabile Mall	Lethlabile	17 000	192 878	Mar 2014	99.33	12.3%
Makhado Nzhelele Valley Shopping Centre	Makhado	5 307	54 669	Feb 2015	117.06	12.1%
Mbombela Shoprite Centre	Mbombela	14 015	39 963	Sep 2010	91.82	13.1%
Mbombela Truworths Centre	Mbombela	1 920	7 336	Apr 2004	169.85	0.0%
Monsterlus Moratiwa Crossing (94.50%)	Monsterlus	12 058	61 540	Nov 2007	108.59	4.2%
Moruleng Mall (stated at 100%)	Moruleng	31 421	400 000	Apr 2015	119.77	4.7%
Ondangwa Shoprite Centre	Ondangwa	5 908	17 959	Oct 2003	118.3	0.0%
Oshakati Shopping Centre	Oshakati	24 632	76 929	Oct 2003	133.88	0.0%
Oshikango Shopping Centre	Oshikango	9 163	19 542	Oct 2003	144.79	6.0%
Phuthaditjhaba Maluti Crescent	Phuthaditjhaba	21 538	289 690	Feb 2015	133.48	0.0%
Piet Retief Shopping Centre	Piet Retief	7 541	20 818	Oct 2003	120.6	4.3%
Pietermaritzburg The Victoria Centre	Pietermaritzburg	10 277	55 685	Oct 2003	125.26	2.1%
Pinetown Pine Crest	Pinetown	40 087	506 297	Apr 2004	160.24	3.5%
Queenstown Nonesi Mall	Queenstown	27 927	376 594	July 2015	125.92	0.7%
Randburg Square	Randburg	40 767	66 343	Apr 2004	99.95	8.6%
Roodepoort Hillfox Power Centre	Roodepoort	38 245	62 098	Oct 2003	74.11	9.0%
Roodepoort Ruimsig Shopping Centre	Roodepoort	11 171	116 100	Feb 2015	112.65	1.9%
Rustenburg Edgars Building	Rustenburg	9 784	83 750	Sep 2010	113.54	0.0%
Soshanguve Batho Plaza	Soshanguve	13 338	143 825	June 2015	103.28	11.4%
Soweto Dobsonville Mall	Soweto	26 628	56 118	Apr 2004	133.56	2.0%
Springs Mall (25%)	Springs	12 194	259 625	Mar 2017	160.18	1.2%
Thohoyandou Thavhani Mall (33%)	Thohoyandou	17 658	350 076	Aug 2017	156.23	0.0%
Tzaneen Maake Plaza (70%)*	Tzaneen	11 026	94 010	Aug 2014	113.3	2.0%
Ulundi King Senzangakona Shopping Centre	Ulundi	22 373	232 755	Feb 2015	115.05	2.3%
Vereeniging Bedworth Centre	Vereeniging	33 937	335 305	Nov 2015	81.48	7.7%
Welgedacht Van Riebeeckshof Shopping Centre	Welgedacht	5 181	61 667	Feb 2015	122.48	8.0%
Windhoek 269 Independence Avenue	Windhoek	12 828	110 803	July 2007	171.27	7.1%

