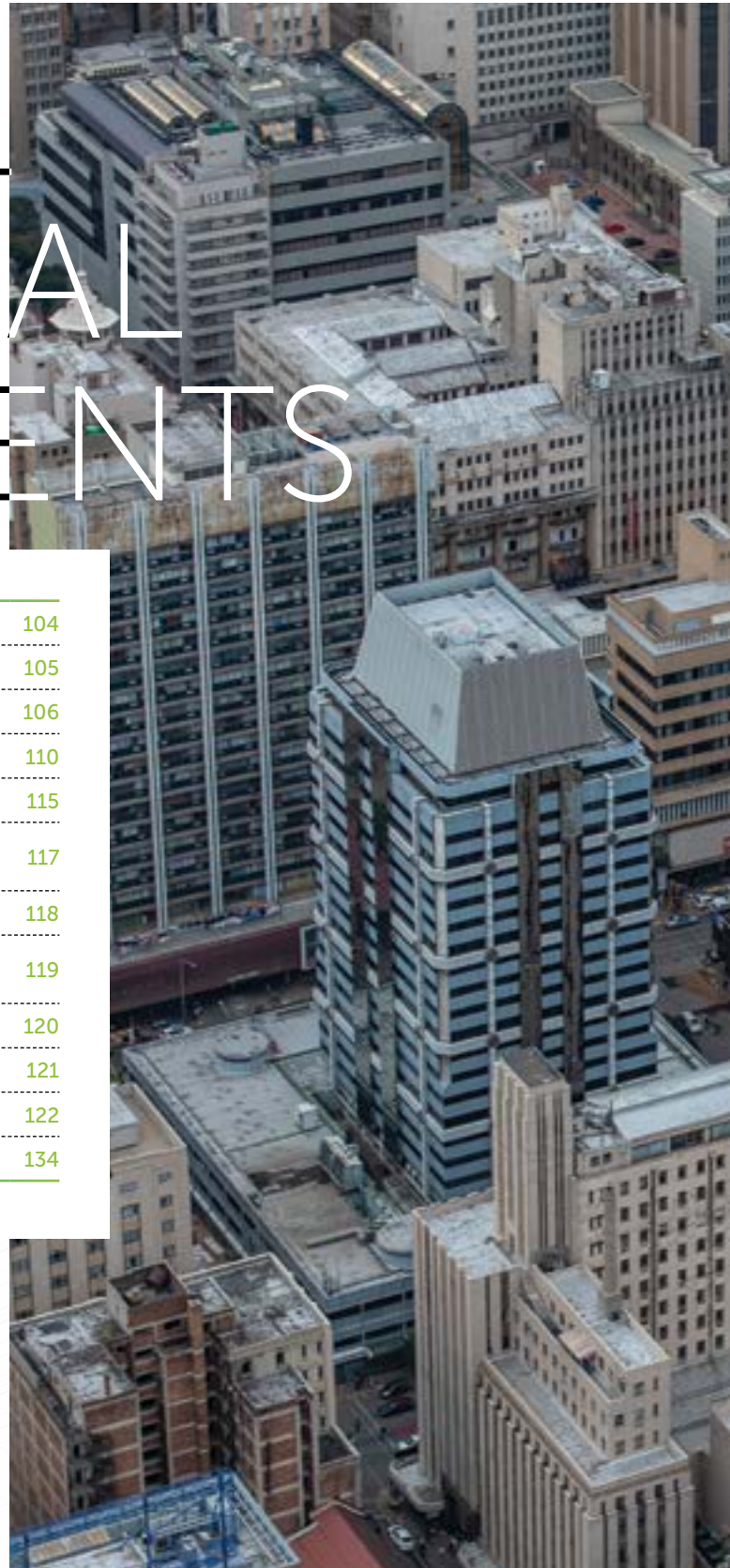


ANNUAL FINANCIAL STATEMENTS

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Directors' responsibility and approval

The directors are required in terms of the Companies Act, No. 71 of 2008, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial reporting period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the financial statements.

Rebasis is in compliance with the provisions of the Companies Act or relevant laws of establishment, specifically relating to its incorporation, and operating in conformity with its MOI.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and company, and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group and company's cash flow forecast for the 12 months to 31 August 2021 and, in light of this review and the current financial position, they are satisfied that the group and company with the continued support of their funders has or has access to adequate resources to continue in operational existence for the foreseeable future.

THE BOARD IS RESPONSIBLE FOR THE FINANCIAL AFFAIRS OF THE GROUP

The external auditor is responsible for independently auditing and reporting on the group's and company's financial statements.

The financial statements (pages 102 to 188) have been examined by the group's external auditor and their report is presented on pages 110 to 114.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the board 30 November 2021 and are signed on its behalf by:



Dr Anna Mokgokong
Chairperson
7 January 2022



Dr Sisa Ngebulana
Chief Executive Officer
7 January 2022

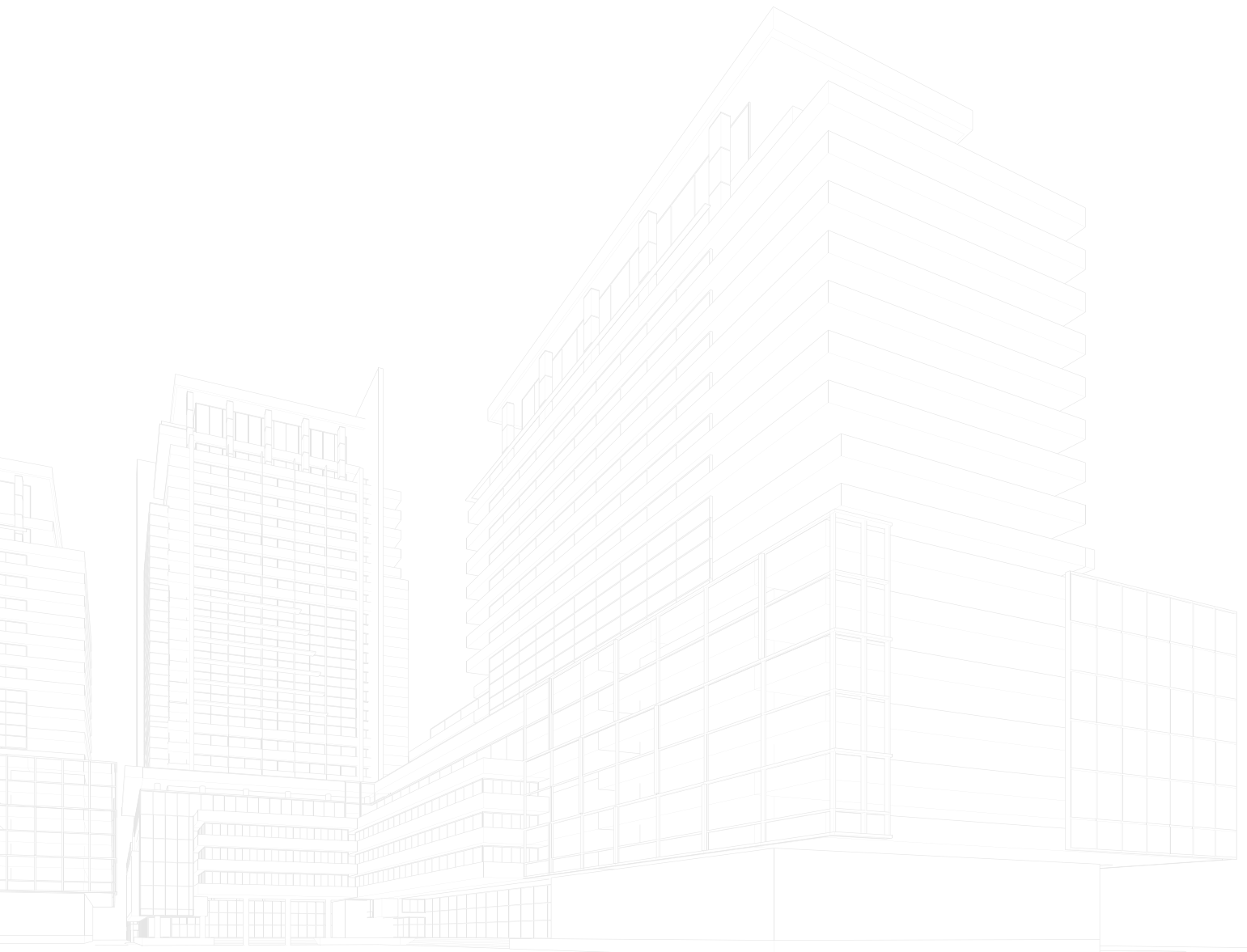


Certificate by Company Secretary

In terms of section 88(2)(e) of the Companies Act we certify that, to the best of our knowledge and belief, Reboxis Property Fund Limited has lodged with the Registrar of Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that such returns appear to be true, correct and up to date.

MCP

Joel Naidoo
MCP Managerial Services
Company Secretary
7 January 2022



Audit and Risk Committee report

The information below constitutes the report of the Audit and Risk Committee ("the Committee") in respect of the 2021 financial year. The Committee is an independent statutory committee upon which key duties have been delegated to the board of Rebasis Property Fund Limited.

The report has been presented as required in terms of the Companies Act, No. 71 of 2008, as amended, for Rebasis Property Fund Limited and its subsidiaries (collectively known as the "group").

The Committee is chaired by independent non-executive director, Kameel Keshav, and further comprises independent non-executive directors, Nomfundo Qangule, Mervyn Burton and Shaun Naidoo. The board of directors are satisfied that these directors act independently for the purpose of the Committee. The CEO, CFO, external auditor, and internal auditor are present at meetings by standing invitation.

The Committee is governed by a formal charter which is reviewed annually. The Committee has conducted its affairs in adherence with the terms of reference and has discharged its responsibilities contained therein.

The Committee meets at least four times a year and special meetings are convened when necessary. Details of attendance by members at meetings, for the year under review, are set out on pages 86 to 91.

RESPONSIBILITIES

The Committee has an independent role with accountability to both the board and shareholders. The Committee does not assume the function of management, which remains the responsibility of the executive directors, officers and other senior members of the management team. The duties and responsibilities of the members of the Committee are set out in the Committee Terms of Reference, which is approved by the board. The Committee fulfils an oversight role regarding the company's integrated report and the reporting process, including the systems of internal financial control. The function of the Committee is to provide the board and shareholders with assurance that their interests are protected in respect of enterprise risk management, information and technology governance, legal and regulatory compliance, internal controls, and financial reporting.

The Committee oversees co-operation between the internal and external auditors and is *inter alia*, responsible for assisting the board in discharging its duties in respect of the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of accurate financial statements.

In the conduct of its duties, the Audit and Risk Committee have, *inter alia*:

- » Nominated and recommended the appointment of the external auditor. The nominated external auditor is a registered auditor who, in the opinion of the Committee, is independent of the group;
- » Determined the auditor's terms of engagement and the fees to be paid to the auditor;
- » Ensured that the appointment of the auditor complies with the Companies Act, No. 71 of 2008, as amended, and any other legislation relating to the appointment of the auditor;
- » Determined the nature and extent of any non-audit services that the external auditor may provide to the group;
- » Reviewed and evaluated the quality of the financial information prepared to ensure integrity of reporting;
- » Reviewed and approved the interim and final financial results, and the related press releases, for recommendation to the board;
- » Confirmed that the group has established appropriate financial reporting procedures with respect to the following:
 - i. Considered all entities in the consolidated annual financial statements.
 - ii. Ensured that it has access to all financial information of the group to effectively prepare and report on the financial statements of the company and group.
- » Confirmed that the Committee has been provided with all decision letters or explanations issued by IRBA, or any other regulator and any summaries relating to monitoring procedures or deficiencies issued by the external auditor;
- » Prepared this report for inclusion in the annual financial statements;
- » Performed a comprehensive annual risk assessment exercise with management of the company in identifying new risks exposed to the business as well as tracking those previously raised against mitigative controls proposed;
- » Received and dealt with any concerns relating to the group's accounting practices, the content or auditing of the annual financial statements, the internal financial controls or any related matter;
- » Considered the JSE Proactive Monitoring Report and its impact on the annual financial statements; and
- » Made submissions to the board (where appropriate) in matters concerning the group's accounting policies, financial controls, records and reporting.

Key focus areas for the Committee during the financial year ending 31 August 2021 were the following:

- » To obtain an understanding to the requirements of the external auditor to report on significant matters impacting on their review;
- » The potential impacts of IFRS 9 and the valuation of investment properties to the extent applicable to the company;
- » Providing assistance to the board in exploring, evaluating and assessing opportunities to deleverage the group's balance sheet;
- » Evaluating the financial impacts on the business and adequacy of provisions raised in light of the ongoing impacts of COVID-19 and lockdowns imposed;
- » Reviewing the accounting treatment pertaining to recognition and disclosure associated with deferred payment liability. Refer to note 17 of the annual financial statements for further details;
- » Evaluation and tracking of the management points identified and reported in the 2020 financial year by the external auditor; and
- » Liquidity and solvency testing of the group's and company's financial position at each reporting date.

EXTERNAL AUDITOR

The Committee has satisfied itself that the external auditor is independent of the group, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors (IRBA). Requisite assurance was sought and provided by the external auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The Committee is satisfied of the independence of the external auditor, as set out in section 94(8) of the Companies Act, after considering the following factors:

- » Representations made by the external auditor to the Committee;
- » The criteria specified for IRBA;
- » The external auditor does not receive any remuneration or other benefit from the group and company, except as external auditor or as disclosed under non-audit services;
- » All non-audit services are evaluated and assessed in terms of total spend to ensure that these are not material and impact the independence of the external auditor;
- » The external auditor's independence was not prejudiced as a result of any previous appointment as auditor; and
- » The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year-ended 31 August 2021.

The external auditor is invited to attend all the Committee meetings and are required to meet independently with the Committee at least once annually. Findings by the external auditor arising from their annual statutory audit are tabled and presented at a Committee meeting following the conclusion of the audit process. The Committee endorses action plans for management to mitigate concerns reported. The external auditor has expressed an unqualified opinion with a material uncertainty related to the going concern paragraph on the financial statements for the year ended 31 August 2021.

Refer to pages 110 to 114 for their full opinion.

The Committee has completed the process stipulated in section 3.84(g)(iii) of the JSE Listings Requirements and has nominated, for election at the annual general meeting, BDO South Africa Inc. as the external audit firm and Craig Kilian as the designated auditor responsible for performing the functions of auditor for the 2021 financial year. The Committee has satisfied itself that the audit firm and designated auditor is accredited as such on the JSE list of auditors and their advisers.

PRE-APPROVAL OF NON-AUDIT SERVICES

BDO routinely performs non-audit services. The Committee is required to pre-approve all audit and non-audit services performed by BDO to assure that auditor independence is not compromised. The group policy is to ensure that these fees remain under 10% of the total audit fee and this test was passed for the 2021 financial year. Refer to the corporate governance section of this report for further details and approval of non-audit services.

Audit and Risk Committee report continued

INTERNAL AUDITOR

The group has outsourced its internal audit function to Mazars Consulting Services (Pty) Limited, a professional service provider, ensuring that an independent strategically aligned function exists. The Committee reviewed and approved the plan incorporating the field work to be performed. Critical and significant findings are reported to the Committee. Corrective action is taken to address internal control deficiencies identified in the execution of work.

During the year the internal auditor performed audits in the following areas:

- » Information Technology – Migration of Data Review
- » Information Technology – Information Technology General Controls (ITGC) Review
- » Enterprise Risk Management – Enterprise Risk Management Review

There were no material reportable findings for the year under review.

INTERNAL CONTROLS

In order to provide reliable financial information, the group maintains financial, legal compliance and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, are properly authorised and recorded and that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal.

The system includes a documented organisational structure and division of responsibility, established policies and procedures (which are communicated throughout the company) and the careful selection, training and development of people.

RISK MANAGEMENT

Effective risk management plays an integral part in ensuring that the company's strategic intent is met.

The group has an enterprise risk management policy which is reviewed, assessed and amended, where applicable, by the Committee. The group applies a formal risk assessment process on an annual basis and continuously identifies and quantifies emerging risk. The board of directors takes ultimate responsibility for risk management and has delegated oversight responsibility to the Committee. Management, as the implementer of strategy, must ensure that the group and company has an effective system to manage risk, and that effective and efficient risk mitigations are implemented.

Risk management is a strategic partner of business ensuring that it not only protects value but acts as an enabler for business and growth. Management and the Committee are committed to continuously improving the risk management process to ensure a risk-resilient environment.

The Committee performed its annual risk assessment exercise with management. This exercise identified new risks impacting the group, culminating in an implementation action plan to address identified risks. The Committee also reviewed previous risks identified and tracked the implementation status of controls introduced to mitigate these risks.

COMPLIANCE

The Committee oversees the group's adherence to International Financial Reporting Standards (IFRS) and its financial reporting obligations imposed by regulators.

The compliance risk management process is primarily administered by the group's Head of Legal and her team, supported by the risk management function. The legal and regulatory compliance process is managed through a compliance risk assessment process. Feedback is provided at Committee meetings held by the management.

Refer to the Compliance Framework section of this report of further details on legal compliance.

EXPERTISE AND EXPERIENCE OF CFO AND THE FINANCE FUNCTION

The Committee has considered and is satisfied with the expertise and experience of the CFO, Asathi Magwentshu.

Further, the Committee has considered, and has satisfied itself with the expertise and adequacy of resources within the group's financial function and experience of the senior finance management team.

ANNUAL FINANCIAL STATEMENTS

The Committee assists the board with all financial reporting requirements and reviews the annual financial statements, the preliminary results announcements and interim financial information. The Committee has reviewed the annual financial statements of the group and company and is satisfied that the financial statements comply with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, JSE Limited Listings Requirements and the requirements of the Companies Act, No. 71 of 2008, as amended.

GOING CONCERN

The Committee reviewed a documented assessment of the going concern assumption of the group and company, which included a detailed review and assessment of various sources of information. The information reviewed, and assessments performed, were the following:

1. Liquidity and Solvency Test;
2. Cash flow position as at 31 August 2021;
3. Forecasted cash flow for the 2022 financial year with thorough assessment of assumptions applied;
4. Debt profile review and consultation with the principal senior funder on their support; and
5. Detailed strategic plan by management to reduce debt levels as a function of assets, including the announced disposal of the portfolio of government and state-tenanted office assets, as a going concern. Refer to note 41 of the annual financial statements for further details on the proposed disposal.

Current liabilities, which includes all interest-bearing borrowings, exceeds the current assets (including non-current assets held for sale). The group therefore does not pass the liquidity test. The group has been actively seeking alternatives which would give rise to raising additional capital. In addition to this, the group is continuing with its disposal program to create some liquidity. A large proportion of the bank facilities have been extended on a six-month basis.

The recently announced portfolio sale of assets is a targeted business disposal activity aimed at restructuring the group's balance sheet. The successful consummation of this transaction will allow the company to settle a large portion of its current debt, potentially resetting the LTV to c.43%. This will also afford the company to refinance remaining debt on the balance sheet to longer term debt profiles along with adequate hedging instruments.

As at the 31 August 2021, there existed uncertainty related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business without the continued support of our funders. The group's ability to continue as a going concern is dependent on the roll forward of the debt facilities by the banks and/or the successful completion of the portfolio sale of assets above.

INVESTMENT PROPERTY VALUATIONS

The group obtained independent valuations for all the properties during the current financial period. Quadrant Properties independently valued the retail portfolio, commercial and industrial property portfolio as at 31 August 2021. All properties within the group were reflected at their independent fair values at the balance sheet reporting date.

RECOMMENDATION OF THE INTEGRATED REPORT OF APPROVAL BY THE BOARD

The Committee reviewed and recommended the integrated report for approval by the board of directors.

IN CONCLUSION

Despite the challenging macroeconomic environment and the enduring impacts of COVID-19 lockdowns on the South African economy, the group has exhibited resilience and delivered relatively strong operational results. The group has delivered portfolio growth despite significant COVID-19 rental concessions granted to tenants. Management and the board have successfully negotiated renewal of c.98% of expired debt during the 2021 financial year. The group has adequate expected credit loss provisions for risks exacerbated by the pandemic.

The primary focus of the group is to strengthen the core business platform to return the core business to profitability. The disposal of the portfolio of assets to Ultracraft will transform the fortunes for the group. The sale will not only enable the group to significantly deleverage the balance sheet by reducing its LTV from 71.4% to c.43%, it will also position the group as a retail-focussed property fund with solid assets in key targeted geographical nodes. This is critical for the group to generate distributable income going forward.

Finally, I would like to thank the management team and with particular focus the finance function along with the company's external auditors on the long hours, hard work and commitment to get our financial results finalised and appropriately released.



Kameel Keshav

Chairperson of the Audit and Risk Committee

7 January 2022

Independent auditor's report

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Rebasis Property Fund Limited (the group and company) set out on pages 102 to 188, which comprise the consolidated and separate statements of financial position as at 31 August 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Rebasis Property Fund Limited as at 31 August 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International IFRS and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board of Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 41 to the consolidated and separate financial statements which indicates that as at 31 August 2021 the group's current liabilities exceeded its current assets by R10 billion (company: R6.2 billion). As stated in note 41, the group's and company's ability to continue as a going concern is dependent on the roll-forward of the debt facilities by their banks and/or the successful completion of the portfolio sale of assets as indicated in the note. As stated in note 41, these conditions, along with other matters as set forth in note 41, indicate the existence of a material uncertainty that may cast significant doubt on the group's and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <i>Valuation of investment properties (including investment properties classified as held for sale) (consolidated and separate financial statements) – note 3</i> | The audit procedures we performed included, amongst others, the following: |
| As at 31 August 2021, the carrying value of investment property amounted to R13.1 billion (company: R7.3 billion). | » We assessed the design and implementation of relevant controls in the property valuation process; |
| For the current year, the group used an independent external valuer to determine the fair values of the properties. | » We assessed the competence and capabilities of the independent external valuer performing the valuations with reference to his qualifications and industry experience; |
| The inputs with the most significant impact on these valuations are disclosed in note 3 to the consolidated and separate financial statements, and include rental growth rates, vacancy rates, discount rates and capitalisation rates. | » We discussed the scope of the independent external valuer's work with management and inspected his terms of engagement to assess whether there were any matters that could have affected the independent external valuer's independence and objectivity, or could have imposed scope limitations upon him; |

Key audit matter

Due to the significant estimation uncertainty relating to determining the fair value of investment property, due to the significance of the investment property balances to the consolidated and separate financial statements we have determined that the valuation of investment property is a matter of most significance in our audit of the consolidated and separate financial statements of the current year.

How our audit addressed the key audit matter

- » We critically evaluated, for a sample of investment properties and investment properties held for sale, the forecasts, vacancy rates discount rates and capitalisation rates used by the independent external valuer in the valuation calculation to assess whether these were consistent with industry norms and our understanding of the properties;
- » We evaluated the management's ability to prepare credible budgets by comparing the forecasts to historical actuals and discussing significant differences with management and the independent external valuer and assessing the explanations for reasonability;
- » Making use of our internal valuation expert, we assessed the reasonability of the assumptions and methodology applied to the inputs used in determining the fair value of the investment properties by management and their independent external valuer. This included:
 - Assessing the appropriateness of the valuation methodologies applied to the different asset types with reference to generally accepted property valuation techniques in the real estate market;
 - Assessing the category, GLA, location and grade of property, all of which inform management and the independent external valuer in the selection of the appropriate capitalisation rates and/or discount rates to apply from the latest South African Property Owners Association (SAPOA) reports, against the outcome of the independent valuations;
 - Agreeing the capitalisation rates and discount rates applied by the independent external valuer in the valuation to the latest SAPOA reports;
 - Assessing the reasonability of the vacancy rate assumptions applied by the independent external valuer in the valuations.
- » We tested the mathematical accuracy of the valuation calculations;
- » We evaluated the adequacy of the presentation and disclosure of investment property and the respective key valuation assumptions in the consolidated and separate financial statement against the requirements of International Financial Reporting Standards.

Independent auditor's report continued

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Impairment assessment of goodwill (consolidated financial statements) – note 9</i></p> | <p>The audit procedures we performed included, amongst others, the following:</p> |
| <p>Based on the assessment performed by management, the remaining goodwill balance was fully impaired in the current year. The initial goodwill recognised arose from two business combinations.</p> <p>Goodwill is tested annually for impairment against the recoverable amounts of the cash generating units (CGUs) to which the goodwill was allocated. The value in use is assessed using discounted cash flow models. As disclosed in note 9 to the consolidated financial statements, there are a number of key sensitive judgements and estimates made in determining the inputs into these models, which include the growth rates and discount rates. As a result, we have identified the impairment assessment of goodwill as a matter of most significance in our audit of the consolidated financial statements of the current year.</p> | <ul style="list-style-type: none"> » We assessed the design and implementation of relevant controls in the goodwill impairment process performed by management; » We evaluated the determination of the subsidiaries as the relevant CGUs based on our understanding of how management monitors the group's operations and makes decisions about groups of assets that generate independent cash flows; » We assessed the mathematical accuracy of the value in use calculations within the impairment models; » We assessed the key growth rate assumptions by comparing them to current and actual lease escalations, margins applied, and assessing the discount rate with reference to the weighted average cost of capital of the group; » We assessed the impairment models for compliance with International Accounting Standard 36 <i>Impairment of Assets</i>; » Making use of our internal valuation expert to evaluate the reasonability of assumptions and methodologies used in the forecast models, including adjustments to revenue and the expected decrease, used in the discounted cash flows. The weighted average cost of capital calculation was reviewed for reasonability with regards to the cost of capital and cost of debt used in the calculation; » We evaluated the adequacy of the presentation and disclosures in the consolidated financial statements relating to the impairment assessment of goodwill, including that of the respective key valuation assumptions used, against the requirements of International Financial Reporting Standards. |

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Rebasis Property Fund Limited and its subsidiaries Integrated Annual Report for the year ended 31 August 2021", which includes the Directors' Report, the Audit and Risk Committee Report and the Certificate by Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

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

Independent auditor's report continued

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Rebasis Property Fund Limited for 11 years.

