VUKILE
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

NEW HORIZONS

Unaudited condensed consolidated interim results for the six months ended 30 September 2017

Highlights

CORPORATE 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 dealmaking, conservative financial management and the provision of a top-quality experience for our tenants and their customers in our predominantly retail portfolio.

7.4% increase

in dividends in line with guidance to 72.65 cents per share

Concluded landmark

Spanish acquisition of 11 retail parks for €193 million

Further investment

of R407 million in Atlantic Leaf to facilitate portfolio acquisition

24%

of assets now offshore

6.1% increase

in like-for-like net property revenue

Gearing remains conservative

at 29%

Commentary

1. NATURE OF OPERATIONS

Vukile is a property holding and investment company with direct and indirect ownership of immovable property. The group holds a portfolio of predominantly direct retail property assets in southern Africa as well as strategic shareholdings in listed Real Estate Investment Trusts (REITs). The company is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX) under the Retail REITs sector. The group also has property investments in the United Kingdom and Spain.

2. SIGNIFICANT EVENTS AND TRANSACTIONS

During this reporting period, the following significant transactions were effected:

- On 3 July 2017, Vukile announced a groundbreaking acquisition by its subsidiary, Castellana Properties SOCIMI SA (Castellana), of 11 retail parks for €193 million (R3 billion). Castellana procured debt funding of €94.8 million by way of loans from Spanish lenders secured over the retail parks (with no recourse to Vukile), at an all-in cost of debt of 1.8%. The balance of the purchase consideration and a portion of the transaction costs amounting to €103 million were funded by Vukile from internal cash resources and debt facilities. Following this transaction, Vukile now owns 98.3% of the issued Castellana shares.
- Further investment in Atlantic Leaf Properties Limited (ALP or Atlantic Leaf):
  Vukile increased its shareholding in ALP to c.35% through acquiring a further 23.2 million shares at a cost of R407.5 million during an oversubscribed accelerated bookbuild undertaken by ALP in September 2017. ALP raised £47 million to fund, inter alia, the acquisition of 11 retail warehouse and industrial properties in the UK, tenanted by DFS Trading Limited.
- Thavhani Mall, a 50 637m² regional mall in Thohoyandou, Limpopo, opened in August 2017 with huge support from the community. Vukile paid R367 million for a 33.3% interest in the mall which is already reviewing expansion opportunities driven by tenant demand.
- On 18 July 2017, Vukile announced an oversubscribed equity raise of R650 million at R18.80 per share.

3. SUMMARY OF FINANCIAL PERFORMANCE

The directors of Vukile are pleased to report that the dividend for the six months ended 30 September 2017 has increased by 7.4% to 72.6535 cents per share (prior period: 67.6475 cents per share).

The group's net profit available for distribution amounted to R578.5 million for the six months to 30 September 2017 (September 2016: R526.1 million), which represents an increase of 10% over the comparable period.

Summary of financial performance:

	September 2017	September 2016	March 2017
Net asset value per share (cents)	**1 917**	1 851	1 868
Dividend per share (cents)	**72.65**	67.65	156.75
Loan to value ratio (%)[(i)]	**30.5**	26.6	25.1
Loan to value ratio net of available cash (%)	**28.8**	18.2	19.4
Gearing ratio (%)[(ii)]	**28.9**	24.3	23.0

[(i)] *Interest-bearing debt (includes R77 million commercial paper issued to a Namibian subsidiary which is eliminated on consolidation) divided by directors' valuation of the group's property portfolio at 30 September 2017 plus equity investments.*

[(ii)] *The gearing ratio is calculated by dividing total interest-bearing borrowings (which includes R77 million commercial paper issued to a Namibian subsidiary which is eliminated on consolidation) by total assets.*

A reconciliation of distributable earnings is set out under the segmental report on page 26.

(a) **Net profit from property operations**

The group's net profit from property operations, exclusive of straight-line rental accruals, has decreased by R102.3 million (14.5%) over the comparable period, from R705.2 million to R602.9 million primarily as a result of the sale of the Sovereign portfolio and the redeployment of the proceeds into Spain. However, the stable portfolio reflected a pleasing like-for-like growth of 6.1% for the six months ended 30 September 2017.

The contributions to this decrease are made up as follows:

	Rm
→ Stable portfolio	23.3
→ Properties acquired	196.4
→ Properties disposed of	(314.4)
→ Net interest reclassified	(7.6)
	(102.3)

Further details of the property portfolio performance are set out in paragraph 12.

Impairment allowance for tenant receivables

The allowance for the impairment of tenant receivables has increased from R32 million at 31 March 2017 to R37.7 million at 30 September 2017, which is considered adequate at this stage. The impairment allowance represents 1.86% of gross rental income for the 12 months ended 30 September 2017 (March 2017: 1.8%). A summary of the movement in the impairment allowance for trade receivables is set out below:

	R000
Impairment allowance 1 April 2017	32 389
Allowance for receivables impairment for the six-month period	13 538
Receivables written off as uncollectible	(8 253)
Impairment allowance 30 September 2017	37 674
Bad debt write-off per the statement of comprehensive income	8 094

(b) **Corporate administrative and asset management expenditure**

Group corporate administrative expenditure of R56.8 million is R5.1 million higher than the previous year's expenditure of R51.7 million.

The variance is partly due to an increase in remuneration costs of R5.7 million over the prior year, which includes the appointment of additional employees in South Africa, and by Castellana in Spain.

(c) **Investment and other income**

Investment and other income has increased from R61 million (September 2016) to R158 million at 30 September 2017. The increase of R97 million is mainly attributable to the following:

	Rm
Net interest earned on interest rate cross-currency swaps after deducting 1% finance costs	32
Additional dividends generated including Gemgrow which company was previously consolidated	50
Additional sundry income	9

(d) Finance costs

Group finance costs have decreased by R39.4 million from R211 million to R171.6 million. The decrease in finance costs is primarily due to interest in respect of Synergy Income Fund Limited (Synergy) in the prior period of R46 million, excluded in the current period, as Gemgrow Properties Limited (Gemgrow, previously Synergy) is now reflected as a listed investment and was previously consolidated. This decrease is offset by additional finance costs incurred in the financing of the acquisition of the 11 retail parks in Spain in June 2017.

The weighted cost of funding forecast 12 months forward is as follows:

	%
ZAR	9.27
GBP	3.10
EUR	2.12

The weighted average forecast cost of finance equates to approximately 5.58%, with 93.6% of interest-bearing term debt hedged.

(e) Taxation

The first six month's tax accrual of R8.97 million is higher than the comparable period of R2.5 million, as a result of a positive timing difference of R3 million arising in the prior period which is not repeated. Furthermore, a 10% withholding tax on interest paid by the Namibian subsidiaries to its holding company in South Africa did not apply in the prior period, adding a further R3.5 million to the Namibian tax charge.

4. INVESTMENTS IN LISTED PROPERTY OWNING COMPANIES

Fairvest Property Holdings Limited (Fairvest)

Fairvest is fair valued at 30 September 2017 at R520.7 million at R2.05 per share, representing a capital appreciation of 34% over the cost of the investment.

Dividends received for the six months ended 30 September 2017 amount to R12.6 million. Based on the public guidance provided by Fairvest management, it is anticipated that further dividends of R40.6 million will be received or accrued for the period to 31 March 2018.

Atlantic Leaf (associate)

Vukile holds a 34.9% shareholding in Atlantic Leaf (March 2017: 29.6%) following its participation in an equity raise in September 2017 at a cost of R407 million, funded out of cash resources. Vukile currently holds 65.95 million shares in Atlantic Leaf. The participation in the accelerated bookbuild by Vukile increased its shareholding in ALP to 34.9%, thereby triggering a mandatory offer to shareholders in terms of Mauritian take-over law (>30%). Shareholders holding 52% of ALP have agreed not to take up the mandatory offer which closes on Friday, 8 December 2017.

In terms of International Financial Reporting Standards (IFRS), Atlantic Leaf is regarded as an associate of Vukile. As such, all dividends received reduce the carrying value of the investment in Atlantic Leaf.

However, as dividends received during the six-month period to 30 September 2017 of R34.4 million are represented by cash, these dividends are regarded as distributable.

Based on the guidance contained in the prospects statement issued by ALP in October 2017, dividends of R80 million are anticipated to be received and accrued by Vukile for the period to 31 March 2018.

