VUKILE
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

Summarised audited results for the year ended **31 March 2018**

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.

Dividend per share growth of **7.7% to 168.82 cents per share** in line with guidance

Southern Africa operating metrics remain solid in poor trading environment

- Like-for-like net income growth **of 6.5%,** vacancies reduced **to 3.7%** and positive reversions **of 5.1%**

Prudent balance sheet with
gearing ratio of 29.6%
with term debt fully hedged

Significant progress in Spanish strategy

- **Concluded €260 million** worth of acquisitions
- Recruited high-calibre local management team and **created an operating platform**

Commentary

1. Nature of operations

The group is a long-term investor in retail-focused property portfolios with strong contractual cash flows managed for sustainability and capital appreciation.

2. Summary of group financial performance

The group's direct property investments were valued at R19.1 billion at 31 March 2018, and are located in South Africa, Namibia and Spain (March 2017: R13.6 billion). The Spanish properties were valued at R4.5 billion (€308 million) at year-end.

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 R1.2 billion. The net asset value of Atlantic Leaf at its February 2018 year-end amounted to £204 million;
- A 31.4% shareholding in Fairvest Property Holdings Limited (Fairvest) valued at R595 million; and
- A 26.3% shareholding in Gemgrow Properties Limited (Gemgrow) (previously named Synergy Income Fund Limited) valued at R790 million.

Ongoing improvements in financial and operating metrics

The dividend for the six months ended 31 March 2018 increased by 7.9% to 96.16625 cents per share. Dividends for the full year rose by 7.7% to 168.8198 cents per share.

The group's net profit available for distribution was R1.31 billion for the year ended 31 March 2018, representing an increase of 17% (March 2017: R1.12 billion).

The proposed total dividend comprises:

	Rm	%	Cents per share
First	550.7	42.2	72.65350
Second[1]	754.7	57.8	96.16625
Total	1 305.4	100.0	168.81975

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

Key financial measures	2018 March	2017 March	% change
Dividends per share (cents)	**168.82**	156.75	7.7
Earnings (Rm)	**2 402**	1 499	60.2
Net asset value per share (cents)	**2 010**	1 868	7.6
Loan to value ratio (%)[i]	**32.9**	29.2[iv]	
Loan to value ratio net of cash (%)[ii]	**28.2**	22.6[iv]	
Gearing ratio (%)[iii]	**29.6**	23.0	

[i] *Based on directors' valuations of the group's portfolio and the market value of equity investments at 31 March 2018.*

[ii] *Based on (i) above less cash (excluding cash held on deposit from tenants).*

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

[iv] *Prior year excludes the market value of equity investments as the Domestic Medium Term Note (DMTN) and bank covenants had not been amended at that stage.*

Share price and liquidity

Vukile's share price increased by 13.7%, from 31 March 2017 (R19.25 per share) to R21.88 per share at year-end. Vukile's market capitalisation at year-end amounted to R17.2 billion.

Total shareholders' return for the year ended 31 March 2018 equated to 21%.

During the 12 months ended 31 March 2018, 354 million Vukile shares were traded, which equates to approximately 29.5 million shares per month. The total value of shares traded during the year amounted to R7.1 billion or 41% of the company's market capitalisation at 31 March 2018 (March 2017: 28%). This demonstrates a significant improvement in the liquidity of Vukile's shares.

Equity issuances

Equity issuance and dividend reinvestments for the year amounted to R1.6 billion:

- Vukile issued 34 574 468 shares under an accelerated bookbuild on 26 July 2017 at R18.80 per share – raising R650 million.

Shares issued under an election to reinvest cash dividend in return for shares:

- 28 June 2017 – 21 581 475 shares at R18.16 – R392 million.
- 19 December 2017 – 12 126 352 shares at R20.55 – R249 million.
- Vukile issued 14 598 540 shares under a specific issuance at R20.55 per share on 21 December 2017 – raising R300 million.

Cash flow

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	1 334
Issue of shares	1 557
Borrowings and advances	3 095
Acquisitions/improvements to investment properties	(4 703)
Dividends paid	(1 180)

Net proceeds from the sales of properties of R175 million, additional debt raised of R3.1 billion and share issuances of R1.6 billion were utilised to acquire investment properties of R4.7 billion in South Africa and Spain.

Net asset value (cents per share)

The net asset value (NAV) of the group increased over the reporting period by 7.6% from 1 868 cents per share to 2 010 cents per share at 31 March 2018.

Extract from the summarised audited consolidated statement of group profit or loss for the year ended 31 March 2018

	2018		2017			
	R000	**R000**	R000	R000	% variance	Notes
Net profit from property operations[i]		**1 309 075**		1 246 232	5.0	(i)
Investment and other income		**323 255**		198 523	62.8	(ii)
– Dividends received	**137 889**		87 021		58.5	
– Interest and other income	**185 366**		111 502		66.2	
Profit on sale of asset management subsidiary		**–**		54 813	(>100.0)	
Share of income from associate (Atlantic Leaf)		**95 485**		45 251	111.0	
Corporate and administrative expenditure		**(127 474)**		(96 155)	(32.6)	(iii)
Finance costs		**(367 808)**		(362 074)	(1.6)	(iv)

[i] *Excludes straight-line rental income accrual.*

Full details of distributable income are set out in the condensed segmental report on page 28.

(i) **Net group profit from property operations**

Net group profit from property operations, excluding the straight-line income adjustment, increased by R63 million (5%), from R1.25 billion to R1.31 billion. Castellana Properties Socimi SA (Castellana) contributed R174 million towards the net profit from property operations. The prior year reflected six months of Synergy Income Fund Limited (Synergy) net property revenue and the sale of a R2.4 billion portfolio to Gemgrow effective at 30 September 2016 resulted in net property revenue for the current year being reduced by c.R100 million. The growth in net property revenue of the stable portfolio was 6.5%.

Gross rental receivables (tenant arrears)

Group tenant arrears were R87.7 million at year-end or 4.9% of the gross rental income (March 2017: 4.3%). The retail sector reported lower sales growth in general, and this difficult trading environment has affected certain non-national tenants negatively. Our property managers report similar trends across the various portfolios they manage.

Impairment allowance – tenant receivables

The allowance for the impairment of tenant receivables increased by R11 million from R32.4 million at 31 March 2017 to R43.7 million at 31 March 2018, which is considered adequate at this stage. The impairment allowance represents 2.2% of gross property revenue (March 2017: 1.8%). In total, 50% 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
Movements on the group allowance for impairment of trade receivables are as follows:	
At 1 April 2017	32 389
Allowance for receivables impairment	27 151
Receivables written off during the year as uncollectable	(15 831)
At 31 March 2018	43 709
Rental written off	15 832

(ii) Group investment and other income

Investment and other income increased by R125 million to R323 million, made up as follows:

- Dividends received of R137.9 million during the year comprised of:

Fairvest	R45.4 million
Gemgrow	R92.5 million
	R137.9 million

The main reason for the increase in dividends from R87 million to R138 million is that Gemgrow has been reflected as a listed investment for a full year, compared to six months in the prior year.

- Interest and other income increased by R73 million, from R112 million to R185 million.

During the year interest income increased by R94 million from interest earned in respect of a €93.2 million cross currency interest rate swap, and an increase of R5 million in the interest charged on loans to executive directors and senior management to fund the acquisition of Vukile shares, offset by a reduction in non-recurring sundry income.

(iii) Group corporate and administrative expenditure

Group corporate administrative expenditure of R127.5 million is R31 million higher than the previous year's expenditure.

The creation of a solid platform in Spain, with a high-calibre management and staff complement, has led to an increase in corporate costs, namely:

- An additional R9.3 million for a full 12 months period (March 2017: three months) which also incorporates additional legal and other fees incurred in the acquisition of investment properties in June and December 2017.
- Additional audit fees and additional staff costs incurred in Castellana, mainly from September 2017, have added R11 million to the year-on-year increase.

The increase in Vukile's short and long-term bonus schemes of R7.5 million also contributed to the rise in group corporate administration costs.

(iv) Group finance costs

Group finance costs increased marginally by R6 million, from R362 million to R368 million.

- During the year, the group repaid bank debt and corporate bonds amounting to R813 million and R240 million respectively, which resulted in a total interest saving of R56 million.

Included in the prior year's group finance cost was interest relating to Synergy (renamed Gemgrow) as a subsidiary, which is now excluded as Gemgrow is recorded as a listed investment. This resulted in a R46 million reduction in finance costs.

