ATTACQ

INVEST • DEVELOP • GROW

2018 Integrated report

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More information

- Further information online
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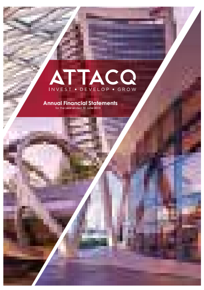
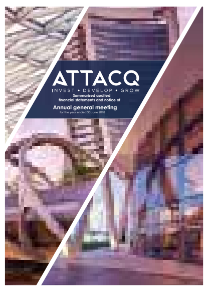
OUR REPORTING SUITE

- **Integrated report**
- **Annual financial statements**
- **Corporate governance report**
- **Notice of annual general meeting**





Additional information, not prioritised for inclusion in our integrated report, as well as supplementary reports to meet our readers' requirements, are disseminated via our website.

Snapshot of the year

Maiden distribution per share	REIT conversion	Executive management	Interest cover ratio
74.0 cents	**29 May 2018**	**New executive directors**	**1.60 times** improved by 42.9%
			June 2017: 1.12 times

Total return^	Waterfall bulk developed*	Transformation	WALE** profile
8.6%	**103 541m²** where living works	**B-BBEE level 2** rating under the revised property sector codes	**6.8 years**
June 2017: 3.2%	June 2017: 70 914m²	June 2017: level 4	June 2017: 6.4 years

^ NAVPS growth on a like-for-like basis ** Based on primary gross lettable area* *** Weighted average lease expiry*

Our vision is to be a premier **South African-based REIT**, delivering **sustainable income and capital growth** through a focused approach in real estate investments and developments.

ABOUT THIS REPORT

The report objective and scope

This integrated report presents a holistic view of Attacq Limited and its subsidiaries (Attacq, group or company) for the year ended 30 June 2018. It includes information on our performance, governance and prospects to enable stakeholders to make an informed assessment of our ability to create and sustain value in the short, medium and long term.

The primary audience of this report are our providers of financial capital. However, all other stakeholders' general information requirements are also addressed.

This report covers our South African, Rest of Africa and other international activities, associates and joint ventures. Refer to our annual financial statements (AFS) at **www.attacq.co.za** for details of these investments.

For completeness, material events between year-end and publication have been included. Unless indicated, information in this report refers to the group.

Reporting boundary

In line with the International Integrated Reporting Council <IR> Framework, in determining the boundary for this report, we work outward from the financial reporting entity, Attacq, to identify risks, opportunities and outcomes associated with stakeholders that have a significant effect on our ability to create and sustain value.

Reporting frameworks and regulations

We have applied the guiding principles and content elements of the International Integrated Reporting Council <IR> Framework as well as the following reporting frameworks and regulations in preparing this report:

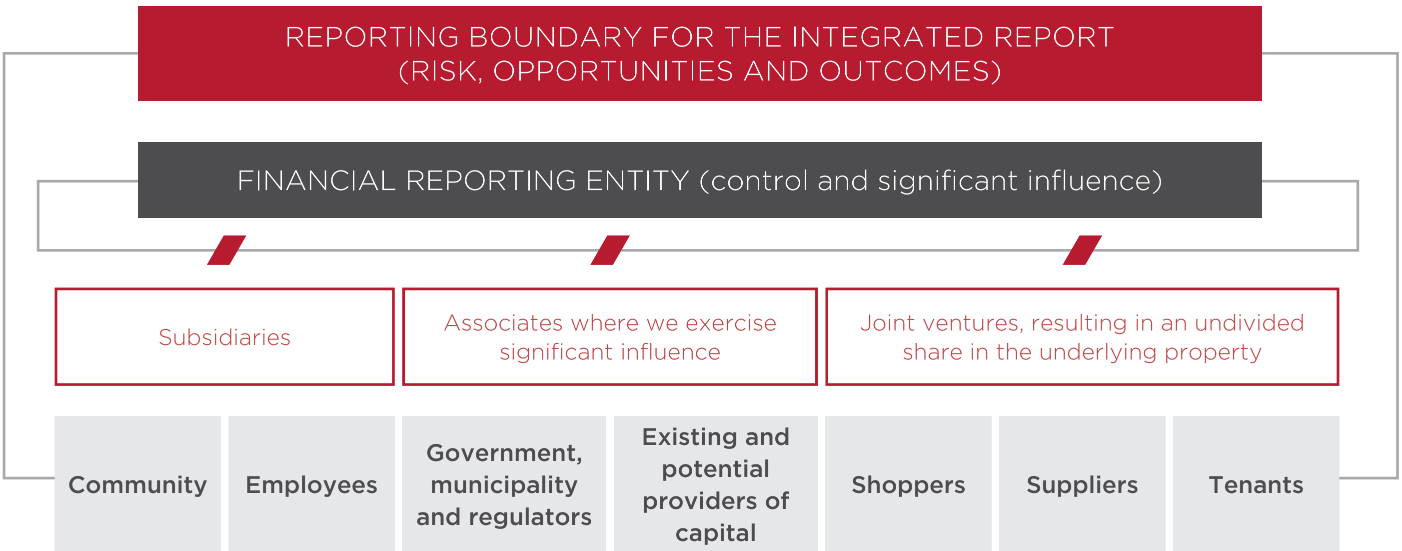
- Companies Act 71 of 2008 (Companies Act)
- International Financial Reporting Standards
- SA REIT Association best practice recommendations
- King Code on Corporate Governance 2016 (King IV™*)
- FTSE/JSE Responsible Investment Index (FTSE4Good)
- JSE Listings Requirements.

Materiality

This report focuses on matters that substantively affect our ability to create and sustain value over the short, medium and long term. Our approach to managing these is reflected in the strategic matters flowing from our strategy (page 36).

Strategic matters were determined in an integrated process by understanding:

- How we create value (page 24)
- The impact of our operating context on value creation (page 22)
- The material needs, interests and expectations of our key stakeholders (page 26)
- The risks and opportunities facing the group (page 30).



Feedback

We value your feedback as we continuously strive to improve our reporting. For feedback and enquiries on the integrated report, please email Brenda Botha, our head of investor relations, at **brenda@attacq.co.za.**

Assurance

We use a combined assurance model (page 30) to manage various aspects of our operations, including elements of external reporting. These assurances are provided by management, the board of directors of Attacq (the board), internal audit – outsourced to PricewaterhouseCoopers (PwC) – and our external auditors, Deloitte & Touche.

For further information on the scope of services performed by our external assurance providers, refer to our AFS on our website.

Forward looking statements

This integrated report contains forward-looking statements that, unless indicated, reflect the group's expectations as at 24 October 2018. Actual results may differ materially from our expectations. The group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on them. The group disclaims any intention and assumes no obligation to revise any forward looking statement, even if new information becomes available, other than as required by the JSE Listings Requirements and other applicable regulations.

Approval of the 2018 integrated report

The board, supported by the audit and risk committee, acknowledges its responsibility to ensure the integrity of the 2018 integrated report. Together with management, we believe that this report addresses all matters that materially affect our ability to create shareholder value. The preparation and presentation of information in this report has been a collaborative approach, guided by the International Integrated Reporting Council <IR> Framework.

The board authorised this report for release on 24 October 2018.

P Tredoux
Chairperson

M Hamman
Chief executive officer

Gateway West, Waterfall City

ABOUT ATTACQ

Our value proposition

We deliver sustainable income and capital growth through a focused approach by investing in South Africa and beyond its borders. In South Africa, we focus on Waterfall City, Waterfall Logistics Hub and our retail and mixed-use precincts. Globally, we are invested in MAS Real Estate Inc. (MAS) as well as shopping centres in Ghana, Nigeria and Zambia.

Who we are

Attacq was founded in 2005 and listed on the JSE in October 2013. After converting to a real estate investment trust (REIT) in May 2018, our shareholders will benefit from a combination of capital growth and bi-annual distributions.

We are ranked among the top 15 real estate companies listed on the JSE by market capitalisation, we are included in the FTSE/JSE South African Property Yield (SAPY) Index, FTSE/JSE All Property Index as well as the FTSE/JSE Responsible Investment Index (FTSE4Good).

What we do

We source, develop and manage real estate investments in the retail, office and mixed-use, residential, light industrial and hotel sectors, leveraging the strength of our balance sheet and expertise, or through appropriate partnerships, to create value for all stakeholders. We focus on our four key value drivers: our South African portfolio, the Waterfall development, our investment in MAS, and our rest of Africa retail investments, through our internalised development, asset and property management teams.

Strategic matters

Our strategic matters flow from our strategy (page 36) as determined by our understanding of how we create value (page 24), our risks and opportunities (page 30), our key stakeholders (page 26) and our operating context (page 22).

EXCEPTIONAL, SUSTAINABLE GROWTH

- Delivering an exceptional total return for shareholders comprising sustainable income and capital growth

WATERFALL CITY AND WATERFALL LOGISTICS HUB

- Development and ongoing management of Waterfall City and Waterfall Logistics Hub

RETAIL AND MIXED-USE PRECINCTS

- In South Africa: owning and managing retail and mixed-use precincts, dominating the node
- Investing in retail-focused property assets via MAS and rest of Africa retail investments

ENVIRONMENT, SOCIAL AND GOVERNANCE

- Managing our natural resources efficiently and responsibly
- Investing in our local communities through the Attacq Foundation
- Promoting broad-based black economic empowerment through transformation

Our **values** and **habits**

Habits

EXCELLENCE
Do your best

URGENCY
Getting things done swiftly

CLIENT CENTRICITY
Core to our existence

FOCUS
Creating a work-life balance

Values

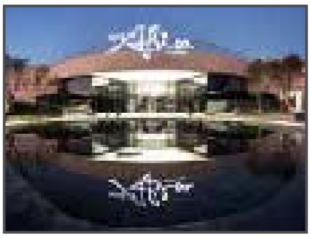
INTEGRITY
Honest, loyal and trustworthy

ACCOUNTABILITY
Taking ownership

CREATIVITY
Thinking out of the box

COLLABORATION
Working together

Our **four key value drivers**



MAS

1 South African portfolio

2 Waterfall development

3 Investment in MAS

4 Rest of Africa retail investments

FOCUSED **PROGRESS**

2018

- **Converted to a REIT**
- Revised executive management (exco)
- Completed **five new buildings** and one extension in Waterfall, adding 103 541m^2 PGLA to our SA portfolio
- **South African Property Owners Association (SAPOA) awards** for best corporate development for PwC Tower and best industrial development for BMW Group SA Regional Distribution Centre
- Started development of **Deloitte head office**
- Successfully **refinanced R5.7 billion of debt**
- Recycled R524.0 million capital by exiting investments in Artisan, Stenham and the Grove Mall of Namibia

2017

- Revised strategy into a **more focused approach, ahead of converting to a REIT**
- Completed **four new buildings in Waterfall, adding 70 914m^2 to our SA portfolio**
- **Internalised** development function
- Included in **FTSE4Good Index** series
- Recycled **R1.9 billion capital** by exiting investments in Cyprus, Serbia, Pemba and eight industrial buildings

2016

- **Mall of Africa** opened as the largest first-phase mall development in South Africa
- Completed **eight new buildings** in Waterfall, adding **127 198m^2** to our SA portfolio
- **Partnered with:**
  - Barrow Properties Proprietary Limited (Barrow Properties)
  - Equites Property Fund Limited (Equites)
  - Sanlam Life Insurance Limited (Sanlam)
  - Zenprop Property Holdings Proprietary Limited (Zenprop)
- Acquired **25.0% of Ikeja City Mall, Nigeria**
- Recycled **R1.3 billion capital** by selling the remaining 50.0% of Great Westerford (Western Cape), our investment in Mauritius and a number of MAS shares
- Invested in Cyprus and Serbia

2015

- Completed **13 buildings** in Waterfall, Lynnwood Bridge precinct and Newtown precinct, adding **150 850m^2 to our SA portfolio**
- Refinanced our **retail portfolio using R3.2 billion of existing debt**
- Raised **USD51.0 million debt facility**
- Recycled capital: disposed of three properties in the Retail Africa Wingspan Investment portfolio, and our interest in Rapfund Holdings Proprietary Limited

2014

- Listed on **the JSE on 14 October 2013**
- Completed **five buildings** in Waterfall, adding **82 315m^2 to our SA portfolio**
- **Internalised** our asset and property management
- Raised **R2.3 billion by issuing new shares**
- Recycled capital: sold Sanridge Square, Atterbury House, De Ville Shopping Centre and Harlequin Office Park

WHERE WE **INVEST AND DEVELOP** OUR FOUR KEY VALUE DRIVERS

1 **SOUTH AFRICAN** PORTFOLIO

South Africa: Gauteng, North West and Western Cape

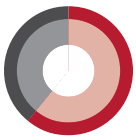
Our retail and mixed-use precincts
1. Mall of Africa, Waterfall City
2. Lynnwood Bridge precinct, including Glenfair Boulevard, Pretoria
3. Garden Route Mall, George
4. MooiRivier Mall, Potchefstroom
5. Eikestad precinct, Stellenbosch
6. Newtown precinct, Johannesburg, 50.0% interest
7. Brooklyn Mall, Pretoria, 25.0% interest

Our top Waterfall office buildings by value
1. PwC Tower, 75.0% interest
2. Cell C Campus
3. Transnet

Our top Waterfall industrial buildings by value
1. Amrod
2. Massbuild Distribution Centre
3. BMW Group SA Regional Distribution Centre

Value of portfolio
R21.1 billion
(2017: R18.1 billion)

Percentage of total assets
72.5%
(2017: 66.1%)



Contribution to distributable earnings per share (DEPS): 45.7 cents per share (2017: 18.3 cents per share)

2 **WATERFALL** DEVELOPMENT

South Africa: Gauteng

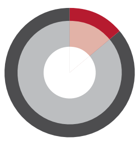
Waterfall City
- Deloitte head office, 50.0% interest
- Waterfall Point
- Waterfall Corporate Campus, 50.0% interest
- The Ingress
- The Atria, 50.0% interest

Waterfall Logistics Hub
- Cummins South Africa's regional office, 50.0% interest
- Pirtek warehouse
- Superga/Kappa warehouse
- Midi warehouse
- Zimmer Biomet warehouse, 50.0% interest

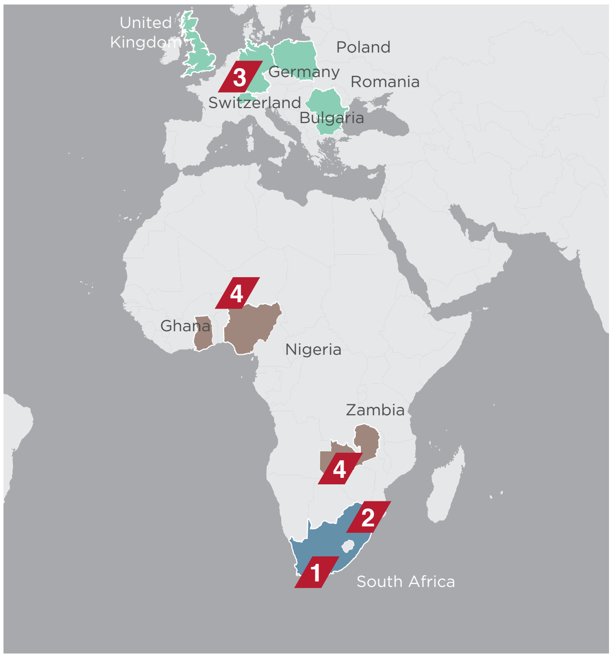
Development rights, infrastructure and services
Attacq Sanlam joint venture

Value of portfolio
R2.3 billion
(2017: R3.8 billion)

Percentage of total assets
7.8%
(2017: 14.1%)



Contribution to DEPS: -1.4 cents per share (2017: -2.5 cents per share)



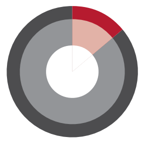
3 INVESTMENT **IN MAS**

Poland, Bulgaria, Romania, Germany, Switzerland and the United Kingdom

We hold a 22.8% (2017: 30.6%) interest in MAS. This investment is equity accounted and disclosed at an investment value of R3.1 billion (2017: R2.7 billion) versus a market value of R3.1 billion (2017: R3.5 billion) (based on closing price of R21.00 per share at 30 June 2018).

Value of investment
R3.1 billion
(2017: R2.7 billion)

Percentage of total assets
10.8%
(2017: 10.0%)



Contribution to DEPS: 21.5 cents per share (2017: 15.0 cents per share)

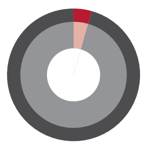
4 **REST OF AFRICA** RETAIL INVESTMENTS

Ghana, Nigeria and Zambia

We hold a 31.8% interest in AttAfrica Limited (AttAfrica) and a 25.0% interest in Ikeja City Mall

Value of investment
R1.1 billion
(2017: R1.2 billion)

Percentage of total assets
3.8%
(2017: 4.5%)



Contribution to DEPS: 6.0 cents per share (2017: 0.9 cents per share)

BUSINESS OVERVIEW

Dis-Chem warehouse, Waterfall Logistics Hub

CHAIRPERSON'S REVIEW

Focused strategy pays distribution and secures a healthy Waterfall pipeline of commercial and industrial developments, a key driver of future distributable earnings.

Pierre Tredoux, Chairperson

Focused strategy pays distribution in challenging market

The Attacq strategy continues to focus on our core assets and competencies with the objective to deliver sustainable income and capital growth through a disciplined approach to investment at Waterfall and strategic retail and mixed-use precincts in South Africa, the Rest of Africa and in Europe via MAS.

Attacq's focused approach ensured the successful conversion to a REIT in May 2018 and a maiden distribution of 74.0 cents per share, in line with our guidance to the market.

In a very challenging market, Attacq recorded solid improvement on all key metrics for the year with distributable earnings increasing by 280.7%, mainly due to completed developments generating additional rental income and lower finance charges. Total return on a like-for-like basis of 8.6% was recorded and we expect it to increase in the future as the Waterfall precinct is developed and non-core assets are recycled. We managed to increase net asset value by 22.2%, and overall gearing improved to 35.8%. Our interest cover ratio improved to 1.6 times and we are well on track to achieve our medium-term goal of 2.0 times.

The Mall of Africa performed very well in its second year, with tenants benefiting from higher footcount which improved trading densities. The launch in this 2019 financial year of our first residential development in the Waterfall precinct will further enhance Waterfall City's attractiveness as an investment destination, providing valuable growth opportunities for retail tenants in the current economic environment.

Attacq has a healthy pipeline of future commercial and industrial developments in the Waterfall precinct. Behind these achievements is an outstanding management team, giving the company a real competitive advantage in a very tough market.

Other key achievements in the review period included the seamless transition to a new management team, with Melt Hamman appointed as chief executive officer (CEO) and Raj Nana as chief financial officer (CFO). These and other internal senior appointments reflect the strength of our succession planning.

This integrated report is an important element in engaging with stakeholders, and our improved disclosure saw Attacq move from 'good' to 'excellent' in the benchmark EY Excellence in Integrated Reporting awards – one of only two property companies on that level.

Strategic matters

In the face of structural and cyclical challenges, the lack of growth in the South African economy remains a major concern and there seems to be little prospect of this trend being reversed in the short to medium term. Years of economic mismanagement, continued policy uncertainty, fraud and corruption, lack of public-sector capacity, the poor financial position of large state-owned entities, increased unemployment, crime and deteriorating education standards continue to drive down business and consumer confidence, resulting in a lack of investment and consumption. Real leadership, willing to make tough decisions, is required to restore the trust and confidence for economic growth to become reality. Business and the public sector urgently need to start to co-operate and work together to address structural inefficiencies and restore investor confidence.

In these difficult trading conditions, we remain focused on our primary drivers and long-term objectives to create value through a combination of capital growth and income distribution. Strategically, we are concentrating on:

- **Our South African portfolio:** Attacq has a high-quality operational portfolio of retail, office and mixed-use, hotel and industrial properties. Management is focused on optimising these core assets.
- **Our Waterfall development:** Attacq's core competency and strategic advantage is our ability to create lasting value from, arguably, the best development opportunity in South Africa.
- **Capitalising on our European investments** through the experience and knowledge of our MAS investment, which provides specialised focus, mitigates the risk of spreading our resources too thinly and enables management to focus on our core assets.
- **The Rest of Africa retail investments** and working with our co-shareholders to optimise returns from retail investments in the portfolio.

In uncertain times, a focused strategy provides clear direction. Management is, however, well aware that it is not 'business as usual' and we need to be very astute in allocating capital and continually reviewing the performance of all our assets. Optimising Attacq's balance sheet is key to ensuring long-term growth and appropriate returns for shareholders.

Our performance matrix and reward systems are aligned with our strategic objectives. These enable the board to proactively drive strategy implementation and performance.

We are committed to managing our natural resources efficiently and responsibly. The key challenges at present are the cost and security of supply for both water and electricity. While our new developments meet world-class standards of environmental efficiency, reflected in numerous certifications for 'green' buildings, managing water and electricity consumption in our older assets is more challenging.

CHAIRPERSON'S REVIEW continued

Where practical and affordable, we have retrofitted lighting, air-conditioning and water systems to optimise re-use and recycling. This is an ongoing process that requires careful attention to balancing the trade-offs between capitals, particularly the natural and financial capitals, but we are committed to the process as a responsible corporate citizen.

We continue to invest in our local communities through the corporate social investment initiatives of our individual assets. Given the state of the South African economy, the most pressing need articulated by these communities is employment. In response, we are creating jobs by providing training and funding through the Attacq Foundation, detailed on page 91. We are committed to engaging with these stakeholders to determine real issues and collaboratively develop appropriate solutions.

Similarly, we understand the importance of promoting broad-based black economic empowerment (B-BBEE) through transformation. Attacq has a level 2 B-BBEE rating under the new property sector charter. Additional requirements after converting to a REIT, and the reduced stake of our main B-BBEE shareholder, may affect this rating in future, but we are focused on improving our performance in elements under our control. This is detailed on page 91.