Gemgrow (formerly Synergy)

Vukile holds 4.69 million (9.99%) and 118.2 million (29.5%) Gemgrow "A" and "B" shares respectively.

Vukile has received dividends during the period amounting to R45.7 million. Further dividends of R50 million are budgeted to be received and accrued for the period to 31 March 2018 in terms of public guidance issued by Gemgrow management.

Castellana

Vukile announced on 3 July 2017 that its subsidiary, Castellana, had acquired 11 retail parks at a cost of €193 million, together with other net assets for €2.5 million, at an attractive pre-gearing yield of 6.2%.

Vukile financed the equity portion of the acquisition by participating in an equity raise by Castellana, increasing its shareholding to 98.3%.

The portfolio is well diversified across Spain (none of the properties are situated in Catalonia) and comprises high-quality retail parks with solid long-term trading histories. The low-average base rentals provide room for income growth going forward.

Castellana has also employed a very dynamic team, headed by Alfonso Brunet, who has a wealth of experience in the Spanish retail sector.

5. BORROWINGS

Group interest-bearing debt of R6.2 billion is made up as follows:

	ZAR	EUR	GBP	Total
Loans (Rbn)	2.9	2.8	0.5	6.2

In total, R223 million of new forward exchange contracts (FECs) and R1.346 billion cross-currency interest rate swaps (CCIRS) have been concluded since the commencement of the financial year. Foreign currency loans of €58.2 million were raised as funding for the equity investment into Castellana and utilised to partially fund the acquisition of 11 retail parks in Spain on 28 June 2017.

Details of GBP and Euro currency loans raised are set out below:

	Vukile GBP debt '000	Vukile EUR debt '000	Castellana EUR debt '000	Group EUR debt '000	Total foreign debt '000
Debt drawn	£28 700	€71 181	€101 070	€172 251	R3 282 530
Debt expiry profile (years)	2.64	2.79	5.42	4.33	4.07
Interest rate swaps	£26 025	€45 681	€67 735	€113 416	R2 290 742
IRS expiry profile (years)	2.60	2.83	3.57	3.27	3.13
Percentage hedged (%)	90.68	64.18	67.02	65.84	69.79
All-in interest rate (%)	3.10	2.58	1.80	2.12	2.28

Debt refinancing during the six months ended 30 September 2017

Bond refinancing

→ R240 million corporate bond was repaid; and

→ R260 million of commercial paper was refinanced during the period.

New bond issuance

→ R72 million corporate bond was issued to fund loans to senior management to facilitate their acquisition of Vukile shares under the share purchase plan.

Bank refinancing

Repayments

→ R663 million bank debt was repaid during the period.

Debt expiries

March	2018	2019	2020	2021	2022	2023	2024	2027	2029	Total
Rm	177	1 484	1 055	1 120	1 677	122	150	44	396	6 225
%	3	24	17	18	27	2	2	1	6	100

The Global Credit Rating Company (Pty) Ltd (GCR) has re-affirmed an “A” corporate rating with a positive outlook for Vukile and an “AA+” (RSA) secured long-term rating and a “A1” short-term rating.

The group has unutilised bank facilities of R489 million at 30 September 2017.

Interest rate hedging

At 30 September 2017, net debt excluding development loans and commercial paper amounted to R5.9 billion. Swaps totalling R5.5 billion have been concluded equating to 93.6%.

Swaps amounting to R522 million were extended and new swaps totalling R804 million have been concluded since April 2017, at an estimated annualised additional cost of R132 800.

Swap expiries

March	2018	2019	2020	2021	2022	2023	Total
Rm	182	659	598	1 523	2 000	523	5 485
%	3	12	11	28	36	10	100

The current swaps in place represent 3 years’ cover as compared to 3.1 years’ cover at 31 March 2017.

6. EQUITY ISSUANCE

- Vukile issued 34 574 468 shares under an accelerated bookbuild in July 2017 at R18.80 per share, amounting to R650 million; and
- Vukile issued 21 581 975 shares under an election to reinvest a cash dividend in return for shares in June 2017 at R18.15527 per share, amounting to R392 million. This represented a 63% acceptance rate under the election.

7. HEDGING OF FOREIGN INCOME

To minimise the adverse foreign exchange fluctuations on Vukile’s earnings, between 50% and 100% of foreign dividends are hedged by way of forward currency contracts, CCIRS and by offsetting the foreign dividend income against the finance costs in respect of foreign currency denominated loans. Vukile’s target is to hedge, on average, 75% of foreign dividends over a three-year period.

GBP income exposure

	November 2017	May 2018
Net dividends forecast[(i)]	**£2 522 777**	£2 588 728
FEC hedge	**(£1 185 000)**	(£1 213 000)
Unhedged GBP income	**£1 337 777**	£1 375 728
Hedged GBP income*	**47%**	47%

[(i)] *After deducting the interest cost of Vukile’s GBP debt.*
* *FEC hedge/net dividend.*

47% of the Atlantic Leaf forecast distribution is hedged over the next two Atlantic Leaf dividend cycles (including the recent acquisition of 23 740 021 Atlantic Leaf shares in September 2017 which dividends still have to be hedged). We have chosen a shorter hedging profile for the moment as Brexit uncertainty has negatively impacted the GBP exchange rate and we will commence extending the hedging profile during relative GBP currency strength.

EUR income exposure

	March 2018	September 2018	March 2019	September 2019	March 2020	Average
Net dividends	€3 301 702	€3 190 982	€3 317 449	€3 372 501	€3 447 917	
FEC hedge	(€2 822 300)	(€2 412 000)	(€2 300 000)	(€2 300 000)	(€2 400 000)	
Unhedged EUR income	€479 402	€778 982	€1 017 449	€1 072 501	€1 047 917	
Percentage EUR income hedged*	85%	76%	69%	68%	70%	74%

** Net dividend after deducting interest costs on Vukile EUR debt and the CCIRS fixed interest costs.*

74% of the Castellana forecast net dividends are hedged over the next 2.5 years (next five dividend cycles).

8. RATIO OF CCIRS AS A PERCENTAGE OF FOREIGN INVESTMENT EXPOSURE

CCIRS have the ability to hedge both foreign exchange fluctuations on Vukile's earnings and asset exposure. To minimise the impact of unexpected risks at the maturity of the CCIRS, Vukile has chosen to limit the utilisation of CCIRS to 55% of total international investments, reducing to 45% within a period of one year.

	Foreign currency	Exchange rate	ZAR exposure R000
Atlantic Leaf equity value	£70 934 951	18.1557	R1 287 875
Castellana property value	€224 808 780	16.0316	R3 604 044
Castellana debt	(€106 470 140)	16.0316	(R1 706 888)
Total foreign investments	€198 672 087	16.0316	R3 185 031
CCIRS nominal value	(€93 200 000)	16.0316	(R1 494 145)
CCIRS nominal value/total foreign investments	47%		47%

The fixed interest rate on the three-year CCIRS is 1%.

9. DEVELOPMENTS, ACQUISITIONS AND SALES

Upgrades/redevelopments – R522.4 million

As part of the ongoing strategy to improve the quality of the existing portfolio, the following projects have been completed or are in progress:

Phuthaditjhaba: Maluti Crescent

Maluti Crescent, previously known as Setsing Crescent and located in Phuthaditjhaba in the eastern Free State, was acquired in the Synergy transaction. It has a gross lettable area (GLA) of 21 538m² and the major tenants are a Spar Superstore, Game, Cashbuild, Clicks, all five major banks and a very strong national fashion component. The centre is currently being extended and upgraded at a total cost of R338 million. The projected yield on the total capex is 8.5%.

The centre will be transformed from a strip mall into an almost fully enclosed mall. The multi-level extension includes new undercover parking and taxi ranks on the ground and mezzanine levels, with 12 357m² of new retail space on the top level. Tenants in the extension area will include Pick n Pay, Mr Price, additional Foschini Group outlets and a relocated and enlarged Woolworths. 75% of the leases for the extension area are committed.

The existing centre will be upgraded to complement the new mall. Provision will be made for a new PV cell solar installation on the roof of the extension.

Flanagan & Gerard, who has extensive experience in shopping centre development, is the development manager.

Bellville: Barons Ford

The new Ford dealership developed for Barloworld Auto in Bellville was successfully completed and the 10-year lease commenced on 1 August 2017.

The total capex is R35.4 million at a yield of 15.1%.