These reductions/savings were offset by:

- New corporate bonds totalling R572 million issued during the year, incurring interest of R45 million.
- The interest impact of new € debt drawn from local banks off Vukile's balance sheet of €97.7 million to fund the additional shares issued to Vukile by Castellana, to part fund the acquisition of the 11 retail parks and the acquisition of Alameda and Del Pinatar amounted to c.R23 million.
- Following the restructure of new/replacement Spanish debt of €146 million, Castellana's funding costs increased by R40 million. This restructure was implemented to conform with Vukile's debt policies. The increased debt facilities were used to part fund the acquisition of the 11 retail parks, Alameda and Del Pinatar. This new debt is compared to the €11 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 capital raising fees) for the year equates to 5.74%, with interest-bearing term debt fully hedged (March 2017: 95.1%).

(v) Listed investments

Fairvest – 31.4%

Fairvest owned 43 properties valued at R2.8 billion at its financial year-end of 31 December 2017, or R65 million per property. The portfolio comprised 95.8% retail and 4.2% office properties.

Fairvest continues to focus on the lower LSM retail market, similar to Vukile's strategy, but targeting smaller properties. Fairvest's management has forecast a distribution growth of 9% to 10% for the period ending 30 June 2018.

Vukile acquired 30.4 million shares in Fairvest in September/October 2017, at a weighted average price of R2.01 per share.

Vukile owned 270 394 812 shares in Fairvest at 31 March 2018. Dividends of R45.4 million were received during the year ended 31 March 2018. Dividends calculated on a full 12-month period equate to a yield of 9% based on the valuation of Fairvest's shares at year-end.

Gemgrow – 26.3%

Vukile owned 4 691 084 A shares and 114 438 564 B shares in Gemgrow at year-end.

Gemgrow's management has forecast dividend growth for the B shares of 7% to 9% and 5% for the A shares, for the year ending 30 September 2018.

Dividends received in respect of the A and B shares held by Vukile for the year ended 31 March 2018 amounted to R92.6 million.

As part of the Vukile and Arrowhead Properties Limited (Arrowhead) asset exchange agreement set out in a circular to Synergy shareholders dated 26 September 2016, Synergy disposed of its portfolio of retail properties to Vukile in exchange for most of Vukile's higher yielding office and industrial assets. As part of this asset exchange Vukile and Arrowhead provided income guarantees in respect of the assets sold by both companies to Synergy (Gemgrow). As the actual net property revenue for the guarantee period ended 30 September 2017 was lower than the net of the guarantee given by both parties, this resulted in Vukile selling 3 748 549 Gemgrow B shares for R1 to place the parties in a comparable position. This resulted in the loss on sale of listed investments of R26.2 million.

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**

Atlantic Leaf – 34.9%

Atlantic Leaf's assets have increased by 14% to £363 million at 28 February 2018 while total revenue has increased by 13% to £24.1 million for its financial year ended 28 February 2018.

The company's focus on the UK industrial and warehouse distribution centres, an attractive market segment, has provided strong real growth in distributions of 7%, from 8.5 pence to 9.1 pence for the year ended 28 February 2018.

Following Vukile's participation in an accelerated equity book build undertaken by Atlantic Leaf, Vukile received 23 152 709 Atlantic Leaf shares at a subscription price of R17.60 per share (£1.015) on 30 September 2017. As a result of this, Vukile's aggregate shareholding in Atlantic Leaf increased to 65 951 117 shares or 34.9% of the enlarged issued share capital of Atlantic Leaf, resulting in an obligation on Vukile under the Securities (Takeover) Rules of Mauritius to make a mandatory offer for all the voting shares in Atlantic Leaf not already owned by Vukile, at a consideration of R17.60 per share.

The offer was accepted by shareholders holding 7 489 Atlantic Leaf shares, resulting in Vukile's shareholding in Atlantic Leaf increasing to 65 958 606 shares.

Dividends of R87 million were received during the year to 31 March 2018. Vukile's share of equity accounted profits from Atlantic Leaf for the year ended 31 March 2018 amounted to R95.5 million. Dividend income has generated a c.9.5% yield in pound sterling for Vukile based on the carrying value of the investment in Atlantic Leaf at year-end of R1.2 billion.

Atlantic Leaf's management are forecasting a dividend of 9.55 pence per share for the year ending 28 February 2019, or a 5% growth in dividends. As 75% of the dividends received by Vukile are subject to forward exchange contracts, the total Rand year-on-year growth in dividends from Atlantic Leaf is forecast at c.9.9%.

Atlantic Leaf continues to perform in line with expectations, but given its high cost of equity and yield compression in its preferred asset class in the UK. There are limited opportunities to invest further in this current financial year but Vukile will work with management to unlock value.

(vii) **Investment in subsidiary**

Castellana – 98.74%

Further to Castellana's acquisition of 11 retail parks for €193 million in June 2017 and in line with Vukile's expansion strategy in Spain, further acquisitions were made in December 2017 as follows:

- Alameda Park (a shopping centre and retail park) adjacent to Castellana's Kinepolis Retail and Leisure Centre, at a purchase price of €54.6 million.
- Pinatar Park (newly built retail park) at a purchase price of €10.7 million.

The total purchase price including transaction costs amounted to €67.8 million.

The seller of Alameda Park has provided Castellana with a minimum income guarantee as follows:

- Year one – €3.49 million.
- Year two – €3.56 million.
- Year three – €3.65 million.

Key financial measures

	March 2018	
Cash dividends (net of withholding taxes of 2.66%)	€10.4 million	Declared and paid to Vukile in May 2018 for year ended 31 December 2017
Investment properties	€308 million	
Interest-bearing debt	€146 million	
Loan to value ratio	47.4%	
Loan to value ratio net of cash	42.2%	

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 also require Castellana's consolidated annual financial statements to be prepared under International Financial Reporting Standards (IFRS) and these consolidated IFRS financial statements have been used in the Vukile group's consolidation, in terms of the basis of preparation as set out in note 10.

(viii) **Group borrowings**

The group's finance strategy is to optimise funding costs and minimise refinance risk. Total group debt as at 31 March 2018 amounted to c.R7.1 billion. A detailed breakdown is provided below:

	Rm	
Foreign Spanish funders (€)	2 128	Secured only against Castellana's balance sheet
Local funders (€)	1 613	Secured against Vukile's SA balance sheet
Local funders (£)	476	
Local funders (R)	1 105	
DMTN (R)	1 749	Partly secured against Vukile SA balance sheet
Total	**7 071**	

Vukile's funding of c.R7 billion (includes R77 million commercial paper issued by Vukile to its Namibian subsidiaries and which is eliminated on consolidation reducing group debt to R6.9 billion), is well diversified across a number of funders, in line with its strategy of reducing refinancing risk.

Funder	Debt R000	Debt % exposure per bank	Swaps R000
Absa	1 286 156	18.19	2 567 829
Banco Popular	164 253	2.32	164 253
Banco Santander	855 857	12.10	855 857
Caixabank	1 107 548	15.66	1 107 548
DMTN term debt	1 432 000	20.25	–
DMTN corporate paper	317 000	4.48	–
Investec	544 019	7.69	926 911
Nedbank	100 000	1.41	–
RMB	364 057	5.15	36 433
SCM	81 666	1.15	–
Standard Bank	818 324	11.57	928 511
Grand total	**7 070 880**	**100.00**	**6 587 342**

The Vukile group's loan and swap expiry profile at 31 March 2018 is provided below:

	2019	2020	2021	2022	2023	2024	2025	Total
Loan expiry profile Rm	1 631[(1)]	1 011	1 381	1 274	833	941	–	7 071
Swap expiry profile Rm	273	463	1 374	1 796	1 495	1 164	22	6 587
Loan expiry profile (%)	23.1	14.3	19.5	18.0	11.8	13.3	–	100
Swap expiry profile (%)	4.1	7.0	20.9	27.3	22.7	17.7	0.3	100

[(1)] *Includes R77 million commercial paper issued by Vukile to its Namibian subsidiaries.*

The strategy of ensuring that no more than 25% of debt expires in any one financial year has been achieved.