Governance and our stakeholders

Ahead of our REIT conversion and in line with King IV, we further strengthened the capacity, depth of skills and diversity on our board. We appointed a lead independent non-executive director, the experienced Hellen El Haimer, and a new independent non-executive director, Ipeleng Mkhari, and look forward to their contributions in these roles. All committees are structured and resourced to effectively support the board in meeting its mandate.

We welcome Melt Hamman in his new role as CEO, after Morné Wilken resigned to become CEO of MAS in January 2018. We are indeed grateful for Morné's valuable contributions over his eight years in office and wish him well in his new role. Following a rigorous process, we appointed Melt Hamman as permanent CEO in June 2018. During his six months as interim CEO, he provided clear direction and guidance to the team, building on his strong history of creating and leading highly engaged teams since joining the company as CFO in 2013. The board believes that his track record with Attacq and extensive experience in the property sector positions him well to lead our company to the next level of growth and development as it matures as a REIT.

Raj Nana was appointed CFO and executive director in June 2018. A chartered accountant with investment banking and real estate experience, Raj joined Attacq in 2014 as investment officer and the executive management team in 2016. Our chief operating officer (COO), Jackie van Niekerk, also joined the board as executive director during 2018, contributing further real estate experience.

Board performance

The board's performance is externally reviewed every two years. The latest evaluation (2017) concluded that the board functions well and the skill set is appropriate. Refer to the corporate governance report on page 98 for more detail.

The importance of our stakeholders

Our stakeholders remain the cornerstone of our business. As detailed on page 26, each group contributes in different ways to our success, and has different requirements. How we anticipate and respond to these requirements contributes as much to our sustainability as our financial results.

Additional statutory requirements are imposed on a REIT. Equally, as a responsible company, we have adopted voluntary standards to further benefit our stakeholders – particularly our people, our communities and our tenants – as detailed under the relevant capitals in this report.

Looking ahead

The board's primary responsibility is strategy and ensuring that management delivers on the strategic objectives of sustainable growth in distributable income and capital for shareholders. In addition to distributable income growth and total return as strategic objectives, the board included a minimum interest cover ratio, Waterfall bulk roll-out and long-term transformation targets for management (see our strategy, page 36). As such, we continue to focus on protecting our shareholders' investments while creating lasting value for all stakeholders.

In achieving these multidimensional goals, we need to find the right balance between managing factors outside our control, such as the poor performance of the local economy and factors we do control like optimising our balance sheet.

Attacq is strategically focused for sustainable growth because we are actively involved in both property management and property development. Combined with our thorough understanding of asset management, this will serve us well for the long term.

Attacq has collective strengths: a quality portfolio of assets, an unrivalled development pipeline, expert management team and a strategy focused to deliver sustainable income and capital growth. In addition, competitive remuneration structures attract and retain skilled professionals focused on performance, while corporate policies align the interests of management and shareholders.

Appreciation

On behalf of the board, I thank all our stakeholders for their continued support.

Attacq is home to a formidable team. Under Melt Hamman's leadership, we are confident of the team's commitment, expertise and ability to deliver our strategy and create value for Attacq shareholders.

I also thank all my fellow directors for actively participating in robust debate, at board and committee level, and your willingness to make tough decisions to ensure we collectively meet our responsibilities.

Pierre Tredoux
Chairman

24 October 2018

Accenture Sodturn

CHIEF EXECUTIVE OFFICER'S REVIEW

The key event in the review period was converting to a REIT on 29 May 2018. This was a natural step in the company's evolution with important benefits: attracting a wider shareholder universe and generally lowering the cost of capital.

Our strategy differs from our REIT peers as we own and control a long-term development pipeline at Waterfall. This development pipeline, split between

"**Converting to a REIT positions** Attacq well in the listed property sector, building on our unique competitive advantages.

Melt Hamman, chief executive officer

Waterfall City and Waterfall Logistics Hub, creates the platform for above-market average growth in distributable earnings and capital.

Since listing on the JSE five years ago, we have completed 38 developments, including the Mall of Africa, adding over 526 000m² of gross lettable area to our portfolio. We are launching our first residential development, The Ellipse, which will support the, 'live, work, play', environment in Waterfall City. The intention is to complete the first 250 residential units by March 2020, in line with the anticipated completion date of the new head office for Deloitte.

Under the REIT structure, our focus has shifted from only capital growth to cash yields to support the distributions and distribution growth. Our share price is currently trading at a low distribution yield, given that we were operating as a capital-growth entity and only converted to a REIT in the penultimate month of the review period. To compete more effectively with our REIT peers, we need to improve our distribution yield and interest cover ratio by increasing net rental income and reducing debt. We have made excellent progress by increasing distributable earnings per share by 280.71% and improving our interest cover this ratio from 1.1 times in 2017 to 1.6 times in the review period. We are targeting a minimum 2.0 times ratio within the next three years by recycling capital through exiting non-core investments and reducing debt with the proceeds.

Overall, it was another challenging year, characterised by minimal economic growth and political uncertainty. Despite those headwinds, we are using our simplified business model and focused strategy to meticulously reassess our portfolio and extract further value from existing assets while disposing of non-core or mature assets. We improved our capital structure by selling three investments in the period and applying proceeds of R524.0 million to improve gearing or recycle into our Waterfall development. We also restructured most of our debt (as detailed by the chief financial officer), reducing our average cost of debt from 9.2% to 8.7%.

In the prevailing economic climate, we are also paying close attention to the key metrics of vacancies, arrears and trading densities. Post-year end, we improved vacancies in our South African portfolio from 7.8% to 5.1%. Proactive management and close relationships with our tenants reduced arrears to an acceptable 2.8% of total rental income. We are extremely proud of the annual growth in our retail trading densities of 5.3%, the weighted average lease expiry profile of 6.8 years, as well as the cost of occupancy (average rent to turnover ratio) of 7.7%, which is well below the IPD benchmark of 11.0%. We believe that these are exceptional results under challenging economic conditions.

Waterfall precinct – key value driver

Uniquely, we are developing a new city and logistics hub at Waterfall, arguably the best located development of its kind, in the centre of Gauteng, the centre of South Africa's economic hub. This will be an integrated and highly efficient 'work, live, play' city environment, anchored by Mall of Africa, surrounded by commercial and light industrial properties and complemented by a wide range of residential offerings. With around half of the remaining 975 008m² bulk in Waterfall now serviced, the opportunity is significant.

Our development roll-out spans the next 15 years, obviously depending on economic conditions, and we are confident that Waterfall will be a strong driver of capital and distribution growth for years to come. Our target is to roll out 70 000m² of developable bulk per annum, depending on market demand. In the review period, our effective interest in completed primary gross lettable area (PGLA) was 103 541m². Construction is under way on another seven developments, totalling 65 479m² effective PGLA and detailed in the performance review on page 69.

We completed several developments in the Waterfall precinct, including the award-winning PwC Tower, Gateway West office building, and first phase of Waterfall Corporate Campus. In the Waterfall Logistics Hub, we completed the award-winning regional distribution centre for BMW South Africa, the Dis-Chem warehouse and the Massbuild warehouse extension. Notably, we continue to secure top-calibre tenants, attracted by Waterfall's compelling advantages.

The scale of our Waterfall pipeline requires an adequately resourced and full-focused, hands-on team. Accordingly, our in-house main-disciplined development team is based at Waterfall. Since enlarging the team over the last year, progress in developing this pipeline has accelerated. Giles Pendleton joined as head of developments in March 2018, bringing renewed energy, passion and focus to the team.

Internalising the team and controlling the remaining bulk also provides the flexibility to establish appropriate joint ventures. We currently have joint ventures with Zenprop, Equites, Barrow Properties, Atterbury Property Holdings Proprietary Limited and its subsidiaries (Atterbury group), the Moolman group and Sanlam for specific capabilities, with some as co-investors and others as co-developers.

Across our Waterfall portfolio – retail, office and mixed-use, light industrial, hotel or residential – our focus remains on densification. We are effectively populating a new city by attracting tenants keen to take advantage of all the benefits offered by our 'work, live, play' concept.

CHIEF EXECUTIVE OFFICER'S REVIEW continued

Europe and Africa – additional value drivers

Over the last year, we have exited a few global investments and our European investment is now concentrated in our strategic shareholding in MAS (refer to page 72). This shareholding reduced to 22.8% during the year after we elected not to participate in MAS' two capital raisings, instead deploying surplus cash into our Waterfall development and reducing our interest-bearing debt. MAS remains a significant part of our portfolio at 10.8% of total assets or R3.1 billion. Although MAS has lowered its distribution guidance growth to 15.0% for 2019 in a more competitive market, it is well funded and appropriately focused.

Our Rest of Africa retail investments contributed R42.4 million to our 2018 distributable earnings. While the June 2018 book value at 3.8% of total assets is a small portion of our portfolio, it remains one of our value drivers. We expect upside in the long term as the commodities cycle turns, and benefits flow from management's focus on filling vacancies and tenant retention to optimise net income and asset value.

Sustainability – across the capitals

We keenly understand the complex interplay between the capitals or resources that underpin our long-term sustainability as a company. Our approach is detailed throughout this report, but I comment specifically here on the natural and human capitals.

Natural capital

Because we control the design and construction of our buildings, we can guarantee the standards of quality and efficiency throughout their life cycles. Our developments are designed for environmental efficiency and ease of management by integrating critical functions such as maintenance and cleaning. This turnkey approach reduces lifecycle and occupation costs.

By integrating our design, construction and asset management criteria, we deliver smarter, more efficient buildings that minimise environmental impacts and lower operating costs.

Environmental sustainability is both an ethical responsibility and good business. We therefore take a long-term view on our potential impacts – negative and positive – in all project design and planning by minimising resource consumption, introducing alternatives such as solar power, and maximising reuse and recycling.

To illustrate our approach in action, 63.8% of our office and mixed-use portfolio is green-certified (including PwC Tower's silver LEED certification, which is currently being finalised), and all buildings in our South African portfolio can operate for two days without council water. During the year, the Mall of Africa's 4 755kWp photovoltaic system came into operation, increasing our electricity recovery ratio.

Although green-rated buildings may cost more to develop initially, their users and broader society benefit across the lifecycle.

Human capital

We believe that a motivating and collaborative culture will naturally attract the right people. During the year, we worked with an external specialist to assess the alignment between our corporate culture and ability to attract and retain the people we need. Encouragingly, results indicated a close fit between our targeted and existing cultures.

Our rate of employee turnover is unacceptably high at present, a function both of the uncertainty that accompanies management change (detailed by the chairperson's review) and the pressure on disposable income that encourages people to switch employers frequently on the perception of better benefits. We understand that more needs to be done to build a sustainable base of skills, and we are committed to this goal by developing the full potential of every person and rewarding them appropriately. To retain staff, we issued share awards to all employees in October 2017 and we will repeat this in October 2018.

Equally, we view a diverse workforce as a goal in itself, beyond mere compliance. Given that diversity has been proven to stimulate creativity and support balanced decisions, building a representative workforce is a key performance indicator for executive management.

Our ambition to be South Africa's premier property company depends on attracting the best talent from all parts of society to be part of the motivating culture our leadership is actively creating.

Outlook

South Africa's phase of low economic growth is constraining consumer spend and corporate expansion, translating into weak property fundamentals and headwinds for our sector.

Our retail portfolio has proven its defensive qualities, reflected in average annual trading density growth of 5.3% under challenging conditions as well as an affordable cost-to-income ratio for our retail tenants. This portfolio should continue to provide sustainable growth in distributable earnings.

Despite the uncertain and difficult market conditions, the development of Waterfall is expected to continue, albeit at a slower pace. The location, as evidenced by existing and secured future tenants, remains an attractive proposition for corporates considering office consolidations in new, modern, green-rated premises.

Internationally, we expect to benefit from increasing distributions from MAS, underpinned by its income-generating investments as well as acquisition and development pipeline. We will not pursue any further acquisitions or expansions in the Rest of Africa.

We will continue exploring opportunities to recycle capital, with a view to redeploying funds into earnings-accretive developments and reducing debt to improve our yield and to better align with our REIT peers.

As a REIT, distributable earnings per share is our key financial performance metric. We have revised our own guidance on distributions after MAS lowered its projected distribution for 2019 and lower-than-expected cash receipts from the Rest of Africa retail investments. In addition, weakening economic conditions have affected the timing of planned disposals of non-core assets and the pace of Waterfall development activity. We are, however, confident that the future roll-out of Waterfall will enhance our existing quality portfolio and deliver above-market average distributable earnings growth.

We believe that our revised ranges of distributable earnings growth of 7.5% to 9.5% and 13.0% to 15.0% for the 2019 and 2020 financial years, respectively (previously 20.0%), are more appropriate. We have elected not to provide guidance for the 2021 financial year, given increased uncertainty in the macroeconomic environment.

To achieve our targets for 2019 and 2020, we will focus on growing our rental income, disposing of non-core investments to recycle capital and developing our Waterfall pipeline. These targets assume:

- MAS achieving its revised distribution growth target of 15.0% for 2019. We have applied a rand/euro exchange rate of R16.50 for both the 2019 and 2020 financial years
- Only interest actually received on the Rest of Africa portfolio, and therefore we have not budgeted for any cash income in the 2020 financial year
- Achieving forecast contracted rental income and anticipated market-related renewals
- The expected roll-out of the current and planned development portfolio
- No unforeseen circumstances such as major corporate tenant failures or macroeconomic instability.

In appreciation

At every level, our people are proving their commitment and we are most grateful for your contributions. We also value the input and support of our other stakeholders, which underpins our continued growth.

Morné Wilken made a significant contribution to our group during his eight-year tenure, setting the tone with his dedication, energy and deal-making ability. I thank the board for its confidence in appointing me to succeed Morné as well as my exco colleagues for forming such an effective team.

Melt Hamman
Chief executive officer

24 October 2018

BOARD OF DIRECTORS

1. Pierre Tredoux (61)
Independent non-executive chairperson

Appointed: February 2005
Qualifications: CA(SA)
Committees: Investment, remuneration and nominations

Founder and executive director of Barnstone group. Former partner and managing director of Deloitte Consulting South Africa.

2. Melt Hamman (47)
Chief executive officer (CEO)

Appointed: July 2013 (CFO), June 2018 (CEO)
Qualifications: CA(SA)
Committee: Investment

Previously chief risk officer and member of executive committee (exco) at WesBank, a division of FirstRand, Credit Risk Manager at BoE Bank Limited, Nedbank Limited and FirstRand Group, financial director of Eagle Ink Systems Proprietary Limited.

3. Raj Nana (35)
Chief financial officer (CFO)

Appointed: April 2014, June 2018 (CFO)
Qualifications: CA(SA)
Committees: Investment, transformation, social and ethics

Previously in property finance, corporate debt and acquisition and leveraged finance sectors at RMB and Barclays Africa group.

4. Jackie van Niekerk (35)
Chief operating officer (COO)

Appointed: April 2017 (COO), June 2018 (board member)
Qualifications: BCom
Committees: Investment, transformation, social and ethics

Previously CEO of Pivotal Fund Limited. Grew Pivotal Fund Limited to a R12.0 billion listed development fund, established its offshore strategy by merging with Mara Delta Property Holdings Limited's Africa fund, successfully concluded merger between Pivotal Fund Limited and Redefine Properties Limited.

5. Thys du Toit (59)
Independent non-executive director

Appointed: August 2013
Qualifications: BSc (Agric), MBA
Committee: Remuneration and nominations

Non-executive director of JSE-listed companies, founder and director of Rootstock Investment Management, founding member and former CEO of Coronation Fund Managers Limited.

For corporate governance review see page 98

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http://www.attacq.co.za/people#executivemanagement

6. Hellen El Haimer (44)
Lead independent non-executive director

Appointed: August 2013
Qualifications: BSocSci, LLB (Hons) Strategic Management, HDip Property Investment
Committees: Audit and risk, transformation, social and ethics

Managing director of FM Institute Proprietary Limited. Previous executive positions in the Department of Public Works, South African Revenue Service and Absa Bank, legal adviser at Standard Bank Properties.

7. Ipeleng Mkhari (44)
Independent non-executive director

Appointed: March 2018
Qualifications: BSc

Founder and CEO of Motseng Investment Holdings, president of South African Property Owners Association, non-executive director of KAP Industrial Holdings Limited and Nampak Limited.

8. Keneilwe Moloko (50)
Independent non-executive director

Appointed: February 2015
Qualifications: CA(SA), BSc (QS)
Committees: Audit and risk (until September 2018), transformation, social and ethics (from October 2018)

Non-executive director of JSE-listed companies, former development executive at Spearhead Property Holdings Limited.

9. Brett Nagle (41)
Independent non-executive director

Appointed: July 2015
Qualifications: CA(SA)
Committees: Investment, audit and risk

Director of Safe Mode Investments Proprietary Limited t/a Panacea Capital, focused on investment management. Previous head of investments for Royal Bafokeng Holdings Proprietary Limited.

10. Stewart Shaw-Taylor (66)
Independent non-executive director

Appointed: November 2012
Qualifications: CA(SA)
Committees: Investment, audit and risk

Non-executive director of JSE-listed companies. Previously head of real estate investments, corporate and investment banking for Standard Bank.

11. Johan van der Merwe (53)
Independent non-executive director

Appointed: May 2008
Qualifications: CA(SA), MCom (Tax), MPhil (Finance)
Committee: Remuneration and nominations

Co-CEO of African Rainbow Capital, former CEO of Sanlam Investment Management, director and exco member of Investec Asset Management.

EXECUTIVE MANAGEMENT

1. **Melt Hamman (47)**
Refer to page 18.

2. **Raj Nana (35)**
Refer to page 18.

3. **Jackie van Niekerk (35)**
Refer to page 18.

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http://www.attacq.co.za/people#executivemanagement

4. Tasja Kodde (42)
Company secretary

Appointed: March 2015
Qualifications: Chartered Secretary
Committees: Transformation, social and ethics

Previously company secretary for large corporates, gaining extensive and relevant experience. Assisted in creating the organisation that administered the PIC's property investments.

5. Peter de Villiers (40)
Chief investment officer

Appointed: July 2013
Qualifications: CA(SA), CFA
Committee: Investment

Extensive experience in corporate finance gained at Deloitte Corporate Finance, BJM Corporate Finance and One Capital.

6. Giles Pendleton (45)
Head of developments

Appointed: March 2018
Qualifications: NHD Building
Committee: Investment

Previously worked in Dubai, Australia and Poland for 15 years, including being the head of developments for the Dubai International Financial Centre Authority. Over 20 years' property development experience.

OPERATING CONTEXT AND RESPONSE

South Africa (value drivers: South African portfolio and Waterfall development)

Operating environment	Property trends
– Low growth in weak domestic economy – Increased competition for capital – Constrained consumer spend – Cost and availability (especially in Western Cape) of water – Cost and availability of electricity – Illegal land invasions – Increased community activism	– Oversupply of office space in certain nodes resulting in high vacancies and negative rent reversions – Retail spending under pressure – Potential tenants delay decisions – Scarcity of experienced and skilled property professionals + Investments in renewable energy + Increased focus on green buildings

\+ Positive – Negative

RISKS AND OPPORTUNITIES (page 30)

Meeting shareholder expectations
Emerging markets
Cost and availability of water supply
Delivery of Waterfall development
B-BBEE score
Cost and availability of electricity
Liquidity
Land invasion
Stakeholder activism

Our response

We develop green buildings, focused on low cost of occupation
Our relationships with tenants are increasingly important to ensure their retention
We are proactively assisting our retail tenants, eg with marketing, taking back or resizing lettable areas and ensuring optimal tenant mix
We have a strong in-house brokerage team, supporting tenants in their decisions
Our focus in corporate social investment is education and training, specifically for disadvantaged individuals
We are developing corporate consolidations as a cost-effective solution for our tenants
Defensive and dominant retail and mixed-use properties
Well established Waterfall precinct, with development momentum

Rest of Africa (value driver: Rest of Africa retail investments)

Operating environment	Property trends
– Dollar strength against local currencies + Higher commodity prices + Declining interest rates and inflation – Challenging operating environment	+ Limited tenant options available – Competition from informal trading + Decline in vacancies – Increase in arrears

\+ Positive – Negative

RISKS AND OPPORTUNITIES (page 30)

Meeting shareholder expectations
Emerging markets
Liquidity

Our response

AttAfrica has an experienced team on site and our co-shareholders are experienced property investors

Europe (value driver: investment in MAS)

Operating environment	Property trends
+ Euro strength against rand – Lower economic growth in Western Europe + Higher growth expectations in Central and Eastern Europe (CEE) – Potential increase in euro interest rate	– High asset prices in Western Europe make yield-accretive acquisitions challenging + CEE region still offers development opportunities for experienced operators

+ Positive – Negative

RISKS AND OPPORTUNITIES
(page 30)

Meeting shareholder expectations

Emerging markets

Our response

We have secured euro funding using our MAS investment as security to create a natural foreign currency hedge

Attractive growth prospects in MAS distributions give us a rising diversified income stream

MAS has an experienced team, a growing income-producing portfolio, gearing capacity and the ability to recycle capital from mature assets to fund its large development pipeline

Amrod, Waterfall Logistics Hub

OUR VALUE-CREATION PROCESS

RESOURCES
Inputs

Financial
- Debt and equity financing
- Reinvestment/recycling capital

(page 40)

Manufactured
Our four key value drivers:
- South African portfolio
- Waterfall development
- Investment in MAS
- Rest of Africa retail investments

(page 50)

Natural
- Waste
- Water
- Electricity
- Transport
- Technology

(page 76)

Human
- High-calibre, motivated employees
- Skilled professionals
- Experienced leadership

(page 82)

Social and relationship
Quality relationships with
- Community
- Employees
- Government, municipality and regulators
- Providers of capital
- Shoppers
- Suppliers
- Tenants

(page 88)

Intellectual
- Knowledge, systems, policies and procedures
- Brand and reputation

(page 92)