BDO South Africa Inc

BDO South Africa Incorporated

Registered Auditors

Craig Kilian

Director

Registered Auditor

7 January 2022

106 Park Drive
St. Georges
Gqeberha, 6001

Directors' report

The board has pleasure in submitting their directors' report for the year ended 31 August 2020.

NATURE OF BUSINESS

Rebosis is a listed property REIT which owns a high growth defensive property portfolio.

The group's portfolio, valued at R13.1 billion, comprises 42 quality grade retail, commercial and industrial properties located in Gauteng, the Eastern Cape, KwaZulu-Natal and the North West Province.

As at 31 August Rebosis has classified most of its Commercial portfolio as held for sale, the value of the disposal portfolio is worth R6 billion.

YEAR UNDER REVIEW

The results of the group and company are addressed in the reports of the Chairperson, the Chief Executive Officer and the Chief Financial Officer and are set out in the integrated annual report on pages 22, 30 and 52.

SHARE CAPITAL (SHARES IN ISSUE)

During the year under review, the share capital of Rebosis has remained unchanged. The company's authorised share capital comprises of five billion ordinary shares and 70 million A ordinary shares of no-par value.

DIVIDEND DISTRIBUTIONS

In terms of the Companies Act the board is required to perform the solvency and liquidity test when considering payment of a distribution. Based on management's assessment the company is solvent. However, the company's liquidity position was severely strained as a result of the impact of COVID-19. A decision has been made to not declare a dividend during the year under review and rather preserve cash resources in order to strengthen the company's liquidity position.

Rebosis uses dividend per share as the key measure of financial performance for trading statement purposes.

DIRECTORATE

| Independent non-executive directors | Position |
|---------------------------------------|------------------------|
| ATM Mokgokong | Chairperson |
| NV Qangule | Non-executive director |
| TSM Seopa (resigned 8 February 2021) | Non-executive director |
| MM Mdlolo (resigned 1 April 2021) | Non-executive director |
| L C Pengilly | Non-executive director |
| K Keshav (appointed 11 November 2020) | Non-executive director |
| Mr Burton (appointed 1 April 2021) | Non-executive director |
| Mr S Naidoo (appointed 1 April 2021) | Non-executive director |

| Executive directors | Position |
|---|--------------------------|
| SM Ngebulana (resigned 1 December 2021) | Chief Executive Officer |
| AL Magwentshu (appointed 18 December 2020) | Chief Financial Officer |
| RP Becker (resigned 24 November 2020) | Chief Investment Officer |
| Z Kogo | Executive Director |
| Otis Tshabalala (appointed 1 December 2021) | Chief Executive Officer |

The number of board and committee meetings attended by each of the directors during the year is tabled in the our governance on pages 85 to 90.

Directors' report continued

DIRECTORS' INTERESTS

The interests of the directors in the REB share of the company at 31 August 2021 were as follows:

| | Beneficial | | Total |
|----------------------------|------------|-------------|--------------------|
| | Direct | Indirect | |
| Executive directors | | | |
| SM Ngebulana | – | 114 840 001 | 114 840 001 |
| Z Kogo | 15 577 | – | 15 577 |
| | 15 577 | 114 840 001 | 114 855 578 |

The interests of the directors in the REB share of the company at 31 August 2020 were as follows:

| | Beneficial | | Total |
|----------------------------|------------|------------|------------|
| | Direct | Indirect | |
| Executive directors | | | |
| SM Ngebulana | – | 40 840 122 | 40 840 122 |
| RP Becker | 225 000 | – | 225 000 |
| Z Kogo | 15 577 | – | 15 577 |
| | 240 577 | 40 840 122 | 41 080 699 |

Sisa Ngebulana's indirect interest increased on 31 August 2021 as a result of the Amatolo Family Trust and Zacacode acquiring a beneficial interest in Rebasis A ordinary shares (REA Shares) and Rebasis B ordinary shares (REB Shares).

The total beneficial interest held in the Rebasis group is 28.86% and 16.42% respectively of the total number of REA and REB shares in issue. The effective interest in the Rebasis group is 17.45%, which calculation is based on total number of shares in issue including treasury shares. The directors interests are not encumbered and there have been no changes to the directors' interest between 31 August 2021 and the date of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Sisa Ngebulana is both a director of Rebasis and a trustee and beneficiary of the Amatolo Family Trust, which owns 100% of the share capital of Billion Group (Pty) Limited (BG) which in turn owned 100% of the share capital of the following company:

Rebasis Property Group (Pty) Limited (formally known as Billion Property Group), owned 50% of Baywest City (Pty) Limited (Baywest), prior to the acquisition by the group there have been no changes to the directors' interests between 31 August 2021 and the date of the annual report.

INVESTMENT PROPERTY VALUATIONS

As disclosed in Note 3 to the financial statements, Rebasis obtained independent valuations for all the properties in the current financial period. Quadrant Properties, led by Mr. Peter Parfitt, was responsible for the valuation of the retail portfolio, commercial and industrial properties. The valuer is registered in terms of section 19 of the Property Valuers Professional Act (Act No. 47 of 2000). At 31 August 2021, the investment property portfolio is carried at R13.1 billion in the consolidated statement of financial position, which is a reduction of R300 million on the prior year.

SUBSEQUENT EVENTS

On 21 October 2021, the group announced via SENS that it had concluded agreements with Ulricraft (Pty) Limited (Ulricraft) for the sale of a portfolio of government and state-tenanted office assets, as a going concern, for a cash consideration of R6 319 099 000.

Ulricraft is a wholly-owned subsidiary of Vunani Capital Partners Limited (VCP), a company listed on Equity Express Securities Exchange.

It must be noted that while VCP is currently the owner of all of the issued share capital of Ulricraft, upon fulfilment of all conditions precedent, it is expected that VCP will only own between 6% and 9% of the Purchaser, with the balance being owned by the equity funders.

The transaction is consistent with the group's strategy to deleverage and optimise its balance sheet by reducing its LTV, and, in addition, to realise the value of the office segment of its portfolio, to restructure the business as a retail-focused fund and to position the group to resume dividend payments to shareholders.

The purchase consideration payable for the portfolio comprises a consideration of R3 943 681 000 for the acquisition of portfolio assets owned by Rebasis Property Fund and R2 375 418 000 for the acquisition of portfolio assets held by Ascension Properties.

Three of the properties being sold (namely NBC Building, 373 Pretorius Building and 174 Visagie Street Building) are in the process of being converted from office space into purpose-built student accommodation. The group has provided warranties to and in favour of Ulricraft in respect of the portfolio acquired, which are typical for a transaction of this nature.

The transaction is subject to the fulfilment of several conditions precedent.

MAJOR SHAREHOLDERS

Beneficial shareholders holding in excess of 5% of the shares in issue are detailed on pages 190 to 194 of the annual report.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The executive directors have service contracts with the company. A three-month notice period is required from the Chief Executive Officer and Chief Financial Officer.

COMPANY SECRETARY

The Company Secretary Mande Ndema resigned on 31 March 2021 from his position as Company Secretary and was replaced by Joel Naidoo of MCP Managerial Services.

The board has considered and is satisfied with the competence, qualification and experience of the Company Secretary, Joel Naidoo.

The business and postal addresses of the Company Secretary are as follows:

Joel Naidoo

MCP Managerial Services
Office 95 & 95A
Forest Hill City
6922 Forest Beech Street, Monavoni
Centurion, 0157

(Postnet Suite 158, Private Bag X21, Bryanston, 2021)

By order of the board

Dr Sisa Ngebulana

Chief Executive Officer
Centurion

7 January 2022

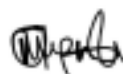
Chief Executive Officer's and Chief Financial Officer's responsibility statement

The directors, whose names are stated below, hereby confirm that:

- (a) the annual financial statements set out on pages 102 to 188, fairly present in all material respects the financial position, financial performance and cash flows of Rebosis in terms of IFRS;
- (b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to Rebosis and its consolidated subsidiaries have been provided to effectively prepare the financial statements of Rebosis; and
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principles of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls, and any fraud that involves directors, and have taken the necessary remedial action.



Dr Sisa Ngebulana
Chief Executive Officer
7 January 2022



Asathi Magwentshu
Chief Financial Officer
7 January 2022

Consolidated and separate statements of financial position

as at 31 August 2021

| | Notes | Group | | Company | |
|--|-------|--------------------|---------------|--------------------|---------------|
| | | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| ASSETS | | | | | |
| Non-current assets | | 7 177 321 | 12 260 124 | 4 906 055 | 8 439 733 |
| Investment property | | 7 126 000 | 12 009 851 | 3 554 000 | 6 864 360 |
| Fair value of property portfolio | 3 | 6 882 835 | 11 756 667 | 3 488 530 | 6 777 827 |
| Straight-line rental income accrual | 3.1 | 243 165 | 253 184 | 65 470 | 86 533 |
| Prepayment of land | 5 | 42 000 | – | 42 000 | – |
| Property, plant and equipment | 11 | 9 321 | 11 540 | 4 468 | 4 785 |
| Right-of-use asset | 10.1 | – | – | 46 831 | 52 083 |
| Investment in subsidiaries | 7 | – | – | 1 109 533 | 1 353 935 |
| Loans to group entities | 6 | – | – | 149 223 | 164 570 |
| Goodwill | 9 | – | 238 733 | – | – |
| Current assets | | 316 407 | 320 869 | 179 876 | 166 588 |
| Trade and other receivables | 14 | 190 385 | 260 205 | 97 113 | 136 912 |
| Derivative instruments | 12 | – | 1 431 | – | 1 431 |
| Cash and cash equivalents | 15 | 126 022 | 59 233 | 82 763 | 28 245 |
| Investment property reclassified as held for sale | 4 | 6 018 500 | 1 149 829 | 3 734 200 | 149 039 |
| Total assets | | 13 512 228 | 13 730 821 | 8 820 131 | 8 755 360 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | 3 188 130 | 3 479 486 | 1 501 568 | 1 645 647 |
| Stated capital | 13 | 9 015 068 | 9 015 068 | 9 040 200 | 9 040 200 |
| Accumulated losses | | (5 826 938) | (5 535 582) | (7 538 632) | (7 394 553) |
| Non-current liabilities | | – | 99 941 | 923 189 | 938 498 |
| Loans from group entities | 6 | – | – | 877 453 | 792 943 |
| Lease liability | 10.2 | – | – | 45 736 | 45 614 |
| Derivative instruments | 12 | – | 99 941 | – | 99 941 |
| Current liabilities | | 10 324 098 | 10 151 395 | 6 395 374 | 6 171 215 |
| Interest-bearing borrowings | 16 | 9 509 200 | 9 588 979 | 5 899 508 | 5 882 653 |
| Deferred payment liability | 17 | 283 738 | 146 226 | 216 293 | 146 224 |
| Derivative instruments | 12 | 20 275 | – | 20 275 | – |
| Lease liability | 10.2 | – | – | 3 317 | 6 181 |
| Trade and other payables | 19 | 387 732 | 333 030 | 242 608 | 136 157 |
| Loan – Billion Group land | 18 | 7 440 | – | 7 440 | – |
| Current tax payable | | 115 713 | 83 159 | 5 933 | – |
| Total liabilities | | 10 324 098 | 10 251 336 | 7 318 563 | 7 109 713 |
| Total equity and liabilities | | 13 512 228 | 13 730 821 | 8 820 131 | 8 755 361 |
| Number of ordinary A shares in issue | | 63 266 012 | 63 266 012 | 63 266 012 | 63 266 012 |
| Number of shares less treasury shares | | 696 844 874 | 696 844 874 | 696 844 874 | 696 844 874 |
| Net asset value per REA ordinary shares no par value (R) – quoted share price | | 0.75 | 1.15 | 0.75 | 1.15 |
| Net asset value per REB ordinary shares (R) – (Total equity less NAV per REA share/number of REB shares) | 29 | 4.51 | 4.89 | 2.09 | 2.26 |
| Loan to value (%) | 33 | 71.4% | 72.4% | 79.8% | 83.5% |

Consolidated and separate statements of profit or loss and other comprehensive income

for the year ended 31 August 2021

| | Notes | Group | | Company | |
|---|-------|------------------|------------------|------------------|------------------|
| | | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Investment property income | 20 | 1 612 712 | 1 694 269 | 924 153 | 965 313 |
| Net income from facilities management agreement | | 29 906 | 29 794 | 29 906 | 29 858 |
| Management fees received | | – | – | 13 387 | 14 078 |
| Straight-line rental adjustment | | 24 042 | (19 209) | (661) | (14 021) |
| Revenue | | 1 666 660 | 1 704 854 | 966 785 | 995 228 |
| Impairment loss on trade receivables | | (51 582) | (21 188) | (16 336) | (10 877) |
| Property expenses | 21 | (669 642) | (600 066) | (322 495) | (258 186) |
| Net property income | | 945 436 | 1 083 599 | 627 954 | 726 165 |
| Operating expenses – normal | | (156 235) | (175 161) | (133 005) | (160 299) |
| Operating expenses – deferred payment liability | | (87 875) | – | (87 875) | – |
| Operating income | 22 | 701 326 | 908 438 | 407 074 | 565 866 |
| Net interest | 25 | (833 463) | (908 387) | (607 543) | (591 732) |
| Paid | | (834 522) | (912 457) | (608 273) | (595 394) |
| Received | | 1 059 | 4 070 | 730 | 3 662 |
| Net operating (loss)/income | | (132 137) | 51 | (200 469) | (25 864) |
| Other income | | 12 921 | 3 644 | 1 187 | 500 |
| Changes in fair values and impairments | 24 | (127 404) | 180 603 | 60 089 | (428 820) |
| Investment property | | 13 442 | 340 187 | 262 153 | 191 494 |
| Investment in subsidiaries – impairment | | – | – | (244 402) | (156 989) |
| Derivative instruments | | 79 667 | (68 535) | 79 667 | (76 703) |
| Intercompany loan impairment | | – | – | (45 520) | (378 430) |
| Reversal of investment in securities impairment/(Investment in securities impairment) | | 18 220 | (17 562) | 8 191 | (8 191) |
| Goodwill impairment | | (238 733) | (73 487) | – | – |
| Total (loss)/profit before taxation | | (246 619) | 184 299 | (139 193) | (454 184) |
| Taxation expense | 26 | (44 736) | (75 327) | (4 887) | – |
| Total comprehensive (loss)/income | | (291 355) | 108 972 | (144 080) | (454 184) |
| (Loss)/profit attributable to: | | | | | |
| Owners of the parent | | (291 355) | 108 972 | (144 080) | (454 184) |
| Non-controlling interest | | – | – | – | – |
| Total comprehensive (loss)/profit for the year | | (291 355) | 108 972 | (144 080) | (454 184) |
| Basic and diluted earnings per REA share (cents) | 28 | 292.72 | 278.78 | | |
| Basic and diluted loss per REB share (cents) | 28 | (68.39) | (9.67) | | |

Consolidated statements of cash flows

for the year ended 31 August 2021

| | Notes | Group | | Company | |
|---|-------|--------------------------|------------------|------------------|------------------|
| | | Audited 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Cash flows from operating activities | | | | | |
| Cash generated by operations | 27 | 951 213 | 985 370 | 589 883 | 591 443 |
| Finance income | | 1 059 | 4 070 | 730 | 3 662 |
| Finance costs | | (720 275) | (863 597) | (482 666) | (552 040) |
| Interest on land | | (3 000) | – | – | – |
| Income tax paid | | (26 212) | (35 413) | – | (19 732) |
| Net cash inflow from operating activities | | 202 785 | 90 430 | 107 947 | 23 332 |
| Cash flows from investing activities | | | | | |
| Acquisition of property, plant and equipment | | (1 122) | (374) | (1 097) | (354) |
| Capital expenditure, tenant installations and lease commissions | | (49 734) | (68 411) | (16 284) | (31 536) |
| Proceeds from disposal of investment property | | 89 100 | 516 500 | – | 516 500 |
| Repayment of land on loan | | (42 000) | – | (42 000) | – |
| Repayment of loans to group companies | | – | – | 181 839 | 220 016 |
| Advanced loans to group companies | | – | – | (276 037) | (327 500) |
| Net cash (outflow)/inflow from investing activities | | (3 756) | 447 715 | (153 579) | 377 126 |
| Cash flow from financing activities | | | | | |
| Proceeds from interest-bearing borrowings | | 21 000 | 51 400 | 21 000 | – |
| Repayment of interest-bearing borrowings | 27.1 | (99 100) | (598 231) | – | (561 255) |
| Proceeds of loans from group companies non-current | 6 | – | – | 138 716 | 377 900 |
| Repayment of loans from group companies non-current | 6 | – | – | (2 684) | (241 237) |
| Repayment of lease liability | 10.2 | – | – | (2 742) | (1 020) |
| Repayment of deferred payment liability | 27.1 | (54 140) | – | (54 140) | – |
| Payment on derivative instruments | 27.1 | – | (4 236) | – | (4 236) |
| Net cash outflow from financing activities | | (132 240) | (551 067) | 100 150 | (429 848) |
| Net increase/(decrease) in cash and cash equivalents | | 66 789 | (12 923) | 54 518 | (29 390) |
| Cash and cash equivalents at the beginning of the year | | 59 233 | 72 157 | 28 245 | 57 638 |
| Cash and cash equivalents at the end of the year | 15 | 126 022 | 59 233 | 82 763 | 28 244 |

Consolidated statements of changes in equity

for the year ended 31 August 2021

| | Notes | Attributable to equity holders of the Parent | | |
|---|-------|--|------------------------|------------------|
| | | Stated capital R'000 | Accumulated loss R'000 | Total R'000 |
| GROUP | | | | |
| Balance at 31 August 2019 | | 9 015 068 | (5 644 554) | 3 370 514 |
| Total comprehensive income for the year | | – | 108 972 | 108 972 |
| Balance at 31 August 2020 | | 9 015 068 | (5 535 582) | 3 479 486 |
| Total comprehensive loss for the year | | – | (291 355) | (291 355) |
| Balance at 31 August 2021 | 13 | 9 015 068 | (5 826 937) | 3 188 131 |

| | Notes | Attributable to equity holders of the Parent | | |
|---------------------------------------|-------|--|------------------------|------------------|
| | | Stated capital R'000 | Accumulated loss R'000 | Total R'000 |
| COMPANY | | | | |
| Balance at 31 August 2019 | | 9 040 200 | (6 940 368) | 2 099 832 |
| Total comprehensive loss for the year | | – | (454 184) | (454 184) |
| Balance at 31 August 2020 | | 9 040 200 | (7 394 552) | 1 645 648 |
| Total comprehensive loss for the year | | – | (144 080) | (144 080) |
| Balance at 31 August 2021 | 13 | 9 040 200 | (7 538 632) | 1 501 568 |

Accounting policies

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRS, Financial Reporting pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act, No. 71 of 2008, as amended and the SA REIT Association Best Practice Recommendations. The financial statements are prepared under the supervision of AL Magwentshu CA(SA) in her capacity as Chief Financial Officer.

The financial statements are prepared on the historic cost basis, except for investment properties and certain financial instruments which are carried at fair value or amortised cost and incorporate the principal accounting policies set out below. These accounting policies have been applied consistently with the previous year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.4.

The functional and presentation currency is South African Rand.

1.1.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and all entities controlled by the group as at 31 August 2021.

Control is achieved when:

- » the company is exposed, or has rights, to variable returns from its involvement with the investee; and
- » has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. The acquisition date is the date on which control is transferred to the acquirer.

1.1.1.1 Investment in subsidiaries

Subsidiaries are entities over which the company has the ability to control the financial and operating activities so as to obtain benefit from the activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. In the separate financial statements of the company, investments in subsidiaries are accounted for at cost.

The group accounts for business combinations by applying the acquisition method as at the acquisition date and measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, plus the fair value of any existing equity interest, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If this amount is negative, the group recognises a gain on bargain purchase in profit or loss.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the group to the previous owners of the acquiree, and equity interests issued by the group. Consideration transferred also includes the fair value of any contingent consideration. If a business combination results in the termination of pre-existing relationships between the group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

1.1.1.2 Loss of control

When the company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

1. ACCOUNTING POLICIES continued

1.1 BASIS OF PREPARATION continued

1.1.1 Basis of consolidation continued

1.1.1.3 Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

1.1.1.4 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the group recognises a gain on bargain purchase in profit or loss. Goodwill is tested annually for impairment.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

1.2 ASSETS AND LIABILITIES

1.2.1 Investment properties

Investment property consists of land and buildings and installed equipment held for the purpose of earning rental income and for capital appreciation. Investment properties are initially recorded at cost and include all costs directly attributable to the acquisition. Subsequent additions that will result in future economic benefits of which the cost can be measured reliably are capitalised. The replaced parts are derecognised.

Tenants' installations costs are capitalised and recognised as investment property. They are measured at cost minus amortisation written off over the period of the lease.

Subsequent to initial recognition, investment properties are measured at their fair value. Investment property is maintained, upgraded and refurbished where necessary in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are charged against profit or loss.

Any gain or loss arising from a change in the fair value of the investment property is included in profit or loss in the period to which it relates.

Investment properties are valued annually and adjusted to fair value as at the date of the statement of financial position. The calculations are prepared by considering the aggregate of the net annual rent receivable from the properties and, where relevant, associated costs, using the discounted cash flow method. This method takes projected cash flows and discounts them at a rate which is consistent with comparable market transactions. The discount rates reflect the risks inherent in the net cash flows and are constantly monitored by reference to comparable market transactions.

Gains and losses on the disposal of investment properties are recognised in profit or loss and are calculated as the difference between the sale price and the carrying value of the property. Such gains or losses are excluded from the calculation of distributable earnings.

1.2.2 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to financial assets, or investment property, which continue to be measured in accordance with the group's other accounting policies.

Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Accounting policies continued

1. ACCOUNTING POLICIES continued

1.2 ASSETS AND LIABILITIES continued

1.2.3 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9: Financial Instruments. A financial asset or financial liability is initially measured at fair value plus/minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

1.2.3.1 Financial assets

Measurement

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL. The group measures a financial asset at its fair value plus transaction costs, except for financial assets classified as at FVTPL where transaction costs are expensed in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- » it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- » its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Loan to group companies and trade and other receivables

Recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less ECLs. The group holds the loan and trade and other receivables with the objective to collect the contractual cash flows.

Cash and cash equivalents

Include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts.

Cash and cash equivalents are initially recorded at fair value and subsequently measured at amortised cost which is deemed to be the fair value.

Impairment of financial assets

The group assesses on a forward-looking basis the ECLs associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In assessing whether a receivable has experienced a significant increase in credit risk on receivables, the group considers both qualitative and quantitative criteria including forward-looking information available without undue cost or effort. In particular, the following information is considered in assessing whether there has been a significant increase in credit risk

Receivables

Quantitative criteria include:

- » Trade receivables outstanding for longer than two months.

Qualitative criteria include:

- » History of arrears within 12 months;
- » Evidence of severe financial difficulties experienced by tenants (where such information is provided);
- » Proceedings or legal judgements issued to tenants; and
- » Feedback and assessment of legal risks flagged by the group's legal team.

1. ACCOUNTING POLICIES continued

1.2 ASSETS AND LIABILITIES continued

1.2.3 Financial instruments continued

1.2.3.1 Financial assets continued

A tenant is considered to be in default for debts outstanding for longer than 90 days.

The group writes off a receivable when there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Impaired debts are derecognised when they are assessed as uncollectible. Any recoveries made are recognised in profit or loss.

The group's financial assets are subject to the ECL model.

The group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Impaired debts are derecognised when they are assessed as uncollectible. Any recoveries made are recognised in profit or loss.

The ECL associated with loans and other receivables carried at amortised cost is assessed on a forward-looking basis using the general model per IFRS 9. Three main parameters are used to measure ECL on loans and other receivables carried at amortised cost. A debtor is considered to be in default when the debt begins to accrue interest. These are the PD, LGD, and EAD. The group uses four categories (performing, doubtful, in default and write-off), which reflect the credit risk and how the loss provision is determined for each of those categories.

| | Significant increase in credit risk | Default | Write-off |
|---------------------------------|--|--|---|
| Trade receivables | Not applicable | A tenant is considered to be in default if rentals are unpaid for 90 days. | A write off is considered where there are no reasonable prospects of recovery of unpaid rentals. An assessment is done on tenant-by-tenant basis. |
| Loans to group companies | The total assets of the company is lower than the total liabilities, therefore the subsidiary has an inability to repay the amount due | There is evidence that the asset is credit impaired when the borrower breaches external covenants or is in financial difficulty and/or has liquidity issues. | There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery |

Derecognition

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

1.2.3.2 Trade receivables

The group assesses trade receivables (lease receivables) for impairment based on lifetime ECLs using the simplified approach as is permitted by IFRS 9: Financial Instruments. The group makes use of a provision matrix as a practical expedient to calculate ECLs on trade receivables.