Durban: Phoenix Plaza upgrade

Phoenix Plaza, with a GLA of 24 351m², has been upgraded at a cost of R35 million. The scope of the project includes both an internal and external refurbishment, the addition of two new public ablution blocks, with one specifically dedicated to the taxi commuters and drivers. The project is substantially complete.

Dobsonville Mall: Extension and partial upgrade

Dobsonville Mall, situated in northern Soweto, has been increased from a GLA of 23 177m² to a GLA of 26 655m². Capex of R114 million was invested in the extension and improvement of this destination mall.

Former offices situated to the northern part of the property measuring 2 544m² were demolished to make way for an expansion of 6 736m² along the northern side of the mall. This new addition to the mall is anchored by a 2 500m² Pick n Pay supermarket and all the new shops in the immediate vicinity are fully let. Further improvements to the mall include a new food court area off the new eastern entrance into the mall and relocating the medical suites onto a previously underutilised mezzanine floor. The projected net yield is 9.6%.

Current Vukile projects

A summary of major capex projects approved and incurred to 30 September 2017 is set out below:

Approved projects	Completion	Approved R000	**Paid to 30 September 2017 R000**	Budget October 2017 to March 2018 R000
Durban: Phoenix Plaza	31 March 2018	35 000	**25 097**	9 903
Bellville: Barons Ford	30 July 2017	35 400	**33 680**	1 720
Dobsonville Mall extension	30 November 2017	114 000	**107 679**	–
Thohoyandou: Thavhani Mall	24 August 2017	367 450	**–**	–
Phuthaditjhaba: Maluti Crescent	30 April 2019	338 000	**4 984**	26 000
Totals		889 850	**171 440**	37 623

Developments – R367 million

Thavhani Mall

Vukile secured a 33.3% stake in the 50 637m² Thavhani Mall in Thohoyandou, Limpopo, for R367 million after concluding a deal with the developers, Thavhani Property Investments (Pty) Ltd, which is owned by Flanagan & Gerard Property Investment & Development together with local partners. The centre is anchored by Pick n Pay, Super Spar, Woolworths and Edgars, with a broad range of other national retailers also forming part of the tenant mix.

The construction of the centre was completed on time and was opened as planned on 24 August 2017. The opening was a huge success and well received by the local community. The retailers are trading exceptionally well. The centre is currently 0.9% vacant.

Acquisitions – Spain

Spanish retail portfolio

In June 2017, Castellana, a Spanish REIT and a 98.3% held subsidiary of Vukile, acquired 11 retail parks located across Spain for an aggregate base purchase consideration of €193 million at an attractive initial pre-geared property yield of 6.2%. The acquisition is in line with Vukile's strategy of increasing its international exposure to developed Europe.

The 11 retail parks have a weighted average lease expiry (WALE) of 17.4 years to expiry. The total GLA of the portfolio is 117 820m² and 95% of gross revenue is derived from leading Spanish national and international retail tenants including Media Markt, Sprinter, Worten, Aki and Mercadona. The average monthly rental of €9.00 per m² across the portfolio is below the market rental of €10 to €12, which provides room for income growth.

A highly experienced and respected team of Spanish retail property experts has been brought on board to manage the assets along with a senior manager from Vukile, who will be seconded to Spain to assist with the integration of the business operations.

Property	Province	GLA m²	Weighted average rental per m²	Purchase price of the property €'m
Kinépolis Retail Park and Leisure Centre	Granada	25 877	9.2	41.5
Parque Oeste[I]	Madrid	13 604	14.8	43.0
Parque Principado	Asturias	16 396	9.3	30.0
Marismas Del Polvorín	Huelva	20 000	8.0	25.0
La Heredad	Badajoz	13 447	6.5	17.5
La Serena[II]	Badajoz	12 405	6.8	14.0
Mejostilla	Cáceres	7 281	6.5	8.0
Motril	Granada	5 559	8.4	7.5
Ciudad del Transporte	Castellón	3 250	12.4	6.5
Total		117 820		193.0

[I] *This park comprises two adjacent properties that were acquired in two separate companies, but has been treated as a single combined property for reporting purposes.*

[II] *This park comprises two adjacent properties that were acquired in two separate companies, but has been treated as a single combined property for reporting purposes.*

Acquisitions – Southern Africa

Jet Bloemfontein

Vukile acquired the property and letting enterprise known as Jet Bloemfontein from Growthpoint Properties Limited for R38.3 million at an initial yield of 10.25%. It is a single tenant building let solely to Jet and measures 5 516m². The Jet lease has another four years to expiry. The property is linked to the Vukile-owned Bloemfontein Plaza and is accessed directly from within the centre. Jet Bloemfontein was transferred in September 2017.

Property sales – Southern Africa

In line with the group's strategy to focus on retail assets, the following two properties were disposed of during this period:

Property	**Sales price R000**	Yield %	Date of sale
Pretoria Lynnwood Erf 493	**2 900**	Vacant land	2 August 2017
Pretoria Hatfield 1166 Francis Baard Street	**16 500**	8.7	8 September 2017
	19 400	8.7	

In support of the retail strategy, further sales to the value of R71.0 million were registered post the reporting period.

Property	**Sales price R000**	Yield %	Date of registration
Sandton Rivonia Tuscany Place Section 5	**12 780**	12.8	24 October 2017
Sandton Rivonia Tuscany Place Section 6	**4 970**	11.2	24 October 2017
Sandton Rivonia Tuscany Place Section 7	**7 810**	14.1	24 October 2017
Sandton Rivonia Tuscany Place Section 8	**19 170**	6.1	24 October 2017
Sandton Rivonia Tuscany Place Section 9	**14 200**	11.6	24 October 2017
Sandton Rivonia Tuscany Place Section 10	**12 070**	9.6	24 October 2017
	71 000	10.2	

The following property was sold on auction and transfer is expected in November 2017:

Property	Sales price R000	Yield %	Progress
Hartbeespoort Sediba Shopping Centre	91 500	10.3	A deposit of R9.0 million has been paid with a guarantee for the remainder

The proceeds from property sales will be used to repay debt, as well as fund potential accretive acquisitions, both locally and internationally.

Investment properties held for sale – R1.19 billion

The bulk of investment properties held for sale constitutes the Namibian portfolio.

It is intended to redeploy the proceeds from the sale of this portfolio, once concluded, into Spain or the UK.

10. VALUATIONS

Southern Africa portfolio

The accounting policies of the group require that the directors value the entire portfolio every six months at fair market value. 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 R14.1 billion[i] as at 30 September 2017. This is R1.0 billion or 7.3% higher than the valuation as at 31 March 2017. The calculated recurring forward yield for the portfolio is a conservative 8.4%.

The external valuations by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd at 30 September 2017 of 48.8% of the total portfolio are in line with the directors' valuations of the same properties.

[i] The group's property portfolio value takes into account Moruleng Mall at 80%, whereas in the financial statements the group property value reflects 100% of Clidet, the entity which owns Moruleng Mall.

Spanish portfolio

The portfolio comprising 13 properties, including the two call centres acquired in 2016, was valued by Colliers International at €224.8 million or R3.6 billion at 30 June 2017. The valuations are considered to approximate the values as at 30 September 2017. The calculated recurring forward yield for the portfolio is 5.4%.

The 11 retail parks were valued at €200 million against a purchase price of €193 million and transaction costs of €4.7 million.

11. GROUP PROPERTY PORTFOLIO OVERVIEW

Southern Africa portfolio overview

The Southern Africa property portfolio at 30 September 2017 consisted of 68 properties with a total market value of R14.1 billion, excluding capitalised lease commissions, and GLA of 959 767m², with an average value of R207 million per property. The southern African retail portfolio which accounts for c.91% of the value of the assets was valued at R12.8 billion and consists of 47 properties with an average value of R272 million.

The geographical and sectoral distribution of the group's portfolio is indicated in the tables below. The portfolio is well-represented in most of the South African provinces and Namibia. Some 75% of the gross income is derived from Gauteng, KwaZulu-Natal, Western Cape and Namibia.

Geographic profile

% of gross income	Total portfolio %
Gauteng	37
KwaZulu-Natal	23
Namibia	8
Western Cape	7
North West	6
Free State	6
Limpopo	6
Mpumalanga	4
Eastern Cape	3

Based on market value, 91% of the Southern African portfolio is in the retail sector followed by 4% in the office, 3% in the industrial, 1% in the motor-related and 1% in the residential sectors.