VALUE-ADDING ACTIVITIES
What we do

Invest

1 Source
Through internal and external resources, we source the best investment and development opportunities

2 Assess
We evaluate identified opportunities and invest in assets with the greatest potential to deliver exceptional and sustainable returns. We seek to optimise our capital allocation

3 Secure
We secure the opportunity, once we have assessed and approved our investment decision

4 Fund
By prudently managing our funding, we have the financial flexibility to execute value-enhancing investments, develop new assets or redevelop existing assets

Develop

5 Develop
We develop buildings to meet tenant and consumer needs and, by doing so, we generate a pipeline of investment properties

Grow

6 Enhance
Through proactive property and asset management, we strive for exceptional and sustainable total returns. Total return includes both income and capital growth with the focus on distribution growth

7 Evaluate
We optimise our total return through proactive asset management, using our sector insight and expertise to regularly review our entire asset portfolio and value the potential return of our assets to generate maximum shareholder value

8 Recycle capital
We optimise our capital allocation by recycling capital from mature assets into assets with higher growth prospects

9 Support
All our activities are underpinned by shared corporate services such as finance, human resources, legal and marketing

Outputs

- Investing, developing and managing quality real estate investments
- Completed five new buildings and one extension

Outcomes

STRATEGIC MATTER	RESOURCE	RESOURCE TRADE-OFFS IN IMPLEMENTING OUR STRATEGY	RISKS AND OPPORTUNITIES
	- Maiden distribution of 74.0 cents per share - Like-for-like total return of 8.6% - Gearing improved to 35.8% - Reduced cost of debt to a weighted average of 8.7% - 95.0% of total committed debt facilities hedged - Improved interest cover ratio of 1.6 times	As a REIT, we will pay distributions twice a year. The positive impact on our shareholders (social and relationship resources) may be countered by the negative impact on our financial resources.	Liquidity risk Meeting shareholder expectation Emerging markets
	- Total assets increased to R29.1 billion - Recycled capital totalling R524.0 million from selling assets - 7.8% vacancies - Rental escalations of 7.2% - Weighted average lease expiry profile of 6.8 years - Bulk rolled out of 103 541m² effective PGLA - Average trading density growth of 5.3%	To create an integrated smart city that works, high investments in manufactured resources to build infrastructure in the Waterfall precinct impact our short-term financial resources. We believe creating a sustainable city will benefit us in the long run, positively impacting our financial resources.	Delivery of Waterfall development Fibre reliability Liquidity Land invasion Cost and availability of electricity Cost and availability of water supply B-BBEE score
	- Carbon footprint: 174 863tCO_2e - 29.6% waste recycled - Renewable energy-generating capacity: 6 851kWh - 13 certified green buildings	Through water-saving strategies and our investment (financial resources) in renewable energy resources we improve the impact on our natural and financial resources, making us responsible corporate citizens.	Cost and availability of water supply Cost and availability of electricity
	- Employee turnover at 20.3% - 3 778 training hours for employees as per personal development plans - R1.0 million spend on training and development	Training and developing employees is a retention strategy and a way to build our intellectual capital. Financial resources are initially negatively affected, but boosted in the long run through the value that employees generate for the company.	B-BBEE score
	- Good to strong relationship with our key stakeholders - Commitment to transformation demonstrated through our B-BBEE level 2 score (revised property codes) - Corporate social investment (CSI) spend of R6.8 million - 309 employee hours invested in CSI - 2 337 beneficiaries reached through CSI projects - Tenant general satisfaction score of 7.5 out of 10.0 - 177 jobs created through CSI	We invest time (human resources) and money (financial resources) into our social and relationship resources as the quality of our relationships supports or hampers our ability to operate (page 88).	B-BBEE score Stakeholder activism
	- Included in the FTSE4Good Index series for the second year - Effective controls and processes - Team of respected industry professionals - Recognition and enhanced reputation - Various industry awards	Investing in intellectual resources by automating systems improves the quality of information but has a negative impact on short-term financial resources. To have a competitive edge, automation is vital and will benefit our financial resources in the long term.	All risks

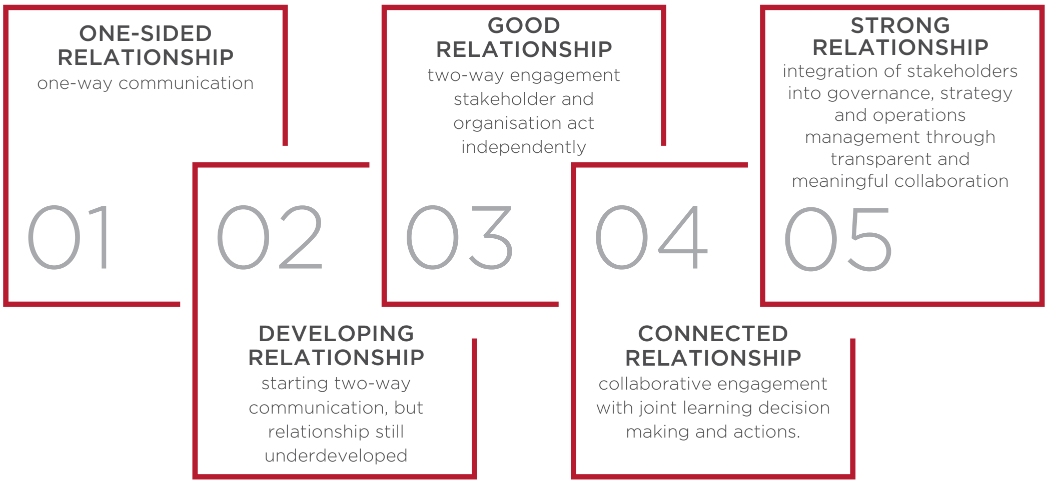
KEY RELATIONSHIPS

Our key relationships are those **stakeholders with significant influence** on how we do business and with whom we engage regularly.

In line with King IV, we follow an inclusive approach and derive our strategy from understanding our stakeholders' needs, interests and expectations. These relationships enable us to identify risks and opportunities, and address these proactively to create trust between our stakeholders and us.

The quality of our relationships supports or hampers our ability to operate, as almost every issue raised by our stakeholders can be a risk or opportunity in achieving our strategy. We classify the quality of our relationships into five categories:

STAKEHOLDER AND QUALITY OF RELATIONSHIP	BENEFITS OF ENGAGING	STRATEGIC MATTERS	CONTRIBUTION TO VALUE CREATION
Community: developing relationship			
Through frequent meetings, we have a better understanding of community needs and requirements	- Interacting with our communities gives us the opportunity to understand their needs and further align our business with those needs to remain relevant - Job creation, social upliftment and investing in our communities		- By investing in the community we directly benefit from their support
Employees: strong relationship			
Through one-on-one engagements, individual personal development plans are agreed with line management and annual 360° feedback surveys are conducted	- Healthy organisational culture that motivates employees to perform, decreases absenteeism, fosters collaboration and strengthens commitment to embrace our values and strategic objectives		- Provide talent, knowledge and skill by embracing company values and habits (page 5)
Government, municipality and regulators: good relationship			
Frequent meetings and regular engagement	- Harmonious communication on compliance, and to effectively manage the building approval process		- Providing utilities and services as well as building approvals



MAIN DISCUSSION POINTS	OUR ACTIONS
- Small and medium enterprises in Midrand allege they are not always included in procurement for the Waterfall development (see risks and opportunities, page 30)	- We are creating an online Attacq/Waterfall procurement tool to communicate opportunities - We are involved in the community through various events per region
- Limited advancement prospects due to flat hierarchical structure - Perceived lack of engagement with senior management and executives by employees at our malls - Some perceived anxiety after key staff members resigned and their roles remained vacant until suitable replacements were appointed - Transformation and employment equity (see risks and opportunities, page 30) - The perceived culture of departments not collaborating	- Personal growth is encouraged by promoting innovative thinking and collaboration with other teams and individuals - Monthly CEO update, including question and answer opportunity - Regular visits by senior management and executives to our regional malls - Transformation is a priority, with all non-equity appointments presented to the CEO for approval - Change in leadership and organisational structure addresses collaboration between departments
- Contributing and managing infrastructure - Water meter installations and readings	- We have an open line of communication with the regional director of the City of Johannesburg and we regularly engage with local authorities in meetings, eg amicably resolving issues on water meter installations and readings - We are committed to full compliance with all applicable legislation - We engage regularly to ensure our developments are supported by appropriate infrastructure, including traffic impact assessments

KEY RELATIONSHIPS continued

STAKEHOLDER AND QUALITY OF RELATIONSHIP	BENEFITS OF ENGAGING	STRATEGIC MATTERS	CONTRIBUTION TO VALUE CREATION
Existing and potential providers of capital: good to strong relationship			
Good attendance at our engagement initiatives and open conversations, competitive term sheets and a desire to do business with us	- Create a larger, diverse shareholder base, while increasing share liquidity and enhancing access to capital - Existing funding structures support our business strategy		- Provide equity and debt capital
Shoppers: good relationship			
Increased number of shoppers and footcount at our malls and decreased number of complaints logged	- Understanding shopping patterns, consumer experiences, and the impact of online shopping		- Consumer behaviour affects the tenant's cost of occupancy and therefore future rental income, with an indirect impact on the value of our buildings
Suppliers: good relationship			
Effective feedback loop created through monthly performance tracker	- By maintaining good relationships and open communication with our suppliers and service providers, we benefit from high service levels that enhance our service to tenants and shoppers		- High service levels and quality products from suppliers enhance our service to tenants and shoppers
Tenants: good relationship			
Strong tenant retention and low vacancy levels	- Tenant retention and expanding tenant footprint - Convert potential tenants to actual tenants		- Tenants are our primary customers, providing the rental income that underpins our business

MAIN DISCUSSION POINTS	OUR ACTIONS
- The revised executive management, specifically CEO, CFO and head of developments - REIT conversion, maiden distribution and future growth in distribution per share (DPS) (see risks and opportunities, page 30) - Macroeconomic conditions and the effect on our business, eg DPS, vacancies and tenant failures - Our strategy and performance on our four key value drivers - A desire to do business with us	- In line with King IV, we proactively engage with shareholders, investment analysts and financiers in results presentations, site visits, road shows and electronic communication on various platforms, giving regular and transparent feedback - Key concerns are covered in stakeholder engagements - New head of developments appointed in March 2018 - Executive management changes implemented in June 2018 - We converted to a REIT in May 2018 and our maiden DPS will be paid in October 2018 - We expanded our debt funding group by introducing three new lenders
- Convenient and secure shopping, compliance with Occupational, Health and Safety Act	- Learn and improve campaigns, activities, initiatives based on shopper, customer or mystery-shopper feedback - We provide visible security at retail sites - Deal with shopper/consumer complaints as quickly as possible - Ongoing innovation, eg our ticketless parking app - Engagement through social media, our help desks and complain line
- Fair and transparent tender processes - Fair compensation - Create equal opportunity for small and medium enterprises (see risks and opportunities, page 30)	- We ensure effective processes are applied in selecting suppliers and service providers, as well as for assessment, certification and payments - We engage through regular supplier meetings and performance evaluations
- Cost of occupancy - Secure environment - Connectivity and traffic congestions - Tenant mix - B-BBEE compliance (see risks and opportunities, page 30) - Daily operational issues - Snagging defects and issues with building design - Our response time to address tenant queries	- Engage through personal interaction, newsletters, on-site support teams, help desk for repair and maintenance issues - We continually invest in cost-saving initiatives for water and electricity. We remain committed to implement using green building principles in our developments - Through ongoing engagement with tenants and security experts, we strive to remain at the forefront of centre security - We monitor our B-BBEE compliance and plan ahead for any adverse impacts - Daily operational issues are dealt with timeously - Results from tenant surveys are translated into action plans - Meeting tenants' needs is actively managed through employees' key performance indicators

RISKS AND OPPORTUNITIES

Effective risk governance enables us to leverage opportunities that support our strategic objectives while making **risk-based decisions** in choosing to pursue an opportunity.

In line with principles 11, 12, 13 and 15 of King IV, we have applied the revised ISO 31000:2018 risk management principles to establish an integrated approach in managing our risks by embedding our combined assurance processes with our enterprise risk management process.

Our risks are closely linked to our strategy and related objectives and targets, which are monitored continuously to ensure proactive responses to positive and negative movements. These indicators are directly linked to our risk appetite and tolerance levels of our strategic objectives, and cascaded down to the operational risk level. Risk management is embedded in our culture. Our view on risk appetite and risk tolerance is summarised below:

Risk appetite is the maximum risk we are willing to accept in implementing our business strategy.

Risk tolerance is the threshold variance in the level of risk mitigation (avoid, tolerate, accept) we are prepared to accept.

At a strategic level, we have analysed each risk to identify possible opportunities. The magnitude of opportunities varies from risk to risk, for example some risks represent greater opportunities. We have ranked opportunities on a three-point scale of low, medium and high.

We are continually strengthening our risk management practices to manage shareholder value and support sound business practices and growth. We summarised our top risks and responses on pages 32 to 35. We also link our top risks to our strategic matters.

Risk assurance process

IDENTIFY AND ANALYSE

Exco, as the implementer of strategy, is responsible for systematic risk management and implementing effective risk mitigations.

Our risk management process is applied equally across health, safety and environmental, fraud and regulatory compliance risks.

ASSESS

Our top risks are well managed and reassessed against changes in the economy, property industry and our portfolio. This enables us to assess the potential impacts of risks on the value-creation process and prioritise key and critical risks.

RESPOND

We respond to risk using a combined assurance approach: each risk is managed through three levels of defence.

MONITOR AND MANAGE

Risks and opportunities are interrogated quarterly at the combined assurance forum, attended by exco members, senior management as well as internal and external auditors.

At forum meetings, exco reports back on the effectiveness of current risk mitigation strategies and reassess risks in light of current internal and external factors. The forum formally reports to the audit and risk committee on all potential and identified emerging risks, and mitigating actions taken within acceptable parameters.

BMW Group SA Regional Distribution Centre

Executive and line managers	First LINE OF DEFENCE
Risk managers	Second LINE OF DEFENCE
Internal auditors, external auditors and other independent assurance providers	Third LINE OF DEFENCE

Combined assurance forum
Assurance providers are monitored through this forum.

Audit and risk committee
The board has delegated oversight of risk management to the audit and risk committee.

Board of directors
The board is ultimately responsible for risk management.

RISKS AND OPPORTUNITIES
continued

Key risk indicators

DESCRIPTION	POTENTIAL IMPACT	MEASUREMENT	CURRENT STATUS
Key risk: Meeting shareholder expectation			
Not meeting distribution guidance on a long-term basis	- Reputational damage - Unable to raise equity in the market	DPS	We met our 2018 distribution guidance
Key risk: Emerging markets			
Volatile economic conditions negatively impacting growth and revenue potential	- Liquidity of our investments in the rest of Africa - Increasing operational costs - Unfavourable foreign currency movements - Ability to repatriate funds - Negative fair value adjustment/ impairment on the outstanding investment value	Rest of Africa retail investments	Current investment spend has been curtailed
Key risk: Cost and availability of water supply			
Protracted drought and deteriorating municipal infrastructure have increased strain on bulk water supply	- Potential loss of income if tenants cannot trade due to lack of water - Future development roll-out impact - Interrupted business operations - Increased cost of occupancy for tenants	Water resilience	Current backup plan includes storage of more than one day's usage per building
Key risk: Delivery of Waterfall development			
Developments delivered: **- Late** **- Over budget** **- In contravention of applicable laws** **All developments must adhere to generally acceptable quality standards**	- Late delivery may mean suboptimal returns due to penalties being imposed and/or loss of rentals - Reputational damage, loss of credibility and negative publicity from dissatisfied tenants - Potential for constrained cash flow arising from over budget developments (see liquidity risk below) - Disputed insurance claims due to contravening applicable laws, eg building approvals, in the event of unexpected damage	- Project budget per development - Portfolio infrastructure budget - Legal and regulatory compliance	- All developments are on track for on-time delivery - Cost are being managed - All regulatory requirements are in place
Key risk: Legal and regulatory compliance			
Non-compliance with all legal and regulatory requirements	- Reputational harm - Reportable irregularities - Penalties, sanctions and fines - Business disruption	Contravening minimum legislative requirements identified through regulatory compliance reviews or reported incidents	- No contravention detected - Legal and regulatory compliant

New New key risk ○ No movement in risk year on year ↓ Risk decreased year on year

	MITIGATING ACTION	RESIDUAL RISK	OPPORTUNITY	RISK MOVEMENT FY18/FY17	STRATEGIC MATTERS
	- Complete 210 000m² of new developments over rolling three-year period - Maintain close relationships with key tenants to understand their financial situation - Proactive property and asset management - Form strategic joint venture relationships to attract new tenants to Waterfall	Medium	High The ability to generate shareholder value will make us the premier investment choice. To meet our distribution targets, we must maintain an efficient operating model, as well as excellent relationships with our stakeholders	New	
	- Further investment curtailed - Existing shareholders actively supporting the asset management function	High	Medium Certain African economies are recovering off a depressed base. In addition, research shows that the retail culture in Africa is growing, making retail opportunity greater than before		
	- Groundwater filtration implemented at Eikestad Mall - Other assets have backup tanks or water-shipping arrangements to maintain water resilience - Review service level agreements with contractors to bring additional water, and the setup of water tanks	Medium	Medium Water supply is continually monitored for quality and availability. Our water-resilience plans ensure a reliable supply of potable water for operational continuity. This in turn ensures we maintain an outstanding customer and tenant experience, creating a competitive advantage. The South African portfolio currently has two days of water resilience, ie a property can operate normally for two days without municipal water supply		
	- Detailed operational risk analysis by external third party to focus on perceived high-risk areas - New head of developments and head of sustainability and infrastructure appointed - Regular meetings between development and asset management teams - Passing on financial loss to contractor though legal agreements	Medium	High We are uniquely positioned as a REIT with a substantial development pipeline. This allows us to respond to market requirements and construct the optimal mix between commercial, industrial and residential developments while contributing to our DPS targets		
	- Internal legal team comprising four staff members - Quarterly reporting through combined assurance forum, audit and risk and transformation, social and ethics committee meetings - Implementing technological tool (Sentinel Law Explorer) to continually monitor changes to existing legislation	Low	Low Key to our business is maintaining strong relationships with regulators and local authorities to ensure we meet our regulatory commitments and receive relevant regulatory approvals timeously to deliver our developments on time. Sentinel tool will assist in keeping abreast of regulatory requirements and enhance our ability to respond to changes.		

RISKS AND OPPORTUNITIES
continued

Key risk indicators

DESCRIPTION	POTENTIAL IMPACT	MEASUREMENT	CURRENT STATUS
Key risk: B-BBEE score			
A weakening B-BBEE rating	- Potential sanctions by regulatory authorities - Failure to secure new tenants/ retain tenants that rely on the B-BBEE scorecards of their landlords	B-BBEE rating	Level 2
Key risk: Cost and availability of electricity			
Inability of electricity providers to provide a dependable electricity supply at the required quality and reasonable cost. This includes available bulk supply for future developments	- Increased infrastructure cost passed on to tenants for back-up power solutions - Failure to secure approval for new developments - Increased cost of occupancy for tenants	Uninterrupted electricity supply	Uninterrupted electricity supply
Key risk: Liquidity			
Not having enough cash resources to meet obligations	- Maintaining debt covenants, including loan-to-value and interest cover ratio - Ability to pay distributions - Insufficient cash to meet equity contribution for developments - Delayed development roll out of Waterfall	Cash availability	R1.2 billion cash. R290.0 million committed working capital facilities
Key risk: Fibre reliability			
Unreliability of central backbone fibre infrastructure provided by a stakeholder	- Loss of connectivity, with potential to reduce business productivity for Waterfall tenants - Reputational damage to the Waterfall brand, as well as retention risk for Waterfall tenants - Potential financial loss	Monitoring network uptime	99.0% uptime
Key risk: Land invasion			
Land invasion	- Delayed developments due to inability to remove illegal land occupiers - Decreased land valuations - Potential loss of income - Additional operating cost to manage potential land invasion	Operational response (<24 hours)	Operational control
Key risk: Stakeholder activism			
Increased community activism and pressure on business to provide more support local suppliers and service providers	- Delayed developments - Reputational damage - Threats and intimidation of staff	Delays on developments due to community activism	No delays on developments due to community activism

New New key risk ○ No movement in risk year on year ↓ Risk decreased year on year

MITIGATING ACTION	RESIDUAL RISK	OPPORTUNITY	RISK MOVEMENT FY18/FY17	STRATEGIC MATTERS
- Proactively monitoring procurement spend - Proactively monitoring scorecard pillars - Appropriate budget and resources allocated to achieving points for each pillar	High	High - We are currently level 2 B-BBEE compliant, which is exceptional among our REIT peers and gives us a competitive edge - We proactively engage with interested vendors who want to participate in the roll-out of the Waterfall precinct and provide businesses with real growth opportunities		
- Backup generators installed - Robust maintenance plan for generators	Medium	High - Investments made to ensure minimal downtime, regardless of reliability at source - Being able to trade without service interruptions gives our portfolio a competitive edge		
- Working capital facilities secured with two banks - Cash buffer established	Medium	Medium - Our cash buffer gives us the ability to respond to new developments		
- Established a centralised coordinated network operating centre - Monthly meetings with stakeholder to monitor uptime and network availability statistics	Medium	High - A singular co-ordinated precinct approach to fibre roll-out resulted in substantially lower execution costs and economies of scale for both the fibre provider and as the physical infrastructure provider - Quality of service monitored at a centralised control room		
- Boundary demarcation - Court order obtained to evict trespassers - Regular proactive patrols - We rely on our strong relationship with council for their support - Operational control over our assets	Medium	Low - We face similar challenges to what is happening in the rest of the country - The emergence of this risk has increased the working relationships with stakeholders such as the police and municipalities	New	
- Actively engaging with parties proposing marches - Co-ordinated actions with authorities, joint venture partners and parties proposing marches to engage and prevent these events - Procurement policy to include using local suppliers	Medium	Medium - Increased activism is evident nationally This gave us the opportunity to engage with similarly affected stakeholders, possibly leading to joint opportunities such as uplifting the community	New	

OUR STRATEGY

Key to implementing our **strategy and delivering on our KPIs** is the recycling of capital.