A summary of group debt ratios at 31 March 2018 is provided below:

	Group R000	South Africa R000	Spain €000
Total debt (excluding access facilities and commercial paper)	6 504 566	4 376 908	146 000
Interest-bearing debt hedged (%)	101.27	101.9	100.00
Debt maturity profile (years)	2.7	1.9	4.6
Swaps – maturity profile (years)	3.6	3.1	4.6
Directors' valuation loan to value ratio (excluding MTM of derivatives)[(1)] (%)	32.9	29.1	47.4
Gearing ratio[(3)] (%)	29.6	28.0	42.7
Directors' valuation loan to value ratio (excluding MTM of derivatives) and net of cash (%)	28.2	24.6	42.2
External valuation loan to value ratio (excluding MTM of derivatives)[(2)] (%)	33.9	30.2	47.4
Interest cover ratio (times)	3.2	3.1	3.8

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

[(3)] *Gearing is calculated as a ratio of total interest-bearing borrowings to total assets.*

Undrawn available facilities at 31 March 2018

Undrawn available facilities amount to c.R489 million and are detailed as follows:

	Facility amount R000	Facility drawn R000	Facility available R000
Absa RCF[(1)]	350 000	–	350 000
Investec access	100 000	60 472	39 528
RMB access	150 000	148 843	1 157
RMB term (EUR/ZAR)	163 344	65 214	98 130
Grand total	763 344	274 529	488 815

[(1)] *A two-year revolving credit facility has been concluded post-year-end increasing this access facility from R350 million to R850 million.*

Our headroom facilities have therefore, significantly increased since year-end.

Ratings

Global Credit Rating Company (Pty) Ltd (GCR) recently affirmed an A corporate rating with a positive outlook and an AA+ (RSA) rating on Vukile's senior secured bonds.

Group debt movement during the year ended 31 March 2018

During the 12-month period ending 31 March 2018:

- c.R813 million of bank debt was repaid.
- VKE03 R240 million corporate bond was repaid.
- R500 million of new corporate bonds were issued (VKE09 R378 million and VKE10 R122 million) to repay VKE03 and bank debt.
- R72 million (VKE10 tranche 2) corporate bond was issued to fund senior management's share purchase plan.
- R317 million of corporate paper was refinanced (VKC23 R140 million, VKC24 R100 million and VKC25 R77 million).
- c.R144 million of access facilities were utilised for South African development/expansion projects.
- c.€137 million of EUR bank debt was entered into to acquire shares in Castellana to part fund the acquisition of 11 retail parks, Alameda and Pinatar.
- c.€146 million of bank debt was restructured in December 2017; expiring between four and six years. This debt is non-recourse to Vukile.
- c. €146 million interest rate swaps were entered/restructured within Castellana, which swaps are non-recourse to Vukile.
- Vukile concluded new interest rate swaps totalling c.R1.562 billion (R72 million, £2.675 million and c.€127.2 million), at an estimated annualised additional cost of R5.7 million.
- Vukile extended ZAR swaps amounting to c.R1 162 billion, at an estimated net annualised additional cost of R2.7 million.
- ZAR swaps amounting to c.R716 million matured, were terminated or were restructured into a new currency.

The group has complied with all the banks' LTV covenants of 50%. The group has also complied with the DMTN's LTV covenants of 45% in respect of those properties mortgaged as security under the DMTN programme, and 50% in respect of total group debt as a percentage of the value of total group investment properties and the market value of equity investments.

Noteholders' approval was obtained under the DMTN programme to amend covenant terms to include the value of equity investments in calculating the "V" in the LTV ratio and to increase the LTV ratio by 5% to 45% for the transactional LTV and to 50% for the corporate LTV. Banks have similarly agreed or are in the process of amending their covenant terms to include the value of equity investments in calculating LTV ratios, thereby achieving a common measurement regime across the portfolio.

Group foreign exchange currency hedges at 31 March 2018

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

EUR net income exposure – as at 31 March 2018

Dividend payment dates	June 2018 €	December 2018 €	June 2019 €	December 2019 €	June 2020 €	December 2020 €	June 2021 €
Interest cost on Vukile EUR debt[(i)]	(712 588)	(1 425 175)	(1 425 175)	(1 425 175)	(1 425 175)	(1 425 175)	(1 425 175)
Existing CCIRS hedge interest costs[(i)]	(418 106)	(900 157)	(895 238)	(900 157)	(909 994)	(895 238)	(895 238)
Existing FEC hedges on dividends	(928 000)	(2 165 000)	(2 300 000)	(2 300 000)	(2 400 000)	(2 457 000)	(2 508 000)
Average FEC EUR/ZAR rate	16.0102	16.7111	17.7177	18.3974	19.1304	18.2643	18.9581
Unhedged dividend income	**366 563**	**843 544**	**866 292**	**919 079**	**921 706**	**938 869**	**952 802**
FEC hedges/(net distribution plus CCIRS hedge) (%)	71.68	71.96	72.64	71.45	72.25	72.35	72.47
Average hedge (%)	72.16						

[(i)] *Funded out of Euro dividends receivable from Castellana.*

GBP net income exposure – as at 31 March 2018

Dividend payment dates	May 2018 £	November 2018 £	May 2019 £	November 2019 £	May 2020 £	November 2020 £
Interest cost on Vukile GBP debt[(i)]	(472 325)	(472 325)	(472 325)	(472 325)	(472 325)	(472 325)
FEC hedges on dividends	(1 953 000)	(1 885 000)	(1 930 000)	(1 880 000)	(1 935 000)	(1 930 000)
Average FEC GBP/ZAR rate	18.0295	18.5992	19.2221	19.9144	20.6192	21.3807
Unhedged dividend income	608 771	755 921	783 476	780 709	791 668	829 647
FEC hedges/net distribution (%)	76.24	71.38	71.13	70.66	70.97	69.94
Average hedge (%)	71.72					

[(i)] *Funded out of GBP dividends receivable from Atlantic Leaf.*

Group cost of finance at 31 March 2018

Although debt costs are forecast to increase in each respective currency in FY19 compared with FY18, the overall cost is expected to reduce from 5.74% to 5.20% in FY19, due to a change in funding mix and as a larger percentage of debt will be in foreign currency over the full period in FY19 compared to FY18.

The make-up for the year ended 31 March 2018 of the historic weighted average interest cost of 5.74% comprises the following:

- ZAR – 9.24%.
- EUR – 2.28%.
- GBP – 3.34%.

3. Southern African property portfolio overview

The Southern African property portfolio at 31 March 2018 consisted of 61 properties with a total value of R14.5 billion (excluding the 20% non-controlling interest in Moruleng Mall) and gross lettable area (GLA) of 937 463m², with an average value of R238 million per property.

The geographical and sectoral distribution of the Southern African portfolio is indicated in the tables below. The portfolio is well represented in most of the South African provinces and Namibia. Some 76% of the gross income is derived from Gauteng, KwaZulu-Natal, Namibia and Western Cape.

Geographic profile	Total portfolio %
% of gross income	
Gauteng	37
KwaZulu-Natal	23
Namibia	8
Western Cape	8
Limpopo	6
Free State	6
Northwest	5
Mpumalanga	4
Eastern Cape	3

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

The tenant profile is listed in the table below:

Tenant profile	Total portfolio %	Retail %
% of GLA		
A – Large national and listed tenants and major franchises	66	74
B – National and listed tenants, franchised and medium to large professional firms	11	8
C – Other	23	18

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

The portfolio has low tenant concentration risk with the top 10 tenants accounting for 46.0% of total rent and 54.4% of total GLA. Based on rent the STAR group is the single largest tenant, with 8.3% of total rent (7.9% of total GLA), with Shoprite the second largest at 5.8% of total rent (9.7% of total GLA).

The top 15 properties, all of which are retail assets, have 84% exposure to national, listed and franchised tenants and represent 57.3% of the Southern African portfolio value and 44.6% of the Southern African portfolio GLA.