The tenant profile is listed in the table below:

Tenant profile

% of GLA	Total portfolio %
Large national and listed tenants and major franchises	66
National and listed tenants, franchised and medium to large professional firms	11
Other	23

The retail portfolio's exposure to national, listed and franchised tenants is 82% in total.

Vukile's tenant concentration risk is considered to be low as the top 10 tenants account for 46% of total GLA. Shoprite is the single largest tenant, occupying 8.3% of total GLA with Pick n Pay the second largest at 6.8% of total GLA.

Top 15 properties by value

Property	Location	GLA m²	Directors' valuation at 30 September 2017 Rm	% of total	Valuation R/m²
Boksburg East Rand Mall*	Gauteng	34 712	1 330	9.5	38 313
Durban Phoenix Plaza	KwaZulu-Natal	24 351	831	5.9	34 135
Pinetown Pine Crest	KwaZulu-Natal	40 087	828	5.9	20 665
Gugulethu Square	Western Cape	25 322	502	3.6	19 837
Soweto Dobsonville Mall	Gauteng	26 655	492	3.5	18 471
Queenstown Nonesi Mall	Eastern Cape	28 177	436	3.1	15 480
Oshakati Shopping Centre	Namibia	24 632	416	3.0	16 899
Durban Workshop	KwaZulu-Natal	20 041	405	2.9	20 224
Moruleng Mall#	North West	25 137	403	2.9	16 047
Randburg Square	Gauteng	40 874	394	2.8	9 637
Phuthaditjhaba Maluti Crescent	Free State	21 538	393	2.8	18 247
Thohoyandou Thavhani Mall**	Limpopo	16 710	374	2.7	22 363
Germiston Meadowdale Mall***	Gauteng	31 850	372	2.6	11 692
Daveyton Shopping Centre	Gauteng	17 774	363	2.6	20 412
Atlantis City Shopping Centre	Western Cape	22 115	323	2.3	14 628
Total top 15		399 975	7 862	56.1	19 656

* *Represents an undivided 50% share in this property.*
** *Represents an undivided 33% share in this property.*
*** *Represents an undivided 67% share in this property.*
# *Represents 80% share in the company.*

Spanish portfolio overview

The Spanish property portfolio at 30 September 2017 consisted of 13 properties with a total market value of €224.8 billion, excluding capitalised lease commissions, and GLA of 134 564m², with an average value of €17.3 million per property.

The geographical and sectoral distribution of the group's portfolio is indicated in the tables below. Some 80% of the gross income is derived from Madrid, Granada, Asturias and Badajoz.

Geographic profile

% of gross income	Total portfolio %
Madrid	28
Granada	23
Badajoz	14
Asturias	13
Huelva	12
Cáceres	4
Castellón	3
Seville	3

Based on market value, 89% of the group portfolio is in the retail sector followed by 11% in the office sector.

The tenant profile is listed in the table below:

Tenant profile

% of gross income	Total portfolio %
Large national and international tenants	96
Local tenants	4

The top 10 tenants account for 74% of gross income. Konecta is the single largest tenant, occupying 12.9% of total GLA with Media Markt the second largest at 12.1% of total GLA.

List of total portfolio

Property	Province	Sector	GLA m²	Market value €'m	% of total portfolio	Valuation €/m²
Kinépolis Retail Park and Leisure Centre	Granada	Retail	25 877	44.9	20	1 735
Parque Oeste[(I)]	Madrid	Retail	13 604	43.5	19	3 198
Parque Principado	Asturias	Retail	16 396	31.9	14	1 945
Marismas Del Polvorín	Huelva	Retail	20 000	25.1	11	1 255
Konecta Madrid	Madrid	Offices	11 046	19.4	9	1 756
La Heredad	Badajoz	Retail	13 447	17.8	8	1 326
La Serena[(II)]	Badajoz	Retail	12 405	14.4	6	1 158
Mejostilla	Cáceres	Retail	7 281	8.1	4	1 108
Motril	Granada	Retail	5 559	8.0	4	1 435
Ciudad del Transporte	Castellón	Retail	3 250	6.4	3	1 965
Konecta Seville	Seville	Offices	5 698	5.4	2	944
Total			134 564	224.8	100.0	1 671

(I) *This park comprises two adjacent properties that were acquired in two separate companies, but has been treated as a single combined property for reporting purposes.*

(II) *This park comprises two adjacent properties that were acquired in two separate companies, but has been treated as a single combined property for reporting purposes.*

12. GROUP PROPERTY PORTFOLIO PERFORMANCE

Southern Africa property portfolio performance

New leases and renewals of 94 444m² with a contract value of R840 million were concluded during the year to date. Some 85% of leases to be renewed during the six months ended 30 September 2017 were renewed or are in the process of being renewed.

Details of large contracts concluded

Tenant	Property	Sector	Contract value Rm	Lease duration Years
Pick n Pay	Soweto Dobsonville Mall	Retail	**146.5**	25
Pick n Pay	Bloemfontein Plaza	Retail	**44.3**	25
Barloworld South Africa	Cape Town Bellville Barons	Motor-related	**37.8**	9
Spar	Roodepoort Ruimsig Shopping Centre	Retail	**35.3**	10
Food Lovers Market	Soweto Dobsonville Mall	Retail	**25.1**	10
Pick n Pay Liquor	Soweto Dobsonville Mall	Retail	**17.8**	25
Dischem	Pinetown Pine Crest	Retail	**15.8**	10
Mr Price	Pinetown Pine Crest	Retail	**13.0**	5
Pick n Pay Liquor	Hammarsdale Junction	Retail	**12.6**	26
BetSA	Soweto Dobsonville Mall	Retail	**12.6**	10

The group lease expiry profile table reflects that 16% of the leases are due for renewal in the second half of the year. Approximately 43% of leases are due to expire in 2021 and beyond (up from 35%).

Group lease expiry

% of contractual rent	March 2018	March 2019	March 2020	March 2021	Beyond March 2021
GLA	16	23	18	12	31
Cumulative as at September 2017		**39**	**57**	**69**	**100**
Cumulative as at March 2017	25	48	65	75	100

Vacancies

At 30 September 2017, the portfolio's vacancy (measured as a percentage of GLA) was 4.1% compared to 4.3% at 31 March 2017 and the portfolio's vacancy (measured as a percentage of gross rental) was 3.7% compared to 4.2% at 31 March 2017. The retail portfolio saw an improvement in vacancies based on gross rental to 3.4% (March 2017: 3.6%)

GLA summary	GLA m²
Balance at 1 April 2017	**936 459**
GLA adjustments	**3 265**
Disposals	**(2 871)**
Acquisitions and extensions	**22 914**
Balance at 30 September 2017	**959 767**

Vacancy summary	Area m²	%
Balance at 31 March 2017	**40 167**	**4.3**
Less: Properties sold since 31 March 2017	(952)	33.2
Remaining portfolio balance at 31 March 2017	**39 215**	**4.2**
Leases expired or terminated early	103 478	
Tenants vacated	15 919	
Renewal of expired leases	(48 812)	
Contracts to be renewed	(33 623)	
Development vacancy	(1 725)	
New letting of vacant space	(35 004)	
Balance at 30 September 2017	**39 448**	**4.1**

Base rentals (excluding recoveries)

The weighted average monthly base rental rates per sector, between 30 September 2017 and 31 March 2017, are set out in the table below:

Weighted average base rentals (R/m²) excluding recoveries	September 2017	March 2017	Escalations
Retail	**126.33**	122.88	2.8
Offices	**94.10**	90.25	4.3
Industrial	**52.81**	51.96	1.6
Motor-related	**124.37**	135.46	(8.2)
Total	**118.62**	115.42	2.8

Average contractual rental escalations are 7.3%.

The average escalation on expiry rentals on the total portfolio of 5.4% is positive against the backdrop of a difficult trading environment. Positive reversions of 5.2% were achieved in the retail sector.

The financial performance of the stable portfolio is set out below:

Financial performance	September 2017 Rm	September 2016 Rm	% change
Property revenue	**488.3**	458.2	6.6
Net property expenses	**(81.9)**	(75.1)	(9.1)
Net property income	**406.4**	383.1	6.1
Property expense ratios (%)*	**16.8**	16.4	(2.4)

** Recurring cost to property revenue ratios (including rates and taxes and electricity costs; excluding asset management fee).*

Expense categories and ratios

The largest expense categories contribute 80% of the total expenses. These are: government services (46%), rates and taxes (16%), cleaning and security (11%) and property management fees (7%).