Our strategy is implemented through our four key value drivers, after considering risks and opportunities, stakeholders' main discussion points and our operating environment.

Our performance is measured by KPIs. Our remuneration policy, including the performance conditions of our long-term incentive scheme, supports our strategy. These targets have not been reviewed or reported on by our auditor.

Exceptional, sustainable growth

To be a premier property company, we need to deliver long-term sustainable growth. We continue to identify non-core properties within our South African portfolio as well as non-core investments across the group for disposal. We will redeploy this capital by repaying interest-bearing debt and funding our Waterfall development pipeline. This has become an even greater focus for management with the conversion to a REIT, by ensuring capital is appropriately allocated to cash-yielding investments.

Strategic KPIs	2017 result	2018 target	2018 result	Success indicator	2019 target	2020 target
FINANCIAL						
Distributable earnings per share** (cents)	19.7	73.0	75.0	✓	79.6 to 81.0	89.9 to 93.2
Distribution growth (%)	–	–	–	N/A	7.5 to 9.5	13.0 to 15.0
Total return* (%)	14.2	15.0	12.4	x		

* *Total annual compounded return over a five-year period.*
** *Unaudited 2017 result.*

We focus on the interest cover ratio as an indicator of the affordability of our debt while striving to keep gearing levels below 35.0%.

Strategic KPIs	2017 result	2018 target	2018 result	Success indicator	Medium term
FINANCIAL					
Interest cover ratio (times)	≥1.1	≥1.3	1.6	✓	≥2.0
Gearing (%)	37.1	Below 40.0	35.8	✓	Below 35.0

Waterfall City and Waterfall Logistics Hub

Second key value driver: Waterfall development

Our key differentiator from other REITs is the development opportunity in our Waterfall precinct, comprising Waterfall City – an integrated city that works, and Waterfall Logistics Hub – Gauteng's logistics hub of choice. We are focused on densifying Waterfall City through quality commercial and residential developments and building a green, smart city.

Strategic KPI	2017 result	2018 target	2018 result	Success indicator	2019 target
NON-FINANCIAL					
Waterfall bulk roll out (m^2)	348 962	210 000 over a rolling three-year period	301 653	✓	172 500 over a rolling three-year period

Retail and mixed-use precincts

First key value driver: South African portfolio

We are focused on dominating retail and mixed-use precincts in South Africa. Our success is measured by trading density growth as evidence of our quality assets and property management skills.

Third key value driver: Investment in MAS

We play an investment management role in MAS. MAS achieved its guidance of 30.0% distribution growth for 2018. It has indicated a further 15.0% distribution growth for the 2019 year.

Fourth key value driver: Rest of Africa retail investments

No further expansion will be made in this portfolio. Management continues to focus on optimising net income and asset value.

Environment, social and governance

How we manage our natural resources influences the cost of occupancy for our tenants and our impact on the environment.

Our emphasis is on transformation and localisation, giving direction to our company culture. Corporate social investments are made through the Attacq Foundation.

We believe that achieving the highest standards of corporate governance is key to the sustainability of our business, attaining our vision and strategy, as well as creating and sustaining value for all stakeholders in the short, medium and long term.

Strategic KPI	2017 result	2018 target	2018 result	Success indicator	Short term	Medium term	Long term
NON-FINANCIAL							
Transformation (based on adjusted property charter)	Level 4 (previous property charter)	Level 4	Level 2	✓	Level 4	Level 3	Level 2

PERFORMANCE REVIEW

Mall of Africa, Waterfall City

CHIEF FINANCIAL OFFICER'S REVIEW
(INCLUDING FINANCIAL RESOURCES)

In June 2018, just before year-end, I was appointed as CFO when my predecessor, Melt Hamman, was confirmed as CEO after serving the dual role of CFO and interim CEO for six months.

At the end of the prior financial year, we set ourselves three major goals for 2018: achieving REIT status from the JSE; meeting our maiden distribution target of 73.0 cents per share; and improving our interest cover ratio by reducing interest-bearing debt after disposing of non-core assets.

Our distributable earnings increased by 280.7% to R527.4 million (2017: R138.5 million), resulting in DEPS of 75.0 cents (2017: 19.7 cents).

Raj Nana, Chief financial officer

In May 2018, we received approval from the JSE to operate as a REIT and, in September 2018, declared our maiden dividend of 74.0 cents per share. In addition, our interest cover ratio improved to 1.6 times, substantially better than the prior-year ratio of 1.1 times. We have therefore achieved all our major goals.

As a result of regulatory REIT approval, our key performance metric has changed from growth in net asset value per share which was appropriate as a capital growth property company, to delivering sustainable, growing DEPS. Accordingly, our results focus on DEPS for the first time. DPS is now the key performance indicator for trading purposes.

Distributable earnings per share

Our distributable earnings increased by 280.7% to R527.4 million (2017: R138.5 million), resulting in DEPS of 75.0 cents (2017: 19.7 cents). This reflects increased operating profit, reduced finance charges and a lower tax liability. We recycled capital from non-cash yielding investments to reducing interest-bearing debt and invested in our development pipeline.

On the back of the achieved DEPS of 75.0 cents, the board declared a maiden distribution for the year ended 30 June 2018 of 74.0 cents per share. This exceeds the market guidance of 73.0 cents per share provided in the June 2017 and December 2017 financial results announcements.

Our four key value drivers have contributed to our distributable earnings and DEPS as follows:

R000	2018	2017*	% change
South African portfolio	**321 395**	128 306	150.5
Waterfall development*	**(10 149)**	(17 464)	(41.9)
Investment in MAS	**151 060**	105 303	43.5
Rest of Africa retail investments	**42 425**	6 591	543.7
Other assets – South Africa	**18 853**	(84 190)	(122.4)
Other assets – Global	**3 800**	–	n/a
Distributable earnings	**527 384**	138 546	280.7

** Unaudited comparatives.*

Increase mainly due to newly completed buildings contribution to rental income for the first time and lower finance charges

Holding costs on development rights, comprising rates and taxes

Increase in the underlying euro-based dividends and gains from rand weakness

Cash interest received on investments less cash interest paid on allocated debt

Net cash interest received

Cents per share	2018	2017	% change
South African portfolio	**45.7**	18.3	150.4
Waterfall development*	**(1.4)**	(2.5)	(41.9)
Investment in MAS	**21.5**	15.0	43.4
Rest of Africa retail investments	**6.0**	0.9	543.4
Other assets – South Africa	**2.7**	(12.0)	(122.4)
Other assets – Global	**0.5**	–	n/a
Distributable earnings	**75.0**	19.7	280.7

** Includes developments under construction, development rights and infrastructure and services.*

CHIEF FINANCIAL OFFICER'S REVIEW (INCLUDING FINANCIAL RESOURCES) continued

The South African portfolio, which includes net operating income from our South African properties less finance charges from rand-denominated debt, contributed the largest increase in nominal terms. This was assisted by newly completed properties contributing to rental income and a reduction in interest-bearing debt in the prior year as well as further reductions in the current year, resulting in reduced finance charges. This segment contributed 61.0% of total DEPS.

The Waterfall development carries the costs of development rights, being rates and taxes, which reduces our DEPS. There is no interest-bearing debt against these development rights.

Our investment in MAS comprises dividends received during the year. We benefited from growth of around 30.0% in the underlying euro dividend and 13.5% due to rand weakness. This segment contributed 28.7% of total DEPS.

Rest of Africa retail investments reflects the net cash interest received, net of any cash interest paid on interest-bearing debt against the investment. This segment contributed 8.0% of total DEPS.

Other assets – SA reflects the cash interest received on our cash balances, less cash taxes paid. The tax liability for the period reduced to R21.9 million, down from R100.6 million in the prior year. The reduction was largely a result of the REIT conversion. We expect this to reduce further in the coming financial year.

Financial performance

Our statement of comprehensive income is summarised below:

	2018 R000	2017 R000
Gross revenue	**2 138 961**	2 060 895
Rental income	**2 035 494**	1 861 093
Straight-line lease income adjustment	**103 467**	199 802
Property expenses	**(724 726)**	(742 277)
Net rental income	**1 414 235**	1 318 618
Sale of inventory	**29 865**	–
Cost of sales	**(24 918)**	–
Other income	**157 675**	60 463
Operating and other expenses	**(322 918)**	(585 730)
Operating profit	**1 253 939**	793 351
Amortisation of intangible asset	**(24 037)**	(22 060)
Fair value adjustments	**370 265**	527 581
Gain on available-for-sale financial assets	**35 750**	–
Net income from associates and joint ventures	**81 706**	249 880
Investment income	**194 447**	189 536
Finance costs	**(950 501)**	(987 411)
Profit before taxation	**961 569**	750 877
Income tax expense	**1 749 765**	(150 599)
Profit for the year	**2 711 334**	600 278
Other comprehensive loss for the year net of taxation	**(4 648)**	(129 096)
Total comprehensive income for the year	**2 706 686**	471 182

Rental income

Rental income, excluding the impact of straight-lining, increased by 9.4% to R2.0 billion (2017: R1.9 billion), mainly due to newly completed buildings in the review period as well as properties completed in the previous financial year, which are now included for a full year. The five new buildings and Massbuild extension contributed R69.8 million to rental income and R58.4 million to net operating income.

Property expenses

Property expenses decreased by 2.4% or R17.6 million to R724.7 million, mainly due to non-recurring expenses for the Mall of Africa incurred in 2017. Like for like, property expenses increased 8.6% due to newly completed buildings in 2017 and 2018. Municipal charges rose 5.8% to R448.6 million (2017: R423.9 million). The municipal charge recovery ratio increased to 92.8% (2017: 90.0%) as the Mall of Africa photovoltaic plant came into operation during the year.

Property cost-to-income ratio

The cost-to-income ratio calculated below is based on best-practice recommendations issued by the SA REIT Association. Due to the leasehold nature of our Waterfall development rights attracting a land-lease rental expense, the ratio has been adjusted to enable comparability with other REITs.

Cost-to-income ratio	2018 %	2017 %
Property gross	32.8	38.3
Property net	15.5	22.4

Other income

Our 50.0% investment in Newtown, consisting of shareholder loans, is consolidated. In 2018, we and our 50.0% co-shareholder each wrote down R112.4 million of our shareholder's loans to Newtown due to lower rental projections. On consolidation, this had the effect of reflecting an income related to Atterbury group's share of the write down.

Operating and other expenses

The significant reduction in operating and other expenses over the prior period reflects a lower impairment of our investment in AttAfrica of R25.8 million (2017: R82.8 million), the European Shopping Centre Fund Limited (Stenham) impairment of R116.6 million in the prior year as well as the lower foreign exchange rate loss of R32.4 million (2017: R162.7 million) recognised on our euro-denominated debt.

Net income from associates

The movement in our net income from associates is mainly attributable to previously held associates for our investments in Cyprus and Serbia which, after their disposal in May 2017, did not contribute to our results in 2018. Also, MAS recognised a negative fair-value adjustment on its listed REIT portfolio in 2018, reducing our equity-accounted income from this associate to R68.8 million (2017: R190.0 million).

Fair-value adjustments

Fair-value adjustments on buildings in the South African portfolio were affected by impairments on 2 Eglin, Newtown precinct and Brooklyn Mall. The negative fair-value adjustment on Newtown precinct is due to lower rental projections while Brooklyn Mall's valuation decreased on lower expected rental income given increased competition in the area.

Finance charges

During the period, finance charges benefited from a reduction in the average cost of debt as well as the reduction in interest-bearing debt using disposal proceeds from non-core assets. This was countered by an increase in interest-bearing debt on newly completed properties.

Taxation

In addition to the reduction in current taxation for the review period, the reversal of the deferred taxation liability on REIT conversion totalled R1.8 billion. This relates largely to the deferred capital gains taxation liability previously carried for immovable properties.

CHIEF FINANCIAL OFFICER'S REVIEW (INCLUDING FINANCIAL RESOURCES) continued

Financial position

Gross assets increased by 6.4% to R29.1 billion

	2018 R000	2017 R000	% change
South African portfolio	**21 084 750**	18 060 726	16.7
Waterfall development*	**2 258 698**	3 840 759	(41.2)
Investment in MAS	**3 145 828**	2 729 308	15.3
Rest of Africa retail investments	**1 092 477**	1 246 835	(12.4)
Other assets – South Africa	**1 425 707**	1 012 010	40.9
Other assets – Global	**71 239**	432 553	(83.5)
Total assets	**29 078 699**	27 322 191	6.4
Total liabilities	**(12 019 869)**	(13 418 578)	(10.4)
Total equity	**17 058 830**	13 903 613	22.7

* *Includes developments under construction, development rights and infrastructure and services.*

Fair value adjustments plus five buildings and an extension completed, including the PwC Tower

Completion of five buildings and an extension and disposals of development rights to joint venture partners

Disposal of The Grove Mall of Namibia

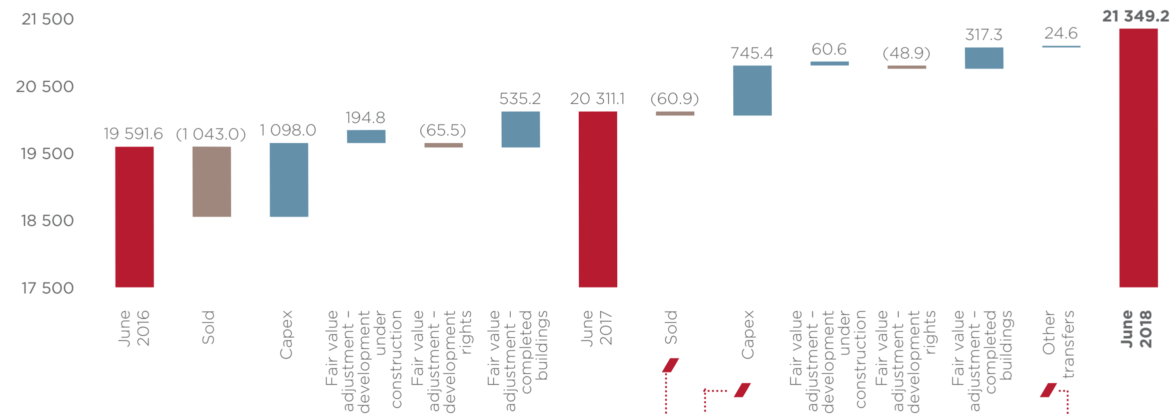
This comprises largely cash of about R1.2 billion and intangible assets

Disposal of Nova Events and Artisan

Reversal of deferred taxation countered by an increase in interest-bearing debt on new developments

Reversal of deferred taxation and positive fair value adjustments on Investment properties

Investment property movement, including assets held for sale (R million)



Sales to 50.0% joint venture partners

R511.8 million pertains to the development of buildings; R211.2 million for capex on existing buildings and about R22.4 million of this was for infrastructure

Mainly due to transfer of committed infrastructure spend to provisions

Investment properties

Investment properties	2018 R000	2017 R000
Completed buildings	**20 288 698**	17 163 784
Development rights	**879 324**	1 058 236
Infrastructure and services	**646 855**	710 875
Developments under construction	**346 441**	1 598 966
Land	**5 000**	5 000
Per valuation	**22 166 318**	20 536 861
Straight-line lease debtor	**(932 233)**	(801 496)
Subtotal investment properties	**21 234 085**	19 735 365
Investment properties held for sale	**115 149**	575 760
Total investment properties	**21 349 234**	20 311 125

The carrying amount of the Waterfall development is reconciled from investment property as detailed below:

Waterfall development	2018 R000	2017 R000
Development rights	**879 324**	1 058 236
Infrastructure and services	**646 855**	710 875
Developments under construction	**346 441**	1 598 966
	1 872 620	3 368 081
Investment properties held for sale	**115 149**	50 025
Other assets	**127 126**	281 654
Attacq Sanlam joint venture	**143 803**	140 999
Waterfall development	**2 258 698**	3 840 759

Development rights were revalued down by R48.9 million, mainly due to adjustments to estimated development-period assumptions in the valuation.

At year-end, about 100 000m² of PGLA was under construction (effective PGLA of about 65 000m²), comprising seven developments.

The Attacq Sanlam joint ventures relate to shareholder funding of two joint ventures, mainly on industrial development rights of over 686 000m² of developable bulk with Sanlam as a co-shareholder.

Weighted average capitalisation rates on completed buildings

As shown below, the capitalisation for 2018 valuations were largely unchanged from the previous year.

Segment*	2018 R000	2017 R000
Office and mixed-use	**7.74**	7.84
Industrial	**7.68**	7.75
Hotel	**8.07**	8.07
Retail	**6.90**	6.94
Total portfolio	**7.32**	7.32

** Weighted on effective interest of the valuation.*

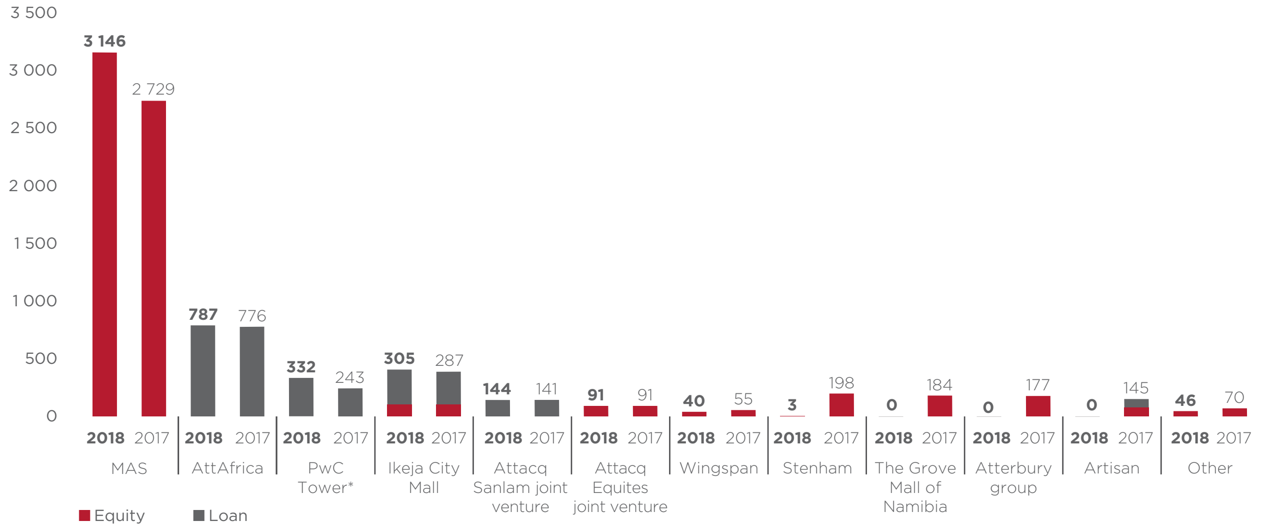
The reduction in weighted average capitalisation rates on the office and mixed-use segment reflects the inclusion of PwC Tower for the first time. Similarly, the industrial segment decreased on the back of new long-term leases for the newly completed BMW Group South Africa Regional Distribution Centre and Dis-Chem warehouse. The retail segment includes the Mall of Africa which, as a super-regional mall, has a low capitalisation rate.

CHIEF FINANCIAL OFFICER'S REVIEW (INCLUDING FINANCIAL RESOURCES) continued

Investments

Investments in and loans to associates and joint ventures, as disclosed below, reduced from June 2017 (R5.1 billion) to June 2018 (R4.9 billion) and relate to movements in the MAS and AttAfrica investments as well as exiting certain assets during the period.

Investments (R million)



** Loan advance to 25.0% co-owners of the PwC Tower joint venture*

The disposal of non-core investments, which dilute distributable earnings, was a focus during the period. In this respect, R524.0 million of capital has been recycled. This includes the Nova Eventis regional shopping centre in Leipzig, Germany, The Grove Mall of Namibia and investments in Artisan. The latter two investments performed well but had not provided a cash return due to their nature and/or the gearing level in-country and were thus sold.

The 22.8% investment in MAS performed as expected during the year, assisted by its capital raises completed at a premium to net asset value and foreign exchange gains on translation on the equity accounted value at year end.

Currently, we are not receiving regular cash distributions from our two investments in the Rest of Africa portfolio.

The PwC Tower investment of R331.7 million (2017: R243.1 million) is a loan provided to the 25.0% co-owner of that asset. The loan carries similar terms and conditions to the debt raised by Attacq Waterfall Investment Company Proprietary Limited for the development and is serviced monthly from the property's rental income. The Atterbury group loan, with a 30 June 2017 outstanding balance of R177.2 million, was settled in January 2018.

Assets held for sale

Assets held for sale	2018 R000	2017 R000
Brooklyn Bridge Office Park	–	553 000
The Atria/Barrow Properties	46 668	50 025
Cummins South Africa's regional office/Zenprop	63 372	–
Stenham	2 947	197 677
Rainprop Proprietary Limited	775	781
Zimmer Biomet/Sanlam	5 109	–
Total	**118 871**	801 483

The disposal of the Nova Eventis regional shopping centre in Leipzig, Germany, held by Stenham, was implemented and most of the proceeds received in July and November 2017. Brooklyn Bridge Office Park remains a non-core asset and we are still actively seeking a potential buyer. The asset has been reclassified to investment property as a highly probable sale may not materialise in the next 12 months.

Amounts for Barrow Properties, Zenprop and Sanlam reflect jointly developed properties, which will transfer to the respective joint venture partners in due course.