Top 15 properties by value

Property	Location	Rentable area m²	Directors' valuation at 31 March 2018 Rm	% of total	Valuation R/m²
Boksburg East Rand Mall*	Gauteng	34 047	**1 389**	9.6	40 797
Pinetown Pine Crest	KwaZulu-Natal	40 087	**914**	6.3	22 800
Durban Phoenix Plaza	KwaZulu-Natal	24 351	**914**	6.3	37 534
Gugulethu Square	Western Cape	25 322	**544**	3.8	21 483
Soweto Dobsonville Mall	Gauteng	26 628	**513**	3.5	19 265
Queenstown Nonesi Mall	Eastern Cape	27 927	**472**	3.3	16 901
Oshakati Shopping Centre	Namibia	24 632	**465**	3.2	18 878
Phuthaditjhaba Maluti Crescent	Free State	21 538	**412**	2.8	19 129
Daveyton Shopping Centre	Gauteng	17 774	**409**	2.8	23 011
Moruleng Mall#	Northwest	25 137	**401**	2.8	15 953
Germiston Meadowdale Mall**	Gauteng	31 861	**399**	2.8	12 523
Randburg Square	Gauteng	40 767	**397**	2.7	9 738
Thohoyandou Thavhani Mall***	Limpopo	17 658	**396**	2.7	22 426
Bloemfontein Plaza	Free State	38 255	**341**	2.4	8 914
Atlantis City Shopping Centre	Western Cape	22 115	**331**	2.3	14 967
Total top 15 properties		418 099	**8 297**	57.3	19 845
% of total portfolio		*44.6*	***57.3***		
% of retail portfolio		*51.6*	***62.7***		

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

3.1 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. 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 R14.5 billion(1) as at 31 March 2018. This is R1.4 billion or 10.6% higher than the valuation as at 31 March 2017. Acquisitions of R389 million (Thohoyandou Thavhani Mall 33% and Bloemfontein Jet) exceeded sales of R171.3 million (Hartbeespoort Sediba Shopping Centre, Sandton Rivonia Tuscany, Pretoria Hatfield 1166 Francis Baard Street and Pretoria Lynnwood undeveloped land). The value of the stable portfolio increased by 8.6%. The calculated recurring forward yield for the portfolio is 8.2%.

During the year all Southern African properties were valued by external valuers and the valuations by Quadrant Properties (Pty) Ltd and Knight Frank (Pty) Ltd are in line with the directors' valuations.

(1) *The Southern African property portfolio overview takes into account Moruleng Mall at 80%, whereas in the financial statements the Southern African property value reflects 100% of Clidet No 1011, which owns Moruleng Mall.*

3.2 Southern African property portfolio performance

Financial performance for the stable portfolio (excluding acquisitions and sales)	March 2018 Rm	March 2017 Rm	% change
Property revenue	945.5	894.4	5.7
Recurring net property expenses	(152.4)	(149.6)	1.9
Net property income	793.1	744.8	6.5
Property net expense ratios (%)	16.1	16.7	

New leases and renewals in excess of 180 000m² with a contract value of R1.32 billion were concluded during the year.

Details of large contracts concluded:

Tenant	Property	Contract value Rm	Lease duration years
Pick n Pay	Dobsonville Mall	94.9	25
Barloworld South Africa	Bellville Barons	43.3	10
Spar	Ruimsig Shopping Centre	35.3	10
Pick n Pay	Bloemfontein Plaza	27.7	25
Food Lovers Market	Dobsonville Mall	24.5	10
Dis-Chem	Pine Crest	15.8	10
Cashbuild	Meadowdale Mall (67%)	14.7	10
Mr Price	Pine Crest	13.0	5
Betsa	Dobsonville Mall	12.7	10
Shoprite Checkers	Katutura Shoprite Centre	11.5	5

Expiry profile

The lease expiry profile table reflects that 29%, based on rent, of the leases are due for renewal in the 2019 financial year. Approximately 38% of leases are due to expire in 2022 and beyond (up from 25% beyond 2021 in the prior year).

Lease expiry % of rent	March 2019 %	March 2020 %	March 2021 %	March 2022 %	Beyond March 2022 %
Rent	29	18	15	11	27
Cumulative as at March 2018	29	47	62	73	100
Cumulative as at March 2017	48	65	75	85	100

Lease expiry % of GLA	Vacant %	March 2019 %	March 2020 %	March 2021 %	March 2022 %	Beyond March 2022 %
GLA	4.2	27	15	13	9	32
Cumulative as at March 2018	4.2	31	46	59	68	100
Cumulative as at March 2017	4.3	47	61	69	78	100

Vacancies

At 31 March 2018, 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 vacancies based on rental decreased from 3.6% to 3.4%.

Vacancies (% of gross rental)	31 March 2018 %	31 March 2017 %
Retail	**3.4**	3.6
Industrial	**6.0**	7.2
Offices	**10.3**	12.6
Motor related	**0.0**	0.0
Total	**3.7**	4.2

The vacancy per sector (measured as a percentage of gross lettable area) is indicated in the table below.

Vacancies (% of GLA)	31 March 2018 %	31 March 2017 %
Retail	**3.9**	3.8
Industrial	**3.5**	7.2
Offices	**13.5**	8.4
Motor related	**0.0**	0.0
Total	**4.2**	4.3

GLA summary	GLA m²
Balance at 1 April 2017	936 458
GLA adjustments	2 036
Disposals	(24 847)
Acquisitions and extensions	23 816
Balance at 31 March 2018	**937 463**

Vacancy summary	Area m²	%
Balance at 31 March 2017	40 167	4.3
Less: Properties sold since 31 March 2017	(2 745)	11.0
Remaining portfolio balance at 31 March 2017	37 422	4.1
Leases expired or terminated early	187 308	
Renewal of expired leases	(117 141)	
Contracts to be renewed	(37 858)	
New letting of vacant space	(30 050)	
Balance at 31 March 2018	**39 681**	**4.2**

Base rentals (excluding recoveries)

The weighted average monthly base rental rates per sector, between 31 March 2017 and 31 March 2018, are set out in the table below.

Weighted average base rentals (R/m²) excluding recoveries	March 2018	March 2017	Escalations %
Retail	**130.44**	122.88	6.2
Industrial	**54.42**	51.96	4.7
Offices	**95.74**	90.25	6.1
Motor related	**128.64**	135.46	(5.0)
Total	**122.77**	115.42	6.4

The increased average rental rates on the total portfolio is due to the focused retail exposure.

The average contractual rental escalation of 7.2% is slightly lower than the previous year (7.4%). Positive reversions of 5.1% were achieved across all sectors with retail at 5.2% and industrial at 7.3%. No transactions were concluded in the office sector during the year.

Expense categories and ratios

The top four expense categories contribute 81% of the total expenses. These are: government services (45%), rates and taxes (17%), cleaning and security (12%) and property management fees (7%).

The group continuously evaluates methods of containing costs in the portfolio. The stable portfolio's recurring net cost to income ratio has improved from 16.7% in March 2017 to 16.1% in March 2018.

3.3 Southern African portfolio – developments, acquisitions and sales

Acquisitions

Thavhani Mall, Thohoyandou, Limpopo

Acquired a 33.3% stake for R367 million at a guaranteed initial yield of 8%
Size: 53 509m^2
Occupancy: fully occupied

Thavhani Mall is a new regional shopping centre that opened in August 2017 with a strong national tenant component of 89%, including Edgars, Spar, Woolworths and Pick n Pay. It caters to a high-growth node with over 87 000 households. The centre is trading exceptionally well. It is located in the heart of a growing mixed-use urban precinct designed to be the future economic hub of Northern and Eastern Limpopo, which is under development.

Acquiring Thavhani Mall allowed Vukile to enter and establish a dominant position in this Limpopo market with an asset ideally matched to its investment strategy.

Completed upgrade projects

Phoenix Plaza, Durban, KwaZulu-Natal

Phoenix Plaza underwent a R35 million upgrade that refreshed and brightened the mall significantly with new lighting, vibrant colours, fresh entrances and new façades. Internal sections of the mall were also refurbished and new public ablution facilities added.

The upgrade is defensive and modernises Phoenix Plaza to ensure it remains the primary shopping destination of choice for its loyal customer base.

Dobsonville Mall, Soweto, Gauteng

Dobsonville Shopping Centre was given a R117 million major expansion and upgrade with a 9.5% projected yield on capital expenditure. Its total GLA is now 26,628m^2. The project was completed in September 2017 and added a new mall, food court and improved tenant mix to the centre, while also converting office space beside the centre into better performing retail space linked to the original centre. It has been modernised in line with the latest shopper and retailer expectations and changed its name from Dobsonville Shopping Centre to Dobsonville Mall.

The upgrade strengthens the overall variety and experience at the centre, thus elevating its appeal to retailers and customers alike. It has been optimised for the next generation of shoppers.

Bellville: Barons VW building

The Bellville Barons VW building is situated at the Durban Road intersection with the N1 highway in Bellville Western Cape.

The last phase of the reconfiguration of the vacant premises into a Barloworld Ford dealership complete with showrooms and a workshop, was completed in August 2017. The first phase consisted of the workshop and services areas while the new and second-hand car show rooms and offices were completed in the second phase.

The total capex was R35 million. A 10-year lease has been concluded with Barloworld Auto. A yield of 15.1%, net of costs, was achieved.

Barloworld is now considering the possibility of relocating the Western Cape Ford spare parts facility to this property as well.