The ECL on trade receivables is determined on a lifetime basis and as such significant increase in credit risk (SICR) is not tracked. Trade receivables are considered to be in default when the debtor is 90 days past due on their contractual payments. Government tenants are slow-paying but will generally settle their debt. The delayed payment by government tenants is factored into the LGD rate which is explained in further detail in note 13.

ECLs are measured by taking into account the EAD probability of PD and the LGD.

Where a tenant defaults on their contractual lease payments the group has a contractual claim against the related tenant deposits. This limits the credit loss that may be incurred by the group and has been taken into account when determining the gross amount that is subject to ECLs.

For further detail on the impairment of trade receivables, see estimates and judgments (note 14.1) below.

Accounting policies continued

1. ACCOUNTING POLICIES continued

1.2 ASSETS AND LIABILITIES continued

1.2.3.3 Loans receivable

Loans receivable are subject to the impairment provisions of IFRS 9: Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for group loans receivable is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime ECLs. The loss allowance is updated to either 12-month or lifetime ECLs at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is not repayable upon demand, then it is assumed that there has been a significant increase in credit risk since initial recognition.

1.2.3.4 Financial liabilities

There are two financial liabilities classification categories that exist under IFRS 9:

- » Financial liabilities at fair value through profit or loss.
- » Financial liabilities at amortised cost.

Financial liabilities are generally classified and measured at amortised cost, unless they meet the criteria for classification at FVTPL or are mandatorily classified as FVTPL such as derivatives.

Measurement

Financial liabilities measured at FVTPL are initially recognised at fair value and are thereafter carried at fair value.

Financial liabilities measured at amortised cost are initially recognised at fair value less transaction costs and are thereafter carried at amortised cost using the effective interest method.

Loan from group companies and trade and other payables

Recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. If payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Interest-bearing borrowings

Interest-bearing borrowings are recognised at amortised cost using the effective interest rate method.

Deferred payment liability

Deferred payment liability is a deferral on a sale transaction and it is measured at amortised cost using the effective interest rate method.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk.

Derecognition

The company derecognises financial liabilities only when the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.2.3.5 Derivatives

Derivative assets comprising interest rate swaps, forward exchange contracts and cross-currency swaps. Derivative financial assets and liabilities are classified as financial assets or liabilities at FVTPL. Derivative financial assets and liabilities comprise mainly interest rate swaps and caps for hedging purposes (economic hedge). Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in profit or loss in changes in fair values of financial instruments.

1.2.4 Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group.

Depreciation

Property, plant and equipment is depreciated on a straight-line basis over the current useful lives of the assets and recognised in profit or loss.

1. ACCOUNTING POLICIES continued

1.2 ASSETS AND LIABILITIES continued

1.2.4 Property, plant and equipment continued

Depreciation continued

The estimated useful lives of the assets are:

| | |
|--|-----------|
| Computer equipment | 3 years |
| Computer software | 2–3 years |
| Furniture, fittings and equipment | 3–6 years |
| Motor vehicles | 5 years |

Depreciation methods, useful lives and residual values are assessed at the end of each reporting period and adjusted if necessary.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

1.2.5 Leases

Leases – lessee

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- » the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option; and
- » any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- » lease payments made at or before commencement of the lease; and
- » initial direct costs incurred.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- » If the renegotiation results in one or more additional assets being leased for an amount commensurate with the stand-alone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- » In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- » If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The company recognises a right-of-use asset and a lease liability. No right-of-use asset and lease liability has been recognised at a group level as the lease agreement is with a related party and accordingly has no effect.

Leases – lessor

The group acts as a lessor for all leased investment property. The group has classified these leases as operating leases as they do not substantially transfer all of the risks and rewards incidental to the ownership of the assets. The group recognises lease payments received under an operating lease as income on a straight-line basis over the lease term as part of gross property revenue.

The group did not need to make any adjustment to the accounting for assets held under operating leases as a result of the adoption of IFRS 16.

Accounting policies continued

1. ACCOUNTING POLICIES continued

1.2 ASSETS AND LIABILITIES continued

1.2.5 Leases continued

Nature of leasing activity

The group leases a number of properties in a lessor and lessee capacity, some contracts provide for payments to increase by inflation and others the lease is fixed.

The group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the group will consider whether the absence of a break clause would expose the group to excessive risk.

Typically factors considered in deciding to negotiate a break clause include:

- » The length of the lease term;
- » The economic stability of the environment in which the property is located; and
- » Whether the location represents a new area of operations for the group.

1.3 INCOME AND EXPENSES

1.3.1 Revenue

The group recognises revenue from the letting of investment property comprising of:

- » Gross rental income and recoveries of fixed operating costs, net of value added tax
- » Facilities management income
- » Asset management income

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

To determine whether to recognise revenue, the group follows a five step process:

- » Identifying the contract with customer
- » Identifying the performance obligation
- » Determining the transaction price
- » Allocating the transaction price to the performance obligation
- » Recognising revenue when/as performance obligations are satisfied

Revenue is therefore recognised:

- » To the extent that it is probable that the performance obligations are satisfied, or the customer obtains control of the services and will result in revenue; and
- » That it is capable of being reliably measured.

Rental income is recognised on a straight-line basis over the term of the operating lease. The straight-line rent calculation on leases includes the effects of rent concessions and scheduled rent increases, and the calculated straight-line rent income is recognised over the lives of the individual leases.

Facility management income is recognised on the rendering of the services. Revenue is recognised and collected on a monthly basis.

Municipal recoveries are recognised over the period for which the services are rendered. The group acts as a principal on its own account when recovering operating costs, such as utilities, from tenants.

Asset management income is recognised on the rendering of services. Revenue is recognised and collected on a monthly basis.

The company assesses the collectability of lease receivables (including future minimum rental payments) both at commencement and throughout the lease term. If the assessment of collectability changes during the lease term, any difference between the revenue that would have been received under the straight-line method and the lease payments that have been collected will be recognised as a current period adjustment to rental revenue.

1. ACCOUNTING POLICIES continued

1.3 INCOME AND EXPENSES continued

1.3.2 Finance and other investment income

Interest income is recognised as it accrues, using the effective interest rate method. Distributions from listed securities are recognised on date of declaration.

1.3.3 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is substantially ready for its intended use. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on funds specifically borrowed in respect of the qualifying asset. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.3.4 Impairment

Non-financial assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount and is recognised in profit or loss.

Goodwill is tested for impairment annually.

The recoverable amount of an asset or CGU is the greater of its value-in-use and fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups (the CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.3.5 Taxation

Taxation for the year comprises of current taxation.

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantially enacted at reporting date.

Deferred income tax is provided using the comprehensive liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arose as a result of a transaction, other than a business combination, that does not impact accounting or taxable profit or loss.

Deferred taxation is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates expected to be applied to temporary differences when they reverse, based on tax laws enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to either settle current tax liabilities and assets on a net basis or realise the assets and settle the liabilities simultaneously.

Accounting policies continued

1. ACCOUNTING POLICIES continued

1.3 INCOME AND EXPENSES continued

1.3.5 Taxation continued

A deferred tax asset is recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Taxation is recognised in profit or loss unless it relates to a transaction that is recognised in equity or other comprehensive income, in which case the taxation is recognised in equity or other comprehensive income.

As the company is a REIT, it is not liable for capital gains tax in terms of Section 25BB of the Income Tax Act.

1.3.6 Operating segments

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses.

The operating results are reviewed regularly by executive management acting as the chief operating decision-maker to make decisions about and to assess the performance of the segment. Operating segments are reported in the manner consistent with the internal reporting provided to the chief operating decision-maker.

On a primary basis the operations are organised into three major business segments – retail, office and industrial – and head office.

1.4 ESTIMATES AND JUDGMENTS

Estimates and judgements are an integral part of financial reporting and, as such, have an impact on the amounts reported in the group's income, expenses, assets and liabilities.

1.4.1 Key sources of estimates and assumptions

Management discusses with the Audit and Risk Committee the development, selection and disclosure of the group's critical accounting policies and estimates and the application of these policies and estimates. Actual results may differ from these estimates. Information on the key estimations and uncertainties that have had the most significant effect on the amounts recognised in the financial statements are set out in the following notes in the financial statements:

Investment property

The revaluation of investment property requires judgement in the determination of an appropriate discount rate and reversionary capitalisation rate.

Management estimated future cash flows by taking into account the impact of rent concessions resulting from the COVID-19 pandemic. The discount rate and reversionary capitalisation rate was also adjusted to that effect. Note 3 sets out further details of the fair measurement of investment property.

The following key metrics were applied in the valuation of the property assets:

Discount rates

Each property's risk profile is evaluated in determining the appropriate capitalisation and discount rates to be used. In determining discount rates, valuers apply a level of risk to the risk-free South African 10-year bond yield. The rate proposed is matched against the sum of the market rental growth rate and capitalisation rates to ensure reasonableness.

With the sharp drop in market rental growth rates and marginally higher capitalisation rates, discount rates have increased slightly by 0.19%. At 14.46%, the weighted average discount rate (WADR) is at a premium of 3.92% to the long-bond yield.

Capitalisation rates

Capitalisation rates are determined from yields of comparable sales and influenced by many factors like location, quality of finishes of the building and the strength of the tenants and their underlying leases. With vacancies on the rise and with the uncertainty created by the effects of COVID-19 on the property industry still evident, valuers retained their conservative view held in June 2020 by marginally increasing/decreasing capitalisation rates.

Exit capitalisation rates

Exit capitalisation rates are utilised to determine the terminal value of a property asset after the end of the five-year cash flow period.

1. ACCOUNTING POLICIES continued

1.4 ESTIMATES AND JUDGMENTS continued

1.4.1 Key sources of estimates and assumptions continued

Market rental growth rate

One of the key drivers in determining valuation outcomes is the market rental growth rate as this affects the rate of growth of income streams utilised in the five-year cash flows and is a large influencer on the terminal value (up to 6.42% of the final valuation) when the adjusted rental is capitalised after year five. The market rental growth rate (WAMRGR) has increased by 0.50%.

Independent valuations are obtained on an annual basis for the whole portfolio by Valuers registered in terms of Section 19 of the Property Valuers Professional Act, No. 47 of 2000.

For the valuation policy, refer to note 3, Investment property.

Impairment testing (including goodwill)

The recoverable amounts of CGUs and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill and indefinite life intangible assets are tested on an annual basis for impairment.

Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Factors that impacting the computation include estimates of future cash flows, determination of discount rates, estimation of cost of debt and cost of equity and the determination of the terminal values.

Allowances for ECLs: Trade receivables

ECLs are subject to a high degree of estimation uncertainty and management is required to apply their judgment in setting the PD and LGD for its different customer segments. The sources of estimation uncertainty and judgments made in determining ECLs for the current financial year are provided in note 13.

Deferred tax and taxation

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date, in the form of future cash flows using a suitable growth rate.

As the company has obtained REIT status effective 1 September 2013, the group is not liable for capital gains tax on the disposal of directly held properties and local REIT securities. In addition, the following must be noted:

- » Deferred tax is not recognised on the fair value of investment property as capital gains tax on investment property is not applicable to REITs in terms of Section 25BB of the Income Tax Act.
- » Deferred tax is not calculated on the straight-line rental income accrual as it affects neither the group's distributable income nor taxable profit.
- » Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.
- » Deferred tax is not recognised on goodwill that arises on initial recognition.
- » Deferred tax is not recognised on the temporary differences relating to investments in subsidiaries or jointly controlled entities to the extent that the group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- » Deferred tax may, however, be calculated on derivatives as the group excludes the gains or losses on realised derivatives when the distribution for the year is calculated. A deferred tax asset will only be recognised if it is therefore probable that taxable profit will be available against which the deductible temporary difference can be utilised relating to the same taxation authority and the same taxable entity.

Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors.

Accounting policies continued

1. ACCOUNTING POLICIES continued

1.4 ESTIMATES AND JUDGMENTS continued

1.4.1 Key sources of estimates and assumptions continued

Limitation of sensitivity analysis continued

It should also be noted that these sensitivities are non-linear and larger or smaller impact should not be interpolated or extrapolated from these results.

Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the group's view of possible near-term market changes that cannot be predicted with any certainty.

Determining the lease term

In determining the lease term as per IFRS 16, management applies its judgement in considering all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options and periods after termination options are only included in the lease term if it is reasonably certain to be extended or not terminated.

1.4.2 Critical judgements in applying the accounting policies

Judgement is applied in certain areas based on historical experience and reasonable expectations relating to future events. Uncertainty around the future economic impact as a result of the COVID-19 pandemic has also been considered. Management also applied judgement in accounting for the impact of the COVID-19-related rent concessions. Key areas of judgement are noted below:

COVID-19-related rental concessions

During the first quarter of 2020, the South African government imposed a national lockdown and declared a state of disaster in response to the COVID-19 pandemic. In line with government guidance, Rebasis's malls in South Africa partially closed from 27 March 2020, with only essential tenants being allowed to trade through the "hard lockdown" period. Gradual re-opening of the stores commenced as lockdown restrictions started easing, with most of the portfolio able to trade by the second quarter of 2020, albeit under restricted trading conditions and within strict health and safety protocols.

Judgement has been applied in the determination of the appropriate accounting treatment of rent concessions granted in the context of the pandemic. COVID-19-related rent concessions will fall within the IFRS 16 definition of a lease modification if they result from changes to the terms of the original lease agreement. In assessing whether there has been a change in the consideration agreed upon in the original lease agreement, the group has considered the overall impact of the change in the rent payments. Both the terms and conditions of the original lease agreement and all relevant facts and circumstances were considered in the assessment of whether a lease modification exists. Accounting for the changes in lease payments over the term of the lease is an area of judgement that depends on several factors.

The group provided the following COVID-19-related rent concessions in South Africa:

- » The group provided limited discounts on rentals due by certain tenants. In terms of IFRS 16, if the change in lease payments was part of the original terms and conditions of the lease, then the change would not be considered a lease modification. This is an area of judgement. Additional judgement and legal consideration would be needed as to whether certain provisions such as *force majeure* (either in the lease contract or by interpretation of common law provisions) could be enforced in response to COVID-19. At Rebasis, we value partnerships and felt testing the leases legally was neither necessary nor warranted. We wanted to support our tenants to continue to trade as going concerns post the pandemic. In our judgement, the relief provided was in line with the spirit of the leases and the partnerships principle. Given the above and the fact that the rental relief and discounts provided to tenants were limited in nature and did not in any way alter or amend the original terms and conditions and the scope of the leases, management is of the view that the rental discounts provided did not constitute lease modifications. Since all leases are operating leases, the discounts provided were recognised as a reduction in income from leases.
- » For certain tenants, concessions were granted by the deferral of rent payments due. The deferred amount has not resulted in the alteration of the scope or term of the lease nor in the lease consideration. Deferrals are short-term in nature and do not include an additional interest charge. The group has also assessed the deferrals as having an immaterial impact on the fair value of lease receivables when the time value of money is considered. As such, the deferral of rent payments has also been treated as a non-modification of leases.

1. ACCOUNTING POLICIES continued

1.5 FAIR VALUE ESTIMATION FOR FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the group is the current bid price. The instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group or similar financial instruments.

Refer to note 34 for the fair value hierarchy.

2. NEW STANDARDS AND INTERPRETATIONS

Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, certain new accounting standards, amendments and interpretations were in issue but are not yet effective. These have not been early adopted by the group.

| Standard | Details of amendments | Annual periods beginning on or after | Impact on the financial statements |
|--|---|--------------------------------------|---|
| <i>IBOR Reform and its Effects on Financial Reporting – Phase 2</i> | In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments complement those made in 2019 ("IBOR – phase 1") and focus on the effects on entities when an existing interest rate benchmark is replaced with a new benchmark rate as a result of the reform. | 01-Jan-21 | The amendment is not expected to have a material impact on the group. |
| <i>Annual Improvements to IFRS: 2018–2020 Cycle</i> | In May 2020, the IASB issued minor amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards, IFRS 9: Financial Instruments, IAS 41: Agriculture and the Illustrative Examples accompanying IFRS 16: Leases. | 01-Jan-22 | The amendment is not expected to have a material impact on the group. |
| <i>IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)</i> | In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment. | 01-Jan-22 | The amendment is not expected to have a material impact on the group. |
| <i>IAS 16 Property, Plant and Equipment</i> | In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss. | 01-Jan-22 | The amendment is not expected to have a material impact on the group. |

Notes to the annual financial statements

for the year ended 31 August 2021

2. NEW STANDARDS AND INTERPRETATIONS continued

Standards and interpretations issued but not yet effective continued

| Standard | Details of amendments | Annual periods beginning on or after | Impact on the financial statements |
|--|--|--------------------------------------|---|
| IAS 1 <i>Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current)</i> | <p>In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the COVID-19 pandemic.</p> <p>At the IFRS Interpretations Committee's December meeting, the Committee discussed the amendments due to feedback from stakeholders which indicated that the requirements of the amendments may be unclear.</p> <p>These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings.</p> | 01-Jan-23 | The amendment is not expected to have a material impact on the group. |
| IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> | <p>The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.</p> | 01-Jan-23 | The amendment is not expected to have a material impact on the group. |
| IAS 12 <i>Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> | <p>The amendment specifies how companies should account for deferred tax related to Assets and Liabilities arising from a Single Transaction on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions.</p> | 01-Jan-23 | The amendment is not expected to have a material impact on the group. |

2. NEW STANDARDS AND INTERPRETATIONS continued

Standards and interpretations issued but not yet effective continued

| Standard | Details of amendments | Annual periods beginning on or after | Impact on the financial statements |
|--|--|--------------------------------------|---|
| IAS 1 <i>Presentation of Financial Statements (Amendment – Disclosure of Accounting Policies)</i> | The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. | 01-Jan-23 | The amendment is not expected to have a material impact on the group. |

Standards and interpretations early adopted

In the financial year ended 31 August 2021, the following standards were early adopted by the group:

| Standard | Details of amendments | Annual periods beginning on or after |
|---|---|--------------------------------------|
| IFRS 16 <i>COVID-19-Related Rent Concessions beyond 30 June 2021</i> | In March 2021 the IASB issued "COVID-19-Related Rent Concessions beyond 30 June 2021", in which the application was extended to also include rent concessions related to payments originally due on or before 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted for financial statements not authorised for issue at 31 March 2021. | 01-Apr-21 |

Notes to the annual financial statements

for the year ended 31 August 2021

3. INVESTMENT PROPERTY

| | Group | | Company | |
|--|------------------|---------------|------------------|---------------------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 Restated R'000 |
| Net carrying value | | | | |
| Cost | 5 929 720 | 7 478 616 | 3 108 883 | 5 712 371 |
| Fair value surplus | 953 115 | 4 278 051 | 379 647 | 1 065 456 |
| | 6 882 835 | 11 756 667 | 3 488 530 | 6 777 827 |
| Movement for the year | | | | |
| Balance at the beginning of the year | 12 009 851 | 11 691 014 | 6 864 360 | 6 614 614 |
| Straight-line rental adjustment | 32 388 | (19 209) | (661) | (14 021) |
| Unrealised gain on revaluation of investment property | 179 551 | 287 913 | 253 715 | 237 575 |
| Transfer from non-current asset held for sale | 325 000 | – | – | – |
| Transfer to prepayment land | (5 000) | – | (5 000) | – |
| Capital expenditure, tenant installations and lease commissions | 46 210 | 54 328 | 15 786 | 26 192 |
| Transferred to non-current assets held for sale (net of straight-lining) | (5 462 000) | (4 195) | (3 574 200) | – |
| Balance at the end of the year | 7 126 000 | 12 009 851 | 3 554 000 | 6 864 360 |
| Reconciliation to independent valuation | | | | |
| Investment properties at valuation | 4 861 714 | 9 359 498 | 3 026 193 | 6 177 730 |
| Capital expenditure and tenant installations | 2 021 632 | 2 395 729 | 462 442 | 599 668 |
| Lease commission | (511) | 1 440 | (105) | 429 |
| Straight-line lease accrual | 243 165 | 253 184 | 65 470 | 86 533 |
| | 7 126 000 | 12 009 851 | 3 554 000 | 6 864 360 |

3. INVESTMENT PROPERTY continued

| | Group | | | |
|--|------------------|---------------------|---------------------|------------------|
| | 2021 | | | |
| | Retail R'000 | Commercial R'000 | Industrial R'000 | Total R'000 |
| Reconciliation of investment property: | | | | |
| Balance at the beginning of the year | 6 156 115 | 5 756 836 | 96 900 | 12 009 851 |
| Straight-line rental adjustment | 29 239 | 2 808 | 341 | 32 388 |
| Unrealised (loss)/gain on revaluation of investment property | (79 404) | 248 348 | 10 607 | 179 551 |
| Transfer from non-current asset held for sale | – | 325 000 | – | 325 000 |
| Transfer to prepayment land | – | (5 000) | – | (5 000) |
| Capital expenditure, tenant installations and lease commissions | 32 166 | 13 892 | 152 | 46 210 |
| Transferred to non-current assets held for sale (net of straight-lining) | – | (5 354 000) | (108 000) | (5 462 000) |
| Balance at the end of the year | 6 138 116 | 987 884 | – | 7 126 000 |

| | Company | | | |
|--|------------------|---------------------|---------------------|------------------|
| | 2021 | | | |
| | Retail R'000 | Commercial R'000 | Industrial R'000 | Total R'000 |
| Reconciliation of investment property: | | | | |
| Balance at the beginning of the year | 2 935 000 | 3 832 460 | 96 900 | 6 864 360 |
| Straight-line rental adjustment | (5 053) | 4 051 | 341 | (661) |
| Transfer to prepayment land | – | (5 000) | – | (5 000) |
| Capital expenditure, tenant installations and lease commissions | 8 010 | 7 624 | 152 | 15 786 |
| Unrealised gain on revaluation of investment property | 124 043 | 119 065 | 10 607 | 253 715 |
| Transferred to non-current assets held for sale (net of straight-lining) | – | (3 466 200) | (108 000) | (3 574 200) |
| Balance at the end of the year | 3 062 000 | 492 000 | – | 3 554 000 |

| | Group | | | |
|--|------------------|---------------------|---------------------|-------------------|
| | 2020 | | | |
| | Retail R'000 | Commercial R'000 | Industrial R'000 | Total R'000 |
| Reconciliation of investment property: | | | | |
| Balance at the beginning of the year | 6 503 116 | 5 066 898 | 121 000 | 11 691 014 |
| Straight-line rental adjustment | (4 659) | (13 736) | (814) | (19 209) |
| Transferred to non-current assets held for sale (net of straight-lining) | – | (4 195) | – | (4 195) |
| Unrealised (loss)/gain on revaluation of investment property | (369 578) | 680 777 | (23 286) | 287 913 |
| Capital expenditure, tenant installations and lease commissions | 27 236 | 27 092 | – | 54 328 |
| Balance at the end of the year | 6 156 115 | 5 756 836 | 96 900 | 12 009 851 |

| | Company | | | |
|---|------------------|---------------------|---------------------|------------------|
| | 2020 | | | |
| | Retail R'000 | Commercial R'000 | Industrial R'000 | Total R'000 |
| Reconciliation of investment property: | | | | |
| Balance at the beginning of the year | 3 080 000 | 3 413 614 | 121 000 | 6 614 614 |
| Straight-line rental adjustment | 2 859 | (16 066) | (814) | (14 021) |
| Unrealised gain on revaluation of investment property | (163 672) | 424 533 | (23 286) | 237 575 |
| Capital expenditure, tenant installations and lease commissions | 15 813 | 10 379 | – | 26 192 |
| Balance at the end of the year | 2 935 000 | 3 832 460 | 96 900 | 6 864 360 |

Notes to the annual financial statements

for the year ended 31 August 2021

3. INVESTMENT PROPERTY continued

INVESTMENT PROPERTY VALUATION

Valuation process

The company values the investment property on a rotational basis, ensuring that every property is valued by an independent valuer once in every three years. However, in light of current market uncertainty in the sector, the company decided it would be more prudent to obtain independent valuations for all the properties. Independent valuations were obtained for the entire property portfolio. More than one independent valuer may be used to provide the valuation. As at 31 August 2021, all properties are reflected at fair value. The portfolio including investment property held for sale was valued at R13.1 billion (2020: R13.2 billion) for the group and R7.0 billion (2020: R7.4 billion) for the company at 31 August 2021.

Valuer and qualifications

Quadrant Properties, led by Mr. Peter Parfitt, was responsible for the valuation of the South African retail, office and industrial portfolios. The valuer is a registered valuer in terms of Section 19 of the Property Valuers Professional Act (Act No. 47 of 2000). The registered valuer undertook the valuations for the entire Rebasis property portfolio for the year ending 31 August 2021.

Investment property and held for sale portfolio valuation

The most significant inputs to the valuation process, all of which are unobservable, are the estimated rentals at the end of the lease, assumptions regarding vacancy levels (based on current and expected future market conditions), the discount rate, the capitalisation rate and terminal value taking into account rental and maintenance projections. 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 valuation of all revenue producing real estate is calculated by determining future contractual and market-related net income streams, as well as a terminal realisation value for the property and discounting this income stream to calculate a net present value.