Funding

Interest-bearing borrowings	2018 R000	2017 R000
Net interest-bearing borrowings	**9 958 620**	10 205 157
Unrestricted cash on hand	**1 152 934**	381 288
Gross interest-bearing debt	**11 111 554**	10 586 445
Non-interest-bearing debt	**908 315**	2 832 133
Total liabilities	**12 019 869**	13 418 578

Total interest-bearing borrowings net of cash decreased by 2.4% to R10.0 billion (June 2017: R10.2 billion). Gearing, calculated as total interest-bearing debt less cash on hand as a percentage of total assets, improved from 37.1% in June 2017 to 35.8% in June 2018. The improved gearing is the result of increased cash on hand accumulated during the period and the higher gross value of assets. During the year, we converted the majority of our debt facilities to an interest-only profile. The June 2018 cash balances will be partially used to fund the 74.0 cents per share distribution.

To mitigate interest rate risk, at 30 June 2018, 95.0% (2017: 90.8%) of total committed facilities of R11.7 billion (2017: R12.0 billion) were hedged by way of fixed interest rate loans or interest rate swaps, which is higher than our minimum hedging policy. The weighted average cost of funding improved over the last year to 8.7% (2017: 9.2%) on the combination of lower JIBAR rates over the past 12 months as well as the change in the weighting of underlying loans.

The interest cover ratio improved to 1.6 times (2017: 1.1 times) on the back of higher operating profit and reduced finance costs paid during the year. Ongoing improvement of the interest cover ratio is a focus for management with a medium-term target of 2.0 times.

	2018	2017
Net interest-bearing debt	**R10.0 billion**	R10.2 billion
Weighted average life of loans	**4.4 years**	4.8 years
Total hedged as a % of total committed facilities	**95.0%**	90.8%
Weighted average term of hedges	**4.0 years**	4.7 years
Interest cover ratio	**1.6 times**	1.1 times
Gearing	**35.8%**	37.1%
Weighted average cost of debt	**8.7%**	9.2 %

Reduction due to conversion of majority of debt to interest only facilities

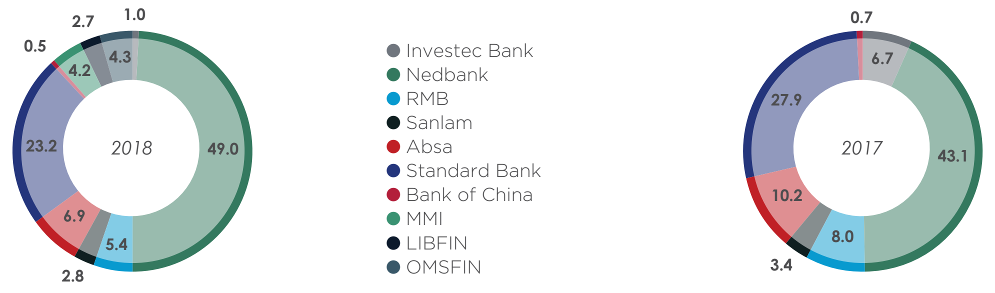
Increase in hedge % is due to increase in swaps implemented during the year

Improvement due to a combination of a decrease in the JIBAR rates over the past 12 months and the change in the weighting of the underlying loans

R541.8 million (2017: R2.6 billion) of our interest-bearing debt is due for repayment over the next 12 months, posing limited refinance risk. In the past year, we successfully refinanced R5.7 billion of debt, including our retail and Lynnwood Bridge portfolios, and euro-denominated debt. Despite the fact that only half the debt secured by the portfolios was due to expire in May 2018, we refinanced the entire amount early to extend the tenure of our loan book and capitalise on favourable pricing. We also used the opportunity to introduce three new institutional lenders to the group.

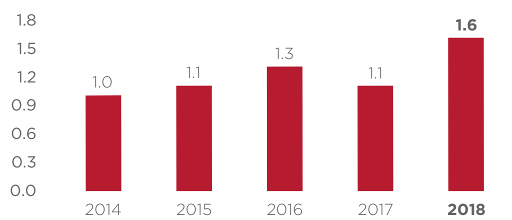
CHIEF FINANCIAL OFFICER'S REVIEW
(INCLUDING FINANCIAL RESOURCES) continued

Funding mix (%)

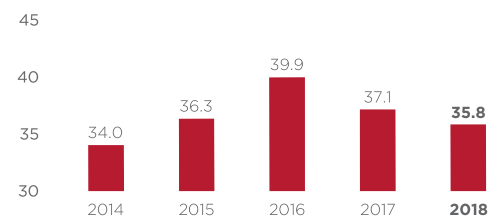


Our key debt metrics show an improving trend in recent years, a result of our continued focus on improving the interest cover ratio and ensuring debt remains well managed.

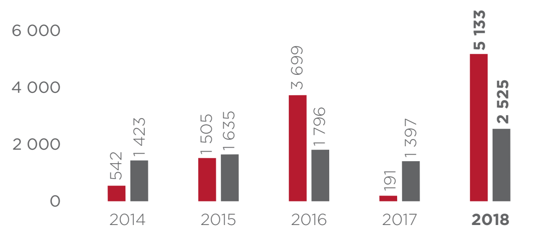
Interest cover ratio (times)



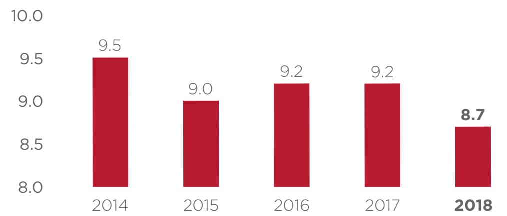
Gearing (%)



Debt and hedge maturity (R million)



Cost of debt (%)

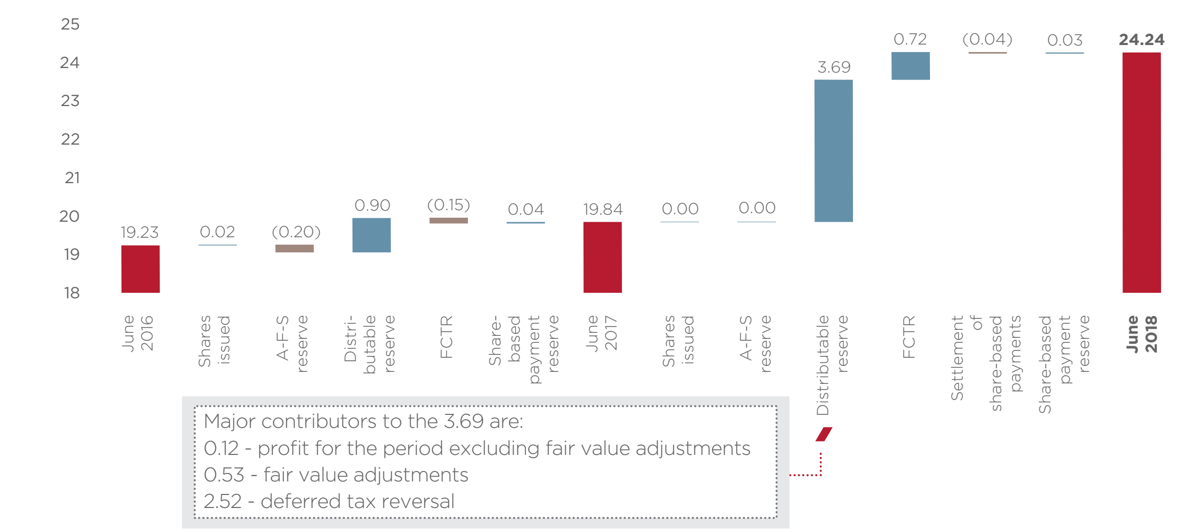


Equity movement

Net asset value increased by 22.7% from R13.9 billion to R17.1 billion, largely due to the derecognition of the majority of the deferred tax liability on the REIT conversion. Net asset value per share (NAVPS) growth on a like-for-like basis, excluding the impact of the deferred taxation derecognition, would have been 8.6% had we converted to a REIT by June 2017. Year on year, the total number of shares increased by 340 000 after issuing new shares for our share incentive scheme.

The NAVPS is reflected below.

Equity movement (Rand per share)



Appreciation

A sincere thank you to the entire Attacq team which has worked tirelessly over the past year to prepare the group to become a REIT, and to Melt Hamman, to whom I extend my appreciation for the high-performance team I have inherited.

Raj Nana
Chief financial officer

16 October 2018

Finance team (Prelene Nair, Henry Kuhn, Karin Booysen, Raj Nana, Helena Austen and Brenda Botha)

MANUFACTURED RESOURCES

Introduction

Manufactured resources are allocated across our four key value drivers:
- South African portfolio
- Waterfall development
- Investment in MAS
- Rest of Africa retail investments.

Performance highlights

- **MSCI awards** for best-performing property fund over three years, based on annualised return, in the office sector (2017) and industrial sector (2017)

- **2018 SAPOA awards** for best corporate development for PwC Towers and best industrial development for BMW Group SA Regional Distribution Centre

- Mall of Africa won the **Sunday Times 2018 Generation NEXT award** for the coolest mall.

Governance oversight

- Investment committee, audit and risk committee, combined assurance forum, exco and portfolio committee

Strategic matters

Please refer to page 24 for more details on our value-creation process.

Operational team
Standing: Jessica Govender, Grant Wing and Debbie Theron
Sitting: Jenelle Frere, Danny Vermeulen, Jackie van Niekerk and Michael Clampett

Progress in 2018

Our 2018 focus	Achieved	More information
South African portfolio		
Focus on property fundamentals	Continuous	First key value driver: South African portfolio, page 52.
Innovation as part of technology focus	Continuous	
Strengthen and expand portfolio	Continuous	
Net operating income focus shift	Continuous	
Waterfall development		
Focus on achieving KPIs set for the development team	Partially	Second key value driver: Waterfall development, page 64.
Delivering high-quality buildings	✓	
Investment in MAS		
Target 30.0% growth in distributions	✓	Third key value driver: Investment in MAS, page 72.
Expand into Central and Eastern Europe	✓	
Rest of Africa retail investments		
Focus on improving operational performance	Continuous	Fourth key value driver: Rest of Africa retail investments, page 74.
Refinancing existing portfolio	✓	

2019 Looking ahead

South African portfolio
- Focus on optimising net operating income
- Proactively manage trading densities and rent to turnover ratios

Waterfall development
- Developing and ongoing management of Waterfall City and Waterfall Logistics Hub
- Developing residential units in Waterfall City

Investment in MAS
- Targeted 15.0% growth in distributions
- Unlocking value from acquisition and development pipeline

Rest of Africa retail investments
- Management continues to focus on optimising net income and asset value

MANUFACTURED RESOURCES
continued

South African portfolio

Overview

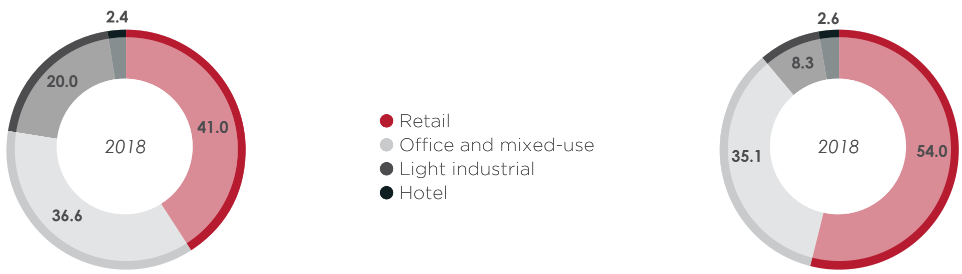
The value of our existing South African portfolio increased to R21.1 billion (2017: R18.1 billion), making up 72.5% (2017: 66.1%) of our total gross assets.

The MOA is at the heart of the Waterfall development, our competitive advantage. Office and mixed-use, as well as light industrial buildings, surround the mall, densifying Waterfall City. The future first-class residential offering will further complement the city and support a "work, live, play" lifestyle.

Geographical profile by PGLA and gross monthly rental

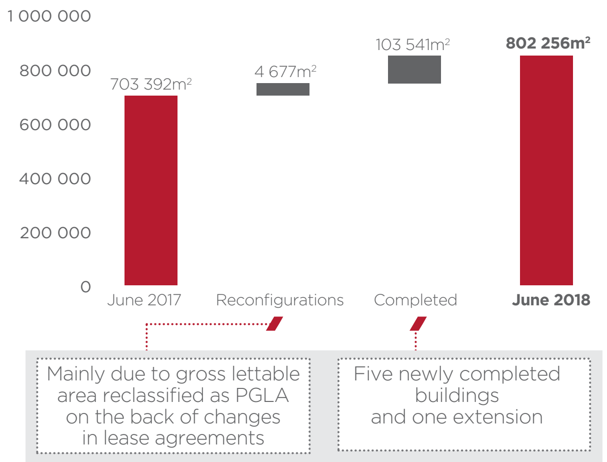
PGLA (%) GROSS RENTAL (%)

Sectoral profile by PGLA and gross monthly rental



PGLA (%) GROSS RENTAL (%)

Effective PGLA evolution



First key value driver: **South African portfolio**

Our property management vision

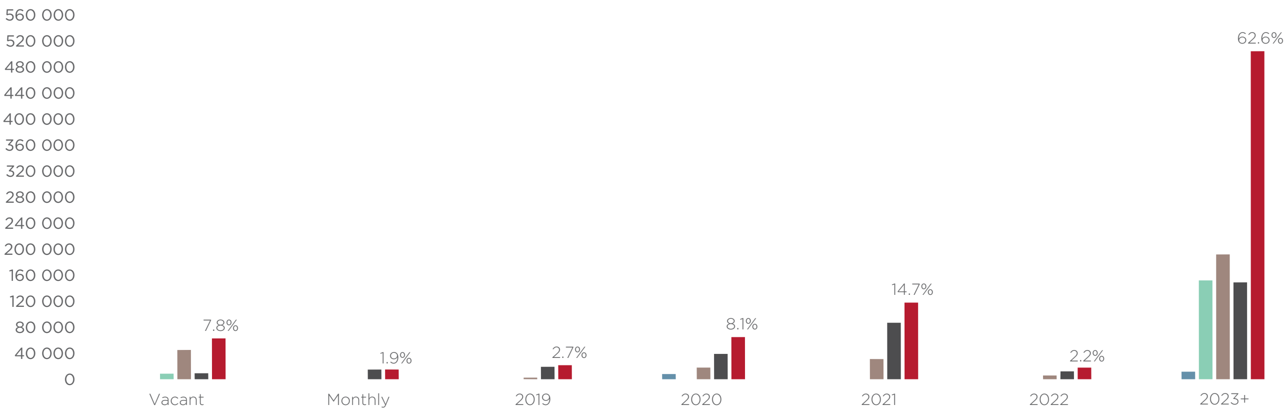
We introduced the FRESH (fun, relevant, easy, social and helpful) concept as a focus point for our property management team. The aim is to create a compelling, enjoyable experience that surprises and delights our customers (shoppers and tenants) and makes them smile.

F	R	E	S	H
FUN	**RELEVANT**	**ENGAGING**	**SOCIAL**	**HELPFUL**
Holds people's attention in an entertaining way	Provides clear and customised information	Identifies with individual needs and wants	Connects people with each other	Is efficient, easy and adapts over time

Leasing and vacancy management

Leasing and vacancy management is aimed at attracting new tenants and long-term tenant retention. A number of our newer properties have single tenants with long-term leases, resulting in a longer-dated lease expiry profile (below). Our weighted average lease expiry profile increased to 6.8 years (2017: 6.4 years).

Lease expiry profile (PGLA m²)



	Vacant	Monthly	2019	2020	2021	2022	2023+
RETAIL	9 170	14 856	19 083	38 852	86 643	12 090	148 597
OFFICE	44 944		2 447	17 858	30 888	5 707	191 496
INDUSTRIAL	8 518						151 589
HOTEL				7 946			11 572
TOTAL	62 632	14 856	21 530	64 656	117 531	17 797	503 254

Lease expiry profile (revenue R000)

	Vacant	Monthly	2019	2020	2021	2022	2023+
Retail	-	2 367	5 641	8 148	23 046	3 054	22 059
Office	-	-	483	3 264	5 068	934	32 140
Industrial	-	-	-	-	-	-	7 388
Hotel	-	-	-	1 510	-	-	1 604
Total	**-**	**2 367**	**6 124**	**12 922**	**28 114**	**3 988**	**63 191**

MANUFACTURED RESOURCES
continued

Sector vacancies as at 30 June 2018	2018 Vacancy %	2018 Vacant PGLA m²	2017 Vacancy %	2017 Vacant PGLA m²
Retail	**2.8**	**9 170**	2.4	7 869
Office and mixed-use	**15.3**	**44 944**	5.0	13 094
Light industrial	**5.3**	**8 518**	–	–
Hotel	**–**	**–**	–	–
Portfolio vacancy	**7.8**	**62 632**	3.0	20 963
Less: Vacancies filled post year end	**(2.7)**	**(21 791)**	(0.6)	(4 431)
Current portfolio vacancy	**5.1**	**40 841**	2.4	16 532
Waterfall	**11.2**	**4 573**	23.4	3 870
Balance of portfolio	**88.8**	**36 258**	76.6	12 662

Vacancies

During the year, leases totalling 90 909m² expired, with 24 996m² (27.5%) renewed, 20 732m² (22.8%) relating to PwC vacating the 2 Eglin building, 42 296m² (46.5%) leased by new tenants and 2 885m² (3.2%) remaining vacant.

Overall portfolio vacancies, measured in terms of PGLA, increased by 41 669m² when compared with 30 June 2017, mainly as a result of PwC moving into their new head offices at Waterfall City, vacating 2 Eglin Road, Sunninghill. Subsequent to 30 June 2018, 21 791m² of total vacant space was let, reducing the overall vacancy rate to 5.1%. Vacancies that were filled post 30 June 2018 relate mainly to a portion of 2 Eglin Road, Dis-Chem warehouse and Gateway West. Vacancies not yet filled refer to 2 Eglin Road, Brooklyn Bridge Office Park and the Newtown precinct.

Managing arrears debt

Arrears management is a proactive process to ensure consistent progress in the current economic climate and given the increased cost of occupancy for our tenants. To mitigate our exposure, processes for tenant credit assessment and financial vetting are conducted upfront and throughout the lease tenure.

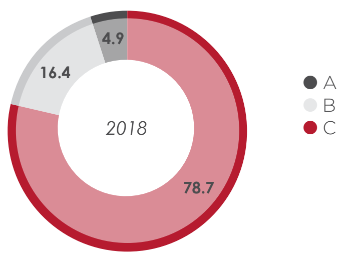
Tenant profile

The credit quality of tenants in our portfolio is reflected in the high percentage of A-grade tenants. The majority of our tenants, 78.7% (2017: 72.2%) by PGLA, are categorised as A, being large international and national tenants, large listed entities, and government or major franchises.

Smaller international and national tenants, listed tenants, franchisees, medium to large professional firms categorised as B, make up 16.4% (2017: 22.4%) of our tenancy.

The balance comprises 326 (2017: 369) smaller tenants and sole proprietors categorised as C.

Tenant profile (%)



We welcome all new tenants to Waterfall, eg the tenants of all five newly completed buildings:

AFRICAN EXPLORATION AND MINING FINANCE CORPORATION | BMW | DECISION INC | DIS-CHEM | ISUZU | PWC | SPACES

First key value driver: **South African portfolio**
continued

Through close relationships with our tenants and understanding their needs and business challenges, we are managing arrears effectively and proactively to mitigate potential losses.

Breakdown of trade receivables	2018 R000	2017 R000	% movement
Current	**38 371**	24 370	+57.5
30 and 60 days	**10 095**	15 027	-32.8
>90 days	**16 228**	12 979	+25.0
Total arrears	**64 694**	52 376	+23.5
Less: Provision for doubtful debt	**(19 586)**	(16 021)	+23.5
Trade receivables	**45 108**	36 355	+24.1
Net arrears (trade receivables past due but not impaired)	**6 737**	11 985	-43.8
Rental income	**2 035 494**	1 861 093	9.4
Total arrears* (% of rental income)	**2.8**	2.5	–
Trade receivables* (% of rental income)	**1.9**	1.7	–

** Excluding VAT.*

Valuations

The capitalisation and discount rates for the 2018 valuations remained largely unchanged when compared with the previous year. Fair value adjustments on buildings in the South African portfolio were negatively impacted by impairments on 2 Eglin, Newtown precinct and Brooklyn Mall. The negative fair value adjustment on Newtown precinct is due to lower rental projections while Brooklyn Mall's valuation decreased due to rental income being negatively impacted by increased competition in the area.

Summarised highlights	2018	2017
Number of properties	**41**	36
Total investment property (R000)	**19 356 465**	16 362 284
Total rental income (R000)	**2 028 821**	1 848 303
PGLA (m^2)	**802 256**	703 392
Value per PGLA (R/m^2)	**24 128**	23 262
Weighted average monthly gross rentals per m^2 (R/m^2) – including rates	**178**	175
Historical average annualised property yield (%)	**6.3**	6.5
Weighted average rental escalation^ (%)	**7.2**	7.5
Weighted average escalation on new/renewed leases^ (%)	**6.9**	7.8
Weighted average lease period^ (years)	**6.8**	6.4
Vacancy^ (%)	**7.8**	3.0
Retention success rate (%)	**96.8**	97.1
Average cap rate (%)	**7.3**	7.3

^ Based on PGLA.