Larger redevelopment projects in progress

Maluti Crescent, Phuthaditjhaba, Free State

Maluti Crescent, formerly Setsing Crescent, is undergoing a major R368 million redevelopment with a projected yield of c.8.3% on capital expenditure. On the back of strong tenant demand, this innovative redevelopment is transforming the existing strip centre into a fully enclosed mall with three levels of parking. The centre is currently anchored by SuperSpar, Game, Cashbuild and Woolworths with all five major banks and a very strong national fashion contingent. Building on this, the redevelopment will increase the GLA from 21 538m² to 33 895m², double the centre's current parking, add a new taxi rank of 100 bays and a second food anchor, Pick n Pay. New fashion stores joining the centre include The Fix, Jet, Jam Clothing, Daniel J and various food outlets, including the first Nando's restaurant to open in the area. Woolworths will expand and new specification stores will be introduced by Truworths and Identity, Foschini, Sportscene, Markham, Totalsports and Exact. All this will make Maluti Crescent the dominant mall in the area by consolidating trade into a single node. Building work started in October 2017 and is currently progressing well for completion by March 2019.

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

Pine Crest Shopping Centre: extension and upgrade

Vukile acquired the remaining 50% share of Pine Crest Shopping Centre in Pinetown, KwaZulu-Natal in March 2017. Pine Crest is a 40 087m² small regional shopping centre over three levels with a multi-level parkade and an average footfall of 940 000 per month. The centre has served the community for over 30 years and offers a quality retail shopping experience with over 90 stores, including many of the biggest clothing brands in the country. Anchor tenants include Game, Pick n Pay, Woolworths and a new Dis-Chem which was introduced in July 2017.

The extension and upgrade project was approved in December 2017 at a cost of R167 million and a projected net yield of 7.9%. In addition an amount of R12 million was budgeted for required maintenance to the roofs, air-conditioning and escalators. The existing ground floor mall will be extended into the ground floor under cover parking area and a new off-street entrance will be provided to cater for the increasing number of shoppers who arrive on foot from the nearby taxi rank. An additional set of escalators will be installed to allow for easier access to the first and second level malls. Tenants targeted for the mall extension are financial services retailers to complement the existing banks on this level as well as bigger box retailers. Leasing negotiations are progressing well.

The estimated completion date is 31 July 2019.

Current South African portfolio projects

Our major development capital expenditure projects approved and incurred to 31 March 2018 are:

Approved projects	Completion	Approved R000	**Paid to 31 March 2018 R000**	Budget April 2018 to March 2019 R000
Bellville: Barons Ford	30 July 17	35 400	**34 179**	1 221
Dobsonville Centre Extension	31 August 2017	117 000	**113 211**	3 789
Durban: Phoenix Plaza	31 May 2018	35 000	**29 749**	5 251
Durban: Pine Crest[(I)(II)]	31 July 2019	178 640	**5 373**	115 568
Meadowdale Mall	30 October 2016	16 264	**12 227**	4 037
Phuthaditjhaba: Maluti Crescent[(I)]	31 March 2019	367 570	**45 738**	251 826
Van Riebeeckshof, Welgedacht[(I)]	30 April 2019	35 500	**909**	32 591
		785 374	**241 386**	414 283

[(I)] *Further payments will be made after 31 March 2019.*
[(II)] *Includes R11.8 million maintenance capex.*

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

Southern African property sales

Vukile concluded property sales during the year of R182 million, which supported our strategy to focus on a low risk, high-quality portfolio of retail properties.

	Sales price R000	% yield	Dates of sale
Pretoria Lynnwood Erf 493 (vacant land)	2 900		2 August 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 10	12 070	9.6	24 October 2017
Sandton Rivonia Tuscany Place Section 5	12 780	12.8	24 October 2017
Sandton Rivonia Tuscany Place Section 9	14 200	11.6	24 October 2017
Pretoria Hatfield 1166 Francis Baard Street	16 500	8.7	8 September 2017
Sandton Rivonia Tuscany Place Section 8	19 170	6.1	24 October 2017
Hartbeespoort Sediba Shopping Centre	91 500	10.3	27 November 2017
	181 900	10.1	

4. Spanish property portfolio overview

The Spanish property portfolio at 31 March 2018 consisted of 13 properties with a total value of €308 million (based on external valuations) and GLA of 172 973m², with an average value of €23.7 million per property.

The geographical and sectoral distribution of the Spanish portfolio is indicated in the tables below.

Geographic profile % of GLA	Total portfolio %
Granada	34
Badajoz	15
Madrid	14
Huelva	12
Asturias	10
Murcia	6
Cáceres	4
Seville	3
Castellón	2

Based on value, 92% of the Spanish portfolio is in the retail sector and 8% is in the office sector.

The tenant profile is listed in the table below:

Tenant profile % of GLA	Retail %
Large national and international tenants	93
Local tenants	7

Castellana's top 10 tenants account for 62.0% of total rent and 63% of total GLA. Based on rent Media Markt is the single largest tenant, with 11% of total rent. Konecta is the largest tenant by GLA (10.1%).

Property	Location	Rentable area m²	**External value at 31 March 2018 €m**	% of total	Valuation €/m²
Alameda Retail Park	Granada	27 256	**55**	18.0	2 029
Parque Oeste*	Madrid	13 604	**49**	16.0	3 632
Kinépolis Retail Park and Leisure Centre	Granada	25 988	**46**	14.9	1 768
Parque Principado	Asturias	16 396	**33**	10.6	1 988
Marismas Del Polvorín	Huelva	20 000	**29**	9.4	1 438
Konecta Madrid	Madrid	11 046	**20**	6.5	1 822
La Heredad	Badajoz	13 653	**19**	6.2	1 406
La Serena**	Badajoz	12 605	**15**	5.0	1 219
Pinatar Park	Murcia	10 637	**12**	3.8	1 094
Mejostilla	Cáceres	7 281	**9**	2.8	1 180
Motril	Granada	5 559	**8**	2.7	1 513
Ciudad del Transporte	Castellón	3 250	**7**	2.3	2 175
Konecta Seville	Seville	5 698	**6**	1.8	986
Total portfolio		172 973	**308**	100	1 781

* *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.*

** *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.*

Valuation of the Spain portfolio

During the year all the properties were valued by external valuers, Colliers International.

Expiry profile

The Spanish properties' lease expiry profile table reflects that 2%, based on rent, of the leases are due for renewal in the 2019 financial year. Approximately 86% of leases are due to expire in 2028 and beyond.

Lease expiry % of rent	March 2019 %	March 2020 %	March 2021 %	March 2022 %	March 2023 %
Rent	2	0	1	1	1
Cumulative as at March 2018	**2**	**2**	**3**	**4**	**4**

Lease expiry % of rent	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	Beyond March 2028 %
Rent	1	0	0	2	8	85
Cumulative as at March 2018	**5**	**5**	**5**	**7**	**15**	**100**

Break profile

Castellana's lease break profile table reflects that 12%, based on rent, of the leases have break options in the 2019 financial year.

Lease break % of rent	March 2019 %	March 2020 %	March 2021 %	March 2022 %	March 2023 %
Rent	12	11	22	12	18
Cumulative as at March 2018	**12**	**23**	**46**	**58**	**76**

Lease break % of rent	March 2024 %	March 2025 %	March 2026 %	March 2027 %	March 2028 %	Beyond March 2028 %
Rent	3	3	2	0	0	16
Cumulative as at March 2018	**79**	**82**	**84**	**84**	**84**	**100**

Vacancies

At 31 March 2018, the Spanish portfolio's vacancy (measured as a percentage of gross lettable area) was 1.5% excluding the development vacancy at Kinepolis Leisure Centre.

Vacancies (% of GLA)	31 March 2018 %
Retail	1.5
Offices	0.0
Total	**1.5**

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)	31 March 2018
Retail	9.24
Offices	9.05
Total	**9.22**

Spain developments, acquisitions and sales

Acquisitions

Retail park portfolio

Acquired 11 retail parks for €193 million at an initial yield of 6.2%
Size: 118 337m²
Occupancy: 98%

The acquisition gives the company immediate scale in the region through a well-diversified portfolio of 11 retail parks across Spain. The total GLA of the portfolio is 118 337m² and 95% of gross revenue is derived from leading Spanish national and international retail tenants including Media Markt, Sprinter, Worten, Aki and Mercadona. The retail parks in the portfolio are high quality and newly built. Retail rentals for prime subregional retail parks are in the region of €10 to €12 per m² per month. The portfolio has an average monthly rental of €9.18 per m² providing room for income growth.