The group continuously evaluates methods of containing costs in the portfolio. The stable portfolio's recurring net costs to income ratio of 16.8% is still in line with the ratio of 16.6% at 31 March 2017.

Spanish property portfolio performance

The lease expiry profile table reflects that no leases are due for renewal in the second half of the year. Approximately 97% of leases are due to expire in 2021 and beyond.

Lease expiry

% of GLA	Vacant %	March 2018 %	March 2019 %	March 2020 %	March 2021 %	Beyond March 2021 %
GLA	2.1	0	1	0	4	93
Cumulative as at September 2017		2	3	3	7	100

Vacancies

At 30 September 2017, the portfolio's vacancy (measured as a percentage of GLA) was 2.1% of which development vacancy accounted for 1.5% of this vacancy.

Base rentals (excluding recoveries)

The weighted average monthly base rental rates per sector are set out in the table below:

Weighted average base rentals (€/m²) excluding recoveries	September 2017
Retail	9.00
Offices	9.05
Total	**9.01**

Contractual rental escalations in the European market are CPI linked.

13. DECLARATION OF A CASH DIVIDEND WITH THE ELECTION TO REINVEST THE CASH DIVIDEND IN RETURN FOR VUKILE SHARES

Notice is hereby given of a dividend amounting to 72.65350 cents per share, out of distributable income, for the six-month period to 30 September 2017.

Shareholders will be entitled to elect (in respect of all or part of their holding) to reinvest the cash dividend of 72.65350 cents per share, in return for shares (the share reinvestment alternative), failing which they will receive the cash dividend in respect of (all or part of) their holdings.

A circular providing further information in respect of the cash dividend and the share reinvestment alternative will be posted to shareholders on Tuesday, 28 November 2017.

Shareholders who have dematerialised their shares are required to notify their duly appointed Central Securities Depository Participant (CSDP) or broker of their election in the manner and time stipulated in the custody agreement governing the relationship between the shareholder and their CSDP or broker.

Tax implications

Vukile was granted REIT status by the JSE Limited with effect from 1 April 2013 in line with the REIT structure as provided for in the Income Tax Act, 58 of 1962, as amended (the **Income Tax Act**) and section 13 of the JSE Listings Requirements.

The REIT structure is a tax regime that allows a REIT to deduct qualifying dividends paid to investors, in determining its taxable income.

The cash dividend of 72.65350 cents per share meets the requirements of a qualifying dividend for the purposes of section 25BB of the Income Tax Act (a **qualifying dividend**) with the result that:

- qualifying dividends received by resident Vukile shareholders must be included in the gross income of such shareholders (as a non-exempt dividend in terms of section 10(1)(k)(i)(aa) of the Income Tax Act), with the effect that the qualifying dividend is taxable as income in the hands of the Vukile shareholder. These qualifying dividends are, however, exempt from dividends withholding tax, provided that the South African resident shareholders provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:
  - a declaration that the dividend is exempt from dividends tax; and
  - a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner;

  both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the above mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.
- qualifying dividends received by non-resident Vukile shareholders will not be taxable as income and instead will be treated as ordinary dividends but which are exempt in terms of the usual dividend exemptions per section 10(1)(k) of the Income Tax Act. It should be noted that until 31 December 2013 qualifying dividends received by non-residents were not subject to dividends withholding tax. Qualifying dividends are subject to dividends withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (**DTA**) between South Africa and the country of residence of the shareholder. Assuming dividends withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 58.12280 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied upon if the non-resident holder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:
  - a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
  - a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner;

  both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident holders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the above mentioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Shareholders who are South African residents are advised that in electing to participate in the share reinvestment alternative, pre-taxation funds are utilised for the reinvestment purposes and that taxation will be due on the total cash dividend amount of 72.65350 cents per share.

Shareholders are further advised that:

→ the issued capital of Vukile is 758 041 475 no par value shares at 30 September 2017; and
→ Vukile's tax reference number is 9331/617/14/3.

This cash dividend or share reinvestment alternative may have tax implications for resident as well as non-resident shareholders. Shareholders are therefore encouraged to consult their tax and/or professional advisers should they be in any doubt as to the appropriate action to take.

Summary of the salient dates relating to the cash dividend and share reinvestment alternative are as follows:

Salient dates and times	2017
Circular and form of election posted to shareholders	**Tuesday, 28 November**
Finalisation information including the share ratio and price per share published on SENS	**Tuesday, 5 December**
Last day to trade in order to participate in the election to receive the share reinvestment alternative or to receive a cash dividend (**LDT**)	**Tuesday, 12 December**
Shares trade *ex* dividend	**Wednesday, 13 December**
Listing of maximum possible number of shares under the share reinvestment alternative and trading in new shares commences	**Friday, 15 December**
Last day to elect to receive the share reinvestment alternative or to receive a cash dividend (no late forms of election will be accepted) at 12:00 (SA time)	**Friday, 15 December**
Record date for the election to receive the share reinvestment alternative or to receive a cash dividend (**record date**)	**Friday, 15 December**
Results of cash dividend and share reinvestment alternative published on SENS	**Monday, 18 December**
Cash dividend cheques posted to certificated shareholders on or about	**Monday, 18 December**
Accounts credited by CSDP or broker to dematerialised shareholders with the cash dividend payment	**Monday, 18 December**
Share certificates posted to certificated shareholders on or about	**Wednesday, 20 December**
Accounts updated with the new shares (if applicable) by CSDP or broker to dematerialised shareholders	**Wednesday, 20 December**
Adjustment to shares listed on or about	**Thursday, 21 December**

Notes

1. Shareholders electing the share reinvestment alternative are alerted to the fact that the new shares will be listed on LDT +3 and that these new shares can only be traded on LDT +3, due to the fact that settlement of the shares will be three days after record date, which differs from the conventional one day after record date settlement process.
2. Shares may not be dematerialised or rematerialised between Tuesday, 12 December 2017 and Friday, 15 December 2017, both days inclusive.
3. The above dates and times are subject to change. Any changes will be released on SENS.

Foreign shareholders

The distribution of this circular and/or accompanying documents and the right to elect shares under the share reinvestment alternative in jurisdictions other than the Republic of South Africa may be restricted by law and a failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdictions. It is the responsibility of each foreign shareholder to satisfy himself as to the full observation of the laws and regulatory requirements of the relevant foreign jurisdiction in connection with the share reinvestment alternative. The shares have not been and will not be registered for the purposes of the election under the securities laws of the United Kingdom, European Economic Area or EEA, Canada, United States of America, Japan or Australia and accordingly are not being offered, sold, taken up, re-sold or delivered directly or indirectly to recipients with registered addresses in such jurisdictions.

14. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with and containing the information required by IFRS, IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Announcements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the relevant sections of the South African Companies Act.

All amendments to standards applicable for Vukile's financial period beginning on 1 April 2017 have been considered. All accounting policies applied in the preparation of these interim financial statements are consistent with those applied by Vukile in its consolidated financial statements for the year ended 31 March 2017, other than the adoption of those amendments to standards that become effective in the current period, which had no impact on the financial results.

Preparation of the condensed consolidated interim financial statements was supervised by Michael Potts CA(SA) in his capacity as financial director. The condensed consolidated interim financial statements have not been reviewed or audited by Vukile's independent external auditors.

15. POST-PERIOD EVENTS

Dividend

Declaration of dividend

In line with IAS 10 – Events after the Reporting Period, the declaration of the dividend of 72.65350 cents per share in respect of the six-month period to 30 September 2017 amounting to R550.7 million occurred after the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements.

16. PROSPECTS

Following the successful restructuring of Vukile into a focused Retail REIT in the South African market and the creation of its Spanish subsidiary, Castellana, Vukile is very well positioned to both weather the current economic challenges in South Africa while being able to access strong growth opportunities in Spain and the UK.

Full-year earnings are expected to be in line with the growth achieved in the first half and dividends are expected to grow by between 7% and 8% for the full year. While still dependent on the local economy not worsening significantly from current levels, early indications are that the growth of dividends for the next financial year should be at least 8%.

The forecast growth in dividends is based on the assumption that the macro-economic environment does not deteriorate further and no major corporate failures will occur. Forecast rental income is based on contractual escalations and market-related renewals. This forecast has not been reviewed or reported on by the company's auditors.