MANUFACTURED RESOURCES
continued

Retail

Our retail and mixed-use precincts by effective value

Mall of Africa, Waterfall

Total PGLA
124 713m²

Our 80.0% share of the valuation
R4.5 billion

Anchor tenants
Checkers Hyper, Edgars, Game, Woolworths

Valuation
R5.6 billion

Value per m²
R44 903

Lynnwood Bridge precinct, including Glenfair Boulevard, Pretoria

Total PGLA
81 992m²

Our share of valuation
R2.8 billion

Anchor tenants
Adams & Adams, Aurecon, City Lodge, Dis-Chem, Planet Fitness, Safari and Outdoor warehouse, Shoprite Checkers, Woolworths

Valuation
R2.8 billion

Value per m²
R34 385

Garden Route Mall, George

Total PGLA
53 813m²

Our share of valuation
R1.4 billion

Anchor tenants
Dis-Chem, Edgars, Game, Pick n Pay, Woolworths

Valuation
R1.4 billion

Value per m²
R26 547

MooiRivier Mall, Potchefstroom

Total PGLA
49 696m²

Our share of valuation
R1.2 billion

Anchor tenants
Checkers, Edgars, Game, Woolworths, Dis-Chem

Valuation
R1.2 billion

Value per m²
R24 025

Eikestad precinct, Stellenbosch

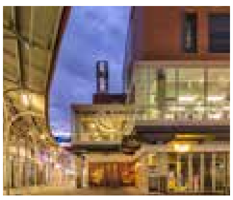
Total PGLA
37 872m²

Our 80.0% share of the valuation
R939.0 million

Anchor tenants
Checkers, Game, Food Lover's Market Woolworths

Valuation
R1.2 billion

Value per m²
R24 794



Newtown junction precinct, Johannesburg

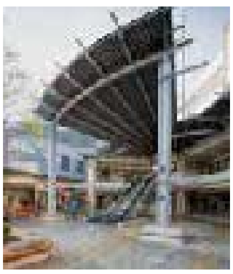
Total PGLA
79 526m²

Our 50.0% share of the valuation
R739.9 million

Anchor tenants
City Lodge, Nedbank, Pick n Pay, Shoprite

Valuation
R1.5 billion

Value per m²
R18 608



Brooklyn Mall and Brooklyn Bridge Office Park, Pretoria

Total PGLA
98 617m²

Our 25.0% share of the Brooklyn Mall valuation and 100.0% of the Brooklyn Bridge Office Park valuation
R1.2 billion

Anchor tenants
Checkers, Dis-Chem, Game, Woolworths, SARS, Counsel's Forum

Valuation
R3.3 billion

Value per m²
R33 775

First key value driver: **South African portfolio**

continued

Retail	2018	2017
Number of properties	**10**	10
Total investment property (R000)	**10 140 174**	9 896 383
Value as % of total South African portfolio	**52.4**	60.5
Total rental income (R000)	**1 135 254**	1 072 011
PGLA (m^2)	**337 627**	337 510
PGLA as % of total South African portfolio	**42.1**	48.0
Value per PGLA (R/m^2)	**29 322**	29 322
Net operating income as % of total portfolio*	**51.7**	51.4
Weighted average monthly gross rentals per m^2 (R/m^2) – including rates	**214**	202
Historical average annualised property yield (%)	**6.1**	5.7
Weighted average rental escalation^ (%)	**7.2**	7.4
Weighted average escalation on new/renewed leases^ (%)	**7.2**	7.8
Weighted average lease period^ (years)	**4.5**	4.9
Vacancy^ (%)	**2.8**	2.4
Retention success rate (%)	**91.6**	95.1
Net arrears (R000)	**6 321**	11 695
Average cap rate (%)	**6.9**	6.9

** Sector net operating income, excluding straight-line lease income adjustment as % of total net operating income, excluding straight-line lease income adjustment.*
^ Based on PGLA.

	2018		
Retail sector	**% of area**	**% of total turnover**	**Trading density growth**
Apparel	25.7	21.2	7.8
Department stores	23.3	19.6	3.3
Food	13.7	15.6	2.2
Health and beauty	5.3	11.7	8.0
Food services	8.1	8.7	(3.8)
Sportswear and outdoor	4.5	4.9	20.8
Homeware furniture and interior	6.9	4.3	5.1
Speciality	3.2	4.3	5.0
Electronics	2.3	4.3	11.7
Accessories, jewellery and watches	1.0	2.2	(1.3)
Books, cards, stationery	1.5	1.4	3.5
Eyewear and optometrists	0.5	0.8	0.4
Entertainment	3.6	0.6	2.6
Luggage	0.3	0.4	7.8
Services	0.2	0.2	5.1
Grand total	**100.0**	**100.0**	**5.3**

MANUFACTURED RESOURCES
continued

Our retail precinct focus in well-established desirable nodes ensures we attract and retain tenants and shoppers. Activities in the period to strengthen and expand retail and mixed-use precincts included:

- Acquiring one hectare of land adjacent to Garden Route Mall. We are consolidating the two properties and acquiring additional rights for retail and parking
- Lynnwood Bridge retail is being upgraded and refurbished, enhancing the shopper and tenant environment.

In 2018, the retail environment was affected by corporate failures and rescues, including the Edcon Group, Stuttafords, Deeghuys and Melissas. As part of the Edcon restructure the teams evaluated the trading density, rent to sale ratio in relation to the tenant mix with each mall and Edcon tenant. We have negotiated a structured reduction in our exposure to the Edcon Group that will be implemented between June 2018 and April 2019. As a result, we managed to introduce new tenants in prime locations into our portfolio, provide additional diversity in the tenant mix and reduction of our financial exposure to the Edcon Group.

Major new leases concluded:

- H&M taking up space in the 1 800m^2 Edgars store in Eikestad
- Edgars reconfiguration at Mall of Africa for new anchor store and Coricraft expansion, reducing the store size from 12 600m^2 to 8 800m^2
- Top Shop of 770m^2 at Mall of Africa will be subdivided into three new stores, providing more diversity in the tenants mix and improving the mall net operating income.

We are monitoring growth in the online retail market. This has been slow to develop in South Africa, but could accelerate at any time. According to Macquarie research on online retail in South Africa, the market is still in its infancy with high entry barriers. Nevertheless, we need to embrace and understand technology to assist our tenants in ensuring we create the ultimate consumer experience at our malls.

South African Edcon group exposure	Effective PGLA m^2	Effective rental income R000
As at May 2018 – before restructure	28 848	46 364
Implementation: June 2018 to April 2019 – after restructure	21 510	31 007
Reduction in exposure	25.4%	33.1%

The focus in our retail portfolio in the past year remained on trading densities. By looking at footcount and reconfiguring floor space, we ensure our retailers operate and trade at their optimal size. Examples of reconfiguration include Mr Price Group at MooiRivier Mall, supporting better trading densities and creating an opportunity for Woolworths to expand. In total, 16 reconfigurations and replacements at Mall of Africa led to an increase of 236.0% in turnover on the same footprint for December 2017 versus December 2016.

In the retail environment, tenant retention is becoming more challenging. The tenant-mix trend is also shifting to food and beverage, and experiential tenants versus traditional fashion retail. By optimising and reconfiguring our tenant mix (rightsizing tenants), we address shopper needs and current trends, while incorporating the leisure and community 'pull' factor.

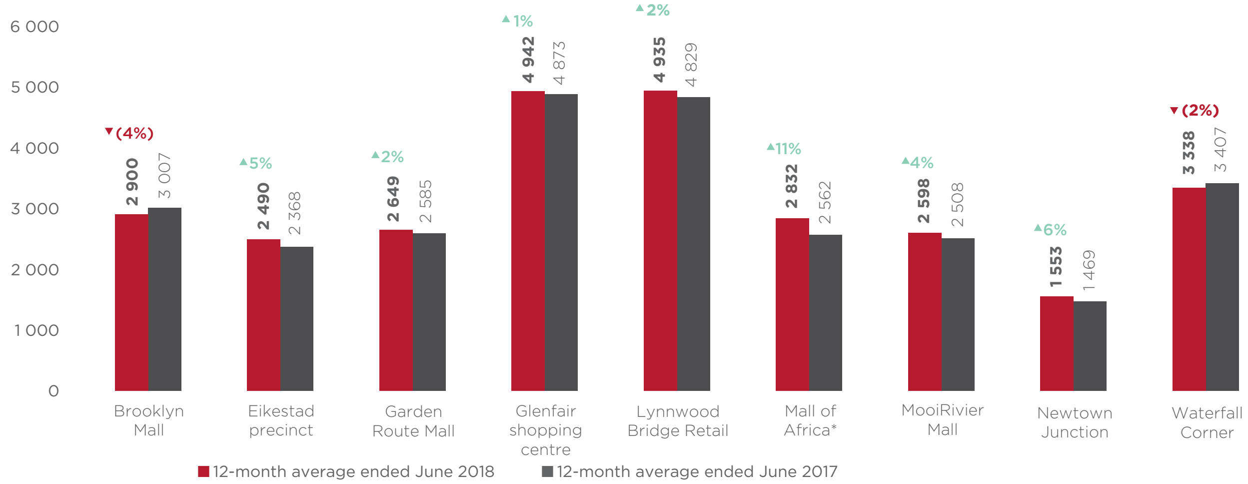
It is important that our shoppers experience our malls as clean and safe, with helpful staff. We insist on retail floor representative training to ensure excellent service which will translate into excellent shopping experiences.

Technology is an enabler to maximise the customer and tenant experience. During the year, we introduced ticketless parking at Mall of Africa via number plate recognition technology. Mall of Africa also mimicked the 'one day only' concept originated by online retail and generated 74 000 interactions with its two-week '11-hour sale' campaign, which has become a bi-annual event. We gained a better understanding of shopper movement in our malls, dwelling times and shopfront efficiency as well as shopper retention rates inside tenanted areas by using anonymised location monitoring WiFi.

First key value driver: **South African portfolio**
continued

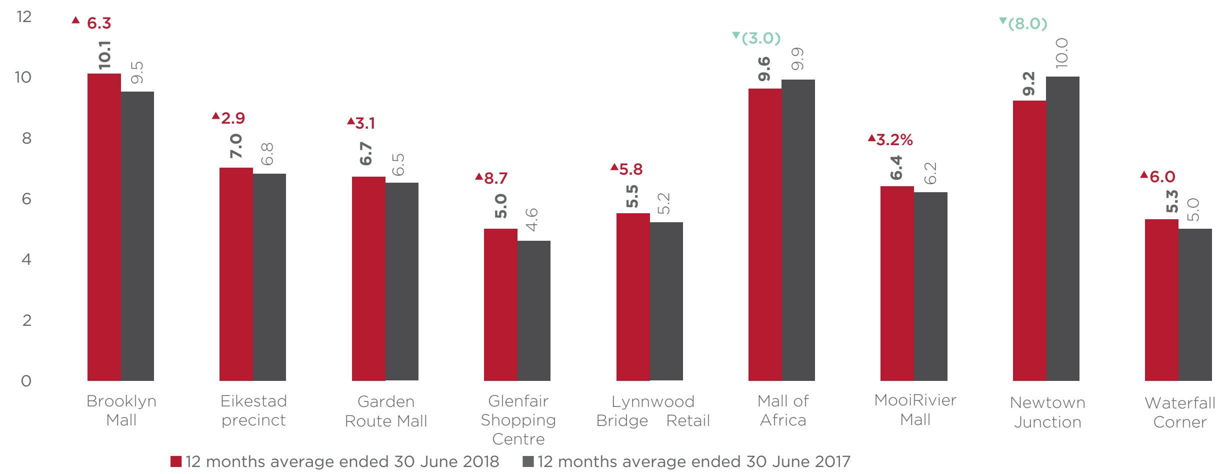
Trading densities (R/m²)

Weighted average trading density: R2 805/m² (June 2017: R2 663/m²)
Average growth: +5.3%



Rent to turnover (%)

Weighted average rent to turnover: 7.7% (June 2017: 7.6%)



MANUFACTURED RESOURCES
continued

Office and mixed-use

Our top Waterfall office and mixed-use buildings by value

PwC Tower

Total PGLA
48 615m²

Our 75.0% share of the valuation
R1.4 billion

Valuation
R1.8 billion

Value per m²
R36 005

Cell C Campus

Total PGLA
43 890m²

Our share of the valuation
R1.0 billion

Valuation
R1.0 billion

Value per m²
R23 406

Transnet

Total PGLA
24 354m²

Our share of the valuation
R631.9 million

Valuation
R631.9 million

Value per m²
R25 945

Office and mixed-use	2018	2017
Number of properties	**22**	19
Total investment property (R000)	**7 501 801**	5 188 527
Value as % of our total South African portfolio	**38.8**	31.7
Total rental income (R000)	**739 306**	663 638
PGLA (m^2)	**299 018**	254 008
PGLA as % of total South African portfolio	**37.3**	36.1
Value per PGLA (R/m^2)	**25 088**	20 427
Net operating income as % of total portfolio (%)*	**39.8**	41.8
Weighted average monthly gross rentals per m^2 (R/m^2) – including rates	**188**	180
Historical average annualised property yield (%)	**6.5**	7.6
Weighted average rental escalation^ (%)	**7.8**	7.8
Weighted average escalation on new/renewed leases^ (%)	**7.8**	7.8
Weighted average lease period^ (years)	**7.6**	6.8
Vacancy^ (%)	**15.3**	5.0
Retention success rate (%)	**62.4**	99.6
Net arrears (R000)	**416**	290
Average cap rate (%)	**7.7**	7.8

** Sector net operating income, excluding straight-line lease income adjustment as % of total net operating income, excluding straight-line lease income adjustment.*
^ Based on PGLA.

First key value driver: **South African portfolio**
continued

Given the oversupply of office space in key nodes such as Sandton and, to a certain extent, Rosebank, tenants are spoilt for choice and well informed about current vacancies and rental price trends. Office space is widely available and landlords are offering incentives, such as reduced rentals, to fill premises. Negotiations with new tenants have become protracted and more challenging. We compete by demonstrating the value of relocating to Waterfall and, most importantly, focus on cost of occupancy for our tenants. To retain existing tenants, our focus is on building long-term relationships and constantly staying abreast of their changing property and business needs.

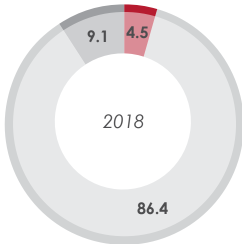
Our focus is on the tenant experience, stronger sales teams and fostering our tenant relationships (see social and relationship resource, page 88) as our unique value propositions.

Current office and mixed-use trends include growing demand for flexibility in the workspace. Tenants are increasingly looking at precincts that are close to amenities and transport.

Leasing activities during the year include:
- Letting the Group Five building to Transnet (24 354m²)
- Group Five relocating to 2 Eglin Road, Sunninghill (4 793m²)
- Renewing the SARS lease at Brooklyn Bridge Office Park (38.0% of PGLA)
- Allandale building now fully let (15 359m²)
- Gateway West now partially let to Sage (6 903m²) and Spaces (2 446m²)
- The ground and first floors of The Majestic (Newtown precinct) are currently not used by Nedbank. Alternate architectural plans have been prepared for a possible new tenant.

The quality of our office buildings is evident in the diagram below:

Office grading



NUMBER OF BUILDINGS (%)

- P-grade
- A-grade
- B-grade

Allandale building, Waterfall City

MANUFACTURED RESOURCES
continued

Industrial

Our top Waterfall industrial buildings by value

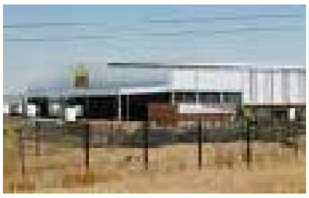
Amrod

Total PGLA
37 937m²

Our share of the valuation
R400.7 million

Valuation
R400.7 million

Value per m²
R10 562



Massbuild Distribution Centre

Total PGLA
50 033m²

Our share of the valuation
R400.7 million

Valuation
R400.7 million

Value per m²
R8 010

BMW Group SA Regional Distribution Centre

Total PGLA
31 987m²

Our share of the valuation
R289.4 million

Valuation
R289.4 million

Value per m²
R9 047

Industrial	2018	2017
Number of properties	**6**	4
Total value of sector (R000)	**1 286 827**	870 137
Value as % of our total South African portfolio	**6.6**	5.3
Total rental income (R000)	**107 598**	67 569
PGLA (m^2)	**146 093**	102 128
PGLA as % of total South African portfolio	**18.2**	14.5
Value per PGLA (R/m^2)	**8 808**	8 520
Net operating income as % of total portfolio (%)*	**5.9**	4.1
Weighted average monthly gross rentals per m^2 (R/m^2) – including rates	**70**	67
Historical average annualised property yield (%)	**5.4**	6.4
Weighted average rental escalation^ (%)	**4.9**	7.0
Weighted average escalation on new/renewed leases^ (%)	**0.8**	7.3
Weighted average lease period^ (years)	**11.4**	10.8
Vacancy^ (%)	**5.3**	–
Retention success rate (%)	**100**	100.0
Net arrears (R000)	**–**	–
Average cap rate (%)	**7.7**	7.8

** Sector net operating income, excluding straight-line lease income adjustment as % of total net operating income, excluding straight-line lease income adjustment.*
^ Based on PGLA

Our industrial node at Waterfall Logistics Hub is ideally positioned in Gauteng for modern and purpose-built warehousing and distribution centres. Two industrial buildings and one extension were completed during the year, contributing to a balanced South African portfolio.

Stagnating rentals and rising development costs have slowed demand for industrial occupiers to take up newly developed space, focusing instead on renewing their current leases.

We have concentrated on simplifying and improving design efficiency on our new warehouse developments, as well as constructing smaller-specification buildings where we believe there is greater demand and less competition. This, coupled with our advantage in the market on office and warehouse consolidations, has enabled us to attract some blue-chip tenants during the year. For example, the design of the Dimension Data warehouse reflects the trend of combining warehouse with sizeable office space.

Dis-Chem signed a lease for the K101 warehouse, a 8 518m² building developed on a speculative basis, and took occupation in August 2018. The Massbuild expansion, completed in December 2017, increased our primary lettable area by 9 839m².

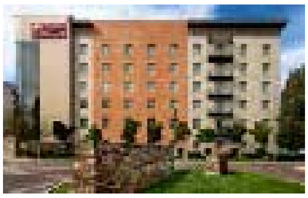
First key value driver: **South African portfolio**
continued

During the year, we noted an increased focus on utility costs and a requirement for more modern infrastructure, coupled with the growing popularity of a tenant-owner model.

We are focused on completing our Waterfall development pipeline, leasing the remaining speculative midi-warehouse and maintaining world-class facilities.

Hotel

Our hotel portfolio



City Lodge – Lynnwood, Pretoria

Total PGLA
7 946m^2

Our share of the valuation
R212.5m

Valuation
R212.5m

Value per m^2
R26 747

City Lodge – Newtown, Johannesburg

Total PGLA
5 828m^2

Our 50.0% share of the valuation
R59.0m

Valuation
R118.0m

Value per m^2
R20 247

City Lodge – Waterfall City, Waterfall

Total PGLA
5 744m^2

Our share of the valuation
R115.3m

Valuation
R115.3m

Value per m^2
R20 072

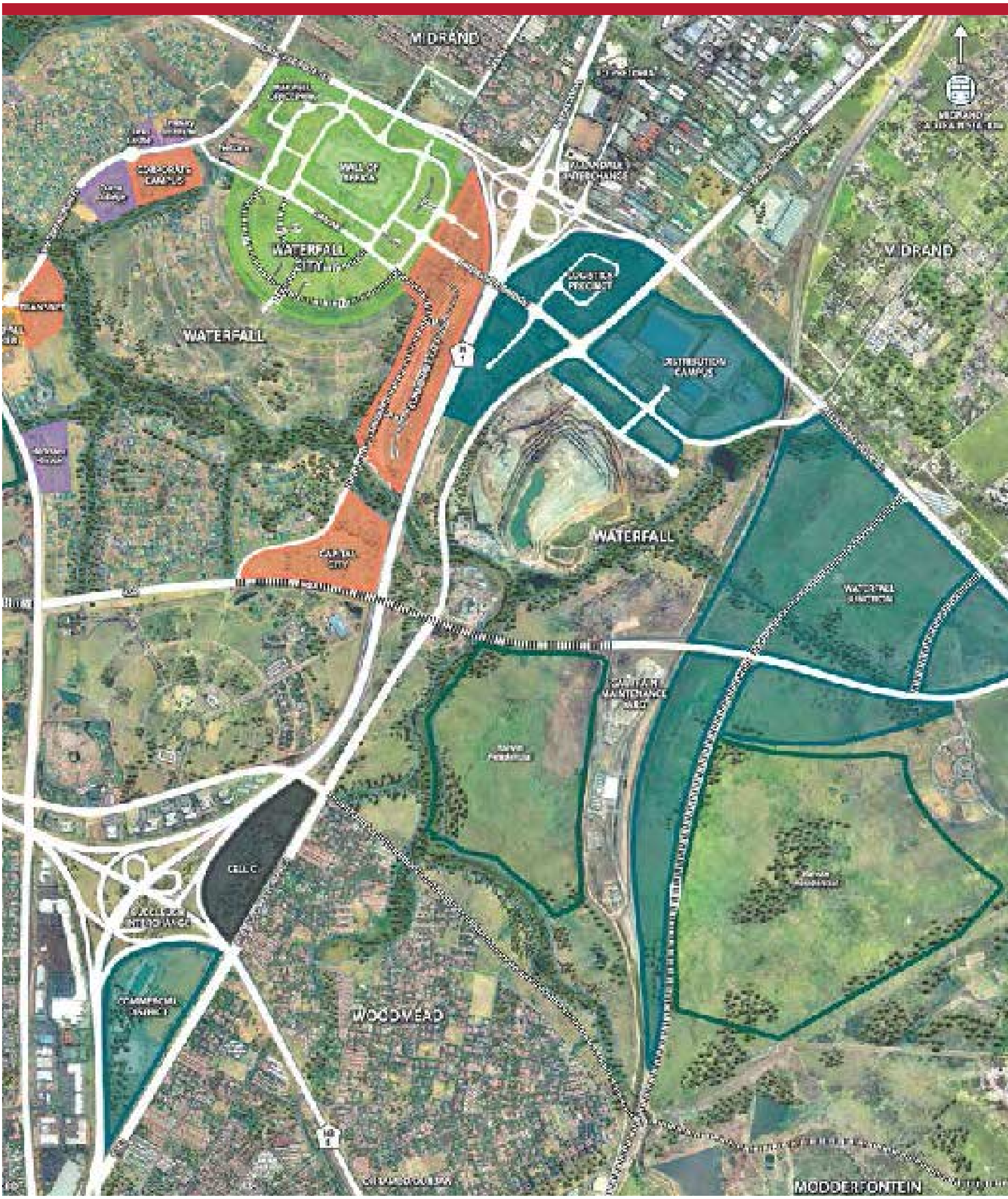
We have three hotels in our portfolio, all leased to City Lodge. The City Lodge in Waterfall City provides an essential service to both our local and international corporate clients and remains in high demand. As Waterfall City grows and densifies we will increase our hotel offering.