Alameda Park

Acquired 100% of Alameda Park for €54.6 million at an initial yield of 6.4%
Size: 25 456m²
Occupancy: 95.4%

Alameda Park is a well-located retail park and shopping centre located adjacent to the Kinepolis complex. Anchor tenants include Decathlon, Mercadona and Maisons du Monde. The centre boasts a catchment area of 586 000 people. This acquisition has cemented Castellana's position as the sole owner of the primary retail node in Northern Granada.

Pinatar Park

Acquired 100% of Pinatar Park for €10.7 million at an initial yield of 7.0%

Size: 10 637m^2

Occupancy: 100%

Pinatar Park is a strong fully let convenience retail park located in San Pedro Del Pinatar, in Murcia. Anchor tenants include AKI, Economy Cash and Jysk. The centre is newly built with a WALE of five years. Castellana has the option to acquire the adjacent land in order to expand.

Larger redevelopment projects in progress

Kinepolis Leisure Centre

Kinepolis Leisure Centre is undergoing a major upgrade and expansion with a projected yield of c.10.70% on capital expenditure of €5.4 million. On the back of strong tenant demand, this innovative upgrade will improve the centre by increasing natural light, increasing shopfronts, opening up the façade and inserting floor to ceiling windows. In addition, the internal finishes will be upgraded and a state of the art kids play area will be installed to better service the Kinepolis customer. There is currently strong demand from retailers with the upgrade currently 70% pre-let.

The major upgrade responds to shopper and retailers demand and unlocks further value and will be accretive.

Property sales

No property sales were concluded during the period.

5. International expansion

In line with its focused strategy, Vukile has decided that for the short to medium term, its only international expansion will be focused on Spain and no new areas of investment will be targeted.

6. Prospects

Consistent with our strategy, in the year ahead we will continue to look for further expansion opportunities in South Africa and Spain, and, where possible, to recycle non-core assets into our two core markets. We expect balance sheet metrics to remain largely in line with those of FY18.

While we are buoyed by the improving political and economic climate in South Africa, and the resultant uptick in consumer confidence, we are yet to see a tangible improvement in the trading environment. As such, we anticipate another challenging year ahead, largely in line with the operating conditions we endured over the past year. We do, however, expect to see an improvement in trading activity beyond next year.

We are confident that our portfolio is very well structured to continue delivering a solid operating performance as a result of the defensive nature of its tenant mix and shopper markets. We are also well positioned to benefit from an increase in consumer activity, should it materialise.

In Spain, Castellana is set to continue growing apace as we are experiencing strong deal flow and seeing the benefits of the operating infrastructure we have created on the ground. Moreover, its profitability should increase comfortably in the year ahead as certain once-off costs will not recur. We look forward to its first full year of contributing to Vukile's income streams in FY19. Castellana is expected to list on the Madrid Junior Board (MAB) at the end of July 2018 by way of an introductory listing. We do not plan to raise external capital on this listing.

Assuming no material adverse change in trading conditions and large corporate failures, Vukile expects to deliver growth in dividends of between 7.5% to 8.5% 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.

7. Post-period events

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 28 May 2018 of 96.16625 cents per share for the six months ended 31 March 2018 amounting to R754.7 million.

In line with Vukile's previously communicated strategy of increasing its exposure in Spain, Vukile's subsidiary Castellana, in which Vukile currently has a 98.7% shareholding, has entered into an agreement with Heref Habaneras Socimi S.A.U to acquire the immovable property known as the Habaneras Shopping Centre (Habaneras) for an aggregate consideration of €80.6 million before costs. This acquisition was funded through a €42.3 million loan from Aareal Bank (non-recourse to Vukile) and an increase in Vukile's equity investment into Castellana of €42.7 million.

8. Declaration of a cash dividend with the election to reinvest the cash distribution in return for Vukile shares

Notice is hereby given of a gross dividend amounting to 96.16625 cents per share out of distributable income for the six-month period to 31 March 2018.

Shareholders will be entitled to elect (in respect of all or part of their holding) to reinvest the cash distribution of 96.16625 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 or about 31 May 2018.

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, No. 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 96.16625 cents per share meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act (a **qualifying distribution**) with the result that:

- 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 dividends are taxable as income in the hands of the Vukile shareholder. These 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 distribution is exempt from dividends tax.
  - 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 abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

- 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 dividends received by non-residents are subject to dividends withholding tax at a rate of 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 distribution amount due to non-resident shareholders is 76.9330 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.
  - 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 abovementioned documents to be submitted prior to payment of the distribution 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 96.16625 cents per share.

Shareholders are further advised that:
- The issued capital of Vukile is 784 766 367 shares of one cent each at 30 May 2018.
- 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	2018
Annual results including declaration announcement released on SENS	Wednesday, 30 May
Circular and form of election posted to shareholders	Thursday, 31 May
Finalisation information including the share ratio and price per share published on SENS	Tuesday, 12 June
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, 19 June
Shares trade *ex* dividend	Wednesday, 20 June
Listing of maximum possible number of shares under the share reinvestment alternative and trading in new shares commences	Friday, 22 June
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, 22 June
Record date for the election to receive the share reinvestment alternative or to receive a cash dividend (**record date**)	Friday, 22 June
Results of cash dividend and share reinvestment alternative published on SENS	Monday, 25 June
Cash dividend cheques posted to certificated shareholders on or about	Monday, 25 June
Accounts credited by CSDP or broker to dematerialised shareholders with the cash dividend payment	Monday, 25 June
Share certificates posted to certificated shareholders on or about	Wednesday, 27 June
Accounts updated with the new shares (if applicable) by CSDP or broker to dematerialised shareholders	Wednesday, 27 June
Adjustment to shares listed on or about	Thursday, 28 June

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, 19 June 2018 and Friday, 22 June 2018, both days inclusive.
3. The above dates and times are subject to change. Any changes will be released on SENS.

9. Proposed board changes

The company announced on SENS on 29 May 2018 that Mr Anton Botha will retire from the board of directors at the upcoming annual general meeting (AGM) which is anticipated to be held on or about 14 August 2018. Mr Botha will be succeeded by Mr Nigel Payne who is currently the chairman of the audit and risk committee, while Dr Renosi Mokate will assume the role of lead independent non-executive director with effect from 1 June 2018, in line with King IV.

In light of Mr Payne's intended role as chairman of the board, the company has reconstituted the audit and risk committee. Ms Babalwa Ngonyama will assume the role of chairman of the audit and risk committee following the AGM. Mr Peter Moyanga, who has served on the audit and risk committee since its inception in 2004, will retire from the audit and risk committee at the AGM but will remain a member of the board.

10. Basis of preparation

The summarised audited consolidated financial statements for the year ended 31 March 2018, and comparative information, have been prepared in accordance with, and containing the information required by, International Financial Reporting Standards (IFRS), 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, IAS 34 and relevant sections of the South African Companies Act.

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 2017. The group has adopted the following amendments to standards which were effective for the first time for the financial period commencing 1 April 2017:
- Amendments to IFRS 12 – Disclosure of Interest in Other Entities;
- Amendments to IAS 7 – Disclosure of cash flows;
- Amendments to IAS 12 – Income tax.

Based on management's assessment of these amendments, the only material impact identified on the financial statements relates to the amendment to IAS 7.

These statements, which comprise the statement of financial position at 31 March 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the 12 months then ended is extracted from audited information, but is itself not audited. The annual financial statements were audited by Grant Thornton, who expressed an unqualified opinion thereon. The auditor's report does not necessarily cover all of the information included in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of the audit report together with the accompanying financial information from the registered office of the company situated at Ground Floor, One-On-Ninth, Corner Glenhove Road and 9th Street, Melrose Estate. The directors take full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying financial statements.

This report was compiled under the supervision of Michael John Potts CA(SA), the financial director of the company.

The directors are not aware of any matters or circumstances arising subsequent to 31 March 2018 that require any additional disclosure or adjustment to the financial statements and which are not disclosed in this announcement.

On behalf of the board

AD Botha
Chairman

LG Rapp
Chief executive officer

Melrose Estate
30 May 2018

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 or the company)

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, B Ngonyama

There has been a change to the board of directors since the release of the previous results announcement, namely the appointment of Ms B Ngonyama.

Registered office: Ground Floor, One-on-Ninth, Corner Glenhove Road and Ninth Street, Melrose Estate, 2196.