On behalf of the board

AD Botha
Chairman

LG Rapp
Chief executive officer

Melrose Estate

27 November 2017

VUKILE PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2002/027194/06)
JSE share code: VKE
ISIN: ZAE000056370
NSX share code: VKN
(Granted REIT Status with the JSE)
(Vukile or the group)

JSE sponsor: Java Capital

NSX sponsor: IJG Group, Windhoek, Namibia

Executive directors: LG Rapp (chief executive), MJ Potts (financial director), HC Lopion (executive director: asset management), GS Moseneke

Non-executive directors: AD Botha (chairman), PS Moyanga, SF Booysen, RD Mokate, H Ntene, NG Payne, HM Serebro

There have been no changes to the board of directors since the release of the previous results announcement

Registered office: Ground floor, One-on-Ninth, Cnr Glenhove Road and Ninth Street, Melrose Estate, 2196

Company secretary: J Neethling

Transfer secretaries: Link Market Services South Africa (Pty) Ltd,19 Ameshoff Street, Braamfontein, Johannesburg

Investor and media relations: Marketing Concepts, 10th Floor, Fredman Towers, 13 Fredman Drive, Sandton, Johannesburg, South Africa, Telephone +27 11 783 0700, Fax +27 11 783 3702

www.vukile.co.za

Unaudited condensed consolidated statement of financial position

at 30 September 2017

GROUP	Unaudited 30 September 2017 R000	Unaudited 30 September 2016 R000	Audited 31 March 2017 R000
ASSETS			
Non-current assets	**19 663 689**	13 469 354	15 850 308
Investment properties	**16 285 059**	11 502 598	13 168 339
Investment properties	**16 607 207**	12 026 349	13 497 445
Straight-line rental income adjustment	**(322 148)**	(523 751)	(329 106)
Other non-current assets	**3 378 630**	1 966 756	2 681 969
Straight-line rental income asset	**322 148**	523 751	329 106
Equity investments	**1 357 556**	375 433	1 366 239
Investment in associate	**1 290 589**	636 959	780 347
Investment properties under development	**150 598**	188 239	51 191
Goodwill	**64 797**	158 372	63 009
Furniture, fittings, computer equipment and other intangible assets	**13 240**	2 720	14 049
Available-for-sale financial asset	**42 785**	32 364	23 855
Derivative financial instruments	**–**	788	1 722
Long-term loans granted	**109 360**	38 110	38 110
Deferred taxation assets	**27 557**	10 020	14 341
Current assets	**684 712**	1 686 552	1 589 768
Trade and other receivables	**240 931**	215 702	256 405
Derivative financial instruments	**489**	227	1 752
Current taxation assets	**2**	123	1 666
Cash and cash equivalents	**443 290**	1 470 500	1 329 945
Investment properties held for sale	**1 189 508**	2 936 080	76 632
Total assets	**21 537 909**	18 091 986	17 516 708
EQUITY AND RESERVES			
Equity attributable to owners of the parent	**14 534 204**	12 786 552	13 111 425
Non-controlling interest	**82 672**	565 616	73 367
Non-current liabilities	**5 264 179**	2 774 438	2 964 638
Other interest-bearing borrowings	**5 023 096**	2 750 209	2 937 590
Derivative financial instruments	**231 896**	24 229	26 115
Deferred taxation liabilities	**9 187**	–	933
Current liabilities	**1 656 854**	1 965 380	1 367 278
Trade and other payables	**539 825**	396 781	354 370
Borrowings	**1 112 475**	1 565 829	1 002 581
Derivative financial instruments	**–**	1 346	–
Current taxation liabilities	**4 554**	1 424	8 892
Shareholder for dividend	**–**	–	1 435
Total equity and liabilities	**21 537 909**	18 091 986	17 516 708
Net asset value (cents per share)[1]	**1 917**	1 851	1 868

[1] *Excluding non-controlling interest.*

Unaudited condensed consolidated statement of profit and loss and other comprehensive income

for the six months ended 30 September 2017

GROUP	Unaudited 30 September 2017 R000	Unaudited 30 September 2016 R000	Audited 31 March 2017 R000
Property revenue	942 840	1 087 344	1 964 202
Straight-line rental income accrual	4 947	(57 379)	(161 077)
Gross property revenue	947 787	1 029 965	1 803 125
Property expenses	(339 976)	(382 111)	(717 970)
Net profit from property operations	607 811	647 854	1 085 155
Corporate and administrative expenses	(56 801)	(51 653)	(96 155)
Investment and other income	158 006	61 038	198 523
Operating profit before finance costs	709 016	657 239	1 187 523
Finance costs	(171 601)	(210 968)	(362 074)
Profit before capital items	537 415	446 271	825 449
Profit/(loss) on sale of investment properties	4 134	(65 316)	25 250
Profit on sale of furniture and equipment	43	–	92
Fair value (loss)/gain on listed property securities	(37 740)	47 186	105 739
Fair value movement of derivative financial instruments	(3 961)	(6 337)	(6 251)
Foreign exchange (loss)/profit	(103 054)	60 768	83 679
Profit on sale of subsidiary	–	–	54 813
Loss of control of subsidiary	–	–	(276 781)
Realised loss on interest rate hedge	–	(635)	–
Other capital items	(248)	–	(971)
Goodwill written off on sale of properties by a subsidiary	–	–	(3 889)
Cost of acquisition of business combination	–	–	(66)
Profit before fair value adjustments	396 589	481 937	807 064
Fair value adjustments	558 501	388 062	693 521
Gross change in fair value of investment properties	563 448	330 683	532 444
Straight-line rental income adjustment	(4 947)	57 379	161 077
Profit before equity-accounted investment	955 090	869 999	1 500 585
Profit share of associate	34 358	28 228	45 251
Profit before taxation	989 448	898 227	1 545 836
Taxation	(8 986)	(2 510)	(9 286)
Profit for the period	980 462	895 717	1 536 550
Profit attributable to:			
Owners of the parent	975 787	863 021	1 499 420
Non-controlling interests	4 675	32 696	37 130
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit or loss			
Currency gain/(loss) on translation of investment in foreign entities	231 200	(118 047)	(157 781)
Cash flow hedges	(26 850)	(60 839)	(39 323)
Available for sale financial assets – current period loss	(8 924)	(6 697)	(15 206)
Other comprehensive income/(loss) for the period	195 426	(185 583)	(212 310)
Total comprehensive income for the period	1 175 888	710 134	1 324 240
Total comprehensive income attributable to:			
Owners of parent	1 168 882	677 438	1 287 981
Non-controlling interest	7 006	32 696	36 259
Basic and diluted earnings per share (cents)	136.72	130.07	217.93
Weighted average number of shares in issue	713 695 323	663 514 893	688 024 118
Number of shares in issue	758 041 475	690 643 418	701 885 532

Vukile has no dilutionary shares in issue

Unaudited reconciliation of earnings to headline earnings

for the six months ended 30 September 2017

	Unaudited 30 September 2017		Unaudited 30 September 2016		Audited 31 March 2017	
	Group R000	Cents per share	Group R000	Cents per share	Group R000	Cents per share
Attributable profit to owners of the parent	**975 787**	**136.72**	863 021	130.07	1 499 420	217.93
Earnings per share	**975 787**	**136.72**	863 021	130.07	1 499 420	217.93
Change in fair value of investment properties (net of allocation to non-controlling interest)	**(560 427)**	**(78.52)**	(375 298)	(56.56)	(676 899)	(98.38)
Write-off of goodwill on sale of properties sold by a subsidiary	**–**	**–**	–	–	3 889	0.56
(Profit)/loss on sale of investment properties	**(4 134)**	**(0.58)**	65 316	9.84	(25 250)	(3.67)
Profit on sale of furniture, fittings, computer equipment and other	**(43)**	**(0.01)**	–	–	(92)	(0.01)
Profit on sale of subsidiaries	**–**	**–**	–	–	(54 813)	(7.97)
Loss of control of subsidiary	**–**	**–**	–	–	276 781	40.23
Fair value earnings of associate-adjusted headline earnings	**–**	**–**	–	–	16 804	2.44
Headline earnings of shares	**411 183**	**57.61**	553 039	83.35	1 039 840	151.13
Weighted average number of shares in issue	**713 695 323**		663 514 893		688 024 118	
Headline and diluted headline earnings per share		**57.61**		83.35		151.13