Hotel	2018	2017
Number of properties	**3**	3
Total value of sector (R000)	**427 663**	407 240
Value as % of our total South African portfolio	**2.2**	2.5
Total rental income (R000)	**46 663**	45 085
PGLA (m^2)	**19 518**	19 518
PGLA as a % of total South African portfolio	**2.4**	2.8
Value per PGLA (R/m^2)	**21 911**	20 865
Net operating income as % of total portfolio (%)*	**2.6**	2.7
Weighted average monthly gross rentals per m^2 (R/m^2) – including rates	**187**	175
Historical average annualised property yield (%)	**7.5**	7.6
Weighted average rental escalation^ (%)	**7.0**	7.0
Weighted average escalation on new/renewed leases^ (%)	**–**	–
Weighted average lease period^ (years)	**5.0**	6.0
Vacancy^ (%)	**–**	–
Retention success rate (%)	**100.0**	100.0
Net arrears (R000)	**–**	–
Average cap rate (%)	**8.1**	8.1

** Sector net operating income, excluding straight-line lease income adjustment as % of total net operating income, excluding straight-line lease income adjustment*
^ Based on PGLA

MANUFACTURED RESOURCES
continued

Waterfall masterplan



Second key value driver: **Waterfall development**

Waterfall development

Overview

The value of the Waterfall development portfolio, comprising 7.8% (2017: 14.1%) of total gross assets, decreased to R2.3 billion (2017: R3.8 billion) as a result of the completion of five buildings, new developments only recently commencing and disposals to development partners.

Waterfall development (including assets held for sale)	**2018 R000**	2017 R000
Development rights	**901 428**	1 081 968
Infrastructure and services	**685 875**	737 187
Developments under construction	**527 592**	1 880 605
Attacq Sanlam joint venture	**143 803**	140 999
Total	**2 258 698**	3 840 759

Giles Pendleton was appointed in March 2018 as the head of developments.

Despite a tough economic environment, we continued to receive corporate enquiries for the Waterfall precinct. Enquiries that converted into signed leases with prominent tenants include Accenture, Dis-Chem, Isuzu and Sage. This highlights Waterfall's emerging prominence as a suitable location for companies wanting to avoid traffic congestion and poor public transport services, as well as companies that want to consolidate offices in Pretoria and Johannesburg into a location equidistant for employees.

Apart from our corporate development outlook, we have seen sustained interest in the Waterfall Logistics Hub. Land parcel 9 south is almost fully developed, land parcel 9 north is anchored by the construction of its first large manufacturing and logistics facility and the large land parcel 24 is being activated to bring onto the market in the near future.

We will shortly launch Waterfall City's first high-rise residential project as a complementary offering to the residential area and the City as well as new hospitality facilities. We believe that the residential component, as the missing element within the City, will further densify the City and contribute to our Waterfall precinct vision – where living works.

Waterfall's six core values

Six reasons why Waterfall, where living works, is becoming Gauteng's business destination of choice:

LOCALITY
Ease of access and excellent visibility

ACCESSIBILITY
Custom build to specific requirements

AMENITIES
Work and life intersect here

SECURITY
Protection measures against threats

WELLNESS
Designed as a pedestrian-friendly, bikeable city

GREEN
Total holistic, green, urban design

KEY

- Mixed-use (retail, office, hotel and residential)
- Residential
- Retail
- Offices
- Warehousing/distribution
- Commercial
- Educational
- Future roads

MANUFACTURED RESOURCES
continued

Waterfall: Where living works
Waterfall spans 2 200ha adjacent to Modderfontein in the east and Kyalami and Sunninghill to the west, creating a large commercial growth node with superb access from Pretoria via the N1, R21 and R55, and from Sandton and Johannesburg via the M1, N1, N3 and R55.

We have two focus areas in the precinct: Waterfall City and Waterfall Logistics Hub.

Waterfall City: An integrated city that works
The heart of the precinct is Waterfall City, with current development bulk of 778 023m^2 zoned for retail, office, industrial, hotels and residential developments. Waterfall City is built around the super-regional Mall of Africa and its adjoining 1.3ha Waterfall Park.

The concept behind Waterfall City is to create a mixed-use development where people can work, live and play. The precinct was planned as a greenfield development: allowing for the best urban design principles to determine sufficient and efficient infrastructure, services and open public spaces. Due to all developments being new, the focus is on green design and smart technology.

Waterfall Logistics Hub: Gauteng's logistics hub of choice
The Waterfall area east of the N1 highway is well positioned for light industrial tenants wanting to capitalise on its central location and accessibility. The Waterfall Logistics Hub (178 985m^2 of remaining development bulk) hosts only light industrial tenants, making it an attractive option to consolidate warehousing with sizeable office space, which is the current trend.

Our development rights
We secured the majority of retail, commercial and industrial development rights and will also develop residential units. Development rights are contractual rights held to develop certain Waterfall land parcels, and form a material element of the overall land valuation. In addition to the 957 008m^2 (2017: 1.0 million m^2) of developable bulk, we share in development rights for two joint ventures with Sanlam. At 30 June 2018, the value of our interest in these joint ventures was R143.8 million (2017: R141.0 million).

Development team
Standing: Enzo Oosthuizen, David Oosthuizen, Martin du Plessis and Nico Barnard
Sitting: Werner Mulder, Miran Naidoo, Giles Pendleton and Linda Meyburgh

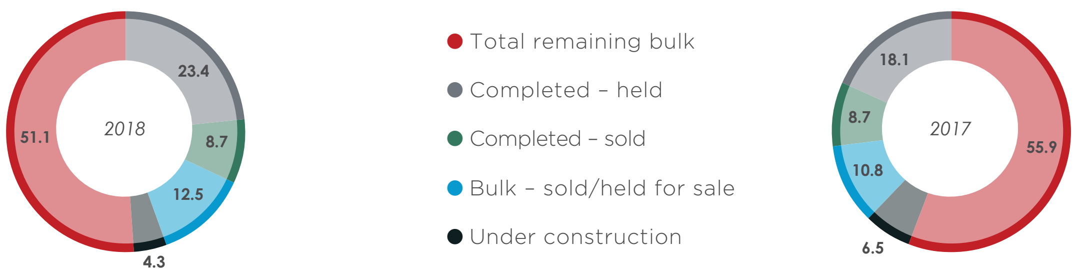
Second key value driver: **Waterfall development**

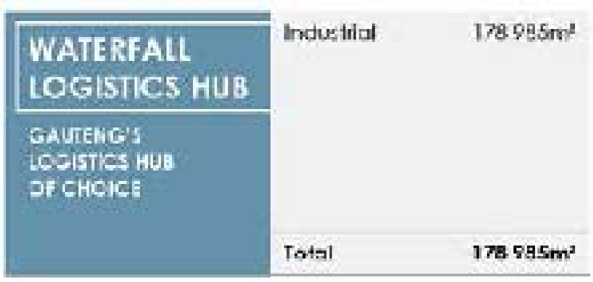
continued

Progress in developing Waterfall's available bulk is shown below:

Our 1.9 million m² (2017: 1.9 million m²) of total approved bulk is spread across 12 individual land parcels. At 30 June 2018, 23.4% (2017: 18.1%) of available bulk was completed and held, with a further 4.3% (2017: 6.5%) under construction. During the year, we sold undeveloped bulk into joint ventures with the following joint venture partners: Atterbury group, Barrow Properties, Sanlam and Zenprop. The balance is available for future development. In addition, we plan to increase allowable bulk on the land parcels as the spatial development framework of the City of Johannesburg evolves.

Waterfall bulk (%)





The Waterfall bulk is spread over 12 land parcels (LP):

LP number	LP description	Main development rights in place	Total approved bulk m²	Completed – held m²	Completed – sold m²	Sold m²	Under construction m²	Remaining bulk m²
	Waterfall City							
LP 10	Waterfall City	Office	882 760	195 912	56 715	39 300	31 070	559 764
LP 10A	Corporate City	Office	150 000	–	–	–	–	150 000
LP 10B	Corporate Campus	Office	30 062	3 304	–	15 000	5 150	6 609
LP 12	Capital City	Office	48 330	–	–	–	–	48 330
LP 15	Lifestyle Estate Woodmead	Retail	64 944	40 826	–	–	24 118	–
LP 20	North Office Park	Office	4 194	–	4 194	–	–	–
LP 21	Landmark Park	Office	56 999	43 678	–	–	–	13 321
Subtotal			1 237 289	283 720	60 909	54 300	60 338	778 023
LP 3^	Convenience Corner Waterfall	Industrial	15 000	–	–	15 000	–	–
LP 8	Distribution campus	Industrial	184 546	115 396	20 921	2 433	12 858	32 938
LP 9	Logistics precinct	Industrial	196 455	–	52 701	7 695	7 695	128 365
LP 22	Commercial district	Office	83 544	37 685	28 177	–	–	17 682
LP 24^	Factory depot	Industrial	154 250	–	–	154 250	–	
Subtotal			633 795	153 081	101 799	179 378	20 553	178 985
Total			**1 871 084**	**436 801**	**162 708**	**233 678**	**80 891**	**957 008**

^ Bulk disposed in joint ventures with Sanlam.

MANUFACTURED RESOURCES
continued

Our infrastructure and services

The completion of the K60 will open an east/west dual carriageway across the southern part of the Waterfall development. We are working with all stakeholders, including the Gauteng Department of Transport, to ensure timely delivery of this project. This will provide better access to our developments, as well as additional alternative transport options into the City.

Activities in the reporting period

During the year five buildings and one extension were completed in Waterfall bringing the total South African portfolio PGLA to 802 256m^2. Attacq's attributable share of the total newly completed 118 628m^2 PGLA is 103 541m^2:

Property	Practical completion date	PGLA m^2	Occupancy %	External valuation R000
Waterfall City				
PwC Tower~	October 2017	48 613	100.0	1 750 351
Gateway West	October 2017	13 803	>79.0	370 809
Waterfall Corporate Campus – phase I+	December 2017	5 868	100.0	169 700
Waterfall Logistics Hub				
BMW Group South Africa Regional Distribution Centre	December 2017	31 987	100.0	289 401
Dis-Chem warehouse	October 2017	8 518	100.0	83 329
Massbuild extension	December 2017	9 839	100.0	78 806
Total		**118 628**	**>97.0**	**2 742 396**

~ Attacq has a 75.0% co-ownership.
+ Attacq has a 50.0% co-ownership.

Construction of the new Deloitte head office, with the Mall of Africa in the background, Waterfall City

Second key value driver: **Waterfall development**
continued

Developments under construction

The following developments were under construction as at 30 June 2018:

Property	LP	Anticipated completion date	Effective PGLA# (m²)	Pre-let PGLA %	Estimated capital cost R000	Estimated value on completion R000	Book value at 30 June 2018 R000
Waterfall City							
Deloitte head office*	10	Q3 FY20	21 250	100.0	852 344	–**	141 743
Waterfall Corporate Campus – building 2*	10B	Q3 FY19	3 215	–	75 827	78 766	21 392
Waterfall Corporate Campus – Accenture*	10B	Q2 FY19	1 932	100.0	53 630	66 494	36 778
Waterfall Point^ – pre-sold building	15	Q3 FY19	2 339	Pre-sold	56 426	63 185	–
Waterfall Point^ – two buildings held for sale	15	Q3 FY19	4 678	Inventory	112 853	141 796	42 484
Waterfall Point – investment property building	15	Q3 FY19	2 339	–	56 426	63 391	23 616
The Ingress – phase 1	10	Q2 FY20	8 731	50.1	241 753	–**	31 075
Waterfall Logistics Hub							
Cummins South Africa's regional office*	9	Q2 FY19	8 116	100.0	108 952	111 701	65 649
Pirtek^^	8	Q3 FY19	2 926	Pre-sold	29 354	34 200	–
Superga/Kappa	8	Q4 FY19	4 657	100.0	42 810	–**	11 968
Midi warehouse	8	Q4 FY19	5 296	–	48 685	–**	14 221
Total			**65 479**	**>75.0**	**1 679 060**	**n/a**	**388 926**

* *Values provided above reflect Attacq's undivided share in the building: 50.0%.*
\# *Estimated PGLA for Attacq's attributable share of development. Subject to change upon final remeasurement post-completion.*
^ *The estimated value on completion of pre-sold and inventory is indicative of sales proceeds and not of an external valuation.*
^^ *Classified as inventory, the estimated value on completion equals the sales value, not externally valued.*
** *Not externally valued due to early stage of construction as at 30 June 2018.*

Outlook

With seven developments under construction and over 37 000m² of developments due to be completed in the 2019 financial year and a further 48 000m² in 2020, Waterfall is a hive of construction activity. Along with site developments, significant infrastructural investment is entrenching Waterfall as a prominent business location in Gauteng. Our sustainability strategy continues to drive the development of green-certified buildings in Waterfall.

MANUFACTURED RESOURCES
continued

Development pipeline

Waterfall City

The Atria – land parcel 10

We have established a 50/50 joint venture with Barrow Properties to develop the Atria, a mixed-use precinct adjacent to the Mall of Africa which comprises four office buildings and a hotel. The initial precinct's design has been revised, resulting in the removal of the residential component and increasing the hospitality and office components. The total PGLA is estimated at 32 000m^2 at an estimated total development cost of R840.0 million. The construction of the super-basement has commenced. Construction of the top structure will be in a phased approach subject to leasing.

Waterfall Corporate Campus Office Park – land parcel 10B

Waterfall Corporate Campus is a 50/50 joint venture with Zenprop, with an approximate total development cost of R870.0 million. The development on completion, will comprise six multi-tenanted office buildings with an estimated total PGLA of 30 000m^2. Phase I, building 1 (5 868m^2 of PGLA) was completed in December 2017 and is fully tenanted. The construction of phase II, which consists of two buildings and the communal area, will be completed during the second and third quarter of the 2019 financial year. One of the two buildings will be fully tenanted by Accenture SA Proprietary Limited.

The Ingress – land parcel 10

We commenced with phase I of a five building office development known as The Ingress. The development is located adjacent to the Novartis building and across the road from Gateway West on land parcel 10. Phase I comprises two buildings, with building one to be fully tenanted by a financial services company. The total PGLA of phase I will be approximately 8 700m^2 and the remainder will be approximately 11 700m^2 (20 400m^2 in total). Total development cost is estimated at R570.0 million.

The Ellipse – land parcel 10

We intend to roll out residential developments to create a "live, work, play" urban environment in Waterfall City. The proposed inaugural residential development will comprise four towers of approximately 550 residential units on land parcel 10, west of the Mall of Africa. The development will be undertaken on a 50/50 joint venture basis in a phased approach. Phase I will consist of two towers of approximately 250 units. The estimated development cost of R450.0 million for phase I includes infrastructure that will benefit phase II. The commencement of the development is subject to achieving a certain level of pre-sales.

BMW X Lifestyle Park – land parcel 10

We are developing a BMW X Lifestyle Park in Waterfall City for BMW Group South Africa. The park is located on the southern side of the Mall of Africa and comprises a multi-functional event space to be used for promotional events and an off-road track designed to showcase the abilities of BMW's X models. The initiative will create an additional attraction in the City.

Waterfall Logistics Hub

Zimmer Biomet – land parcel 8

We, in a 50/50 joint venture with Sanlam, commenced post-year end with the development of a warehouse with adjoining offices, measuring 4 000m^2 of PGLA, for Zimmer Biomet. The total capital cost for the project is R55.3 million with an estimated date of completion of June 2019. We classified 50.0% of the value of the development rights as well as infrastructure and service costs relating to Zimmer Biomet as held for sale as transfer is pending to Sanlam.

Second key value driver: **Waterfall development**
continued

The Ellipse, Waterfall City

MANUFACTURED RESOURCES
continued

Investment in MAS

Overview

Over the financial year, our shareholding in MAS reduced to 22.8% (2017: 30.6%) after we elected not to participate in its two large capital raisings. The market value of our investment, using the 30 June 2018 MAS share price of R21.00 (2017: R23.50) equates to R3.1 billion (2017: R3.5 billion). During the year, we received cash dividends of R151.0 million (2017: R105.3 million), representing a 4.9% income return based on the year-end market value.

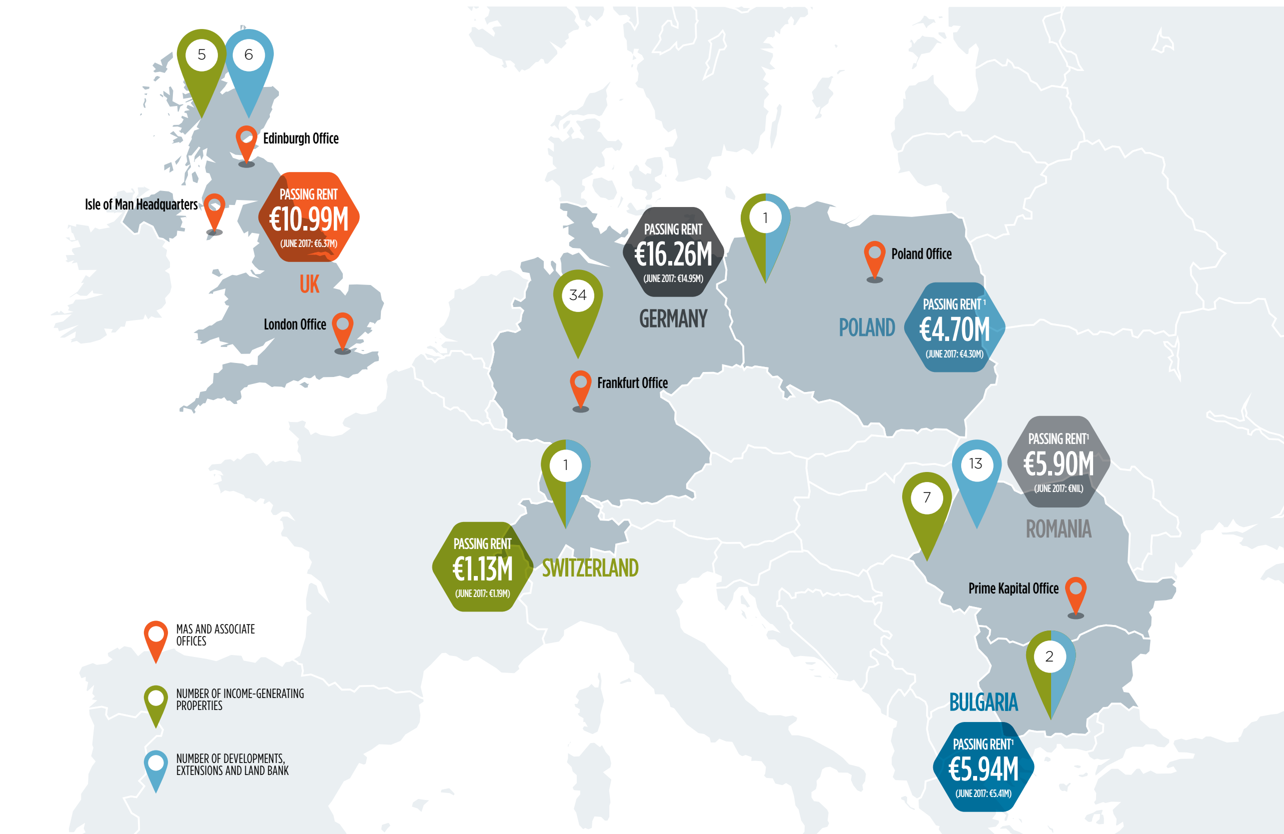
Our equity accounted investment at 30 June 2018 is R3.1 billion (2017: R2.7 billion). The net increase is due to MAS' NAVPS increasing by 7.6% from 124.5 euro cents per share to 134.0 euro cents per share plus a 7.1% weakening of the rand against the euro. This was offset by dividends totalling 6.77 euro cents per share paid by MAS in the financial year.

Investment in MAS

MAS is a commercial property investor, developer and operator listed on the main board of the JSE. It is also listed and admitted on the Euro-MTF market of the Luxembourg Stock Exchange.

MAS' strategy is to generate sustainable and growing distributable earnings per share by acquiring, developing and operating retail, office, industrial, logistics and hotel assets in Western Europe and Central and Eastern Europe. Where exceptional opportunities arise, MAS will embark on mixed-use or residential developments to generate recurring income or capital gains.

Asset prices in Western Europe have increased in recent years and acquisition opportunities that offer an attractive return on equity are more difficult to find. MAS' focus in Western Europe is now on opportunities that can deliver substantial value through active asset management, development and redevelopment. Although property prices in CEE have increased, attractive opportunities are still available, backed by a combination of relatively high initial acquisition yields, substantial growth prospects and attractive debt terms. Even more appealing is the development market which is supported by rapidly growing purchasing



[1] *MAS' share of the income-generating portfolio's passing rent*

Third key value driver: **Investment in MAS**

power and, in some cases, suboptimally designed or undersized assets suited to redevelopment or displacement. Accordingly, MAS is expanding into the growing economies of CEE. To facilitate this, MAS has partnered with Prime Kapital Limited, a management team with exceptional development, investment and financing experience in these markets.

MAS' 2018 performance highlights

- 7.1% year-on-year increase in European Public Real Estate Association NAVPS to 134.9 euro cents (2017: 125.9 euro cents)
- 32.0% year-on-year increase in income-generating property (includes investment property held for sale and acquisitions post 30 June 2018)
- 34.5% increase in net rental income
- 89.6% increase in net operating income
- Distribution per share of 7.61 euro cents
- Prime Kapital development pipeline: 21 000m^2 completed, over 634 000m^2 under development.