Company secretary: J Neethling

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

Investor relations: Instinctif Partners, The Firs 302, 3rd Floor, Corner Craddock Avenue and Biermann Road, Rosebank, Johannesburg, South Africa, Tel: +27 11 447 3030

Media relations: Marketing Concepts, 10th Floor, Fredman Towers, 13 Fredman Drive, Sandton, Johannesburg, South Africa, Tel: +27 11 783 0700, Fax: +27 11 783 3702

www.vukile.co.za

Summarised audited consolidated statement of financial position

at 31 March 2018

GROUP	2018 R000	2017 R000
ASSETS		
Non-current assets	**22 028 749**	15 850 308
Investment properties	**18 821 251**	13 219 530
Investment properties	**19 102 209**	13 497 445
Investment properties under development	**54 476**	51 191
Straight-line rental income adjustment	**(335 434)**	(329 106)
Other non-current assets	**3 207 498**	2 630 778
Straight-line rental income asset	**335 434**	329 106
Equity investments	**1 384 645**	1 366 239
Investment in associate	**1 199 292**	780 347
Goodwill	**63 288**	63 009
Furniture, fittings, computer equipment and intangible assets	**12 054**	14 049
Available-for-sale financial asset	**34 099**	23 855
Derivative financial instruments	**26 039**	1 722
Long-term loans granted	**103 672**	38 110
Deferred taxation assets	**48 975**	14 341
Current assets	**1 287 893**	1 589 768
Trade and other receivables	**186 743**	256 405
Derivative financial instruments	**–**	1 752
Current taxation assets	**7 290**	1 666
Cash and cash equivalents	**1 093 860**	1 329 945
Investment properties held for sale	**10 500**	76 632
Total assets	**23 327 142**	17 516 708
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent	**15 770 080**	13 111 425
Non-controlling interest	**81 311**	73 367
Non-current liabilities	**5 484 980**	2 964 638
Other interest-bearing borrowings	**5 346 371**	2 937 590
Derivative financial instruments	**131 304**	26 115
Deferred taxation liabilities	**7 305**	933
Current liabilities	**1 990 771**	1 367 278
Trade and other payables	**428 733**	354 370
Borrowings	**1 554 359**	1 002 581
Derivative financial instruments	**175**	–
Current taxation liabilities	**7 504**	8 892
Shareholder for dividend	**–**	1 435
Total equity and liabilities	**23 327 142**	17 516 708
Net asset value (cents per share)[1]	**2010**	1868

[1] *Excluding non-controlling interest.*

Summarised audited consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March 2018

GROUP	2018 R000	2017 R000
Property revenue	2 014 966	1 964 202
Straight-line rental income accrual	5 401	(161 077)
Gross property revenue	2 020 367	1 803 125
Property expenses	(705 891)	(717 970)
Net profit from property operations	1 314 476	1 085 155
Corporate and administrative expenses	(127 474)	(96 155)
Investment and other income	323 255	198 523
Operating profit before finance costs	1 510 257	1 187 523
Finance costs	(367 808)	(362 074)
Profit before capital items	1 142 449	825 449
Profit on sale of investment properties	13 405	25 250
Profit on sale of furniture and equipment	144	92
Fair value (loss)/gain on listed property securities	(16 411)	105 739
Fair value movement of derivative financial instruments	7 408	(6 251)
Cost of terminating derivative financial instruments	(3 250)	–
Foreign exchange profit	59 936	83 679
Profit on sale of subsidiary	–	54 813
Loss of control of subsidiary	–	(276 781)
Loss on sale of listed property securities	(26 240)	–
Other capital items	–	(971)
Goodwill written off on sale of properties by a subsidiary	–	(3 889)
Cost of acquisition of business combination	–	(66)
Profit before property fair value adjustments	1 177 441	807 064
Fair value adjustments	1 149 988	693 521
Gross change in fair value of investment properties	1 155 389	532 444
Straight-line rental income adjustment	(5 401)	161 077
Profit before equity-accounted investment	2 327 429	1 500 585
Profit share of associate	95 485	45 251
Profit before taxation	2 422 914	1 545 836
Taxation	(10 668)	(9 286)
Profit for the year	2 412 246	1 536 550
Profit attributable to:		
Owners of the parent	2 401 943	1 499 420
Non-controlling interests	10 303	37 130
Other comprehensive loss		
Items that will be reclassified subsequently to profit or loss		
Currency loss on translation of investments in foreign entities	(69 326)	(157 403)
Currency profit/(loss) on translation of goodwill	279	(378)
Cash flow hedges (net of tax)	(60 202)	(39 323)
Available for sale financial assets – current year loss	(17 610)	(15 206)
Other comprehensive loss for the year	(146 859)	(212 310)
Total comprehensive income for the year	2 265 387	1 324 240
Total comprehensive income attributable to:		
Owners of the parent	2 254 319	1 287 981
Non-controlling interest	11 068	36 259
Basic and diluted earnings per share (cents)[(1)]	320.65	217.93
Weighted average number of shares in issue	749 084 702	688 024 118
Number of shares in issue	784 766 367	701 885 532

[(1)] *Vukile has no dilutionary shares in issue.*

Audited reconciliation of earnings to headline earnings

for the year ended 31 March 2018

	2018		2017	
	Group R000	Cents per share	Group R000	Cents per share
Attributable profit to owners of the parent	2 401 943	320.65	1 499 420	217.93
Earnings	**2 401 943**	**320.65**	1 499 420	217.93
Change in fair value of investment properties (net of allocation to non-controlling interest)	(1 148 906)	(153.37)	(676 899)	(98.38)
Write-off of goodwill on sale of properties sold by a subsidiary	–	–	3 889	0.56
Profit on sale of investment properties	(13 405)	(1.79)	(25 250)	(3.67)
Profit on sale of furniture, fittings and computer equipment	(144)	(0.02)	(92)	(0.01)
Profit on sale of subsidiary	–	–	(54 813)	(7.97)
Loss of control of subsidiary	–	–	276 781	40.23
Fair value earnings of associate – adjusted headline earnings	(10 267)	(1.37)	16 804	2.44
Headline earnings of shares	**1 229 221**		1 039 840	
Weighted average number of shares in issue	**749 084 702**		688 024 118	
Headline and diluted headline earnings per share		**164.10**		151.13

Summarised audited consolidated statement of cash flows

for the year ended 31 March 2018

GROUP	2018 R000	2017 R000
Cash flow from operating activities	1 333 609	1 104 588
Cash flow from investing activities*	(4 599 117)	448 450
Cash flow from financing activities*	3 031 308	(1 155 176)
Net (decrease)/increase in cash and cash equivalents	(234 200)	397 862
Foreign currency movement in cash	(1 885)	(376)
Cash and cash equivalents at the beginning of the year	1 329 945	932 459
Cash and cash equivalents at the end of the year	**1 093 860**	1 329 945
Major items included in the above		
Cash flow from operating activities		
Profit before tax	2 422 914	1 545 836
Adjustments	(1 216 409)	(378 051)
Cash flow from investing activities		
Acquisition of and improvements to investment properties	(4 703 030)	(3 466 306)
Investment in associate	(418 281)	(180 677)
Net proceeds on sale of investment properties	175 316	4 113 776
Cash flow from financing activities		
Issue of shares	1 556 631	902 251
Dividends paid	(1 180 330)	(1 049 031)
Finance costs	(352 989)	(355 763)
Interest-bearing borrowings advanced/(repaid)	3 094 928	(622 474)

**In the prior year available-for-sale financial assets were included as part of investing activities. This has been reclassified to financing activities. The reclassification amounted to a movement of R19.2 million.*

Summarised audited consolidated statement of changes in equity

for the year ended 31 March 2018

GROUP	Stated capital R000	Non-distributable reserves R000	Retained earnings R000	Share-holders' interest R000	Non-controlling interest R000	Total R000
Balance at 31 March 2016	7 068 563	4 387 231	476 780	11 932 574	556 681	12 489 255
Issue of share capital	902 251	–	–	902 251	–	902 251
Dividend distribution	–	–	(1 025 270)	(1 025 270)	(25 196)	(1 050 466)
	7 970 814	4 387 231	(548 490)	11 809 555	531 485	12 341 040
Profit for the year	–	–	1 499 420	1 499 420	37 130	1 536 550
Change in fair value of investment properties	–	532 444	(532 444)	–	–	–
Change in fair value of investment properties attributable to non-controlling interests	–	(16 622)	16 622	–	–	–
Share-based remuneration	–	17 413	–	17 413	–	17 413
Deferred taxation on change in fair value of derivatives	–	1 750	–	1 750	–	1 750
Transfer to non-distributable reserves	–	104 024	(103 315)	709	–	709
Non-controlling interest arising 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 subsidiary	–	(231 623)	232 751	1 128	(517 403)	(516 275)
Revaluation of equity investments	–	105 739	(105 739)	–	–	–
Other comprehensive loss	–	(211 439)	–	(211 439)	(871)	(212 310)
Balance at 31 March 2017	7 970 814	4 681 806	458 805	13 111 425	73 367	13 184 792
Issue of capital	1 556 631	–	–	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 interests	–	(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	–	217	(217)	–	–	–
Revaluation of equity investments	–	(16 411)	16 411	–	–	–
Other comprehensive loss	–	(147 624)	–	(147 624)	765	(146 859)
Balance at 31 March 2018	9 527 445	5 737 852	504 783	15 770 080	81 311	15 851 391

Summarised operating segment analysis

for the year ended 31 March 2018

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

	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 summarised audited consolidated statement of profit or loss and other comprehensive income reflects the gross property revenue and gross property expenses.			
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:			
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			

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.