This is performed over a five-year period in order to reasonably revert all cash flow to a market-related rate. The terminal value (residual value) is calculated by capitalising the 11th years net revenue and discounting this value to present.

The discount rate is determined as a forward yield rate (capitalisation rate) and to it is added a risk (as related to the nature and contracts of the property) and forward growth rate associated with the cash flow as related to the market.

There are reasonable market observable transactions to support the capitalisation rate, growth rate and risk considerations as applied.

SAPOA publishes data tables on which these assumptions may be benchmarked.

Adjustments are made to the present value calculated, to adjust for immediate capex requirements or roundings, as would be reasonably considered between a willing buyer and a willing seller.

The significant inputs and assumptions in respect of the valuation process are developed in close consultation with management. The valuation process and fair value changes are reviewed by the Audit and Risk Committee and the board of directors at each reporting date. The directors confirm that there have been no material changes to the assumptions applied by the registered valuers.

3. INVESTMENT PROPERTY continued**INVESTMENT PROPERTY VALUATION** continued

At the reporting date, the key assumptions and unobservable inputs used by the group in determining fair value were in the following ranges for the group's portfolio of properties:

| | | 2021 | | | |
|---------------------------------|----------------------------|---|------------------------------|-------------------------|------------------------|
| | | Significant unobservable inputs and range of estimates used | | | |
| Description | Valuation method | Discount rate (%) | Exit capitalisation rate (%) | Capitalisation rate (%) | Rental growth rate (%) |
| Retail portfolio | Discounted cash flow model | 12.75–14.25 | 8.00–9.25 | 8.00–9.25 | 3.20–3.20 |
| Office and industrial portfolio | | 13.25–16.00 | 9.25–11.50 | 8.75–11.00 | 4.00–6.00 |

| | | 2020 | | | |
|---------------------------------|----------------------------|---|------------------------------|-------------------------|------------------------|
| | | Significant unobservable inputs and range of estimates used | | | |
| Description | Valuation method | Discount rate (%) | Exit capitalisation rate (%) | Capitalisation rate (%) | Rental growth rate (%) |
| Retail portfolio | Discounted cash flow model | 13.00–14.25 | 8.00–9.50 | 8.00–9.25 | 6.46–9.77 |
| Office and industrial portfolio | | 13.25–16.00 | 9.00–11.00 | 8.25–10.75 | 5.00–5.00 |

As at 31 August 2021, investment properties and related information have been ranked as per the fair value hierarchy set out in note 31. Capital commitments are set out in note 27.

Notes to the annual financial statements

for the year ended 31 August 2021

3. INVESTMENT PROPERTY continued

INVESTMENT PROPERTY VALUATION continued

The valuation inputs vary, not only according to sector, but also in terms of grade and geographic location. Accordingly, the inputs have been disaggregated as follows:

| | 2021 | | | | | | |
|---|--------|---------|--------------|------------|--------------|---------------|------------|
| | Total | Gauteng | Eastern Cape | Mpumulanga | Western Cape | KwaZulu-Natal | North West |
| CAPITALISATION RATES % | | | | | | | |
| Office | 10.54% | 10.58% | – | 10.10% | 10.35% | 10.46% | 10.50% |
| Retail | 8.34% | 8.65% | 8.12% | – | – | – | – |
| Industrial | 9.75% | 9.75% | – | – | – | – | – |
| EXIT CAPITALISATION RATES % | | | | | | | |
| Office | 10.73% | 10.71% | – | 10.80% | 10.26% | 10.81% | 10.75% |
| Retail | 8.34% | 8.65% | 8.12% | – | – | – | – |
| Industrial | 9.75% | 9.75% | – | – | – | – | – |
| DISCOUNT RATES (%) | | | | | | | |
| Office | 15.31% | 15.33% | – | 15.30% | 15.17% | 15.81% | 14.75% |
| Retail | 13.22% | 13.54% | 12.99% | – | – | – | – |
| Industrial | 14.00% | 14.00% | – | – | – | – | – |
| MARKET RENTAL ESCALATION RATES (%) | | | | | | | |
| Office | 6.02% | 6.00% | – | 5.38% | 6.45% | 3.77% | 9.81% |
| Retail | 8.00% | 8.00% | 8.00% | – | – | – | – |
| Industrial | 6.10% | 6.10% | – | – | – | – | – |
| VACANCY (%) | | | | | | | |
| Office | 2.47% | 2.23% | – | 3.85% | 4.43% | 1.61% | 5.00% |
| Retail | 2.18% | 2.10% | 2.25% | – | – | – | – |
| Industrial | 1.00% | 1.00% | – | – | – | – | – |

3. INVESTMENT PROPERTY continued**INVESTMENT PROPERTY VALUATION** continued

| | FY2020 | | | | | | |
|---|--------|---------|--------------|------------|--------------|---------------|------------|
| | Total | Gauteng | Eastern Cape | Mpumulanga | Western Cape | KwaZulu-Natal | North West |
| CAPITALISATION RATES % | | | | | | | |
| Office | 10.59% | 10.62% | – | 10.16% | 10.52% | 10.47% | 10.50% |
| Retail | 8.33% | 8.62% | 8.12% | – | – | – | – |
| Industrial | 9.75% | 9.75% | – | – | – | – | – |
| EXIT CAPITALISATION RATES % | | | | | | | |
| Office | 10.41% | 10.54% | – | 11.00% | 10.33% | 11.00% | 11.75% |
| Retail | 8.41% | 8.80% | 8.12% | – | – | – | – |
| Industrial | 10.50% | 10.50% | – | – | – | – | – |
| DISCOUNT RATES (%) | | | | | | | |
| Office | 15.04% | 15.20% | – | 15.50% | 13.50% | 15.81% | 14.50% |
| Retail | 13.39% | 13.74% | 13.12% | – | – | – | – |
| Industrial | 14.00% | 14.00% | – | – | – | – | – |
| MARKET RENTAL ESCALATION RATES (%) | | | | | | | |
| Office | 6.00% | 6.00% | – | 6.00% | 6.00% | 6.00% | 6.00% |
| Retail | 6.50% | 7.60% | 6.00% | – | – | – | – |
| Industrial | 6.00% | 6.00% | – | – | – | – | – |
| VACANCY (%) | | | | | | | |
| Office | 0.77% | 0.81% | – | 2.00% | – | 1.40% | – |
| Retail | 2.75% | 2.93% | 2.60% | – | – | – | – |
| Industrial | 0.00% | 0.00% | – | – | – | – | – |

Notes to the annual financial statements

for the year ended 31 August 2021

3. INVESTMENT PROPERTY continued

INVESTMENT PROPERTY VALUATION continued

| Input | Change % | 2021 R'000 | 2020 R'000 |
|--------------------------------------|-------------|---------------|---------------|
| Increase in capitalisation rate | 0.50 | (741 100) | (702 000) |
| Decrease in capitalisation rate | 0.50 | 664 700 | 742 000 |
| Increase in discount rate | 0.50 | (467 300) | (239 000) |
| Decrease in discount rate | 0.50 | 435 300 | 243 000 |
| Increase in exit capitalisation rate | 0.50 | (724 800) | (523 000) |
| Decrease in exit capitalisation rate | 0.50 | 651 100 | 378 000 |
| Increase in market rental rate | 0.50 | (1 104 990) | (1 224 368) |
| Decrease in market rental rate | 0.50 | 953 544 | 1 031 552 |
| Increase in Vacancy Factors | 0.50 | (67 331) | (66 597) |
| Decrease in Vacancy Factors | 0.50 | 67 331 | 66 597 |

Investment property pledged as security

Investment properties are valued at R13.1 billion (including investment property held for sale). These have been pledged as security for Nedbank Bank corporate, Investec Limited, Standard Bank Limited, Sanlam and RMB facilities (R9.5 billion).

3.1 STRAIGHT-LINE RENTAL INCOME ACCRUAL

| | Group | | Company | |
|---|----------------|----------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Balance at the beginning of the year | 253 184 | 290 415 | 86 533 | 100 555 |
| Movement for the year | 32 388 | (19 209) | (661) | (14 021) |
| Transfer from investment property held for sale | 6 601 | - | - | - |
| Transfer to investment property held for sale | (49 008) | (18 022) | (20 402) | - |
| Balance at the end of the year | 243 165 | 253 184 | 65 470 | 86 533 |

4. INVESTMENT PROPERTIES HELD FOR SALE

The investment property held for sale was valued at the end of the year. The investment property held for sale has been valued applying the same basis as disclosed in note 3.

| | Group | | Company | |
|---|------------------|------------------|------------------|----------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Balance at the beginning of the year | 1 149 829 | 1 591 986 | 149 039 | 702 486 |
| Realised loss on disposal of investment property | (4 588) | (48 292) | – | (48 291) |
| Unrealised (loss)/gain on revaluation of investment property | (166 109) | 104 358 | 10 462 | 6 000 |
| Capital expenditure, tenant installations and lease commissions | (186) | 14 081 | 499 | 5 344 |
| Straight-line rental adjustment | (8 346) | 4 195 | – | – |
| Transfer from Investment property | 5 462 000 | – | 3 574 200 | – |
| Transfer to investment property held for sale | (325 000) | – | – | – |
| Sale of investment property | (89 100) | (516 500) | – | (516 500) |
| Balance at the end of the year | 6 018 500 | 1 149 829 | 3 734 200 | 149 039 |

INVESTMENT PROPERTIES HELD-FOR-SALE INCLUDE:

The group released a cautionary on 7 April 2021 informing shareholders that it had signed non-disclosure agreements relating to the possible sale of the government and state tenanted office assets. The board made the decision to continue with the disposal on 17 August 2021. On 21 October 2021, the group announced that it had concluded agreements with Ulricraft for the sale of these assets, as a going concern, for a cash consideration of R6 319 099 000. Ulricraft is a wholly-owned subsidiary of VCP, a company listed on Equity Express Securities Exchange.

It must be noted that while VCP is currently the owner of all of the issued share capital of Ulricraft, upon fulfilment of all conditions precedent, it is expected that VCP will only own between 6% and 9% of the Purchaser, with the balance being owned by the equity funders.

The transaction is consistent with the group's strategy to deleverage and optimise its balance sheet by reducing its LTV, and, in addition, to realise the value of the office segment of its portfolio, to restructure the business as a retail focused fund and to position the group to resume dividend payments to shareholders.

The purchase consideration payable for the portfolio comprises a consideration of R3 943 681 000 for the acquisition of portfolio assets owned by Rebasis Property Fund and R2 375 418 000 for the acquisition of portfolio assets held by Ascension Properties.

Three of the properties being sold (namely NBC Building, 373 Pretorius Building and 174 Visagie Street Building) are in the process of being converted from office space into purpose-built student accommodation.

The group has provided warranties to and in favour of Ulricraft in respect of the portfolio acquired, which is typical for a transaction of this nature. The transaction constitutes a category 1 transaction and therefore, in terms of the JSE Listings Requirements, the group requires shareholder approval.

Notes to the annual financial statements

for the year ended 31 August 2021

4. INVESTMENT PROPERTIES HELD FOR SALE continued

INVESTMENT PROPERTIES HELD-FOR-SALE INCLUDE: continued

Property specific details of the portfolio to be sold, including property name and address, location, rentable area and valuation are set out below:

The transaction is subject to the fulfilment of several conditions precedent, namely:

1. Confirmation, in writing, of satisfactory outcome of the due diligence investigations, which is expected to terminated on 15 January 2022;
2. By no later than 28 February 2022 Rebasis is satisfied that Ulicraft has obtained sufficient funding in order to discharge its payment obligations;
3. Ulicraft to provide one or more acceptable guarantees to the group for full payment of the purchase consideration, in accordance with the transaction agreements;
4. Securing written consents and approvals from the group's lenders;
5. Obtaining the consent of the mortgagees in respect of any mortgage bonds registered over any of the immovable properties that are to be sold;
6. Shareholder approval from the group's shareholder in terms of the JSE Listings Requirements in respect of a category 1 transaction and the Companies Act;
7. Approval by the Competition Authorities in terms of the Competition Act, No. 89 of 1998.

Properties held by Rebasis Property Fund

OFFICE SECTOR

| Property name | Physical address | Rentable area (m ²) | Consideration |
|--------------------------|--|---------------------------------|------------------|
| 11 Diagonal Street | 11 Diagonal Street, Gauteng | 37 160 | 729 430 |
| Liberty Building | 278 Madiba Street, Gauteng | 33 885 | 519 349 |
| Victoria Mxenge | Hartley Street, Weavind, Park, Gauteng | 24 720 | 582 492 |
| 124 Main Street | 124 Main street, Gauteng | 20 818 | 341 363 |
| Bank of Lisbon | 400 Paul Kruger Street, Gauteng | 14 599 | 205 909 |
| 18 Rissik Street | 18 Rissik Street, Gauteng | 11 204 | 197 373 |
| Arbour Square | 82–98 Juta Street, Braamfontein, Gauteng | 9 206 | 129 361 |
| Revenue Building | 205 Pietermaritz Street, KwaZulu-Natal | 7 314 | 112 910 |
| 189 Schoeman Street | 189 Schoeman Street, Gauteng | 19 332 | 258 451 |
| 28 Harrison Street | 28 Harrison Street, Gauteng | 20 984 | 304 813 |
| 64 Eloff Street | 64 Eloff Street, Gauteng | 4 938 | 66 885 |
| 99 Market Street | 99 Market Street, Gauteng | 11 659 | 80 391 |
| Jabu Ndlovu | 270 Jabu Ndlovu Street, KwaZulu-Natal | 11 455 | 169 567 |
| SASSA Campus | 2460 Dr Makgobo Avenue, North West | 11 665 | 151 774 |
| INDUSTRIAL SECTOR | | | |
| Antalis | John Street, Selby, Gauteng | 18 954 | 93 613 |
| | | 257 893 | 3 943 681 |

4. INVESTMENT PROPERTIES HELD FOR SALE continued**Properties held by Ascension****OFFICE SECTOR**

| Property name | Physical address | Rentable area (m²) | Consideration |
|----------------------|--|--------------------------------------|----------------------|
| Game Building | 64 Pritchard Street, Gauteng | 21 438 | 313 505 |
| VWL Building | 202 Madiba Street, Gauteng | 17 989 | 280 938 |
| Prorom | 30–35 Brown Street, Mpumulanga | 6 431 | 83 353 |
| Spectrum | 52 Voortrekker Road, Bellville, Western Cape | 7 550 | 93 110 |
| Sigma Building | 9 Blanckenberg Street, Bellville, Western Cape | 3 751 | 38 034 |
| 174 Visage Street | 174 Visage Street, Gauteng | 13 537 | 248 591 |
| 238 Roan Crescent | 238 Roan Crescent, Gauteng | 9 035 | 98 285 |
| 373 Pretorius Street | 373 Pretorius Street, Gauteng | 13 340 | 163 214 |
| Kingfisher | 10 Kingfisher Drive, Gauteng | 1 405 | 12 974 |
| Meyersdal | 65 Phillip Engelbrecht Street, Gauteng | 4 957 | 63 546 |
| Mishumo House | 77 De Korte Street, Gauteng | 6 154 | 107 149 |
| NBC | 76 Juta Street, Gauteng | 10 000 | 137 486 |
| Riverpark | Cnr Emtoweni & Cascade Close, Mpumulanga | 4 216 | 81 690 |
| Riverview | Cnr Emtoweni & Cascade Close, Mpumulanga | 4 303 | 63 564 |
| Schreiner Chambers | 94 Pritchard Street, Gauteng | 18 815 | 279 143 |
| Surrey House | 35 Rissik Street, Gauteng | 11 840 | 194 310 |
| Swiss House | 86 Main Street, Gauteng | 8 008 | 116 526 |
| TOTAL | | 162 769 | 2 375 418 |
| | | 420 662 | 6 319 099 |

All properties held for sale in 2020, except Grand Central, are classified as held for sale in the current year as they are part of the sales transaction described above.

Grand Central is not one of the buildings that are being sold as part of the sales transaction described above and there is no interest from the market, therefore management deemed it sensible to no longer classify the building as held for sale.

Notes to the annual financial statements

for the year ended 31 August 2021

5. PREPAYMENT LAND

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Transfer from investment property land | 5 000 | – | 5 000 | – |
| Additional prepayment on the land | 37 000 | – | 37 000 | – |
| Prepayment land | 42 000 | – | 42 000 | – |

Rebasis purchased land from the Billion Group as the land is adjacent to the Forest Hill City Mall. The purchase of the land formed part of the larger transaction as set out in note 17. The dispute resolution process was resolved during the year and the land acquired from Billion Group. Legal transfer of the land had not yet occurred at year end and a receivable has been raised to reflect the correct financial position. Refer to note 18.

6. GROUP COMPANIES LOANS

| | Company | |
|--|----------------|----------------|
| | 2021 R'000 | 2020 R'000 |
| Loans to group companies | | |
| Subsidiaries | | |
| Baywest City (Pty) Limited | 140 706 | 156 142 |
| Ascension Properties Limited | 48 | – |
| Forest Hill City Shopping Centre (Pty) Limited | – | – |
| Dalolex (Pty) Limited | 8 469 | 8 428 |
| | 149 223 | 164 570 |
| Movement in loans to group companies | | |
| Balance at the beginning of the year | 164 570 | 434 044 |
| Loans impaired | (45 520) | (378 430) |
| Loans repaid | (181 839) | (220 016) |
| Non-cash items | (64 025) | 1 472 |
| Loans advanced | 276 037 | 327 500 |
| Balance at the end of the year | 149 223 | 164 570 |

| | Company | |
|---|------------------|------------------|
| | 2021 R'000 | 2020 R'000 |
| Loans from group companies | | |
| Subsidiaries | | |
| Ascension Properties Limited | (858 139) | (770 822) |
| Rebasis Asset Managers (Pty) Limited | (2 436) | (2 478) |
| Rebasis Property Services (Pty) Limited | (16 878) | (19 643) |
| | (877 453) | (792 943) |
| Movement in loans from group companies | | |
| Balance at the beginning of the year | (792 943) | (656 732) |
| Loans advanced | (138 716) | (377 900) |
| Non-cash items | 51 522 | – |
| Loans repaid | 2 684 | 241 689 |
| Balance at the end of the year | (877 453) | (792 943) |

The loans are unsecured, bear no interest and are repayable by mutual consent, with payments not expected within 12 months. The carrying value of the loans are considered to approximate fair value.

6. GROUP COMPANIES LOANS continued

Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

In determining the amount of ECLs, the company has taken into account:

- » Dalolex holds treasury shares and therefore the amount is carried at cost, therefore no negative variation in performance.
- » Baywest net asset value has increased by R438 million (2020: R416 million), management expects that this trend will continue going forward as the market recovers from the effects of COVID-19.
- » Forest Hill City debt is irrecoverable and the amount owed has been written off.
- » Ascension Properties net asset value is higher than the carrying value, therefore the amount is deemed recoverable.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below.

The company does not hold collateral or other credit enhancements against group loans receivable.

Credit rating framework

For purposes of determining the credit loss allowances, management determines the credit rating grades of each loan at the end of the reporting period. These ratings are determined internally.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses".

| Internal credit grade | Description | Basis for recognising ECLs |
|-----------------------|--|----------------------------|
| Performing | Low risk of default and no amounts are past due | 12-month ECL |
| Doubtful | There has been a significant increase in credit risk since initial recognition. The increase in credit risk and ECLs are based on the assumption that repayment of the loan is not possible when demanded at the reporting date. | Lifetime ECL (Level 2) |
| In default | There is evidence that the asset is credit impaired when the borrower breaches external covenants or is in financial difficulty and/or has liquidity issues. | Lifetime ECL (Level 3) |
| Write-off | There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. | Write-off |

| Subsidiary | Balance (R'000) | Internal credit grade |
|--|-----------------|-----------------------|
| Baywest City (Pty) Limited | 140 706 | Performing |
| Dalolex (Pty) Limited | 8 469 | Performing |
| Ascension Properties Limited | 49 | Performing |
| Forest Hill City Shopping Centre (Pty) Limited | – | Write-off |

The loans are unsecured, bear no interest and are repayable by mutual consent, with payments not expected within 12 months.

The loans are capital in nature and expected to be realised when the underlying properties in the subsidiaries are disposed. Based on the above analysis grading and as long as the subsidiaries are solvent, no 12-month expected loss provision is expected.

Baywest City (Pty) Limited is still able to pay its obligations when they become due and service its finance cost to the banks, hence no ECL was applicable.

Notes to the annual financial statements

for the year ended 31 August 2021

7. INVESTMENT IN SUBSIDIARIES

| | Company | |
|--|------------------|------------------|
| | 2021 R'000 | 2020 R'000 |
| Ascension Properties Limited** | 629 641 | 629 641 |
| Ascension Property Management Company (Pty) Limited*** | 41 710 | 41 710 |
| Baywest City (Pty) Limited** | 438 182 | 438 182 |
| Rebois Asset Managers (Pty) Limited* | – | 98 272 |
| Rebois Property Services (Pty) Limited* | – | 146 130 |
| Balance at the end of the year | 1 109 533 | 1 353 935 |
| Movement in investment in subsidiaries | | |
| Balance at the beginning of the year | 1 353 935 | 1 510 925 |
| Impairment of investments | (244 402) | (156 990) |
| Balance at the end of the year | 1 109 533 | 1 353 935 |

* The impairment of the asset and property management companies are determined by discounting the expected free cash flows at a capitalisation rate of 13.49% (2020: 14.31%). A growth rate of 6.6% (2020: 6.6%) was applied. Rebois Asset Managers and Rebois Property Services perform admin and management services for properties. As a result of the disposal of most of our commercial portfolio, the future cash flow is expected to decline which affects the value of our investment in these companies.

** The impairment of the unlisted subsidiaries is determined in relation to the net assets which consists mainly of investment property at fair value.

*** The impairment was determined by discounting the expected free cash flows at a capitalisation rate of 13.49% (2020: 14.31%). A growth rate of 6.6% (2020: 6.6%) was applied. Ascension Property Management Company performs management services for the group.

8. INVESTMENT IN SECURITIES

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2021 R'000 |
| Edcon | | | | |
| Movement in investment in securities: | | | | |
| Balance at the beginning of the year | – | 4 275 | – | 2 491 |
| Increase in investment | 658 | 13 287 | – | 5 700 |
| Impairment of investment | (658) | (17 562) | – | (8 191) |
| Reversal of impairment of investment | 18 220 | – | 8 191 | – |
| Transfer to trade receivables | (18 220) | – | (8 191) | – |
| | – | – | – | – |

The Investment in Edcon was raised as per the Landlord Agreement between Edcon Limited and various Landlords. Rebois Property Fund Limited and Forest Hill City Shopping Centre (Pty) Ltd fell under the category "Delayed Landlord".

In September 2019 a credit of 40.39% of the outstanding amount was processed in the tenant accounts. The remainder was to be credited to the relevant tenants account on a monthly basis. The Delayed Landlord was to receive shares in New Holdco and would become beneficial owners of these shares.

The amounts credited were impaired in the same period.

This Landlord Agreement did not come into effect as Edcon entered Business Rescue on 29 April 2020. The rental was still being recognised as an investment for the first few months of the current year. All credits processed and capitalised were reversed and the corresponding impairment was also reversed. The reversal in the Investment processed as a credit on the tenant account, were reversed on the tenant account causing the arrears to increase.

Adjusted claims were sent to the Business Rescue Practitioner. A dividend of 19 cents/R1 for all pre-commencement claims and 100 cents/R1 for post-commencement claims is expected. This will result in an expected under recovery of 9.87%. A provision was raised to cover 100% the ECL of Edcon.

9. GOODWILL

| | Group | |
|--|---------------|----------------|
| | 2021 R'000 | 2020 R'000 |
| Goodwill arising on business combination | – | 238 733 |
| Movement in goodwill: | | |
| Balance at the beginning of the year | 238 733 | 312 219 |
| Impairment | (238 733) | (73 486) |
| Balance at the end of the year | – | 238 733 |
| Cost | 676 412 | 676 412 |
| Accumulated impairment | (676 412) | (437 679) |

For the purposes of impairment testing, goodwill has been allocated to the group's CGUs (operating divisions) as per below:

| | Group | |
|---------------------------------------|---------------|----------------|
| | 2021 R'000 | 2020 R'000 |
| Rebosis Asset Managers CGU | – | 98 274 |
| Rebosis Property Services CGU | – | 140 459 |
| Balance at the end of the year | – | 238 733 |

The recoverable amount of these CGUs was based on their value-in-use, determined by discounting the future cash flows to be generated from their continuing use. The carrying amount of the CGUs was determined to be lower than the recoverable amount resulting in a R239 million (2020: R73 million) impairment loss.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends and have been based on historical data from both external and internal sources.

| | Group | |
|----------------------------|-----------|-----------|
| RAM & RPS CGU | 2021 % | 2020 % |
| Terminal value growth rate | 6.60 | 6.60 |
| Growth rate | 6.60 | 6.60 |

The discount rate was a pre-tax measure based on the rate of 20-year South African government bonds issued in the relevant market and in the same currency as the cash flows, adjusted for a risk premium of 3% to reflect both the enhanced probability of default ("default risk") experienced across the real estate sector and the systematic risk of the specific CGU.

Three years of cash flows were included in the discounted cash flow model, as the future cash flows can be accurately determined for these years. A long-term growth rate of 6.6% based on average lease escalation has been estimated by management.