** Leasehold property.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

41 Detailed property information continued

Properties owned by the group 31 March 2018	Town	Gross lettable area m²	Purchase price R000	Effective date of acquisition	Weighted average rental R/m² pm	Vacancy by GLA %
Southern Africa – other, comprising:		127 066	682 126			
Auto dealerships		9 209	84 264		128.64	0.0
Cape Town Bellville Barons	Cape Town	6 778	70 000	Apr 2012	159.42	0.0
Sandton Linbro Galaxy Drive Showroom	Sandton	2 431	14 264	Apr 2004	50.4	0.0
Industrial		74 891	220 350		54.42	3.5
Centurion Samrand N1	Centurion	11 413	12 990	Apr 2004	53.27	0.0
Kempton Park Spartan Warehouse	Kempton Park	5 241	5 807	Apr 2004	52.7	0.0
Midrand Allandale Industrial Park	Midrand	21 344	23 175	Apr 2004	57.03	7.3
Midrand Sanitary City	Midrand	6 342	15 277	Apr 2004	65.79	0.0
Pinetown Richmond Industrial Park	Pinetown	7 940	10 800	Apr 2004	47.98	0.0
Pretoria Rosslyn Warehouse	Pretoria	7 541	25 500	Apr 2012	32.18	0.0
Sandton Linbro 7 On Mastiff Business Park	Sandton	15 070	126 801	Oct 2014	62.79	7.1
Office		42 966	362 687		95.74	13.5
Johannesburg Houghton 1 West Street	Johannesburg	4 415	33 504	Sep 2007	163.04	44.7
Johannesburg Houghton Estate Oxford Terrace	Johannesburg	2 588	58 345	July 2014	160.73	0.9
Midrand Ulwazi Building	Midrand	15 634	78 238	Apr 2004	79.64	0.0
Sandton Bryanston Ascot Offices	Sandton	5 539	49 100	Apr 2012	91.59	0.0
Sandton Sunninghill Sunhill Park	Sandton	14 790	143 500	Apr 2012	90.96	25.1
Residential			4 325			
Randburg Square Apartments	Randburg	–	4 325	Apr 2004		
Vacant land		–	10 500		–	0.0
Germiston Meadowdale Mall Land Undeveloped Land	Germiston	–	10 500	Oct 2003	–	0.0
Midrand IBG Undeveloped Land	Midrand					
Held for sale		–	10 500			
Midrand IBG Undeveloped Land	Midrand	–	10 500	Mar 2014		
Spain total		172 973	4 268 848		9.22	2.8
Spain – retail		156 229	3 909 634		9.24	3.2
Ciudad del Transporte	Granada	3 250	97 036	June 2017	10.29	0.0
Parque Principado	Oviedo	16 396	447 858	June 2017	9.52	0.0
Parque Oeste 1	Madrid	8 104	259 528	June 2017	16.09	0.0
Parque Oeste 2	Madrid	5 500	382 402	June 2017	14.84	0.0
Marismas Del Polvorín	Huelva	20 000	373 215	June 2017	7.69	0.0
Motril	Motril	5 559	111 965	June 2017	8.42	0.0
Kinepolis Retail Park and Leisure Centre	Granada	25 988	619 537	June 2017	9.44	9.0
Mejostilla	Caceres	7 281	119 429	June 2017	6.58	0.0
La Heredad	Merida	13 653	261 251	June 2017	7.48	0.0
La Serena 1	Villanueva de la Serena	4 208	67 527	June 2017	6.26	0.0
La Serena 2	Villanueva de la Serena	8 397	141 473	June 2017	6.84	16.0
Pinatar Park	San Pedro del Pinatar	10 637	159 960	Dec 2017	6.25	0.0
Alameda Park	Granada	27 256	868 453	Dec 2017	10.71	4.6
Spain – other, comprising call centres		16 744	359 214		9.05	0.0
Konecta Madrid	Madrid	11 046	284 578			0.0
Konecta Seville	Seville	5 698	74 636	Dec 2016		0.0