	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
				7 284	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
				33 321	81 311
		3 066		3 066	131 479
				6 371	7 305
				89 408	428 733
				157	7 504
					23 327 142

Summarised operating segment analysis continued

GROUP	Southern Africa Retail R000	Southern Africa Other R000	Southern Africa Total R000
Group income for the year ended 31 March 2017			
Property revenue[(i)]	1 102 166	352 048	1 454 214
Straight-line rental income accrual	(118 385)	(42 692)	(161 077)
	983 781	309 356	1 293 137
Property expenses (net of recoveries)[(i)]	(190 906)	(23 429)	(214 335)
Profit from property operations	792 875	285 927	1 078 802
Profit from associate			

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

GROUP	Southern Africa Retail R000	Southern Africa Other R000	Southern Africa Total R000
Group statement of financial position at 31 March 2017			
Assets			
Investment properties	11 993 956	1 132 968	13 126 924
Add: Lease commissions			20 267
	11 993 956	1 132 968	13 147 191
Goodwill	48 218		48 218
Investment properties held-for-sale		76 632	76 632
	12 042 174	1 209 600	13 272 041
Add:			
Investment property under development			51 191
Equity investments			1 366 239
Investment in associate			–
Furniture, fittings,computer equipment and intangible asset			14 049
Available-for-sale financial asset			23 855
Derivative financial instruments	3 174	300	3 474
Loans receivable			38 110
Deferred taxation assets			14 341
Trade and other receivables			256 243
Taxation refundable			1 666
Cash and cash equivalents			1 304 585
Total assets			
Equity and liabilities			
Stated capital	7 282 863	687 951	7 970 814
Interest-bearing borrowings	3 448 939	325 792	3 774 731
	10 731 802	1 013 743	11 745 545
Add:			
Other components of equity and retained earnings			5 127 731
Non-controlling interest			73 367
Derivative financial instruments	23 861	2 254	26 115
Deferred taxation liabilities			933
Trade and other payables			349 072
Current taxation liabilities			8 531
Shareholder for dividend			1 435
Total equity and liabilities			

	Spain			
United Kingdom R000	Retail R000	Other R000	Total R000	Total group R000
		7 131	7 131	1 461 345
		–	–	(161 077)
		7 131	7 131	1 300 268
		(778)	(778)	(215 113)
		6 353	6 353	1 085 155
45 251				45 251
		350 254	350 254	13 477 178
			–	20 267
		350 254	350 254	13 497 445
		14 791	14 791	63 009
				76 632
		365 045	365 045	13 637 086
				51 191
				1 366 239
780 347				780 347
				14 049
				23 855
				3 474
				38 110
				14 341
			162	256 405
				1 666
			25 360	1 329 945
				17 516 708
				7 970 814
		165 440	165 440	3 940 171
		165 440	165 440	11 910 985
			12 880	5 140 611
				73 367
				26 115
				933
			5 298	354 370
			361	8 892
				1 435
				17 516 708

Summarised operating segment analysis

for the year ended 31 March 2018

Calculation of distributable earnings

	31 March 2018 R000	31 March 2017 R000	Variance %
Property revenue	**1 561 798**	1 461 345	6.87
Property expenses (net of recoveries)	**(252 723)**	(215 113)	(17.48)
Net profit from property operations per segmental report excluding straight-line rental income accrual	**1 309 075**	1 246 232	5.04
Corporate administration expenses	**(127 474)**	(96 155)	(32.57)
Investment and sundry income	**323 255**	198 523	62.83
Operating profit before finance costs	**1 504 856**	1 348 600	11.59
Finance costs	**(367 808)**	(362 074)	(1.58)
Profit before equity-accounted income	**1 137 048**	986 526	15.26
Profit share of associate	**95 485**	45 251	111.01
Profit before taxation	**1 232 533**	1 031 777	19.46
Taxation	**(10 668)**	(9 286)	(14.88)
Profit for the year	**1 221 865**	1 022 491	19.50
Costs of terminating interest rate swap	**(3 250)**	–	(100.00)
Profit on sale of subsidiary	**–**	54 813	(100.00)
Net profit attributable to non-controlling interests	**(10 303)**	(37 130)	72.25
Attributable to Vukile group	**1 208 312**	1 040 174	16.16
Adjustments on consolidation	**–**	1 552	(100.00)
Non-IFRS adjustments			
Shares issued *cum* dividend	**35 019**	31 847	9.96
Shares in Castellana subsidiaries acquired *cum* dividend	**44 940**	6 828	558.17
Dividends accrued on listed investments	**–**	7 195	(100.00)
Dividends accrued on listed associate net of share of income	**19 105**	22 085	(13.49)
Asset management income	**–**	8 000	(100.00)
Available for distribution	**1 307 376**	1 117 681	16.97
Proposed dividend (cents per share)	**168.82**	156.75	
Number of shares in issue at 31 March	**784 766 367**	701 885 532	

1. Measurements of group 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	March 2018 Level 1 R000	March 2018 Level 2 R000	March 2018 Total R000	March 2017 Level 1 R000	March 2017 Level 2 R000	March 2017 Total R000
ASSETS						
Investments	**1 384 645**	**–**	**1 384 645**	1 366 239	–	1 366 239
Available-for-sale financial assets	**79 152**	**–**	**79 152**	55 342	–	55 342
Derivative financial instruments	**–**	**26 039**	**26 039**	–	3 474	3 474
Total	**1 463 797**	**26 039**	**1 489 836**	1 421 581	3 474	1 425 055
LIABILITIES						
Available-for-sale financial liabilities	**–**	**(45 053)**	**(45 053)**	–	(31 487)	(31 487)
Derivative financial instruments	**–**	**(131 479)**	**(131 479)**	–	(26 115)	(26 115)
Total	**–**	**(176 532)**	**(176 532)**	–	(57 602)	(57 602)
Net fair value	**1 463 797**	**(150 493)**	**1 313 304**	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

The available for-sale financial asset comprises the long-term reimbursement right, which is legally offset by the long-term employee benefit liability. 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 these derivative contracts are determined by Absa Capital, Rand Merchant Bank, Standard Bank, Nedbank Limited and Investec Bank Limited for Southern Africa, and Banco Popular, Banco Santander and Caixa Bank for Spain, using a valuation technique that maximises the use of observable market inputs. Derivatives entered into by the group are included in level 2 and is consistent with interest rate swap and forward exchange contracts.

1.2 Non-financial assets

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value at 31 March 2018:

GROUP	2018 Level 3 R000	2017 Level 3 R000
ASSETS		
Investment properties	**19 102 209**	13 497 445
Investment properties under development	**54 476**	51 191
Investment properties held for sale	**10 500**	76 632

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

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.

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

The most significant inputs are the discount rate and the reversionary capitalisation rate. The inputs used in the valuations at 31 March 2018 were:

	2018				2017			
	Discount rate		**Reversionary capitalisation rate**		Discount rate		Reversionary capitalisation rate	
GROUP	**Range**	**Weighted average**	**Range**	**Weighted average**	Range	Weighted average	Range	Weighted average
South Africa	**12.2% to 17.3%**	**13.4%**	**7.5% to 12.8%**	**8.6%**	12.8% to 19.6%	14.0%	8% to 15.7%	9.1%
Spain	**7.5% to 10.3%**	**8.8%**	**5% to 9.1%**	**6.1%**	9.05% to 9.79%	9.22%	6.17% to 7.48%	6.46%

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).

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