Following the impairment loss recognised in the group's CGUs, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

| | | Group | |
|-----------------------------|----------|---------------|---------------|
| Sensitivity analysis | Change % | 2021 R'000 | 2020 R'000 |
| Increase in growth rate | 0.5 | – | (13 367) |
| Decrease in growth rate | 0.5 | – | 11 740 |
| Increase in discount rate | 0.5 | – | (15 311) |
| Decrease in discount rate | 0.5 | – | 17 459 |

As a result of the negative cash flows forecasted, goodwill was fully impaired and no sensitivity analysis was performed.

Notes to the annual financial statements

for the year ended 31 August 2021

10. LEASES

The company leases its head office facilities from a subsidiary. The lease is for a five-year period with an option to renew for a further five years. The lease was entered into in the last financial year.

10.1 RIGHT-OF-USE ASSETS

| | Company | |
|---------------------------------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 |
| Right-of-use assets | 46 831 | 52 083 |
| Reconciliation of right-of-use assets | | |
| Balance as at 1 September 2020 | 52 083 | |
| Additions | – | 52 520 |
| Amortisations | (5 252) | (437) |
| Balance at the end of the year | 46 831 | 52 083 |

The company included an extension option in the lease to provide operational flexibility. The extension option held is exercisable by the company. The company assesses at the lease commencement date whether it is reasonably certain to exercise the extension option. The company reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant changes in circumstances within its control. The company has assumed that it will exercise the extension option.

10.2 LEASE LIABILITIES

| | Company | |
|---------------------------------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 |
| Balance as at 1 September 2020 | 51 795 | – |
| Additions | – | 52 520 |
| Interest expense incurred | 3 439 | 295 |
| Less: | (6 181) | (1 020) |
| Capital payment | (2 742) | – |
| Interest expense payment | (3 439) | (1 020) |
| Balance at the end of the year | 49 053 | 51 795 |
| Non-current | 45 736 | 45 614 |
| Current | 3 317 | 6 181 |

Future lease payments due

| | Up to 3 months | Between 3 and 12 months | Between and 1 and 2 years | Between 2 and 5 years | Over 5 years |
|-------------------|-------------------|-------------------------------|---------------------------------|-----------------------------|-----------------|
| At 31 August 2021 | | | | | |
| Interest expense | 829 | 2 406 | 2 990 | 7 041 | 3 610 |
| Lease payments | (1 622) | (4 930) | (6 945) | (22 815) | (29 618) |

The group has estimated the potential future lease payments assuming it will exercise the extension option.

11. PROPERTY, PLANT AND EQUIPMENT

| | Group | | Company | |
|---------------------------------------|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2021 R'000 |
| Computer equipment | 622 | 533 | 598 | 506 |
| Cost | 2 443 | 2 237 | 1 765 | 1 577 |
| Accumulated depreciation | (1 821) | (1 704) | (1 167) | (1 071) |
| Computer software | 100 | 57 | 100 | 57 |
| Cost | 1 123 | 1 032 | 1 107 | 1 016 |
| Accumulated depreciation | (1 023) | (975) | (1 007) | (959) |
| Furniture, fittings and equipment | 8 190 | 10 290 | 3 405 | 3 647 |
| Cost | 21 649 | 21 948 | 10 387 | 10 534 |
| Accumulated depreciation | (13 459) | (11 658) | (6 982) | (6 886) |
| Motor vehicles | 409 | 660 | 365 | 575 |
| Cost | 2 614 | 2 614 | 1 686 | 1 686 |
| Accumulated depreciation | (2 205) | (1 954) | (1 321) | (1 112) |
| | 9 321 | 11 540 | 4 468 | 4 785 |
| Movement for the year | | | | |
| Balance at the beginning of the year | 11 540 | 5 848 | 4 785 | 4 074 |
| Acquisitions | 1 194 | 11 096 | 1 179 | 4 203 |
| Computer equipment | 583 | 215 | 558 | 193 |
| Computer software | 99 | 3 | 99 | 3 |
| Furniture, fittings and equipment | 512 | 10 721 | 522 | 3 849 |
| Motor vehicles | – | 157 | – | 158 |
| Depreciation | (3 413) | (5 404) | (1 496) | (3 492) |
| Computer equipment | (414) | (412) | (392) | (390) |
| Computer software | (149) | (95) | (148) | (94) |
| Furniture, fittings and equipment | (2 595) | (4 610) | (744) | (2 810) |
| Motor vehicles | (255) | (287) | (212) | (198) |
| Balance at the end of the year | 9 321 | 11 540 | 4 468 | 4 785 |

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

Notes to the annual financial statements

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12. DERIVATIVE INSTRUMENTS

| Instrument | Rate (%) | Nominal value | | Maturity date | Group | | Company | |
|----------------------------------|----------|--------------------|-------------|---------------|-----------------|------------|-----------------|------------|
| | | 2021 R'000 | 2020 R'000 | | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Assets | | | | | | | | |
| <i>Interest rate caps</i> | | – | 1 000 000 | | – | 1 431 | – | 1 431 |
| Rebasis | 7.0 | – | 1 000 000 | 23-Nov-20 | – | 1 431 | – | 1 431 |
| Total assets | | – | 1 000 000 | | – | 1 431 | – | 1 431 |
| Less: Current assets | | – | (1 000 000) | | – | (1 431) | – | (1 431) |
| Non-current assets | | – | – | | – | – | – | – |
| Liabilities | | | | | | | | |
| Long-term cancellable | | | | | | | | |
| <i>interest rate swaps</i> | | 2 700 000 | 2 700 000 | | (20 275) | (99 941) | (20 275) | (99 941) |
| Rebasis | 6.7 | 2 700 000 | 2 700 000 | 20-Oct-21 | (20 275) | (99 941) | (20 275) | (99 941) |
| Total liabilities | | 2 700 000 | 2 700 000 | | (20 275) | (99 941) | (20 275) | (99 941) |
| Less: Current liabilities | | (2 700 000) | (2 700 000) | | 20 275 | – | 20 275 | – |
| Non-current liabilities | | – | – | | – | (99 941) | – | (99 941) |

The interest rate caps and swaps were valued by Rand Merchant Bank (a division of FirstRand Bank Limited) and Nedbank Limited by discounting the future cash flows using the JIBAR swap curve.

13. STATED CAPITAL

| | Group | | Company | |
|---|------------------|---------------|--------------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Authorised | | | | |
| 5 000 000 000 REB ordinary no par value shares | | | | |
| 70 000 000 REA A ordinary no par value shares | | | | |
| Issued | | | | |
| 696 844 874 (2020: 696 844 874) REB ordinary shares, net of treasury shares | 7 422 441 | 7 422 441 | 7 447 573 | 7 447 573 |
| 63 266 012 (2020: 63 266 012) REA ordinary shares | 1 592 627 | 1 592 627 | 1 592 627 | 1 592 627 |
| | 9 015 068 | 9 015 068 | 9 040 200 | 9 040 200 |
| Movement in stated capital | | | | |
| Balance at the beginning of the year | 9 015 068 | 9 015 068 | 9 040 200 | 9 040 200 |
| Balance at the end of the year | 9 015 068 | 9 015 068 | 9 040 200 | 9 040 200 |
| Reconciliation of number of ordinary shares in issue: | | | | |
| Balance at the beginning of the year | | | 699 253 200 | 699 253 200 |
| Balance at the end of the year | | | 699 253 200 | 699 253 200 |
| Reconciliation of number of A ordinary shares in issue: | | | | |
| Balance at the beginning of the year | | | 63 266 012 | 63 266 012 |
| | | | 63 266 012 | 63 266 012 |
| Reconciliation of number of treasury shares in issue: | | | | |
| Balance at the beginning of the year | | | (2 408 326) | (2 408 326) |
| | | | (2 408 326) | (2 408 326) |

REA: A ordinary shares no par value.

REB: Ordinary shares no par value.

The rights and restrictions applicable for the various share classes are stated in the MOI, which is available for viewing.

14. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|----------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Trade receivables | 187 220 | 204 526 | 79 463 | 95 821 |
| Loss allowance | (104 609) | (53 605) | (39 173) | (22 837) |
| | 82 611 | 150 920 | 40 290 | 72 984 |
| Accrued recoveries | 44 413 | 40 283 | 25 292 | 22 138 |
| Municipal deposits | 10 094 | 9 886 | 7 023 | 7 013 |
| Prepayments | 10 237 | 12 114 | 9 482 | 9 254 |
| Vat refundable | 2 042 | - | - | - |
| Sundry receivables and accrued income | 40 987 | 47 002 | 15 026 | 25 523 |
| | 190 384 | 260 206 | 97 113 | 136 912 |
| Movement in loss allowance | | | | |
| Balance at the beginning of the year | 53 605 | 22 624 | 22 837 | 5 208 |
| Increase in allowance | 96 720 | 87 860 | 27 273 | 26 371 |
| Receivables written off during the year | (45 716) | (56 878) | (10 937) | (8 742) |
| Balance at the end of the year | 104 609 | 53 605 | 39 173 | 22 837 |

Other receivables, accrued recoveries, municipal deposits and sundry receivables and accrued income were not considered in the ECL calculations as the other receivable accounts do not have the risk exposure like trade receivables. Accrued recoveries and accrued income in nature are balances for income still to be billed to tenants. Municipal Deposits are funds held by municipal institutions which will only be due back to the business if ever the municipal accounts were to be closed. Sundry Receivables are often ad hoc receivables that arise in various forms.

Notes to the annual financial statements

for the year ended 31 August 2021

14. TRADE AND OTHER RECEIVABLES continued

The allowance for the impairment of tenant receivables for the group increased to R104 million (2020: R53.6 million) and company to R39 million (2020: R22.8 million) under the IFRS 9 requirements which applies an ECL model to calculate impairment against trade receivables.

The tenant base is diverse with differing loss patterns for different customer segments. Tenants have been segmented according to their risk factors that provide sufficiently homogenous groupings for the purpose of determining the credit loss allowance. The credit risk groupings include the sector (commercial and retail), size (small, medium, large and government) and the arrear status of the debtor. A loss ratio matrix is developed and contains a loss ratio assumption for each combination of the risk factors stated herein.

The group has assessed that there is a concentration of credit risk relating to specific groups of tenants who are considered to be impacted similarly by economic conditions. These tenants operate in the entertainment and restaurant industries and make up R45.4 million (2020: R22 million) of the total debtors balance.

Large tenants consist of JSE-listed entities and national retailers. National retailers that occupy a less significant GLA (gross lettable area) as well as local entities that occupy a larger GLA are considered to be medium. All other tenants are small.

The increase in ECL rates from the prior to the current year are the result of applying a more conservative approach in assessing ECLs to give effect to the deterioration in the credit quality of the tenants, stemming from the continued impact of COVID-19 and economic depression it caused in the South African economy. South Africa is experiencing low levels of growth and slow recovery from the COVID-19 pandemic. This is evidenced by the ageing spread of the trade receivable balances in the current year being predominantly within the 90-day and 120-day past due brackets.

The ECL rate which is a function of the PD and the LGD was determined by making use of default and loss rate assumptions that are applicable to the economy in which we operate. These loss inputs incorporate historical default and loss given default experience of the broader economy which is considered to be comparable to our tenant portfolio. Entity-specific loss data was not used in this assessment as the COVID-19 pandemic gave rise to unprecedented losses in the property rental sector in the current period for which it would be inappropriate to rely on entity-specific historical loss data. Given the current economic volatility and the impact of COVID-19, emphasis has been placed on incorporating current and forward-looking information when determining the ECL. When trade receivables are in default the PD is at 100% and the ECL rate is thereafter driven by the LGD rate.

LGD rates are determined with reference to historical and forward-looking market data on unsecured credit for large corporate tenants and unsecured microfinancing transactions for small tenants. LGD rates on unsecured credit for large corporates that are in default is considered to be comparable to the group's large tenants whereas LGD rates for micro financing debts is considered to be comparable to small tenants that are in default. Therefore, the LGD rates for the group's medium-sized tenants are expected to fall within the range of LGD on unsecured microfinancing debts and the LGD for large tenants. These rates are adjusted to reflect the risk profile of the group's tenant portfolio that is not in default.

The arrears status of a trade receivable is a strong indication of the likely credit experience going forward and as such the provision matrix utilises the receivable's ageing in determining the PD rates. These rates will increase in line with the ageing bracket to reflect the expected increase in credit risk.

Forward-looking data that has been factored into the PD includes the continued impact that COVID-19 is expected to have on tenants as well as the continuing economic depression within South Africa.

Higher arrears statuses on government entities are associated with slow payment behaviour, administrative delays and disputes relating to amounts owed. The time value of money as well as a forward-looking allowance for expected dispute losses are therefore factored into the loss rates based on management's past experience with this specific trade receivable. The risk of disputes as well as the impact of the time value of money is more significant as the receivable moves into the 90-day and 120-day brackets as reflected in increased ECL rates.

The rapidly changing impact that the stage and progression of the COVID-19 pandemic continues to have results in significant uncertainty as to how the tenants in either sector will be affected in future. Consistent loss rates have been applied to the retail and commercial sectors as the expectation is that historical default experience on these trade receivables is not reflective of the current economic climate. Management believes that future credit losses on the retail and commercial portfolios should not differ materially.

14. TRADE AND OTHER RECEIVABLES continued

| Total (R'000) | Group | | | | | |
|-------------------------------------|---------|---------|---------|---------|-----------|---------|
| | 2021 | | | | | Total |
| | Current | 30 days | 60 days | 90 days | 120+ days | |
| Gross carrying amount | 20 321 | 11 247 | 6 784 | 8 420 | 140 448 | 187 220 |
| ECL allowance | 129 | 383 | 1 235 | 2 774 | 100 088 | 104 609 |
| Net amount | 20 192 | 10 864 | 5 549 | 5 646 | 40 360 | 82 611 |
| ECL as a % of gross carrying amount | 1% | 3% | 18% | 33% | 71% | 56% |

| Total (R'000) | Company | | | | | |
|-------------------------------------|---------|---------|---------|---------|-----------|--------|
| | Current | 30 days | 60 days | 90 days | 120+ days | Total |
| Gross carrying amount | 11 907 | 7 847 | 4 189 | 5 505 | 50 015 | 79 463 |
| ECL allowance | 89 | 205 | 615 | 1 576 | 36 689 | 39 173 |
| Net amount | 11 819 | 7 643 | 3 574 | 3 929 | 13 326 | 40 290 |
| ECL as a % of gross carrying amount | 1% | 3% | 15% | 29% | 73% | 49% |

Notes to the annual financial statements

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14. TRADE AND OTHER RECEIVABLES continued

| Sector | Size | | | | | | Group |
|------------------------------------|-------------------------|---------------|---------------|--------------|--------------|----------------|----------------|
| | | Current | 30 days | 60 days | 90 days | 120+ days | Total |
| Gross carrying amount | | | | | | | |
| Retail | Small | 393 | 272 | 670 | 405 | 8 356 | 10 096 |
| Retail | Medium | 3 075 | 2 254 | 2 165 | 853 | 24 788 | 33 136 |
| Retail | Large | 7 116 | 3 609 | 2 014 | 1 624 | 66 527 | 80 889 |
| | Total retail | 10 584 | 6 136 | 4 849 | 2 882 | 99 670 | 124 121 |
| Commercial | Small | 59 | 97 | 64 | 45 | 10 577 | 10 842 |
| Commercial | Medium | 382 | 80 | 357 | 433 | 21 692 | 22 943 |
| Commercial | Large | 130 | – | – | – | 495 | 625 |
| Commercial | Government | 9 167 | 4 935 | 1 514 | 5 060 | 8 013 | 28 689 |
| | Total commercial | 9 737 | 5 112 | 1 935 | 5 538 | 40 777 | 63 099 |
| Total gross carrying amount | | 20 321 | 11 247 | 6 784 | 8 420 | 140 448 | 187 220 |
| ECL allowance | | | | | | | |
| Retail | Small | 2 | 23 | 159 | 185 | 6 464 | 6 833 |
| Retail | Medium | 10 | 26 | 458 | 419 | 19 445 | 20 358 |
| Retail | Large | 35 | 211 | 483 | 913 | 45 278 | 46 920 |
| | Total retail | 47 | 259 | 1 100 | 1 518 | 71 187 | 74 111 |
| Commercial | Small | – | – | 12 | 23 | 9 348 | 9 383 |
| Commercial | Medium | – | – | 47 | 207 | 17 064 | 17 318 |
| Commercial | Large | 1 | – | – | – | 347 | 347 |
| Commercial | Government | 81 | 123 | 76 | 1 026 | 2 143 | 3 449 |
| | Total commercial | 82 | 124 | 135 | 1 256 | 28 901 | 30 498 |
| Total ECL allowance | | 129 | 383 | 1 235 | 2 774 | 100 088 | 104 609 |
| Net amount | | | | | | | |
| Retail | | 10 537 | 5 877 | 3 749 | 1 364 | 28 484 | 50 010 |
| Commercial | | 9 656 | 4 988 | 1 800 | 4 282 | 11 876 | 32 601 |
| Total net amount | | 20 193 | 10 865 | 5 549 | 5 646 | 40 360 | 82 611 |
| ECL % | | | | | | | |
| Retail | Small | – | 8% | 24% | 46% | 77% | 68% |
| Retail | Medium | – | 1% | 21% | 49% | 78% | 61% |
| Retail | Large | – | 6% | 24% | 56% | 68% | 58% |
| | Total retail | – | 4% | 23% | 53% | 71% | 60% |
| Commercial | Small | – | – | 19% | 51% | 88% | 87% |
| Commercial | Medium | – | 1% | 13% | 48% | 79% | 75% |
| Commercial | Large | – | – | – | – | 70% | 56% |
| Commercial | Government | – | 3% | 5% | 20% | 27% | 12% |
| | Total commercial | 1% | 2% | 7% | 23% | 71% | 48% |

14. TRADE AND OTHER RECEIVABLES continued

| Sector | Size | Company | | | | | Total |
|---|-------------------------|---------------|--------------|--------------|--------------|---------------|---------------|
| | | Current | 30 days | 60 days | 90 days | 120+ days | |
| Gross carrying amount | | | | | | | |
| Retail | Small | 13 | 66 | – | 120 | 4 893 | 5 091 |
| Retail | Medium | 1 866 | 2 108 | 1 552 | 135 | 17 311 | 22 971 |
| Retail | Large | 2 482 | 1 138 | 1 060 | 1 158 | 20 045 | 25 883 |
| | Total retail | 4 360 | 3 312 | 2 611 | 1 412 | 42 249 | 53 945 |
| Commercial | Small | 21 | 58 | 64 | 2 | 5 563 | 5 708 |
| Commercial | Medium | – | – | – | – | 398 | 398 |
| Commercial | Large | – | – | – | – | – | – |
| Commercial | Government | 7 526 | 4 476 | 1 514 | 4 090 | 1 805 | 19 412 |
| | Total commercial | 7 547 | 4 535 | 1 578 | 4 092 | 7 766 | 25 518 |
| Total gross carrying amount | | 11 907 | 7 847 | 4 189 | 5 505 | 50 015 | 79 463 |
| ECL allowance | | | | | | | |
| Retail | Small | – | 5 | – | 55 | 3 932 | 3 992 |
| Retail | Medium | 8 | 19 | 273 | 44 | 13 313 | 13 658 |
| Retail | Large | 9 | 68 | 254 | 634 | 13 740 | 14 705 |
| | Total retail | 18 | 92 | 527 | 733 | 30 984 | 32 355 |
| Commercial | Small | – | – | 12 | 2 | 4 936 | 4 950 |
| Commercial | Medium | – | – | – | – | 300 | 300 |
| Commercial | Large | – | – | – | – | – | – |
| Commercial | Government | 71 | 112 | 76 | 841 | 470 | 1 569 |
| | Total commercial | 71 | 112 | 88 | 843 | 5 705 | 6 818 |
| Total expected credit loss allowance | | 89 | 205 | 615 | 1 576 | 36 689 | 39 173 |
| Net amount | | | | | | | |
| Retail | | 4 343 | 3 220 | 2 084 | 679 | 11 265 | 21 590 |
| Commercial | | 7 476 | 4 423 | 1 490 | 3 250 | 2 061 | 18 700 |
| Total net amount | | 11 819 | 7 643 | 3 574 | 3 929 | 13 326 | 40 290 |
| ECL % | | | | | | | |
| Retail | Small | 78% | – | 7% | 0% | 46% | 80% |
| Retail | Medium | 59% | – | 1% | 18% | 33% | 77% |
| Retail | Large | 57% | – | 6% | 24% | 55% | 69% |
| | Total retail | 60% | – | 3% | 20% | 52% | 73% |
| Commercial | Small | 87% | – | – | 19% | 80% | 89% |
| Commercial | Medium | 75% | – | – | – | – | 75% |
| Commercial | Large | – | – | – | – | – | – |
| Commercial | Government | 8% | 1% | 3% | 5% | 21% | 26% |
| | Total commercial | 27% | 1% | 2% | 6% | 21% | 73% |

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for the year ended 31 August 2021

14. TRADE AND OTHER RECEIVABLES continued

Group

2020

Carrying value of debtors with specific credit losses recognised 14 207
 Carrying value of debtors with ECLs

| | Gross Amount | ECL rate | Lifetime ECL |
|--------------------------------|-----------------|-------------|-----------------|
| Current | 79 825 | 7% | 5 951 |
| Due 30 days and less | 36 553 | 11% | 4 071 |
| Due 30 to 60 days | 18 938 | 20% | 3 831 |
| Due 60 to 90 days | 12 083 | 33% | 3 932 |
| Due 90 days to 120 days | 7 851 | 50% | 3 951 |
| Due 120 days to 150 days | 35 071 | 50% | 17 662 |
| | 190 319 | | 39 398 |
| Total allowance for ECL | | | 53 605 |

Company

Carrying value of debtors with specific credit losses recognised –
 Carrying value of debtors with ECLs –

| | Gross Amount | ECL rate | Lifetime ECL |
|--------------------------------|-----------------|-------------|-----------------|
| Current | 43 572 | 10% | 4 268 610 |
| Due 30 days and less | 20 852 | 13% | 2 653 759 |
| Due 30 to 60 days | 7 329 | 22% | 1 592 083 |
| Due 60 to 90 days | 5 491 | 40% | 2 202 627 |
| Due 90 days to 120 days | 4 355 | 68% | 2 960 635 |
| Due 120 days to 150 days | 14 222 | 68% | 9 159 181 |
| | 95 821 | | 22 837 |
| Total allowance for ECL | | | 22 837 |

15. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|--|----------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| For purposes of the statement of cash flows, cash and cash equivalents comprise: | | | | |
| Bank balances | 126 022 | 59 233 | 82 763 | 28 245 |

Cash is invested with reputable banks. Fitch Ratings has affirmed FirstRand Bank Limited's (FRB) Long-Term Issuer Default Ratings (IDR) at "BB-" with a negative outlook.

No loss allowance has been recognised.

The group has credit card facilities with First National Bank a division of FirstRand Bank Limited with a limit of R1 225 000.

16. INTEREST-BEARING BORROWINGS

| Interest rate | Entity | Maturity | Group | | Company | |
|--|----------------------------------|-----------|------------------|------------------|------------------|------------------|
| | | | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Nedbank Corporate (a division of Nedbank Limited) | | | | | | |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 637 938 | 638 280 | 637 938 | 638 280 |
| 1-month JIBAR + 3.15% | Forest Hill City Shopping Centre | 07-Mar-22 | 1 514 125 | 1 514 460 | – | – |
| 1-month JIBAR + 2.47% | BWC | 07-Mar-22 | 1 221 735 | 1 222 289 | – | – |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 926 435 | 926 931 | 926 435 | 926 931 |
| 1-month JIBAR + 3.15% | Ascension | 07-Mar-22 | 45 179 | 45 204 | – | – |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 150 554 | 150 551 | 150 554 | 150 551 |
| 1-month JIBAR + 3.15% | Ascension | 07-Mar-22 | 50 540 | 50 567 | – | – |
| 1-month JIBAR + 3.15% | Ascension | 07-Mar-22 | 34 453 | 34 472 | – | – |
| 1-month JIBAR + 3.15% | Ascension | 07-Mar-22 | 26 178 | 26 192 | – | – |
| 1-month JIBAR + 3.15% | Ascension | 07-Mar-22 | 152 675 | 152 758 | – | – |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 121 168 | 121 233 | 121 168 | 121 233 |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 349 252 | 349 251 | 349 252 | 349 251 |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 25 459 | 25 464 | 25 459 | 25 464 |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 485 487 | 485 585 | 485 487 | 485 585 |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 261 909 | 261 962 | 261 909 | 261 962 |
| 1-month JIBAR + 3.15% | Ascension | 07-Mar-22 | 41 905 | 41 906 | – | – |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 1 115 795 | 1 116 392 | 1 115 795 | 1 116 392 |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 185 248 | 185 347 | 185 248 | 185 347 |
| 1-month JIBAR + 3.15% | Rebosis | 07-Mar-22 | 492 536 | 492 540 | 492 536 | 492 540 |
| 1-month JIBAR + 3.5% | Rebosis | 07-Mar-22 | 141 836 | 141 836 | 141 836 | 141 836 |
| 1-month JIBAR + 3.5% | Rebosis | 07-Mar-22 | 94 557 | 94 557 | 94 557 | 94 557 |
| 3-month JIBAR + 5.80% | Rebosis | 07-Mar-22 | 21 005 | – | 21 005 | – |
| | | | 8 095 969 | 8 077 774 | 5 009 179 | 4 989 929 |
| Investec Private Bank Limited | | | | | | |
| Prime – 0.65% | Ascension | 15-May-23 | 372 312 | 372 428 | – | – |
| Prime – 0.5% | Rebosis | 28-Feb-22 | 291 403 | 290 727 | 291 403 | 290 726 |
| | | | 663 715 | 663 154 | 291 403 | 290 726 |
| Standard Bank of South Africa | | | | | | |
| Prime – 0.5% | Ascension | 28-Feb-22 | 151 114 | 250 232 | – | – |
| | | | 151 114 | 250 232 | – | – |
| Sanlam Limited | | | | | | |
| Prime | Rebosis | 07-Mar-22 | 356 026 | 356 232 | 356 026 | 356 232 |
| | | | 356 026 | 356 232 | 356 026 | 356 232 |

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16. INTEREST-BEARING BORROWINGS continued

| Interest rate | Entity | Maturity | Group | | Company | |
|--------------------------------------|---------|------------|------------------|---------------|------------------|---------------|
| | | | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Rand Merchant Bank* | | | | | | |
| 1-month JIBAR + 5% | Rebasis | 31 -Aug-21 | 242 900 | 245 791 | 242 900 | 245 791 |
| Total debt | | | 9 509 724 | 9 593 187 | 5 899 508 | 5 882 678 |
| Less: debt structuring fees | | | (524) | (4 208) | – | (25) |
| Balance at the beginning of the year | | | (4 208) | (10 611) | (25) | (2 715) |
| Settled during the year | | | (150) | (2 285) | | (2 285) |
| Amortisation for the year | | | 3 834 | 8 688 | 25 | 4 975 |
| | | | 9 509 200 | 9 588 979 | 5 899 508 | 5 882 653 |
| Less: short-term portion | | | (9 509 200) | (9 588 979) | (5 899 508) | (5 882 653) |
| Non-current portion | | | – | – | – | – |

All interest-bearing borrowings have been disclosed as a short-term portion due to the group breaching its loan covenants (refer to note 33 regarding the covenants breached).