Unaudited condensed consolidated statement of cash flow

for the six months ended 30 September 2017

GROUP	Unaudited 30 September 2017 R000	Unaudited 30 September 2016 R000	Audited 31 March 2017 R000
Cash flow from operating activities	**571 156**	650 543	1 104 588
Cash flow from investing activities	**(2 282 336)**	1 005 786	429 231
Cash flow from financing activities	**814 895**	(1 118 288)	(1 135 957)
Net increase in cash and cash equivalents	**(896 285)**	538 041	397 862
Foreign currency movements in cash	**9 630**	–	(376)
Cash and cash equivalents at the beginning of the period	**1 329 945**	932 459	932 459
Cash and cash equivalents at the end of the period	**443 290**	1 470 500	1 329 945
Major items included in the above:			
Cash flow from operating activities			
Profit before tax	**989 448**	898 227	1 545 836
Adjustments	**(431 826)**	(233 220)	(378 051)
Cash flow from investing activities			
Acquisition of and improvements to investment properties	**(566 298)**	(263 836)	(3 466 306)
Investment in associate	**(417 829)**	–	(180 677)
Additional investment in a subsidiary	**(1 538 855)**	–	–
Net proceeds on sale of investment properties	**19 925**	1 201 206	4 113 776
Cash flow from financing activities			
Issue of shares	**1 038 004**	709 093	902 251
Dividends paid	**(627 940)**	(581 816)	(1 049 031)
Finance costs	**(167 521)**	(210 968)	(355 763)
Interest-bearing borrowings (repaid)/advanced	**635 911**	(1 033 252)	(622 474)

Unaudited condensed consolidated statement of changes in equity

for the six months ended 30 September 2017

R000	Share capital and share premium	Non-distributable reserves	Retained earnings	Shareholders' interest	Non-controlling interest	Total
GROUP						
Balance at 30 September 2016	7 777 656	4 506 434	502 462	12 786 552	565 616	13 352 168
Issue of capital	193 158	–	–	193 158	–	193 158
Dividend distribution	–	–	(467 215)	(467 215)	(1 435)	(468 650)
	7 970 814	**4 506 434**	**35 247**	**12 512 495**	**564 181**	**13 076 676**
Profit for the period	–	–	636 399	636 399	4 434	640 833
Change in fair value of investment properties	–	201 761	(201 761)	–	–	–
Change in fair value of investment properties attributable to non-controlling interest	–	(3 858)	3 858	–	–	–
Share-based remuneration	–	8 707	–	8 707	–	8 707
Deferred taxation on change in fair value of derivatives	–	(14 411)	–	(14 411)	–	(14 411)
Transfer to non-distributable reserve	–	189 210	(189 136)	74	–	74
Non-controlling interest recognised in respect of a subsidiary acquired	–	–	–	–	26 855	26 855
Share issue expenses of a subsidiary	–	(7 111)	–	(7 111)	(3 829)	(10 940)
Loss of control of a subsidiary	–	(231 623)	232 751	1 128	(517 403)	(516 275)
Revaluation of investments	–	58 553	(58 553)	–	–	–
Other comprehensive loss	–	(25 856)	–	(25 856)	(871)	(26 727)
Balance at 31 March 2017	**7 970 814**	**4 681 806**	**458 805**	**13 111 425**	**73 367**	**13 184 792**
Issue of capital	1 038 004	–	–	1 038 004	–	1 038 004
Dividend distribution	–	–	(625 411)	(625 411)	–	(625 411)
	9 008 818	**4 681 806**	**(166 606)**	**13 524 018**	**73 367**	**13 597 385**
Profit for the period	–	–	975 787	975 787	4 675	980 462
Change in fair value of investment properties	–	563 448	(563 448)	–	–	–
Change in fair value of investment properties attributable to non-controlling interest	–	(3 021)	3 021	–	–	–
Share-based remuneration	–	9 938	–	9 938	–	9 938
Deferred taxation on change in fair value of derivatives	–	690	–	690	–	690
Transfer from non-distributable reserve	–	(98 920)	98 920	–	–	–
Fair value movement on cross currency interest rate swaps	–	(162 784)	–	(162 784)	–	(162 784)
Share issue expenses of a subsidiary	–	(2 787)	–	(2 787)	(48)	(2 835)
(Loss)/gain on change of shareholding in a subsidiary	–	(3 753)	–	(3 753)	2 347	(1 406)
Revaluation of investments	–	(37 740)	37 740	–	–	–
Other comprehensive income	–	193 095	–	193 095	2 331	195 426
Balance at 30 September 2017	**9 008 818**	**5 139 972**	**385 414**	**14 534 204**	**82 672**	**14 616 876**

Summarised operating segment reporting

The revenues and profits generated by the group's operating segments and segment assets are summarised in the table below.

During the six-month period to 30 September 2017, there has been a change from prior periods in the measurement methods used to determine key operating segments and reported segment profits. The executive committee (Exco), the group's operating decision-making forum, driven by its international strategy and the fact that in excess of 90% of the southern Africa portfolio is retail, has taken a decision to measure operating segments and reported segment profits on a geographical basis, initially:

→ Southern Africa;
→ Spain; and
→ United Kingdom.

The results of the operating segments are reviewed regularly by Exco to assess performance and decisions to allocate capital to each of the segments.

OPERATING SEGMENT ANALYSIS

for the six months ended 30 September 2017

GROUP	Retail R000	Other R000	Total South Africa R000	United Kingdom R000	Spain R000	Total group R000
Group income for the six months ended 30 September 2017						
Property revenue[(I)]	597 495	65 440	662 935	–	65 659	728 594
Straight-line rental income accrual	1 191	139	1 330	–	3 617	4 947
	598 686	65 579	664 265	–	69 276	733 541
Property expenses (net of recoveries)[(I)]	(112 035)	(8 949)	(120 984)	–	(4 746)	(125 730)
Profit from property and other operations	486 651	56 630	543 281	–	64 530	607 811
Profit from associate	–	–	–	34 358	–	34 358
[(I)] *The property revenue and property expense have been reflected net of recoveries in terms of the Best Practice Recommendations of the SA REIT Association. The unaudited condensed consolidated statement of profit and loss reflects gross property revenue and gross property expenses.*						
Group statement of financial position at 30 September 2017						
Assets						
Investment properties	11 770 676	1 210 891	12 981 567	–	3 604 044	16 585 611
Add: Lease commissions	19 914	1 682	21 596	–	–	21 596
	11 790 590	1 212 573	13 003 163	–	3 604 044	16 607 207
Goodwill	48 218		48 218	–	16 579	64 797
Investment properties held for sale	1 118 508	71 000	1 189 508	–	–	1 189 508
	12 957 316	1 283 573	14 240 889	–	3 620 623	17 861 512
Add: Excluded items						
Investment property under development	150 598		150 598	–	–	150 598
Equity investments			1 357 556	–	–	1 357 556
Investment in associate				1 290 589	–	1 290 589
Furniture, fittings, computer equipment and other intangible assets			13 066	–	174	13 240
Available-for-sale financial asset			42 785	–	–	42 785
Derivative financial instruments			489	–	–	489
Loans receivable			88 897	–	20 463	109 360
Deferred taxation assets			27 557	–	–	27 557
Trade and other receivables			211 306	–	29 625	240 931
Taxation refundable			2	–	–	2
Cash and cash equivalents			345 840	–	97 450	443 290
Total assets			16 478 985	1 290 589	3 768 335	21 537 909
Equity and liabilities						
Stated capital	6 589 824	2 418 994	9 008 818	–	–	9 008 818
Interest-bearing borrowings	4 488 084	27 171	4 515 255	–	1 620 316	6 135 571
	11 077 908	2 446 165	13 524 073	–	1 620 316	15 144 389
Add: Excluded items						
Other components of equity and retained earnings			5 515 984		9 402	5 525 386
Non-controlling interest			49 765		32 907	82 672
Derivative financial instruments			231 896		–	231 896
Deferred taxation liabilities			9 187		–	9 187
Trade and other payables			539 825		–	539 825
Current taxation liabilities			4 347		207	4 554
Total equity and liabilities			19 875 077	–	1 662 832	21 537 909

OPERATING SEGMENT ANALYSIS continued

restated for the six months ended 30 September 2016

GROUP	Retail R000	Other R000	Total South Africa R000	United Kingdom R000	Spain R000	Total group R000
Group income for the six months ended 30 September 2016						
Property revenue[i]	531 728	278 753	810 481	–	–	810 481
Straight-line rental income accrual	(35 759)	(21 620)	(57 379)	–	–	(57 379)
	495 969	257 133	753 102	–	–	753 102
Property expenses (net of recoveries)[i]	(89 557)	(15 691)	(105 248)	–	–	(105 248)
Profit from property and other operations	406 412	241 442	647 854	–	–	647 854
Profit from associate	–	–	–	28 228	–	28 228