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' ANALYSIS

for the year ended 31 March 2019

Shareholders' analysis of ordinary shareholders as at 31 March 2019

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	1 945	17.00	960 356	0.1
1 001 – 10 000	7 241	63.00	27 565 707	3.0
10 001 – 100 000	1 790	16.00	47 875 251	5.2
100 001 – 1 000 000	407	4.00	134 551 709	14.6
Over 1 000 000	126	1.00	710 009 122	77.1
Total	11 509	100.00	920 962 145	100.00
Distribution of shareholders				
Assurance companies	128	1.00	32 202 429	3.50
Close corporations	84	1.00	1 598 376	0.17
Collective investment schemes	356	3.00	326 658 731	35.47
Custodians	80	1.00	89 094 495	9.67
Foundations and charitable funds	187	2.00	11 366 278	1.23
Hedge funds	6	–	2 247 643	0.24
Insurance companies	14	–	531 855	0.06
Investment partnerships	30	–	375 408	0.04
Managed funds	40	–	3 317 586	0.36
Medical aid funds	15	–	4 439 167	0.48
Organs of state	6	–	122 347 103	13.28
Private companies	244	2.00	86 803 490	9.43
Public companies	7	–	10 237 669	1.11
Public entities	2	–	282 378	0.03
Retail shareholders	8 727	76.00	55 050 400	5.98
Retirement benefit funds	218	2.00	133 125 386	14.46
Scrip lending	19	–	10 119 204	1.10
Stockbrokers and nominees	20	–	5 009 158	0.54
Trusts	1 326	12.00	26 155 389	2.84
Total	11 509	100.00	920 962 145	100.00
Shareholder type				
Non-public shareholders	5	–	815 362 988	11.39
Directors and associates	4	–	7 024 497	0.68
Government Employees Pension Fund (> 10%)	1	–	98 574 660	10.70
Public shareholders	11 504	100	105 599 157	88.61
Total	11 509	100.00	920 962 145	100.00

SHAREHOLDERS' ANALYSIS continued

for the year ended 31 March 2019

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Public Investment Corporation	112 214 044	12.18
Old Mutual Investment Group	63 986 231	6.95
Prudential Investment Managers	59 100 590	6.42
Sesfikile Capital	55 999 070	6.08
Investec Asset Management	55 731 597	6.05
Stanlib Asset Management	46 782 758	5.08
Momentum Investments	36 884 083	4.00
Sanlam Investment Management	34 650 905	3.76
Total	465 349 278	50.53

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Government Employees Pension Fund	98 574 660	10.70
Encha Properties Equity Investments	64 425 135	7.00
Old Mutual Group	62 452 506	6.78
Stanlib	38 003 796	4.13
Investec	37 818 804	4.11
MMI	37 022 078	4.02
Sanlam Group	34 699 935	3.77
Prudential	33 543 287	3.64
State Street (Custodian)	31 573 934	3.43
Total	438 114 135	47.57

	Number of shareholdings
Total number of shareholdings	11 509
Total number of shares in issue	920 962 145
Share price performance	
Opening price 1 April 2018	R20.21
Closing price 29 March 2019	R20.00
Closing high for period	R22.50
Closing low for period	R18.81
Number of shares in issue	920 962 145
Volume traded during period	343 819 016
Ratio of volume traded to shares issued (%)	37.33
Rand value traded during the period	R7 004 243 125.00
Market capitalisation at 31 March 2019	R18 419 242 900

SHAREHOLDERS' DIARY

for the year ended 31 March 2019

Financial year-end	31 March 2019
Publication of abridged financial statements	29 May 2019
AGM	2 September 2019
Interim period end	30 September 2019

CORPORATE INFORMATION

Directors

Nigel George Payne[g]	(chairman, non-executive director)
Laurence Gary Rapp[a, g]	(chief executive)
Michael John Potts[a]	(financial director)
Hermina Christina Lopion[a, g]	MD SA
Gabaiphiwe Sedise Moseneke[a]	executive director
Stefanes Francois Booysen[c, d, i]	non-executive director
Renosi Denise Mokate[e, c, i]	non-executive director (lead)
Peter Sipho Moyanga[g]	non-executive director
Hatla Ntene[g]	non-executive director
Hymie Mervyn Serebro[f]	non-executive director
Babalwa Ngonyama[b]	non-executive director

[a] *Executive.*
[b] *Chairman of audit and risk committee.*
[c] *Member of audit and risk committee.*
[d] *Chairman of social, ethics and human resources committee.*
[e] *Member of social, ethics and human resources committee.*
[f] *Chairman of property and investment committee.*
[g] *Member of property and investment committee.*
[h] *Chairman of nominations committee.*
[i] *Member of nominations committee.*

Group secretary and registered office

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Sandown
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Saxonwold
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Listing information

Vukile was listed on the JSE Limited on 24 June 2004 and on the Namibian Stock Exchange on 11 July 2007.

JSE code	VKE
NSX code	VKN
ISIN	ZAE000056370
Sector	Financial – retail REITs

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