The loan with Rand Merchant bank has expired and negotiations are still underway to renew the facility. At year-end and at the time of the release of the financial statements, the loan had not been recalled and management is hopeful that this loan will be renewed. The uncertainty of the renewal of the loan may cast significant doubt on the entity's ability to continue as a going concern. Refer to note 41 – Going Concern.

| Weighted average rate of interest | Group | |
|-----------------------------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 |
| Nedbank | 6.41 | 8.59 |
| DMTN Programme | – | 7.97 |
| Investec | 6.20 | 7.39 |
| RMB | 6.78 | 9.14 |
| Standard Bank | 6.50 | 8.44 |
| Sanlam | 7.00 | 8.64 |

At year-end, the group had no unutilised loan facilities, the gearing ratio was 71.4% (2020: 72.4%), (company: 79.8% (2020: 83.5%)) and the average all-inclusive rate of interest for the year under review was 6.36% (2020: 8.5%). Facilities of R8.0 billion from Nedbank and Sanlam are secured by mortgage bonds over investment properties valued at R11.5 billion (note 3).

Facilities of R1.4 billion from Investec, Sanlam, RMB and Standard Bank are secured by mortgage bonds over investment properties valued at R1.64 billion (note 3).

17. DEFERRED PAYMENT LIABILITY

| | Group | | Company | |
|---|----------------|---------------|----------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Claw-back | 283 738 | 146 226 | 216 293 | 146 224 |
| Total deferred payment liability | 283 738 | 146 226 | 216 293 | 146 224 |

In 2016, Rebasis entered into a related party transaction with Billion Group in which it acquired 100% shareholding in Baywest City (Pty) Ltd (Baywest), Billion Property Developments (Pty) Ltd (Forest Hill City), Billion Asset Managers (Pty) Ltd and Billion Property Services (Pty) Ltd. ("Transaction")

The aggregate transaction consideration payable by the company to acquire the entire issued share capital of Baywest, Forest Hill, Billion Asset Managers and Billion Property Services was an amount of R4.9 billion (the "Aggregate Transaction Amount").

17. DEFERRED PAYMENT LIABILITY continued

R3.7 billion of the Aggregate Transaction Amount was funded through debt with the approximate balance of R1.2 billion being payable in cash.

In terms of the Transaction, the balance payable in cash was to be funded through a series of claw-back offers which would be effectively underwritten through the subscription by the Billion Group, Abacus and Nedbank in terms of the Claw-Back Agreement.

| The transaction | R'000 |
|--|------------------|
| Total aggregate purchase price including Agterskot | 4 999 000 |
| Billion Asset Managers | 360 000 |
| Billion Property Services | 209 000 |
| Forest Hill City | 2 093 000 |
| Baywest | 2 272 000 |
| Agterskot | 65 000 |
| Debt assumed | (3 700 200) |
| Cash payment "Claw-back" | 1 298 800 |

A. Claw-back**Initial Claw-Back Offer**

The first in the series of claw-back offers ("Initial Claw-Back Offer") took place in 2016, in accordance with the Claw-Back Agreement, raising cash proceeds of R533.8 million from Rebosis shareholders, by way of a fully subscribed claw-back offer at a price of R10.71. The proceeds received from Initial Claw-Back Offer were used to discharge the applicable payment obligations to Billion Group and Nedbank under the Transaction.

Second Claw-Back Offer, i.e 1st deferred payment

In terms of the Transaction, an amount of R350.0 million ("Second Cash Transaction Amount"), being a portion of the Aggregate Transaction Amount, was payable in cash to Billion Group, Nedbank and Abacus (collectively, the "Subscribers") on Monday, 15 January 2018 ("Second Payment Date"). In terms of the Claw-Back Agreement the Second Cash Transaction Amount was funded by way of a claw-back offer to Rebosis shareholders, at a price of R11.30 per share ("Second Claw- Back Offer").

Third Claw-Back Offer i.e. 2nd deferred payment

In terms of the Transaction, an amount of R350.0 million ("Third Transaction Amount") being a portion of the Aggregate Transaction Amount, was payable in cash to Billion Group, Nedbank and Abacus (collectively, the "Subscribers").

The loan with Billion Group and Nedbank is repayable by mutual consent, with payments not expected within 12 months. As of November 2020 R3 million is payable to Abacus on a monthly basis. This amount remains outstanding to the parties.

Fourth Claw-Back Offer, i.e 3rd deferred payment (Agterskot)

In terms of the Transaction, an amount of R65.0 million ("Fourth Transaction Amount"), being the Agterskot payment, in recognition of the fact that a significant portion of the aggregate transaction amount due to Billion Group and Nedbank had been deferred, was payable in cash to Billion Group and Nedbank, (collectively, the "Subscribers").

| | Billion Group "Related party" | Abacus | Nedbank | Total |
|---|--|----------------|----------------|------------------|
| Amounts due per circular | 974 000 | 145 000 | 179 800 | 1 298 800 |
| Less 1st claw-back offer | (447 900) | – | (85 900) | (533 800) |
| Deferred payments | 526 100 | 145 000 | 93 900 | 765 000 |
| Less: 1st deferred payment | (232 050) | (75 000) | (42 950) | (350 000) |
| Balance due with 2nd and 3rd deferred payments | 294 050 | 70 000 | 50 950 | 415 000 |

As a result of non-payment of the balance of the clawback, interest accrued to the parties at a rate of prime plus 3% and prime plus 2% respectively, effective 15 January 2019.

The loans are unsecured, with an interest of prime plus 3% (Nedbank) and prime plus 2% (Billion Group and Abacus). The loan with Billion Group and Nedbank is repayable by mutual consent, with payments not expected within 12 months. As of November 2020 R3 million is payable to Abacus on a monthly basis. This amount remains outstanding to the parties.

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17. DEFERRED PAYMENT LIABILITY continued

Reconciliation of claw-back

| | Group | |
|---|----------------|----------------|
| | 2021 R'000 | 2020 R'000 |
| Balance at the beginning of the year | 146 226 | 123 476 |
| Billion Group* | 2 526 | 2 526 |
| Abacus | 83 000 | 70 000 |
| Nedbank | 60 700 | 50 950 |
| Reversal on "non-claw-back" transactions in opening balance | 291 524 | – |
| Rental guarantee | 175 000 | – |
| Adjustment account | 116 524 | – |
| Opening balance | 146 226 | |
| Balance on claw-back after non-related adjustments | 87 875 | 123 476 |
| Interest | 111 637 | 22 750 |
| Repayment of claw-back | (62 000) | – |
| Balance at the end of the year | 283 738 | 146 226 |

* In the disclosure of the deferred payment liability, the Billion Group portion was offset against other amounts owing to/by the company hence an opening balance of R2.5 million

The amount owing of R2.5 million did not reflect a movement or adjustment for interest in FY2020 as there was a dispute between Billion Group and Rebasis regarding several matters relating to this transaction.

The parties engaged in a dispute resolution process in respect of several matters relating to the transaction and the amounts due to Billion Group.

It was agreed by both parties that an adjustment account would be kept and reconciled between the entities. These amounts were not recognised in the statement of financial position of FY2020 as no reliable estimate of these liabilities could be made at the time. Refer to note 38 of the 2020 group annual report which sets out the details of the contingent liability pertaining to this matter.

This process has since been concluded and the resulting effect reflected in the financial statements.

B. Rental guarantee

Rebasis entered into a rental guarantee agreement with Billion Group whereby Billion Group had undertaken to pay a guaranteed six-monthly amount to the extent that existing premises remain vacant or are forecast to become vacant from the commercial effective date of the transaction until 31 August 2018, being the end of the forecast period in respect of Forest Hill City Shopping Centre and Baywest Mall.

An amount of R175 million is due in terms of an unlimited two-year rental guarantee furnished by Billion Group to Rebasis in respect of Forest Hill City Shopping Centre and Baywest Mall.

As part of the dispute resolution process, it was agreed by both parties that interest will not be charged on this amount as a result of certain commitments/responsibilities not being performed under the management contract by management at the time.

C. Adjustment account

An adjustment account was in terms of the relevant transaction agreements meant to be completed between Rebasis and Billion Group post the implementation of the transaction.

Billion Group raised certain claims against Rebasis Asset Managers (Pty) Ltd and Rebasis Property Services (Pty) Ltd (previously Billion Asset Managers and Billion Property Services respectively) in respect of an asset management and a property management agreement with Mthatha Mall.

A net amount of R116 million was believed to be owing to Rebasis in respect of the adjustment account before the dispute resolution process.

17. DEFERRED PAYMENT LIABILITY continued

Aggregate amount owing to Billion Group "related party transaction"

The parties obtained a legal opinion and based on the legal opinion the parties are permitted to offset the amounts and obtain a balance outstanding.

| | 2021 R'000 | 2020 R'000 |
|--|----------------|---------------|
| Billion Group* | | |
| Claw-back | 294 050 | 294 050 |
| Rental guarantee | (175 000) | (175 000) |
| Adjustment account | (116 524) | (116 524) |
| | 2 526 | 2 526 |
| Interest on Third and Fourth claw-back | 97 083 | - |
| Repayment on claw-back | (32 000) | - |
| Disputed amounts reversed | 87 875 | - |
| Total | 155 484 | 2 526 |

18. LOAN BILLION GROUP LAND

| | Group | | Company | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Loan – Billion Group land | 7 440 | - | 7 440 | - |
| Total Loan Billion Group land | 7 440 | - | 7 440 | - |

| | Group | | Company | |
|---------------------------------|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Loan Billion Group land | 42 000 | - | 42 000 | - |
| Interest on amount owed on land | 10 440 | - | 10 440 | - |
| Payment | (45 000) | - | (45 000) | - |
| Closing balance | 7 440 | - | 7 440 | - |

Rebosis purchased land from Billion Group for a purchase consideration of R42 million. The purpose of the purchase was to develop an office park. The terms of the contract were only finalised in the current year after a lengthy arbitration process to determine the amounts due to each party (refer to note 17 for the arbitration process followed). The interest accrued at a rate of prime and started accruing from 15 January 2019 resulting in a total liability of R52 million. Payment of R45 million was paid to Billion Group towards reducing the debt on 26 July 2021.

The loans are unsecured and are repayable by mutual consent, with payments not expected within 12 months.

19. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|----------------------------|----------------|---------------|----------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Income received in advance | 116 271 | 27 551 | 93 454 | 6 191 |
| Trade payables | 122 731 | 127 377 | 82 763 | 59 874 |
| Value added taxation | - | 568 | 5 241 | 6 528 |
| Tenant deposits | 21 651 | 23 757 | 8 216 | 9 326 |
| Other payables | 27 431 | 48 885 | 8 638 | 6 081 |
| Accrued expenses | 99 648 | 104 891 | 44 296 | 48 157 |
| | 387 732 | 333 030 | 242 608 | 136 157 |

Notes to the annual financial statements

for the year ended 31 August 2021

20. INVESTMENT PROPERTY INCOME

| | Group | | Company | |
|-----------------------------------|------------------|------------------|----------------|----------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Rental income | 1 177 297 | 1 303 418 | 666 694 | 719 460 |
| COVID-19 reprieve | (23 011) | (69 450) | (12 703) | (26 588) |
| Other income | 4 431 | – | – | – |
| Recoveries | 453 995 | 460 300 | 270 162 | 272 441 |
| Investment property income | 1 612 712 | 1 694 269 | 924 153 | 965 313 |

21. PROPERTY EXPENSE

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Impairment loss on trade receivables | 51 582 | 21 188 | 16 336 | 10 877 |
| Repairs and maintenance | 35 649 | 34 256 | 20 677 | 18 976 |
| Municipals (electricity, water, sewerage, refuse and rates) | 421 593 | 397 512 | 232 546 | 196 777 |
| Security contract | 39 097 | 39 380 | 18 922 | 19 041 |
| Cleaning costs | 28 540 | 28 938 | 13 934 | 14 580 |
| Bad debt written off | 97 388 | 54 258 | 32 609 | 8 206 |
| Operating costs | 24 710 | 23 332 | – | – |
| Insurance | 8 413 | 7 860 | – | – |
| Marketing | 6 382 | 8 997 | – | – |
| Other | 7 870 | 5 532 | 3 808 | 605 |
| Property expense | 721 224 | 621 254 | 338 832 | 269 063 |

22. OPERATING INCOME

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Operating income includes the following charges: | | | | |
| Asset management fees | – | – | 24 097 | 22 317 |
| Salaries | 76 719 | 98 236 | 76 719 | 98 236 |
| Audit fees | | | | |
| Paid to external auditors – current year | 2 051 | 3 530 | 1 117 | 2 515 |
| For the attest function – current year | 2 029 | 3 526 | 1 117 | 2 511 |
| For other services | 22 | 4 | – | 4 |
| Paid to internal auditors – current year | 203 | – | 203 | – |
| Depreciation | 3 413 | 5 404 | 1 496 | 3 492 |
| Margin paid on derivatives | 1 431 | 6 309 | 1 431 | 6 309 |
| Property management fees paid | – | 4 | 17 183 | 25 200 |

23. DIRECTORS' EMOLUMENTS

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Executive director remuneration | | | | |
| SM Ngebulana | 6 576 | 7 332 | 6 576 | 7 332 |
| Salary and allowances | 5 883 | 5 772 | 5 883 | 5 772 |
| Retirement benefits | 477 | 468 | 477 | 468 |
| Incentive | 216 | 1 092 | 216 | 1 092 |
| AL Magwentshu[^] | 2 589 | 167 | 2 589 | 167 |
| Salary and allowances | 2 206 | 157 | 2 206 | 157 |
| Retirement benefits | 169 | 10 | 169 | 10 |
| Retention bonus | 146 | – | 146 | – |
| Incentive | 68 | – | 68 | – |
| Z Kogo | 1 969 | 1 896 | 1 969 | 1 896 |
| Salary and allowances | 1 787 | 1 754 | 1 787 | 1 754 |
| Retirement benefits | 145 | 142 | 145 | 142 |
| Retention bonus | 36 | – | 36 | – |
| R Becker⁺ | 1 343 | 4 888 | 1 343 | 4 888 |
| Salary and allowances | 888 | 3 848 | 888 | 3 848 |
| Retirement benefits | 80 | 312 | 80 | 312 |
| Incentive | – | 728 | – | 728 |
| Leave paid out | 375 | – | 375 | – |
| I King[#] | – | 3 162 | – | 3 162 |
| Salary and allowances | – | 2 340 | – | 2 340 |
| Retirement benefits | – | 260 | – | 260 |
| Sign-on bonus | – | – | – | – |
| Leave paid out | – | 107 | – | 107 |
| Incentive | – | 455 | – | 455 |

Mrs I King was appointed as the Chief Financial Officer on 1 December 2018 and resigned on 31 August 2020

[^] Asathi Magwentshu was appointed as Interim Chief Financial Officer on 4 August 2020 and the role was made permanent on 18 December 2020

⁺ Mr R Becker resigned as the Chief Investment Officer on 25 November 2020

Notes to the annual financial statements

for the year ended 31 August 2021

23. DIRECTORS' EMOLUMENTS continued

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Non-executive director attendance fees | | | | |
| ATM Mokgokong | 798 | 741 | 798 | 741 |
| K Keshav ⁺ | 922 | – | 922 | – |
| WJ Odendaal ^{>} | – | 308 | – | 308 |
| NV Qangule ⁶ | 650 | 479 | 650 | 479 |
| TSM Seopa [†] | 194 | 530 | 194 | 530 |
| MM Mdlolo [‡] | 365 | 484 | 365 | 484 |
| GFvL Froneman ^{<} | – | 388 | – | 388 |
| MR Burton [‡] | 291 | – | 291 | – |
| S Naidoo [®] | 296 | – | 296 | – |
| LC Pengilly [*] | 445 | – | 445 | – |
| Total | 3 960 | 2 929 | 3 960 | 2 929 |

[†] Mr TSM Seopa resigned as the Chairperson of Social & Ethics Committee on 8 February 2021

[‡] Mr MM Mdlolo resigned as the Chairman of Investment Committee on 01 April 2021

⁶ Ms NV Qangule was appointed as Chairwoman of Social & Ethics Committee on 16 April 2021

[‡] Mr MR Burton was appointed on 16 April 2021 as the Chairman of Investment Committee

[®] Mr S Naidoo was appointed on 01 April 2021 as a non-executive director and on 16 April 2021 as the Chairman of the Remuneration Committee

⁺ Mr K Keshav was appointed as the Chairman of Audit and Risk Committee on 11 November 2020 and Deputy Chairman of the board on 16 April 2021

[<] Mr GFvL Froneman resigned as the Chairman of the Audit and Risk Committee on 30 June 2020

[>] Mr WJ Odendaal resigned on 19 August 2020

^{*} Mr Lloyd Crossland Pengilly was appointed as a non-executive director on 19 August 2020

24. CHANGES IN FAIR VALUES AND IMPAIRMENTS

| | Group | | Company | |
|---|------------------|---------------------------|---------------|---------------------------|
| | 2021 R'000 | 2020 R'000 Restated | 2021 R'000 | 2020 R'000 Restated |
| Unrealised gain on revaluation of investment property | 48 072 | 392 268 | 264 177 | 243 575 |
| Realised loss on disposal of investment property | (32 927) | (48 292) | (321) | (48 292) |
| Unrealised fair value adjustment – capex post disposal | (1 703) | (3 789) | (1 703) | (3 789) |
| Investment in subsidiaries – impairment | – | – | (244 402) | (156 989) |
| Investment in securities – impairment reversal/(impairment) | 18 220 | (17 562) | 8 191 | (8 191) |
| Derivative instrument | 79 667 | (68 535) | 79 667 | (76 703) |
| Intercompany loan impairment | – | – | (45 520) | (378 430) |
| Goodwill impairment | (238 733) | (73 487) | – | – |
| | (127 404) | 180 603 | 60 089 | (428 820) |

25. NET INTEREST

| | Group | | Company | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Interest paid – secured loans* | (602 187) | (827 683) | (382 693) | (521 788) |
| Interest paid – derivatives | (83 060) | (44 161) | (83 060) | (37 571) |
| Interest paid – other* | (117 005) | (24 475) | (110 872) | (23 854) |
| Interest expense lease | – | – | (3 439) | (295) |
| Debt restructuring fee | (21 829) | (16 138) | (17 770) | (11 887) |
| Interest on land | (10 440) | – | (10 440) | – |
| | (834 522) | (912 457) | (608 274) | (595 394) |
| Interest received – bank | 1 059 | 2 216 | 730 | 1 808 |
| Interest received – derivatives | – | 1 854 | – | 1 854 |
| | 1 059 | 4 070 | 730 | 3 662 |
| | (833 463) | (908 387) | (607 543) | (591 732) |

* Restatement of the prior year comparative was made to the interest paid secured loans for, the interest paid on deferred payment liability of R23 million (group and company) which was moved to interest paid other. This has no impact on the statement of profit or loss and other comprehensive income and the statement of financial position.

26. TAXATION

| | Group | | Company | |
|---|-----------------|---------------|-----------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| South Africa normal taxation: | | | | |
| Current taxation – Current period | 39 849 | 44 468 | 4 887 | – |
| Current taxation – Prior year under provision | 4 887 | – | – | – |
| Deferred tax asset release* | – | 30 859 | – | – |
| Total taxation | 44 736 | 75 327 | 4 887 | – |
| Reconciliation of taxation rate: | | | | |
| Tax at the applicable tax rate of 28% | 28.00% | 28.00% | 28.00% | 28.00% |
| Reconciling items | (46.13%) | 12.98% | (31.51%) | (28.00%) |
| Fair value adjustment in Investment Property | 2.89% | (51.13%) | 53.14% | 11.50% |
| Goodwill impairment** | (27.10%) | 11.19% | – | – |
| Prior year tax under provision | (1.98%) | – | (3.51%) | – |
| Impairment of inter-company loan | – | – | (9.16%) | (25.20%) |
| Reversal of investment impairment in securities/ (Investment impairment in securities) | 2.07% | 2.68% | 1.65% | 0.50% |
| Straight-line lease accrual | 2.73% | 2.93% | (0.13%) | (0.86%) |
| Impairment of investment in subsidiaries | – | – | (49.16%) | (8.67%) |
| Fair value adjustment in financial instruments | 9.04% | 10.44% | 16.03% | (4.71%) |
| Non-deductible expenditure | (4.20%) | 2.35% | (1.85%) | 0.33% |
| Impact of deferred taxation | (14.01%) | (1.24%) | (19.88%) | – |
| Other | (2.21%) | 0.66% | (1.72%) | (1.20%) |
| Deferred tax asset release | – | 16.70% | – | – |
| Assessed loss carried forward | (13.36%) | 18.40% | (16.92%) | 0.30% |
| Effective rate | (18.13%) | 40.98% | (3.51%) | – |

* Deferred tax asset was raised in the 2019 financial year and was released in 2020 as management made an assessment that this would not be utilised.

** The prior year goodwill was incorrectly disclosed as 0%, this has been correctly restated to the correct amount of 11%. The restatement results in an increase in the assessed loss carried forward. This adjustment has no effect on the statement of profit or loss and other comprehensive income and the statement of financial position.

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26. TAXATION continued

The deferred tax assets resulting from assessed losses incurred by the group and company have not been recognised. The REIT status results in the position whereby it is unlikely that there will be future taxable income against which to utilise the deferred tax asset as the qualifying distribution is deductible.

The tax position of each subsidiary within the group has been assessed to determine whether it is appropriate to recognise deferred tax assets arising from assessed losses. It was determined that for all the subsidiaries that there will be no taxable income for which the assessed loss will be utilised and therefore the deferred tax asset will not be recognised.

The group has R350 million (2020: R229 million) and company R84 million (2020: nil) of assessed loss amounts, which will be carried forward.