[i] *The property revenue and property expense have been reflected net of recoveries in terms of the Best Practice Recommendations of the SA REIT Association. The unaudited condensed consolidated statement of profit and loss reflects gross property revenue and gross property expenses.*

GROUP	Retail R000	Other R000	Total South Africa R000	United Kingdom R000	Spain R000	Total group R000
Group statement of financial position at 30 September 2016						
Assets						
Investment properties	10 843 602	1 142 808	11 986 410	–	–	11 986 410
Add: Lease commissions			39 939	–	–	39 939
			12 026 349	–	–	12 026 349
Goodwill/intangible asset	146 552	11 820	158 372	–	–	158 372
Investment properties held for sale	61 887	2 874 193	2 936 080	–	–	2 936 080
	11 052 041	4 028 821	15 120 801	–	–	15 120 801
Add: Excluded items						
Investment property under development			188 239	–	–	188 239
Equity investments			375 433	–	–	375 433
Investment in associate			–	636 959	–	636 959
Furniture, fittings and computer equipment			2 720	–	–	2 720
Available-for-sale financial asset			32 364	–	–	32 364
Derivative financial instruments			1 015	–	–	1 015
Loans receivable			38 110	–	–	38 110
Deferred taxation assets			10 020	–	–	10 020
Trade and other receivables			215 702	–	–	215 702
Taxation refundable			123	–	–	123
Cash and cash equivalents			1 470 500	–	–	1 470 500
Total assets			17 455 027	636 959	–	18 091 986
Equity and liabilities						
Stated capital	5 683 979	2 093 677	7 777 656	–	–	7 777 656
Interest-bearing borrowings	3 154 198	1 161 840	4 316 038	–	–	4 316 038
	8 838 177	3 255 517	12 093 694	–	–	12 093 694
Add: Excluded items						
Other components of equity and retained earnings			5 021 660		–	5 021 660
Non-controlling interest			552 852		–	552 852
Derivative financial instruments			25 575		–	25 575
Trade and other payables			396 781		–	396 781
Current taxation liabilities			1 424		–	1 424
Total equity and liabilities			18 091 986	–	–	18 091 986

OPERATING SEGMENT ANALYSIS continued

for the six months ended 30 September 2017

Reconciliation of distributable earnings

		September 2017 R000	September 2016 R000	Variance %
Property revenue		729 334	810 481	(10)
Property expenses (net of recoveries)		(126 470)	(105 248)	(20)
Net profit from property operations per segmental report excluding straight-line rental income accrual		602 864	705 233	(15)
Corporate administration expenses		(56 801)	(51 653)	(10)
Investment and sundry income		158 006	61 038	159
Operating profit before finance costs		704 069	714 618	(1)
Finance costs		(171 601)	(210 968)	(19)
Profit before taxation		532 468	503 650	6
Taxation		(8 986)	(2 510)	>(100)
Profit for the period		523 482	501 140	4
Profit share of associate		34 358	28 228	5
Profit for the period		557 840	529 368	5
Other capital items		(248)	(635)	(61)
Net profits attributable to non-controlling interests		(1 654)	(19 932)	92
Attributable to Vukile group		555 938	508 801	9
Less: Distribution on shares issued post 31 March 2016		–	(19 675)	>100
Non-IFRS adjustments				
Shares issued *cum* dividend		22 588	27 366	(17)
Dividends accrued on investments	Note 1	–	5 620	>(100)
Asset management income		–	4 000	>(100)
Available for distribution		578 526	526 112	10
Proposed dividend		550 744		
Number of shares in issue at 30 September 2017		758 041 475		
Distribution per share		72.65350		

Note

1. The non-IFRS dividend accruals will be finalised at year end.

1. MEASUREMENTS OF FAIR VALUE

1.1 Financial instruments

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

GROUP	September 2017 Level 1 R000	September 2017 Level 2 R000	September 2017 Total R000	September 2016 Level 1 R000	September 2016 Level 2 R000	September 2016 Total R000
ASSETS						
Investments	1 357 556	–	1 357 556	375 433	–	375 433
Available-for-sale financial assets	71 519	–	71 519	55 294	–	55 294
Derivative financial instruments	–	489	489	–	1 015	1 015
Total	1 429 075	489	1 429 564	430 727	1 015	431 742
LIABILITIES						
Available-for-sale financial liabilities	–	(28 734)	(28 734)	–	(22 930)	(22 930)
Derivative financial instruments	–	(231 896)	(231 896)	–	(25 575)	(25 575)
Total	–	(260 630)	(260 630)	–	(48 505)	(48 505)
Net fair value	1 429 075	(260 141)	1 168 934	430 727	(47 490)	383 237

GROUP	March 2017 Level 1 R000	March 2017 Level 2 R000	March 2017 Total R000
ASSETS			
Investments	1 366 239	–	1 366 239
Available-for-sale financial assets	55 342	–	55 342
Derivative financial instruments	–	3 474	3 474
Total	1 421 581	3 474	1 425 055
LIABILITIES			
Available-for-sale financial liabilities	–	(31 487)	(31 487)
Derivative financial instruments	–	(26 115)	(26 115)
Total	–	(57 602)	(57 602)
Net fair value	1 421 581	(54 128)	1 367 453

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.

Investments

This comprises shares held in listed property companies at fair value which is determined by reference to quoted closing prices at the reporting date.

Available-for-sale financial assets

This comprises equity-settled share-based long-term incentive reimbursement rights stated at fair value. Fair value has been determined by reference to Vukile's quoted closing price at the reporting date after deduction of executive and management rights.

Derivative financial instruments

The fair values of swap and forward exchange contracts are determined by ABSA Capital, Rand Merchant Bank, Standard Bank, Nedbank and Investec Bank Limited using a valuation technique that maximises the use of observable market inputs. Derivatives entered into by the group are included in Level 2 and consist of interest rate swap and forward exchange contracts.

1. MEASUREMENTS OF FAIR VALUE continued

1.2 Non-financial assets

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

GROUP	September 2017 Level 3 R000	September 2016 Level 3 R000	March 2017 Level 3 R000
ASSETS			
Investment properties	**16 607 207**	12 026 349	13 497 445
Investment properties held for sale	**1 189 508**	2 936 080	76 632

Fair value measurement of non-financial assets (investment properties)

The fair value of commercial buildings is 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, all of which are unobservable, are the estimated rental value, assumptions regarding vacancy levels, the discount rate and the reversionary capitalisation rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rates (market yields) and reversionary capitalisation rates decline. The overall valuations are sensitive to all four assumptions. Management considers the range of reasonable possible alternative assumptions is greatest for reversionary capitalisation rate, rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations of the southern Africa portfolio at 30 September 2017 were:

- The range of the reversionary capitalisation rates applied to the portfolio is between 7.8% and 15.1% (March 2017: between 8.0% and 15.7%) with the weighted average being 9.1% (March 2017: 9.1%).
- The discount rates applied range between 12.8% and 19.6% (March 2017: between 12.8% and 19.6%) with the weighted average being 13.9% (March 2017: 14.0%).

In determining future cash flows for valuation purposes, vacancies are forecast for each property based on estimated demand.

Sensitivity analysis

The effect on the fair value of the southern Africa portfolio of a 0.25% increase in the discount rate would result in a decrease in the fair value of R392 million (2.8%) (March 2017: R370 million (2.8%)). The average discount rate on the portfolio would increase from 13.9% to 14.2% (March 2017: 14.3%) and the average exit capitalisation rate would increase from 9.1% to 9.3% (March 2017: 9.4%) due to the interlinked nature of the rates. The analysis has been prepared on the assumption that all other variables remain constant.

The inputs used in the valuations of the Spanish portfolio at 30 June 2017 were:

- The range of the reversionary capitalisation rates applied to the portfolio is between 5.7% and 9.5% with the weighted average being 6.5%.
- The discount rates applied range between 7.4% and 10.3% with the weighted average being 8.4%.

In determining future cash flows for valuation purposes, vacancies are forecast for each property band on estimated demand.

1.3 Investments outside South Africa

The relevant exchange rates used to convert to Rand at the respective dates were as follows:

	Spot rates at 30 September 2017	Spot rates at 30 September 2016
Euro	**16.0316**	–
Sterling	**18.1557**	17.8303

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