27. NOTE TO THE STATEMENT OF CASH FLOWS

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Cash generated by operations | | | | |
| (Loss)/profit before tax | (246 619) | 184 299 | (139 193) | (454 184) |
| Adjusted for: | | | | |
| Non-cash items | | | | |
| Increase in fair value adjustment | (13 442) | (392 268) | (264 177) | (243 575) |
| Loss on sale of investment property | 5 604 | 48 292 | 321 | 48 292 |
| Straight-line rental income accrual | (24 042) | 15 013 | 661 | 14 021 |
| Depreciation | 3 257 | 5 404 | 1 399 | 3 492 |
| Amortisation of lease commission and tenant installation | 2 195 | - | - | - |
| Depreciation – right-of-use asset | - | - | 5 252 | 438 |
| Investment in securities | - | (13 287) | - | (5 700) |
| (Impairment reversal)/Impairment of investment in securities | (18 220) | 17 562 | (8 191) | 8 191 |
| Impairment in intercompany loan | - | - | 45 520 | 378 430 |
| Impairment in subsidiaries | - | - | 244 402 | 156 989 |
| Non-cash expenses (penalties and fines) | 13 765 | 5 487 | 782 | 16 374 |
| Non-cash income tax write off | - | (385) | - | (385) |
| Unrealised fair value adjustment | - | 3 789 | - | - |
| Decrease in fair value of derivative asset (current) | 1 431 | 603 | 1 431 | 595 |
| Decrease/(Increase) in fair value of derivative liability (current) | 20 275 | (32 010) | 20 275 | (23 833) |
| (Increase)/Decrease in fair value of derivative liability (non-current) | (99 941) | 99 941 | (99 941) | 99 941 |
| Movement in allowance for ECLs | 51 004 | 87 860 | 16 336 | 26 371 |
| Debt structuring fees | 3 143 | - | 25 | - |
| Goodwill impairment | 238 733 | 73 487 | - | - |
| Interest Received | (1 059) | (4 070) | (3 044) | (3 662) |
| Non-cash expenditure | 88 209 | - | 36 026 | - |
| Finance Cost | 834 521 | 912 457 | 590 504 | 595 394 |
| Operating income before working capital changes | 858 814 | 1 012 177 | 448 388 | 617 190 |
| Working capital changes | 92 399 | (26 807) | 141 495 | (25 746) |
| Trade and other receivables | 37 036 | (140 975) | 35 043 | (91 931) |
| Increase in operating group loans | - | - | - | (450) |
| Trade and other payables | 55 363 | 114 168 | 106 452 | 66 635 |
| Cash generated from operations | 951 213 | 985 370 | 589 883 | 591 443 |

27. NOTE TO THE STATEMENT OF CASH FLOWS continued

| | Group | | |
|-------------------------------|---|--|--|
| | Interest-bearing borrowings R'000 | Interest rate swap recognised in trade and other payables R'000 | Deferred payment liability R'000 |
| 2021 | | | |
| At 1 September 2020 | 9 588 979 | 8 932 | 146 226 |
| Interest accrued | 602 187 | 83 060 | 111 637 |
| Proceeds | 21 000 | – | – |
| Repayment of capital | (99 100) | – | (54 140) |
| Repayment of interest | (603 342) | (82 696) | (7 860) |
| Non-cash movement | – | – | 87 875 |
| Balance 31 August 2021 | 9 509 724 | 9 296 | 283 738 |

| | Group | | |
|-------------------------------|---|--|--|
| | Interest-bearing borrowings R'000 | Interest rate swap recognised in trade and other payables R'000 | Deferred payment liability R'000 |
| 2020 | | | |
| At 1 September 2019 | 10 131 357 | – | 123 471 |
| Interest accrued | 868 050 | – | 22 755 |
| Cash flow – capital | (598 231) | (4 236) | – |
| Capital raised | 51 400 | 22 954 | – |
| Cash flow – interest | (863 597) | (9 786) | – |
| Balance 31 August 2020 | 9 588 979 | 8 932 | 146 226 |

| | Company | | |
|---------------------------------|---|--|--|
| | Interest-bearing borrowings R'000 | Interest rate swap recognised in trade and other payables R'000 | Deferred payment liability R'000 |
| 2021 | | | |
| At 1 September 2020 | 5 882 653 | 8 932 | 146 226 |
| Interest accrued | 382 693 | 83 060 | 107 864 |
| Proceeds | 21 000 | – | – |
| Repayment of capital | – | – | (54 140) |
| Repayment of interest | (386 838) | (82 696) | (7 860) |
| Transfer to other subsidiaries* | – | – | (63 672) |
| Non-cash movement | – | – | 87 875 |
| Balance 31 August 2021 | 5 899 508 | 9 296 | 216 293 |

* Transfer of the Nedbank clawback from Rebosis to Forest Hill City and Baywest City

| | Company | | |
|-------------------------------|---|--|--|
| | Interest-bearing borrowings R'000 | Interest rate swap recognised in trade and other payables R'000 | Deferred payment liability R'000 |
| 2020 | | | |
| At 1 September 2019 | 6 445 884 | – | 123 471 |
| Interest accrued | 550 065 | – | 22 755 |
| Cash flow – capital | (561 255) | (4 236) | – |
| Capital raised | – | 22 954 | – |
| Cash flow – interest | (552 040) | (9 786) | – |
| Balance 31 August 2020 | 5 882 653 | 8 932 | 146 226 |

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28. EARNINGS AND HEADLINE EARNINGS

| | Group | |
|--|------------------|-------------|
| | 2021 | 2020 |
| Number of REA ordinary shares in issue at year end | 63 266 012 | 63 266 012 |
| Weighted average number of REA ordinary shares in issue used for the calculation of earnings and headline earnings per share | 63 266 012 | 63 266 012 |
| Number of REB ordinary shares in issue at year end | 696 844 874 | 696 844 874 |
| Weighted average number of shares in issue used for the calculation of earnings and headline earnings per share | 696 844 874 | 696 844 874 |
| | R'000 | R'000 |
| (Loss)/Profit attributable to ordinary equity holders of the parent entity | (291 356) | 108 973 |
| <i>Adjusted for:</i> | | |
| Change in fair value of investment properties | (13 442) | (340 187) |
| Goodwill impairment | 238 733 | 73 487 |
| Headline loss attributable to shareholders | (66 064) | (157 729) |
| REA ordinary shares | | |
| Basic and diluted earnings per REA ordinary share (cents) | 292.72 | 278.78 |
| Basic and diluted headline earnings per REA ordinary share (cents) | 292.72 | 278.78 |
| REB ordinary shares | | |
| Basic and diluted loss per REB ordinary share (cents) | (68.39) | (9.67) |
| Basic and diluted headline (loss)/earnings per REB ordinary share (cents) | (36.06) | (47.94) |

29. NET ASSET VALUE

Net Asset Value (NAV) per share is calculated by dividing equity and reserves attributable to shareholders (as reflected on the statement of financial position) by the number of ordinary shares in issue at the end of the year less treasury shares.

The following table reflects the net asset and share data used in the NAV per share calculations:

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Total equity | 3 188 131 | 3 479 486 | 1 501 568 | 1 645 648 |
| Less: NAV for REA ordinary share (Share price @ 0.75) | (47 450) | (72 756) | (47 450) | (72 756) |
| NAV for REB ordinary share | 3 140 681 | 3 406 730 | 1 454 118 | 1 572 892 |
| Number of REB ordinary share in issue at year end | 696 844 874 | 696 844 874 | 696 844 874 | 696 844 874 |
| Net asset value per REB ordinary share | 4,51 | 4,89 | 2,09 | 2,26 |

30. COMMITMENTS

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| 30.1 CAPITAL COMMITMENTS | | | | |
| Capital improvements in respect of investment properties | | | | |
| – Approved and committed | 16 994 | 5 944 | 6 418 | 698 |
| – Approved not yet committed | 5 089 | 20 679 | – | – |
| | 22 083 | 26 623 | 6 418 | 698 |
| 30.2 OPERATING EXPENSE COMMITMENTS | | | | |
| The company has entered into various service contracts for the cleaning and general maintenance of the property portfolio. The operating expense commitments payable to service providers in future years are as follows: | | | | |
| – Due one year | 35 780 | 41 735 | 12 879 | – |
| – Due two to five years | 22 188 | – | 10 269 | – |
| | 57 968 | 41 735 | 23 149 | – |

31. MINIMUM LEASE PAYMENTS RECEIVABLE

Minimum lease payments comprise contractual rental income from investment properties and operating lease recoveries due in terms of signed lease agreements. The below table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

| | Group | | Company | |
|---------------------|------------------|------------------|------------------|------------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Less than one year | 708 312 | 728 088 | 352 725 | 331 144 |
| One to two years | 602 232 | 598 792 | 306 144 | 267 547 |
| Two to three years | 491 113 | 506 028 | 243 794 | 229 945 |
| Three to four years | 297 593 | 410 836 | 160 490 | 177 415 |
| Four to five years | 132 351 | 200 592 | 87 409 | 68 119 |
| Beyond five years | 415 939 | 958 284 | 114 426 | 209 062 |
| | 2 647 540 | 3 402 619 | 1 264 988 | 1 283 232 |

32. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

RELATIONSHIPS

Subsidiaries

| |
|--|
| Rebosis Property Services (Pty) Limited |
| Rebosis Asset Managers (Pty) Limited |
| Ascension Property Management Company (Pty) Limited |
| Ascension Properties Limited |
| Dalolex (Pty) Limited |
| Baywest City (Pty) Limited |
| Forest Hill City Limited Shopping centre (Pty) Limited |

Related Parties

Billion Group Proprietary Limited ("Billion Group"), a company owned by The Amatolo Family Trust and SM Ngebulana is a beneficiary of The Amatolo Family Trust which collectively owns 2.66% (2020: 5.84%) of the shares in Rebosis.

Zacacode Proprietary Limited is a wholly owned subsidiary of the Chartwell Trust which SM Ngebulana is an associate. The entity owns 10.58% of the ordinary shares and 28.86% of the A ordinary shares in Rebosis. This results in a total indirect shareholding of 17.51% by SM Ngebulana.

Notes to the annual financial statements

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32. RELATED PARTIES AND RELATED PARTY TRANSACTIONS continued

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Loans accounts – owing (to)/by related parties | | | | |
| Rebasis Property Services (Pty) Limited | – | – | (16 878) | (19 643) |
| Rebasis Asset Managers (Pty) Limited | – | – | (2 436) | (2 478) |
| Ascension Properties Limited | – | – | (858 090) | (770 822) |
| Ascension Properties Limited | – | – | 49 | – |
| Dalolex (Pty) Limited | – | – | 8 469 | 8 428 |
| Baywest City (Pty) Limited | – | – | 140 706 | 156 142 |
| Forest Hill City Shopping Centre Proprietary Limited | – | – | – | – |
| Billion Group (Pty) Limited | (155 484) | (2 542) | (155 484) | (2 542) |
| Amounts included in trade and other receivables | – | – | – | – |
| Ascension Property Management Company (Pty) Limited | – | – | 1 160 | 5 319 |
| Loan – Billion Group land | | | | |
| Billion Group (Pty) Limited | 7 440 | – | 7 440 | – |
| Administration fee received from related parties | | | | |
| Rebasis Property Services (Pty) Limited | – | – | 44 910 | 62 731 |
| Rebasis Asset Managers (Pty) Limited | – | – | 23 972 | 22 315 |
| Ascension Property Management Company (Pty) Limited | – | – | 13 387 | 14 078 |
| Administration fee paid to related parties | | | | |
| Rebasis Property Services (Pty) Limited | – | – | 13 511 | 16 414 |
| Property management fee paid to related parties | | | | |
| Rebasis Property Services (Pty) Limited | – | – | 17 183 | 25 102 |
| Asset management fee expense to related parties | | | | |
| Rebasis Asset Managers (Pty) Limited | – | – | 24 097 | 22 317 |
| Consultation fee paid to related parties | | | | |
| Billion Group (Pty) Limited | – | 6 000 | – | 6 000 |
| Rental received from related parties | | | | |
| Billion Group (Pty) Limited | 1 193 | – | – | – |
| Interest on land | | | | |
| Billion Group (Pty) Limited | 10 440 | – | 10 440 | – |
| Interest on deferred liability | | | | |
| Billion Group (Pty) Limited | 97 083 | – | 97 083 | – |

33. CAPITAL MANAGEMENT

The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The company's borrowings, are limited to 50% of the valuation of the assets in terms of the existing debt covenants. The company uses loan-to-value, calculated in terms of the REIT best practice recommendations to measure the available borrowing capacity. Loan-to-value is calculated by dividing net debt by the total property assets.

The company is currently in breach of its covenant levels of 50%. The company has entered into an agreement to dispose of its assets. Please refer to note 3 and note 38. This will assist to deleverage the fund.

Covenants in breach or not in breach

| Institution | Covenant | Breach/Not in breach |
|----------------------|-------------------------|----------------------|
| Nedbank | Gearing covenant | Breached |
| | Interest cover covenant | Breached |
| FirstRand | Interest cover ratio | Breached |
| | Gearing ratio | Breached |
| | Net asset value | Breached |
| Standard Bank | Interest cover ratio | Breached |
| | Gearing ratio | Not in breach |
| Investec | Gearing ratio | Not in breach |

As at 31 August 2021, the borrowing capacity of the company was as follows:

| | Group | |
|---|---------------|---------------|
| | 2021 R'000 | 2020 R'000 |
| Net debt | 9 383 178 | 9 529 746 |
| Interest-bearing borrowings (excluding derivatives) | 9 509 200 | 9 588 979 |
| Less: cash and cash equivalents | (126 022) | (59 233) |
| Property assets | 13 144 500 | 13 159 680 |
| Investment property | 7 126 000 | 12 009 851 |
| Investment property held for sale | 6 018 500 | 1 149 829 |
| Loan-to-value | 71.4% | 72.4% |

As at 31 August 2021, the loan-to-value ratio for the Rebasis Group was 71.4%.

| | Company | |
|---|---------------|---------------|
| | 2021 R'000 | 2020 R'000 |
| Net debt | 5 816 745 | 5 854 408 |
| Interest-bearing borrowings (excluding derivatives) | 5 899 507 | 5 882 653 |
| Less: cash and cash equivalents | (82 763) | (28 245) |
| Property assets | 7 288 200 | 7 013 399 |
| Investment property | 3 554 000 | 6 864 360 |
| Investment property held for sale | 3 734 200 | 149 039 |
| Loan-to-value | 79.8% | 83.5% |

As at 31 August 2021, the loan-to-value ratio for the Rebasis company was 79.8%.

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34. FAIR VALUE HIERARCHY

The different levels have been defined as:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments measured at fair value by the level into which the fair value measurement is categorised. Refer to note 3 for the fair value estimation techniques used.

| | | | | | Group |
|-------------------------------------|-------|--|---------------|---------------|---------------|
| | Notes | Assets carried at fair value through profit and loss R'000 | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 |
| Assets | | | | | |
| 31-Aug-21 | | | | | |
| RECURRING | | | | | |
| Investment property | 3 | 7 126 000 | – | – | 7 126 000 |
| Investment properties held for sale | 3.1 | 6 018 500 | – | – | 6 018 500 |
| 31-Aug-20 | | | | | |
| RECURRING | | | | | |
| Investment property | 3 | 12 009 851 | – | – | 12 009 851 |
| Derivative instruments | 12 | 1 431 | – | 1 431 | – |
| Investment properties held for sale | 3.1 | 1 149 829 | – | – | 1 149 829 |
| | | | | | Group |
| | Notes | Liabilities designated at fair value through profit and loss R'000 | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 |
| Liabilities | | | | | |
| 31-Aug-21 | | | | | |
| RECURRING | | | | | |
| Derivative instruments | 12 | 20 275 | – | 20 275 | – |
| 31-Aug-20 | | | | | |
| RECURRING | | | | | |
| Derivative instruments | 12 | 99 941 | – | 99 941 | – |

34. FAIR VALUE HIERARCHY continued

| | | Company | | | |
|-------------------------------------|-------|--|------------------|------------------|------------------|
| | Notes | Assets carried at fair value through profit and loss R'000 | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 |
| Assets | | | | | |
| 31-Aug-21 | | | | | |
| RECURRING | | | | | |
| Investment property | 3 | 3 554 000 | – | – | 3 554 000 |
| Investment properties held for sale | 3.1 | 3 734 200 | – | – | 3 734 200 |
| 31-Aug-20 | | | | | |
| RECURRING | | | | | |
| Investment property | 3 | 6 864 360 | | | 6 864 360 |
| Derivative instruments | 12 | 1 431 | | 1 431 | |
| Investment properties held for sale | 3.1 | 149 039 | | | 149 039 |
| | | Company | | | |
| | Notes | Liabilities designated at fair value through profit and loss R'000 | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 |
| Liabilities | | | | | |
| 31-Aug-21 | | | | | |
| RECURRING | | | | | |
| Derivative instruments | 12 | 20 275 | – | 20 275 | – |
| 31-Aug-20 | | | | | |
| RECURRING | | | | | |
| Derivative instruments | 12 | 99 941 | – | 99 941 | – |

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35. FINANCIAL RISK MANAGEMENT

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The Audit and Risk Committee are tasked with assisting the board in determining the company's risk tolerance. Rebasis implements a risk management process for identifying, evaluating and monitoring the nature and extent of risks affecting the achievement of its business objectives and for managing and controlling these risks.

The company's financial instruments consist mainly of deposits with banks, interest-bearing liabilities, derivative instruments, trade and other receivables, investment in securities, loans to and from group companies and trade and other payables. The group's exposure to the following risks arises in the normal course of business:

- » Interest rate risk
- » Liquidity risk
- » Credit risk

The below table sets out the classification of each class of financial asset and liability and their fair values:

| | Financial assets | | Financial liabilities | | |
|------------------------------------|----------------------------|---|----------------------------|---|-------------------|
| | At amortised cost R'000 | At fair value through profit or loss R'000 | At amortised cost R'000 | At fair value through profit or loss R'000 | Total R'000 |
| As at 31 August 2021 | | | | | |
| GROUP | | | | | |
| Financial assets | | | | | |
| Trade and other receivables* | 168 011 | – | – | – | 168 011 |
| Cash and cash equivalents | 126 022 | – | – | – | 126 022 |
| Total financial assets | 294 033 | – | – | – | 294 033 |
| Financial liabilities | | | | | |
| Deferred payment liability | – | – | 283 738 | – | 283 738 |
| Interest-bearing borrowings | – | – | 9 509 200 | – | 9 509 200 |
| Derivative instruments | – | – | – | 20 275 | 20 275 |
| Trade and other payables** | – | – | 271 461 | – | 271 461 |
| Total financial liabilities | – | – | 10 064 398 | 20 275 | 10 084 673 |
| COMPANY | | | | | |
| Financial assets | | | | | |
| Loan to group companies | 149 223 | – | – | – | 149 223 |
| Trade and other receivables* | 80 608 | – | – | – | 80 608 |
| Cash and cash equivalents | 82 763 | – | – | – | 82 763 |
| Total financial assets | 312 594 | – | – | – | 312 594 |
| Financial liabilities | | | | | |
| Deferred payment liability | – | – | 216 293 | – | 216 293 |
| Interest-bearing borrowings | – | – | 5 899 508 | – | 5 899 508 |
| Derivative instruments | – | – | – | 20 275 | 20 275 |
| Loans from group companies | – | – | 877 453 | – | 877 453 |
| Trade and other payables** | – | – | 143 914 | – | 143 914 |
| Total financial liabilities | – | – | 7 137 168 | 20 275 | 7 157 443 |

* Excludes pre-payments, VAT, deposits and tax receivable.

** Excludes income received in advance and VAT payables.

35. FINANCIAL RISK MANAGEMENT continued

| | Financial assets | | Financial liabilities | | Total R'000 |
|------------------------------------|-----------------------------------|---|----------------------------------|---|-------------------|
| | Loans and receivables R'000 | At fair value through profit or loss R'000 | At amortised cost R'000 | At fair value through profit or loss R'000 | |
| As at 31 August 2020 | | | | | |
| GROUP | | | | | |
| Financial assets | | | | | |
| Derivative instruments | – | 1 431 | – | – | 1 431 |
| Trade and other receivables* | 238 207 | – | – | – | 238 207 |
| Cash and cash equivalents | 59 233 | – | – | – | 59 233 |
| Total financial assets | 297 440 | 1 431 | – | – | 298 871 |
| Financial liabilities | | | | | |
| Deferred payment liability | – | – | 146 226 | – | 146 226 |
| Interest-bearing borrowings*** | – | – | 9 588 979 | – | 9 588 979 |
| Derivative instruments | – | – | – | 99 941 | 99 941 |
| Trade and other payables** | – | – | 304 911 | – | 304 911 |
| Total financial liabilities | – | – | 10 040 116 | 99 941 | 10 140 057 |
| COMPANY | | | | | |
| Financial assets | | | | | |
| Loan to group companies | 164 570 | – | – | – | 164 570 |
| Derivative instruments | – | 1 431 | – | – | 1 431 |
| Trade and other receivables* | 120 645 | – | – | – | 120 645 |
| Cash and cash equivalents | 28 245 | – | – | – | 28 245 |
| Total financial assets | 313 461 | 1 431 | – | – | 314 892 |
| Financial liabilities | | | | | |
| Deferred payment liability | – | – | 146 224 | – | 146 224 |
| Interest-bearing borrowings | – | – | 5 882 653 | – | 5 882 653 |
| Derivative instruments | – | – | – | 99 941 | 99 941 |
| Loans from group companies | – | – | 792 943 | – | 792 943 |
| Trade and other payables** | – | – | 123 438 | – | 123 438 |
| Total financial liabilities | – | – | 6 945 258 | 99 941 | 7 045 200 |

* Excludes pre-payments, VAT, deposits and tax receivable.

** Excludes income received in advance and VAT payables.

MARKET RISK

The group is exposed to market risk through interest rate risk.

INTEREST RATE RISK

The group has significant exposure to interest rate risk through its interest-bearing borrowings. The group manages its exposure to changes in interest rates by fixing interest rates by way of interest rate swap arrangements in respect of borrowings. At year end, hedged interest rates in respect of the group 28% (2020: 38.6%) (company: 46% (2020: 62.9%)) of borrowings were hedged in terms of interest rate swap, interest rate cap. The weighted average cost of borrowings for the group was 6.36% (2020: 8.5%) (company: 6.51% (2020: 8.6%)).

All interest-bearing borrowings have been disclosed as a short-term portion due to the group breaching its loan covenants.

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35. FINANCIAL RISK MANAGEMENT continued

SENSITIVITY ANALYSIS

The below shows what the impact of an increase/(decrease) in interest rates relating to interest bearing borrowings, while holding the other inputs constant, would have to the profit before taxation:

| Input | Change % | Group | | Company | |
|-------------------------------------|-------------|---------------|---------------|---------------|---------------|
| | | 2021 R'000 | 2020 R'000 | 2021 R'000 | 2020 R'000 |
| Increase in the prime interest rate | 1.00 | 94 717 | 95 815 | 58 807 | 58 827 |
| Decrease in the prime interest rate | 1.00 | (94 717) | (95 815) | (58 807) | (58 827) |

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial commitments as and when they fall due. This risk is managed by holding cash balances and a revolving loan facility and by regularly monitoring cash flows. The company will utilise facilities and cash on hand to meet its short-term funding requirements.

The group seeks to borrow for as long as possible at the lowest acceptable cost. The group regularly reviews the maturity profile of its interest-bearing debt and other financial liabilities and seeks to avoid concentration of maturities through the regular replacement of facilities well in advance of maturity dates. The group's objective in managing liquidity risk is to ensure that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Forecast cash flows based on anticipated rentals net of operating expenses, finance costs, other income, corporate expenditure and capital expenditure are reviewed on a regular basis.

A maturity analysis of the group's financial assets and liabilities and its exposure to liquidity rate risk at year end are set out in the table below:

| | Weighted average effective interest rate % | Less than one year R'000 | One to five years R'000 | More than five years R'000 | Total R'000 |
|------------------------------------|--|--------------------------------|-------------------------------|----------------------------------|-------------------|
| As at 31 August 2021 | | | | | |
| GROUP | | | | | |
| Financial assets | | | | | |
| Derivative instruments | 7.0 | – | – | – | – |
| Trade and other receivables* | | 168 011 | – | – | 168 011 |
| Cash and cash equivalents | 6.4 | 126 022 | – | – | 126 022 |
| Total financial assets | | 294 033 | – | – | 294 033 |
| Financial liabilities | | | | | |
| Deferred payment liability | | 283 738 | – | – | 283 738 |
| Interest bearing borrowings*** | 6.4 | 9 509 200 | – | – | 9 509 200 |
| Derivative instruments | 6.7 | 20 275 | – | – | 20 275 |
| Trade and other payables** | | 271 461 | – | – | 271 461 |
| Total financial liabilities | | 10 084 673 | – | – | 10 084 673 |

* Excludes pre-payments, VAT, deposits and tax receivable.

** Excludes income received in advance and VAT payables.

*** For the interest bearing borrowings, the interest is accrued and paid on a monthly or bi-monthly basis, depending on the lender. No repayment of the capital portion has been made and there is no determined repayment date. The interest bearing borrowings are disclosed as less than one year due to the loan covenants having been breached

35. FINANCIAL RISK MANAGEMENT continued

| | Weighted average effective interest rate % | Less than one year R'000 | One to five years R'000 | More than five years R'000 | Total R'000 |
|------------------------------------|--|--------------------------------|-------------------------------|----------------------------------|-------------------|
| As at 31 August 2021 | | | | | |
| COMPANY | | | | | |
| Financial assets | | | | | |
| Derivative instruments | 7.0 | – | – | – | – |
| Trade and other receivables* | – | 80 608 | – | – | 80 608 |
| Loans to group entities | – | – | – | 149 223 | 149 223 |
| Cash and cash equivalents | 6.4 | 82 763 | – | – | 82 763 |
| Total financial assets | – | 163 372 | – | 149 223 | 312 594 |
| Financial liabilities | | | | | |
| Deferred payment liability | – | 216 293 | – | – | 216 293 |
| Interest bearing borrowings*** | 6.4 | 5 899 508 | – | – | 5 899 508 |
| Derivative instruments | 6.7 | 20 275 | – | – | 20 275 |
| Loans from group entities | – | – | – | 877 453 | 877 453 |
| Trade and other payables** | – | 143 914 | – | – | 143 914 |
| Total financial liabilities | – | 6 279 990 | – | 877 453 | 7 157 443 |
| As at 31 August 2020 | | | | | |
| GROUP | | | | | |
| Financial assets | | | | | |
| Derivative instruments | 7 | 1 431 | – | – | 1 431 |
| Trade and other receivables* | – | 238 207 | – | – | 238 207 |
| Cash and cash equivalents | 6.4 | 59 233 | – | – | 59 233 |
| Total financial assets | – | 298 872 | – | – | 298 872 |
| Financial liabilities | | | | | |
| Deferred payment liability | – | 146 226 | – | – | 146 226 |
| Interest bearing borrowings*** | 8.5 | 9 588 979 | – | – | 9 588 979 |
| Derivative instruments | 6.7 | – | 99 941 | – | 99 941 |
| Trade and other payables** | – | 304 911 | – | – | 304 911 |
| Total financial liabilities | – | 10 040 116 | 99 941 | – | 10 140 057 |

* Excludes pre-payments, VAT, deposits and tax receivable.

** Excludes income received in advance and VAT payables.

*** For the interest bearing borrowings, the interest is accrued and paid on a monthly or bi-monthly basis, depending on the lender. No repayment of the capital portion has been made and there is no determined repayment date. The interest bearing borrowings are disclosed as less than one year due to the loan covenants having been breached

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35. FINANCIAL RISK MANAGEMENT continued

| | Weighted average effective interest rate % | Less than one year R'000 | One to five years R'000 | More than five years R'000 | Total R'000 |
|------------------------------------|--|--------------------------------|-------------------------------|----------------------------------|----------------|
| As at 31 August 2020 | | | | | |
| COMPANY | | | | | |
| Financial assets | | | | | |
| Derivative instruments | 7 | 1 431 | – | – | 1 431 |
| Trade and other receivables* | | 120 645 | – | – | 120 645 |
| Loan to group companies | | – | – | 164 570 | 164 570 |
| Cash and cash equivalents | 6.4 | 28 245 | – | – | 28 245 |
| Total financial assets | | 150 321 | – | 164 570 | 314 891 |
| Financial liabilities | | | | | |
| Deferred payment liability | | 146 224 | – | – | 146 224 |
| Interest-bearing borrowings*** | 8.5 | 5 882 653 | – | – | 5 882 653 |
| Derivative instruments | 6.7 | – | 99 941 | – | 99 941 |
| Loans from group companies | | – | – | 792 943 | 792 943 |
| Trade and other payables** | | 123 438 | – | – | 123 438 |
| Total financial liabilities | | 6 152 315 | 99 941 | 792 943 | 7 045 199 |

* Excludes pre-payments, VAT, deposits and tax receivable.

** Excludes income received in advance and VAT payables.

*** For the interest-bearing borrowings, the interest is accrued and paid on a monthly or bi-monthly basis, depending on the lender. No repayment of the capital portion has been made and there is no determined repayment date. The interest-bearing borrowings are disclosed as less than one year due to the loan covenants having been breached.

35. FINANCIAL RISK MANAGEMENT continued

CREDIT RISK

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group is exposed to credit risk on loans receivable, trade and other receivables and cash and cash equivalents. Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group prefers to only deal with reputable counterparties with consistent payment histories. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables consist of a large, widespread tenant base. Management has established a credit policy in terms of which each new tenant is analysed individually for creditworthiness before the group's standard payment terms and conditions are offered which include, in the majority of cases, the provision of a deposit of at least one month's rental. The group monitors the financial position of its tenants on an ongoing basis. The group's trade receivables are subject to the ECL model, and amounted to approximately R104.6 million for the group and R39 million for the company (2020: R53.6 million for the group and R22.8 million for the company), net of tenant deposits held as security.

ECLs are measured by taking into account the EAD, PD and the LGD (please refer to note 1.3.4). A default was considered to be at the point where a tenant passes 90 days. Once an amount passes the default point for the purposes of calculating the ECL, the recoveries, write-offs and timing is tracked to determine loss rates. The group performed the calculation of ECL rates separately for national tenants, government entities, and other tenants. Exposures within each group were segmented based on common credit risk characteristics. The weighted average loss rate was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the group's view of economic conditions over the expected lives of the receivables, taking into consideration the pressure facing smaller tenants due to lockdown regulations and possible increase in probability of default, offset by the industry-wide rent concessions. Uncertainty brought about by COVID-19 and the financial impact on tenants have been incorporated in the ECL of tenant receivables.

Notes to the annual financial statements

for the year ended 31 August 2021

35. FINANCIAL RISK MANAGEMENT continued

CREDIT RISK continued

A summary of the group's and company's exposure to credit risk and ECLs for rental debtors is as follows:

| | Group | | | |
|-----------------------------------|---|--------------------------------------|----------------------------|-----------------------------|
| | 2021 | | | |
| | Weighted average loss rate R'000 | Gross carrying amount R'000 | Loss allowance R'000 | Credit Impaired R'000 |
| Rental debtors | | | | |
| Up to 90 days past due | 10% | 46 772 | 4 521 | NO |
| More than 90 days past due | 71% | 140 448 | 100 088 | NO |
| Specific credit losses recognised | – | – | – | YES |
| Total gross carrying amount | | 187 220 | 104 609 | |

| | Group | | | |
|-----------------------------------|---|--------------------------------------|----------------------------|-----------------------------|
| | 2020 | | | |
| | Weighted average loss rate R'000 | Gross carrying amount R'000 | Loss allowance R'000 | Credit Impaired R'000 |
| Rental debtors | | | | |
| Up to 90 days past due | 14% | 147 398 | 17 785 | NO |
| More than 90 days past due | 50% | 42 921 | 21 613 | NO |
| Specific credit losses recognised | 100% | 14 207 | 14 207 | YES |
| Total gross carrying amount | | 204 526 | 53 605 | |

| | Company | | | |
|-----------------------------|---|--------------------------------------|----------------------------|-----------------------------|
| | 2021 | | | |
| | Weighted average loss rate R'000 | Gross carrying amount R'000 | Loss allowance R'000 | Credit Impaired R'000 |
| Rental debtors | | | | |
| Up to 90 days past due | 8% | 29 448 | 2 484 | NO |
| More than 90 days past due | 73% | 50 015 | 36 689 | NO |
| Total gross carrying amount | | 79 463 | 39 173 | |

| | Company | | | |
|-----------------------------------|---|--------------------------------------|----------------------------|-----------------------------|
| | 2020 | | | |
| | Weighted average loss rate R'000 | Gross carrying amount R'000 | Loss allowance R'000 | Credit Impaired R'000 |
| Rental debtors | | | | |
| Up to 90 days past due | 14% | 77 244 | 10 717 | NO |
| More than 90 days past due | 65% | 18 577 | 12 120 | NO |
| Specific credit losses recognised | – | – | – | YES |
| Total gross carrying amount | | 95 821 | 22 837 | |

35. FINANCIAL RISK MANAGEMENT continued

The maximum exposure to credit risk is presented in the table below:

| | 2021 | | | |
|-------------------------------|-------|--------------------------------|---|-------------------------|
| | Notes | Gross carrying amount R'000 | Credit loss allowance/ impairment R'000 | Amortised cost R'000 |
| GROUP | | | | |
| Trade and other receivables | 14 | 272 620 | (104 609) | 168 011 |
| Cash and cash equivalents | 15 | 126 022 | – | 126 022 |
| Total financial assets | | 398 642 | (104 609) | 294 033 |
| COMPANY | | | | |
| Trade and other receivables | 14 | 119 781 | (39 173) | 80 608 |
| Cash and cash equivalents | 15 | 82 763 | – | 82 763 |
| Loans to group companies | 6 | 194 743 | (45 520) | 149 223 |
| Total financial assets | | 397 287 | (84 693) | 312 594 |
| 2020 | | | | |
| | Notes | Gross carrying amount R'000 | Credit loss allowance/ impairment R'000 | Amortised cost R'000 |
| GROUP | | | | |
| Trade and other receivables | 14 | 291 811 | (53 605) | 238 206 |
| Cash and cash equivalents | 15 | 59 233 | – | 59 233 |
| Total financial assets | | 351 044 | (53 605) | 297 439 |
| COMPANY | | | | |
| Trade and other receivables | 14 | 143 482 | (22 837) | 120 645 |
| Cash and cash equivalents | 15 | 28 245 | – | 28 245 |
| Loans to group companies | 6 | 543 000 | (378 430) | 164 570 |
| Total financial assets | | 714 727 | (401 267) | 313 460 |

Cash and cash equivalents

The group does not consider credit risk with respect to cash and cash equivalents to be significant as it holds cash accounts with reputable institutions.

The fair value of cash and cash equivalents as at 31 August 2021 approximates the carrying value.

Trade and other receivables

The impact of COVID-19 has resulted in predominantly retail tenants being unable to pay their rental obligations. The group team negotiated rental concessions with retailers in an effort to reduce the shortfall. A summary of the group's exposure to ECLs for trade receivables as at 31 August 2021 is disclosed in Note 14.

Notes to the annual financial statements

for the year ended 31 August 2021

36. SEGMENT REPORT

| 2021 | Property portfolio | | | | Head office R'000 | Total R'000 |
|--|--------------------|------------------|---------------------|-------------------|----------------------|-------------------|
| | Retail R'000 | Office R'000 | Industrial R'000 | Total R'000 | | |
| Property portfolio | 638 139 | 1 017 467 | 11 053 | 1 666 660 | – | 1 666 660 |
| Investment property income | 608 901 | 993 099 | 10 712 | 1 612 712 | – | 1 612 712 |
| Net income from facilities management | – | 29 906 | – | 29 906 | – | 29 906 |
| Management fees received | – | – | – | – | – | – |
| Straight-line rental income accrual | 29 238 | (5 538) | 342 | 24 042 | – | 24 042 |
| Impairment loss on trade receivables | (48 272) | (3 310) | – | (51 582) | – | (51 582) |
| Property expenses | (322 270) | (345 947) | (1 425) | (669 642) | – | (669 642) |
| Net property income | 267 597 | 668 210 | 9 628 | 945 435 | – | 945 435 |
| Other operating expenses | – | – | – | – | (244 110) | (244 110) |
| Operating income/(loss) | 267 597 | 668 210 | 9 628 | 945 435 | (244 110) | 701 326 |
| Net interest | – | – | – | – | (833 463) | (833 463) |
| Net operating income/(loss) | 267 597 | 668 210 | 9 628 | 945 435 | (1 077 573) | (132 137) |
| Other income | – | – | – | – | 12 921 | 12 921 |
| Changes in fair values | (79 404) | 82 239 | 10 607 | 13 442 | (140 846) | (127 404) |
| Segment profit/(loss) before taxation | 188 193 | 750 449 | 20 235 | 958 877 | (1 205 498) | (246 621) |
| Investment property | 6 007 000 | 1 119 000 | – | 7 126 000 | – | 7 126 000 |
| Investment property held for sale | – | 5 910 500 | 108 000 | 6 018 500 | – | 6 018 500 |
| Other assets | 259 122 | (44 304) | 817 | 215 633 | 152 095 | 367 728 |
| Total assets | 6 266 122 | 6 985 196 | 108 817 | 13 360 133 | 152 095 | 13 512 228 |
| Total liabilities | 167 880 | 175 899 | 181 | 343 960 | 9 980 138 | 10 324 098 |

| 2020 | Property portfolio | | | | Head office R'000 | Total R'000 |
|---------------------------------------|--------------------|------------------|---------------------|-------------------|----------------------|-------------------|
| | Retail R'000 | Office R'000 | Industrial R'000 | Total R'000 | | |
| Property portfolio | 618 342 | 1 075 509 | 11 004 | 1 704 855 | – | 1 704 855 |
| Investment property income | 623 002 | 1 059 450 | 11 818 | 1 694 269 | – | 1 694 269 |
| Net income from facilities management | – | 29 794 | – | 29 794 | – | 29 794 |
| Management fees received | – | – | – | – | – | – |
| Straight-line rental income accrual | (4 659) | (13 736) | (814) | (19 209) | – | (19 209) |
| Impairment loss on trade receivables | (9 530) | (11 658) | – | (21 188) | – | (21 188) |
| Property expenses | (320 855) | (278 871) | (340) | (600 066) | – | (600 066) |
| Net property income | 287 957 | 784 979 | 10 664 | 1 083 600 | – | 1 083 600 |
| Other operating expenses | – | – | – | – | (175 161) | (175 161) |
| Operating income/(loss) | 287 957 | 784 979 | 10 664 | 1 083 600 | (175 161) | 908 439 |
| Net interest | – | – | – | – | (908 387) | (908 387) |
| Net operating income/(loss) | 287 957 | 784 979 | 10 664 | 1 083 600 | (1 083 548) | 52 |
| Other income | – | – | – | – | 3 644 | 3 644 |
| Changes in fair values | (369 578) | 785 135 | (23 286) | 392 271 | (211 668) | 180 603 |
| Segment profit/(loss) before taxation | (81 622) | 1 570 114 | (12 622) | 1 475 870 | (1 291 572) | 184 299 |
| Investment property | 6 024 999 | 5 882 952 | 101 900 | 12 009 851 | – | 12 009 851 |
| Investment property held for sale | – | 1 149 829 | – | 1 149 829 | – | 1 149 829 |
| Other assets | 77 242 | 200 035 | 30 | 277 306 | 293 837 | 571 143 |
| Total assets | 6 102 241 | 7 232 815 | 101 930 | 13 436 987 | 293 837 | 13 730 822 |
| Total liabilities | 68 857 | 41 425 | – | 110 282 | 10 141 052 | 10 251 335 |

37. GROUP ENTITIES

The following are the shareholdings of the companies in the various group entities:

| | Country of incorporation | 2021 | 2020 |
|--|--------------------------|---------|---------|
| Ascension Properties Limited | South Africa | 100.00% | 100.00% |
| Ascension Property Management Company (Pty) Limited | South Africa | 100.00% | 100.00% |
| Bay West City (Pty) Limited | South Africa | 100.00% | 100.00% |
| Rebosis Asset Managers (Pty) Limited | South Africa | 100.00% | 100.00% |
| Forest Hill City Shopping Centre (Pty) Limited | South Africa | 100.00% | 100.00% |
| Rebosis Property Services (Pty) Limited | South Africa | 100.00% | 100.00% |
| Dalolex (Pty) Limited | South Africa | 100.00% | 100.00% |
| Hemingways Shopping Centre (Pty) Limited [#] | South Africa | 100.00% | 100.00% |
| Phomella Property Investments (Pty) Limited [#] | South Africa | 100.00% | 100.00% |

[#] Entities are dormant

38. SUBSEQUENT EVENTS

On 21 October 2021, the group announced via SENS that it had concluded agreements with Ulicraft for the sale of a portfolio of government and state-tenanted office assets, as a going concern, for a cash consideration of R6 319 099 000. Ulicraft is a wholly-owned subsidiary of VCP, a company listed on Equity Express Securities Exchange.

It must be noted that while VCP is currently the owner of all of the issued share capital of Ulicraft, upon fulfilment of all conditions precedent, it is expected that VCP will only own between 6% and 9% of the Purchaser, with the balance being owned by the equity funders.

The transaction is consistent with the group's strategy to deleverage and optimise its balance sheet by reducing its LTV, and, in addition, to realise the value of the office segment of its portfolio, to restructure the business as a retail focused fund and to position the group to resume dividend payments to shareholders.

The purchase consideration payable for the portfolio comprises a consideration of R3 943 681 000 for the acquisition of portfolio assets owned by Rebosis Property Fund and R2 375 418 000 for the acquisition of portfolio assets held by Ascension Properties.

Three of the properties being sold (namely NBC Building, 373 Pretorius Building and 174 Visagie Street Building) are in the process of being converted from office space into purpose-built student accommodation.

Each property has its own consideration amount. For any property not transferred on date of registration an escalation shall be applied of 6% per annum calculated and expressed as an effective daily rate with reference to the number of days elapsed between anticipated transfer date and actual date of transfer.

The group has provided warranties to and in favour of the Ulicraft in respect of the portfolio acquired, which are typical for a transaction of this nature.

The transaction constitutes a category 1 transaction and therefore, in terms of the JSE Listings Requirements, the group requires shareholder approval.

Property-specific details of the portfolio to be sold, including property name and address, location, rentable area and valuation are set out below:

The transaction is subject to the fulfilment of several conditions precedent, namely:

1. Confirmation, in writing, of satisfactory outcome of the due diligence process is still ongoing, an outcome is expected in January 2022. Management's internal assessment on the probability of success of the transaction based on the due diligence process thus far is optimistic;
2. By no later than 28 February 2022 Rebosis is satisfied that Ulicraft has obtained sufficient funding in order to discharge its payment obligations;
3. Ulicraft to provide one or more acceptable guarantees to the group for full payment of the purchase consideration, in accordance with the transaction agreements;
4. Securing written consents and approvals from the group's lenders;
5. Obtaining the consent of the mortgagees in respect of any mortgage bonds registered over any of the immovable properties that are to be sold;
6. Shareholder approval from the group's shareholder in terms of the JSE Listings Requirements in respect of a category 1 transaction and the Companies Act; and

Notes to the annual financial statements

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7. Approval by the Competition Authorities in terms of the Competition Act, No. 89 of 1998.

38. SUBSEQUENT EVENTS continued

Property-specific details of the portfolio to be sold, including property name and address, location, rentable area and valuation are set out below:

Properties held by Rebasis Property Fund

OFFICE SECTOR

| Property name | Physical address | Rentable area (m ²) | Consideration |
|--------------------------|--|---------------------------------|------------------|
| 11 Diagonal Street | 11 Diagonal Street, Gauteng | 37 160 | 729 430 |
| Liberty Building | 278 Madiba Street, Gauteng | 33 885 | 519 349 |
| Victoria Mxenge | Hartley Street, Weavind, Park, Gauteng | 24 720 | 582 492 |
| 124 Main Street | 124 Main Street, Gauteng | 20 818 | 341 363 |
| Bank of Lisbon | 400 Paul Kruger Street, Gauteng | 14 599 | 205 909 |
| 18 Rissik Street | 18 Rissik Street, Gauteng | 11 204 | 197 373 |
| Arbour Square | 82–98 Juta Street, Braamfontein, Gauteng | 9 206 | 129 361 |
| Revenue Building | 205 Pietermaritz Street, KwaZulu-Natal | 7 314 | 112 910 |
| 189 Schoeman Street | 189 Schoeman Street, Gauteng | 19 332 | 258 451 |
| 28 Harrison Street | 28 Harrison Street, Gauteng | 20 984 | 304 813 |
| 64 Eloff Street | 64 Eloff Street, Gauteng | 4 938 | 66 885 |
| 99 Market Street | 99 Market Street, Gauteng | 11 659 | 80 391 |
| Jabu Ndlovu | 270 Jabu Ndlovu Street, KwaZulu-Natal | 11 455 | 169 567 |
| SASSA Campus | 2460 Dr Makgobo Avenue, North West | 11 665 | 151 774 |
| INDUSTRIAL SECTOR | | | |
| Antalis | John Street, Selby, Gauteng | 18 954 | 93 613 |
| | | 257 893 | 3 943 681 |

38. SUBSEQUENT EVENTS continued**Properties held by Ascension****OFFICE SECTOR**

| Property name | Physical address | Rentable area (m²) | Consid-eration |
|----------------------|--|--------------------------------------|-----------------------|
| Game Building | 64 Pritchard Street, Gauteng | 21 438 | 313 505 |
| VWL Building | 202 Madiba Street, Gauteng | 17 989 | 280 938 |
| Prorum | 30–35 Brown Street, Mpumulanga | 6 431 | 83 353 |
| Spectrum | 52 Voortrekker Road, Bellville, Western Cape | 7 550 | 93 110 |
| Sigma Building | 9 Blanckenberg Street, Bellville, Western Cape | 3 751 | 38 034 |
| 174 Visage Street | 174 Visage Street, Gauteng | 13 537 | 248 591 |
| 238 Roan Crescent | 238 Roan Crescent, Gauteng | 9 035 | 98 285 |
| 373 Pretorius Street | 373 Pretorius Street, Gauteng | 13 340 | 163 214 |
| Kingfisher | 10 Kingfisher Drive, Gauteng | 1 405 | 12 974 |
| Meyersdal | 65 Phillip Engelbrecht Street, Gauteng | 4 957 | 63 546 |
| Mishumo House | 77 De Korte Street, Gauteng | 6 154 | 107 149 |
| NBC | 76 Juta Street, Gauteng | 10 000 | 137 486 |
| Riverpark | Cnr Emtoweni & Cascade Close, Mpumulanga | 4 216 | 81 690 |
| Riverview | Cnr Emtoweni & Cascade Close, Mpumulanga | 4 303 | 63 564 |
| Schreiner Chambers | 94 Pritchard Street, Gauteng | 18 815 | 279 143 |
| Surrey House | 35 Rissik Street, Gauteng | 11 840 | 194 310 |
| Swiss House | 86 Main Street, Gauteng | 8 008 | 116 526 |
| TOTAL | | 162 769 | 2 375 418 |
| GRAND TOTAL | | 420 662 | 6 319 099 |

39. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

Notwithstanding the adjusted COVID-19-related level four lockdowns during the reporting period, retail trade recovered, albeit still at lower levels than what was experienced pre the pandemic. Restaurants, entertainment venues and liquor outlets were the most significant of retail trade negatively impacted by these lockdown restrictions.

Rental concessions to the value of R100 million, including bad debt write-offs and changes in ECL allowances, were reported for the year under review, (FY2020: R148 million). The bulk of relief was allocated to smaller tenants who are still struggling from the impact of the pandemic. The company is pursuing an insurance claim for associated losses and awaiting a response from the insurers.

Rental recoveries as a percentage of normalised income increased steadily during the financial year under review with a 104% recovery for August 2021. Non-recovered income relates mainly to tenants with limited trading abilities under adjusted lockdown level three, and tenants in business rescue, such as Ster-Kinekor and Virgin Active.

Further, the directors' response to the pandemic included:

- » A task team led by Reboasis' executive management to monitor and provide an operational response to the pandemic.
- » Domestic and international travel restrictions with remote working policies where applicable across all its operations.
- » As a preventative measure, Reboasis has increased the number of cleaning hours and escalated our cleaning protocol using high-grade disinfectants across the portfolio.
- » A five-tier response plan for shopping centres, depending on the severity of the pandemic.
- » Rental concessions for tenants that met specified criteria. The company has seen improved rental and arrears collections in FY2021.

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for the year ended 31 August 2021

40. CONTINGENT LIABILITY

The City of Cape Town has applied for eviction of Ascension (Grand Central building) and all tenants from certain parts of the street level encroaching on the City's property. The City is also asking the court to order Ascension to demolish and remove any structures encroaching upon the street level. The City alleges that when the property was purchased by Ascension, there was no proper Cession of the lease agreement between the parties. Ascension and the City sought to negotiate the cession, the lease and the rental thereof but couldn't get an amicable solution.

The City has brought an application which Ascension is opposing. Our Counsel had proposed that Ascension buy the portions in dispute, but this process would take long as the City of Cape Town will be required to follow the procurement process to deal with the sale. Ascension counter applied for an order to acquire the encroachments, with equitable compensations to City of Cape Town to be ascertained and settled down the line.

The matter has reasonable prospects of ultimately being resolved by way of arbitration. Failing that Ascension's counter application is likely to succeed. We believe mediation to be an eminently suitable approach to resolving this matter, and possibly dispositive thereof before incurring unnecessary legal costs, and are desirous to commence mediation as soon as is practicably possible. The matter is still ongoing and we are unable to quantify the possible compensation amount.

41. GOING CONCERN

Current liabilities, which includes all interest-bearing borrowings is in excess of the current assets (including non-current assets held for sale) of the group by R3.9 billion and the company by R2.5 billion. As a result, the group and the company does not pass the liquidity test.

The group and company are also in a net operating loss position. The group has been actively seeking alternatives which would give rise to raising additional capital. In addition to this, the group is continuing with its disposal program to create some liquidity.

Bank facilities have been extended on a six-month basis with the exception of RMB (R243 million) which is still under negotiation. The group is in breach of its bank covenants with the loan-to-value % in excess of 50% and interest cover ratio less than two times.

However, the recently announced portfolio sale of assets to Vunani Group for the value of R6.3 billion is the single targeted business disposal activity by the group to restructure the company's balance sheet successfully (refer to note 38).

The consummation of this transaction will allow the company to settle a large portion of its current debt, potentially resetting the LTV to c.43%. This will also afford the company to refinance remaining debt on the balance sheet to longer-term debt profiles along with adequate hedging instruments.

Despite the above plans, the transaction only becomes unconditional when all conditions precedent being met. As at the 31 August 2021 there existed uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business without the continued support of our funders.

The group's ability to continue as a going concern is dependent on the roll forward of the debt facilities by the banks and/or the successful completion of the portfolio sale of assets above as disclosed per note 38.



Shareholders information

We ask our shareholders to please familiarise themselves with the following dates found in the shareholders' diary.

| | |
|---------------------------------|------------------------|
| Financial year end | 31 August |
| Notice of AGM posted | Friday, 7 January 2022 |
| Annual general meeting | Tuesday, 31 May 2022 |
| Announcement of interim results | April 2022 |
| Announcement of annual results | November 2022 |

Dividend details

for the year ended 31 August 2021

| | Dividend number | Cents per share |
|-----------------------------------|-----------------|-----------------|
| REA dividend | | |
| Six months ended 28 February 2018 | 3 | 126.43 |
| Six months ended 31 August 2018 | 4 | 126.43 |
| Total | | 252.86 |
| REB dividend | | |
| Six months ended 28 February 2018 | 15 | 63.23 |
| Six months ended 31 August 2018 | 16 | 29.60 |
| Total | | 92.83 |

The last dividend distribution was on 31 August 2018