Outlook on MAS

MAS has revised its prior distribution growth guidance for the 2019 financial year of 30.0% to 15.0%. The prior distribution target was premised on being able to actively deploy capital raising proceeds into income-accretive acquisitions and developments. The markets MAS operates in have become progressively more competitive resulting in a slower than anticipated drawdown of available funds.

MAS has a well-funded balance sheet, a strong development and acquisition pipeline and access to an experienced development partner with an exemplary track record in CEE.

MAS as our third key value driver

MAS provides us with a growing stream of euro-denominated distributions, underpinned by a growing portfolio of income-generating properties and a strong acquisition and development pipeline. Melt Hamman will be joining the MAS board of directors in 2019.

Militari Shopping Centre, Bucharest, Romania (acquisition completed July 2018)

MANUFACTURED RESOURCES
continued

Rest of Africa retail investments

Overview

At 30 June 2018, our rest of Africa retail investments are held via our:

- 25.0% shareholding in Gruppo Investment Nigeria Limited, the owner of Ikeja City Mall in Lagos, Nigeria
- 31.8% shareholding in AttAfrica, which is invested in four retail properties in Ghana and one in Zambia.

At year end, our value in the Rest of Africa retail investments was R1.1 billion, comprising 3.8% (2017: 4.6%) of our total gross assets. In June 2017, the value totalled R1.2 billion and included our investment in The Grove Mall of Namibia, which was sold in May 2018. The proceeds of R191.9 million were used to reduce interest-bearing debt.

At 30 June 2018, our equity accounted investment in Gruppo totalled R305.2 million (2017: R286.5 million). The net increase in investment value reflects the 5.1% weakening of the rand against the US dollar, offset by an impairment of R25.2 million.

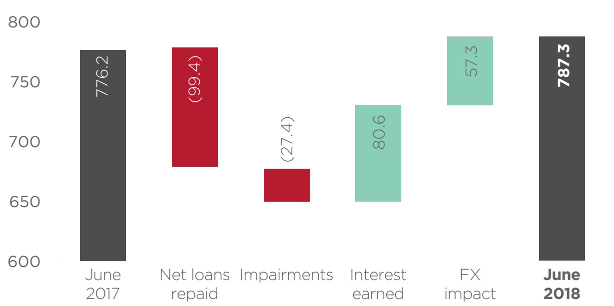
Our investment in AttAfrica, through its shareholder loan, was R787.3 million (2017: R776.2 million), being its gross loan of R953.9 million (2017: R908.5 million), net of an aggregate impairment of R166.6 million (2017: R132.3 million). AttAfrica repaid R99.3 million in capital and interest during the year, using funds from the external refinancing of Accra Mall. An impairment of R25.9 million was recognised against the loan in the current year (2017: R82.8 million) due to the increase in the negative net asset value position of AttAfrica. This is annually determined by an external valuation of the underlying properties.

The main drivers of the change in our Rest of Africa retail investments over the review period are shown below:

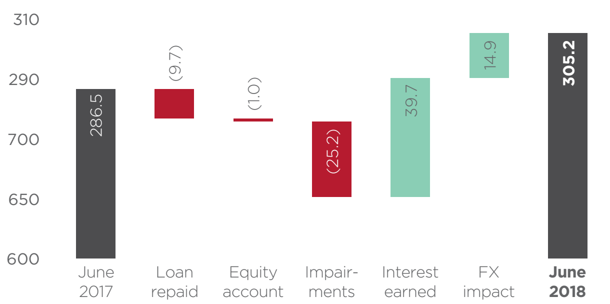
AttAfrica capital structure

Currently we are not receiving regular cash distributions from AttAfrica, due to unfavourable trading conditions and the capital structure of our investment in AttAfrica. This capital structure, inter alia, gives us a 31.8% shareholding in AttAfrica which is higher than our obligation to contribute 25.0% of the funding requirements and therefore have a share of any capital growth in the underlying portfolio above our capital contributions. Hyprop Investments Limited has first right to operational income flows generated by the portfolio, resulting in irregular cash distributions to Attacq. AttAfrica shareholders are investigating options to create liquidity in the portfolio ahead of the June 2020 shareholder liquidity event. Failing to do so, the existing capital structure will be restructured.

AttAfrica (R million)



Gruppo Investment Nigeria Limited (Ikeja City Mall) (R million)



Fourth key value driver:
Rest of Africa retail investments

Malls and performance

At 30 June 2018, the retail properties in which we have an interest, and vacancy rates were as follows:

Asset	PGLA m²	Attacq %	Annual footcount millions 2018	2017	2016	Vacancy % 2018	2017	2016
Ghana								
Accra Mall, Accra	21 311	15.0	**7.2**	7.3	6.5	**6.8**	–	–
West Hills Mall, Accra	28 272	14.3	**5.4**	5.4	5.6	**10.4**	5.3	5.0
Achimota Retail Centre^, Accra	15 534	23.9	**5.9**	5.0	5.2	**1.9**	6.1	21.7
Kumasi City Mall^, Accra	18 604	23.9	**6.2**	5.9	n/a	**13.0**	26.5	n/a
Nigeria								
Ikeja City Mall, Lagos	22 223	25.0	**7.8**	7.8	8.2	**3.1**	–	3.4
Zambia								
Manda Hill Mall, Lusaka	42 002	15.9	**10.7**	10.8	11.1	**4.1**	5.4	4.7

^ Footcount annualised in first-year of trade.
Data provided at 100% level.

Accra Mall continued to trade well, with vacancies at year end largely due to the departure of Truworths and Identity. Vacancies reduced after year end. Substituting Game as the second anchor at West Hills Mall and Achimota Retail Centre is expected to impact both malls positively once opened in November 2018. This will also result in Shoprite being present in all malls and Game in every mall except Ikeja City Mall. Achimota has settled well since opening in 2016 as evident in lower vacancies and rising footcount. Operating income from Manda Hill Mall in Zambia was impacted by filling vacancies at lower rental levels during the year. While still challenging, trading conditions in Nigeria are improving off the back of moderating inflation, improved oil production and an increase in the availability of foreign exchange.

Management's focus remains on filling vacancies and tenant retention to optimise net income and asset value.

West Hills Mall, Ghana, Accra

NATURAL RESOURCES

Introduction

The key elements of our natural resources are waste, water, energy, transport and technology.

We create value in the way we design for, manage and consume our natural resources as this impacts:
- The amount of resources we consume and waste we generate
- The cost of ownership and occupation of our buildings to Attacq and our tenants
- Our ability to operate with constrained water and electricity supply, and
- Our impact on the environment and our obligations as a responsible corporate citizen.

Governance oversight

- Investment committee, transformation, social and ethics committee, combined assurance forum, exco and portfolio committee

Strategic matters

Please refer to page 24 for more details on our value-creation process.

Performance highlights

- **Responsible corporate citizenship** demonstrated by threefold increase in operational photovoltaic (PV) systems to 6 851.4kWp (2017: 2 096.4kWp), reducing our grid reliance
- **Mall of Africa's 4 755kWp PV system operational**, increasing our electricity recovery ratio
- **63.8% of our buildings** in the office and mixed-use sector are **green certified**, including PwC Tower's silver LEED which is currently being finalised
- **Water resilient buildings** (see page 78)

Werner Mulder at Mall of Africa's PV system Waterfall City

Progress in 2018

Our 2018 focus	Achieved	More information
Finalising implementation of our green building standards	In progress	Green design, page 80
Roll out of PV systems	✓	Electricity, page 79
Actively monitoring and managing our water risk and designing for water efficiency across the portfolio	✓	Water, page 78
Integrated sustainable design in developments and projects	Ongoing	Activities during the year, page 78

2019 Looking ahead

- Design an intelligent, interconnected and instrumented (smart) city strategy for Waterfall
- Implement water projects, eg water-filtration plant at Eikestad Mall
- Continue to develop green buildings in Waterfall
- Reduce cost of occupancy for all tenants
- Develop an integrated transport plan for efficient access, parking and mobility in Waterfall City.

Driving natural resources

Our sustainability approach is built around four major drivers:

Economic sustainability	Operational sustainability	Environmental sustainability	Technological sustainability
Our buildings are designed cost efficiently in terms of waste, water and electricity consumption and management	Buildings must be able to operate through service interruptions using: - back-up electricity for realistic scenarios (not just load shedding) - waste and water continuity plans	Our impact on the environment, including: - green strategy - carbon footprint - light pollution - energy efficiency	Smart through integration and connectivity
Progress	**Progress**	**Progress**	**Progress**
Our South African property portfolio is efficient in terms of water and energy usage. We believe we can improve efficiency by monitoring consumption through implementing smart meters and systems	All our properties can operate for two days during a power or water outage	We are actively monitoring key environmental indicators like carbon footprint and our impact on water resources. All our 100.0% owned newly developed office and mixed-use buildings will be green certified going forward	Future priority

NATURAL RESOURCES continued

We believe in an integrated and connected solution for our buildings and Waterfall City. With the growing complexity and potential of smart cities, we have added technological sustainability as a fourth driver to our approach.

Waste

The volume of waste we produce is increasing in line with the growth of our South African portfolio and activity in our malls. The percentage of total waste recycled (not diverted to landfill) stabilised in 2018. A web-based dashboard for tracking waste management and recycling has been extended to most of our buildings, giving every property manager direct access to historical and current waste figures and recycling performance of their buildings. Our research shows that our buildings recycle at or above the industry average.

	2018	2017	2016
Generated (tonnes)	**5 854**	5 016	3 627
Recycled (tonnes)	**1 730**	1 609	1 042
% recycled	**29.6**	32.1	28.7

Grey water definition

Waste water generated in buildings excluding water from ablution facilities.

With the recent drought experienced in South Africa, and specifically in the Western Cape, as well as a growing population in South Africa, there is increased pressure on water infrastructure and availability. We deliberately design our new buildings for water efficiency, including the use of grey water, as water constraints could inevitably lead to higher utility prices.

Activities during the year

During the year, a team focused on sustainability and infrastructure was formed to ensure learnings are shared across our South African operations and functions.

Water

We monitor four elements of water risk:

1. Supply (operational sustainability)
2. Pressure (operational sustainability)
3. Quality (operational sustainability)
4. Cost (economic sustainability).

During the year, we defined the ability to operate for two days without council water supply as the most important and practical target for measuring water resilience at our buildings. Live water-logging meters were installed at our most critical sites. By monitoring water consumption across our portfolio, installing back-up tanks and on-site pumps, as well as developing operational plans, we achieved our water resilience target. Water consumption reduced in line with our long-term trend (6.0% over two years) in our South African portfolio. The increase in water consumption in 2017 mainly reflects warm weather, which returned to normal levels in 2018.

	2018	2017	2016
Consumption (mℓ)	**721**	833	665
Intensity (ℓ/m^2)	**4**	93	79

Water quality is annually measured against SANS 241 and World Health Organisation water quality standards at locations where we have directly owned buildings as it is an important factor in maintaining our assets. Knowing the quality of borehole and sump water is important in determining their potential use as grey water as a cost-saving initiative and as a contingent measure.

Electricity

We are committed to sensible renewable energy projects. When correctly designed, these projects reduce operational costs, improve the resilience of our buildings and reduce the carbon footprint of our portfolio.

During the year we obtained approval from Eskom to bring the 4 755kWp Mall of Africa PV system into operation. The plant generated 1 600MWh by 30 June 2018.

	2018 kWp	2017 kWp	2016 kWp
Total size of our operational PV systems	**6 852**	2 097	91
	MWh	MWh	MWh
Electricity generated through our PV systems	**4 956**	2 130	134

Transport

We constantly model, measure and plan for the increase in traffic to Waterfall as the precinct expands. How we design facilities, encourages the use of public transport, thereby reducing our carbon footprint.

2013 → +34.0% per annum → 2016 → +20.0% per annum → 2018

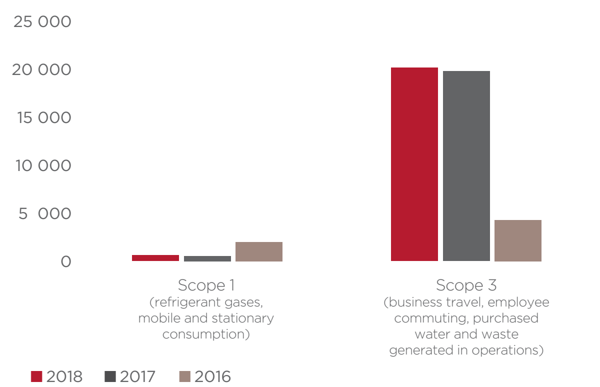
Peak hour traffic growth into and out of Waterfall City

The impact of the Waterfall urban design, considered in all our development and infrastructure projects, will become visible as Waterfall City densifies in the next few years. The goal is to minimise internal trips by car in the City, reducing future congestion.

Carbon footprint

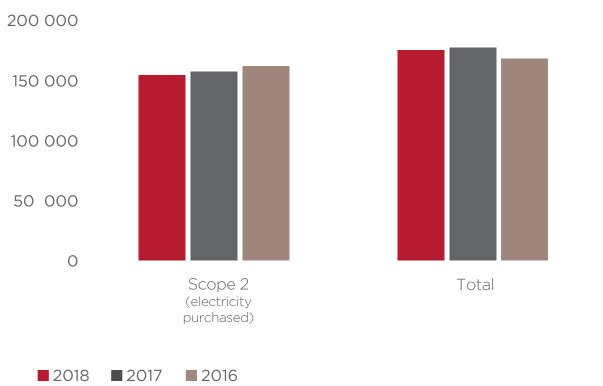
The biggest driver of our carbon footprint remains electricity consumption, which will inevitably increase as our property portfolio grows. However, our carbon footprint per square metre of property in each sector is decreasing year on year, reflecting the contribution of our PV systems. In addition, we recorded a further reduction in electricity consumption with a corresponding reduction in carbon footprint (relative to the growth of our portfolio) in the past year due to the milder summer that resulted in a slight reduction in energy consumed by air-conditioners to cool buildings in our portfolio.

Carbon footprint classification (tonnes CO_2e)*



* We calculate our carbon footprint using the equity share approach.

Carbon footprint classification (tonnes CO_2e)*



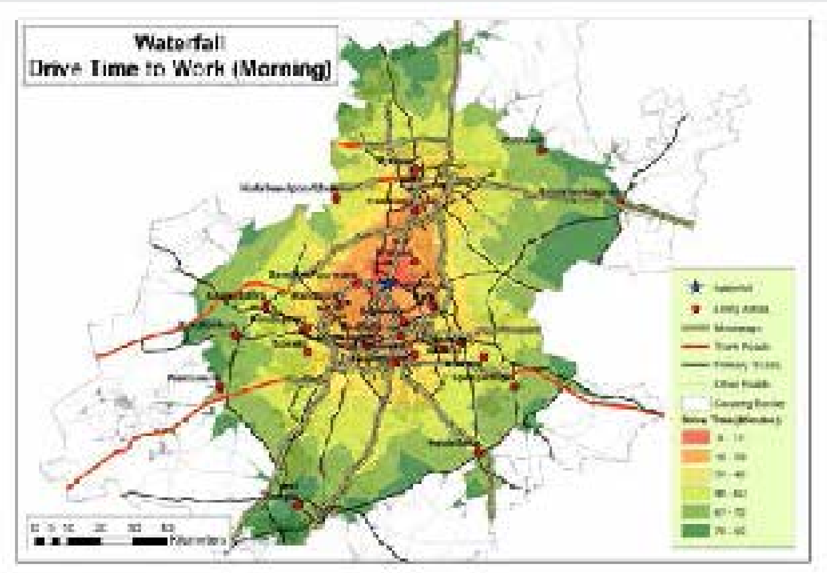
* We calculate our carbon footprint using the equity share approach.

NATURAL RESOURCES continued

Case study: Journey to work – Waterfall

We conducted a "Journey to Work" survey among 8 500 employees working in Waterfall to establish whether this is a central location in Gauteng. Based on 739 responses, we concluded that the macro-location is good, and that Waterfall attracts employees from across the greater Gauteng area.

The map below shows the morning drive time to work:



While surveying whether Waterfall is a central location, a Working Environment Satisfaction Index was developed. The top five strengths of Waterfall from the survey are:

- The appearance of gardens and green areas
- Perception of Waterfall
- Working environment
- General maintenance
- Security

Green design

We are a registered member of the Green Building Council of South Africa (GBCSA) and the United States-based Green Building Council. In future, all our developed commercial buildings will be green certified. We use green rated and certified designs as measures to ensure we build efficient buildings. Green design mitigates the risks and impact of potential carbon taxes, stricter regulations and rising utility costs. Tenants may request a building design to specific GBCSA or Leadership in Energy and Environmental Design (LEED) standards.

The increase in certified green buildings relates to our three new office and mixed-use buildings, namely PwC Tower (certification in progress), Corporate Campus building 1 and Gateway West. Based on PGLA, 63.8% of our office and mixed-use portfolio is green certified and includes PwC Tower's silver LEED certification which is currently being finalised.

Certified Green buildings (%)

Case study: PwC Tower

AWARDS

- Top honours in the commercial office development category at the South African Property Owners Association (SAPOA) awards for innovative excellence, 2018

THE STRUCTURE

Designed by LYT Architecture, an engineering and consulting company

- Landmark: sited on the highest elevation point in the Waterfall precinct, the tower is visible from almost anywhere in a 30km radius from Waterfall City
- At 26 storeys, it is the tallest structure along the Pretoria-Sandton corridor
- Iconic twisted contours exemplify technical excellence and several firsts for South Africa
- Five basements

48 615m² of office space

- Space for 3 500 employees
- Natural daylight for at least 75% of occupants in regularly occupied spaces
- Scenic views for at least 90% of occupants in regularly occupied spaces

SILVER LEED GREEN CERTIFICATION

(awaiting final certification)

WATER

- 60 000ℓ backup water tank
- Water efficiency includes electronic taps, low-flow showers and dual-flush toilets
- Focus on water-efficient landscaping by planting indigenous, hardy species

LIGHTING (ELECTRICITY)

- A powerful and flexible digital lighting system manages all lighting in the building to minimise energy requirements and reduce cost
- High-performance glazing on the façade and motorised blinds maximise daylight control and glare

CLIMATE CONTROL (ELECTRICITY)

- "Cool" roofing: reduces heat island, lowers heat gain
- Thermal controls in multi-occupant spaces: air speed, air temperature, radiant temperature and humidity
- Automated louvre system adjusts for each window during the day to keep the office cool

VALUATION

R1.8 billion

at 30 June 2018, our share of valuation: R1.4 billion

WASTE

- Dedicated area for collecting and storing office recyclables: paper, corrugated cardboard, glass, plastic and metals

TRANSPORT

- The location encourages the use of public transport to reduce single-passenger vehicle traffic, including buses, mini-bus taxis, Gautrain and associated bus services

OPERATIONS

- Eight lifts complete 12 000 to 14 000 trips daily
- The lift-call system can be integrated with the security system and learns trends for individuals, eg when you present your security card or fingerprint, the system already knows that you normally go to the 23rd floor, so it calls the right lift for you

THE IMPACT

- PwC's occupation had a significant impact on foot traffic in the Mall of Africa: in the area where most PwC employees enter, footcount rose 4.0% in January, 8.0% in February and 11.0% in March

HUMAN RESOURCES

Introduction

Our employees are our most valuable assets. The high calibre of our employees is a key differentiator in the increasingly competitive real estate sector.

Aligning our people with our company values and habits is essential to create shareholder value (see page 5 for our values and habits).

Performance highlights

- Internal senior appointments reflect the **strength of our succession planning**
- **Revised and strengthened exco**
- Value of gross assets per employee (R000): R230 783
- Net rental income per employee (R000): R11 224
- Sick absenteeism: 1.5%
- **Number of employees at year end: 126**
- Staff turnover: 20.3%

Governance oversight

- Remuneration and nominations committee and exco

Strategic matters

Please refer to page 24 for more details on our value-creation process.

Attacq Heritage Day

Progress in 2018

Our 2018 focus	Achieved	More information
Developing our employee value proposition to attract, motivate and retain high-calibre individuals	**In progress**	Activities during the year, page 83
Reviewing our organisational structure and aligning it to our strategy and future growth. This includes internalising marketing functions at certain malls	✓	See organisational structure, page 83
Establishing a preferred culture for our employees	**Ongoing**	Culture, page 86

2019 Looking ahead

- Implementing the employee value proposition to ensure we attract, motivate and retain high-calibre individuals
- Establishing a preferred culture for our employees
- Reviewing processes, policies and systems to ensure compliance and efficiencies.

Activities during the year

In the review period, we appointed a new CEO, CFO and human resources manager who have brought new focus to managing the culture and implementing the employee value proposition. We continued to invest in attracting, developing and retaining key talent while creating career opportunities. Talent management remains a focus area and our key objective is to enable employees for optimal deliver, job satisfaction and personal growth.

Our organisational structure

In the past year, senior leadership appointments have strengthened our strategic focus and operational efficiency (discussed in the chairperson's review on page 10). In the latter part of the period, most marketing functions were internalised.

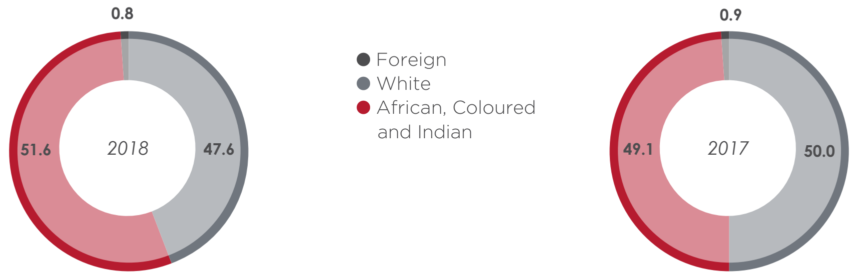
exco

CEO – Melt Hamman

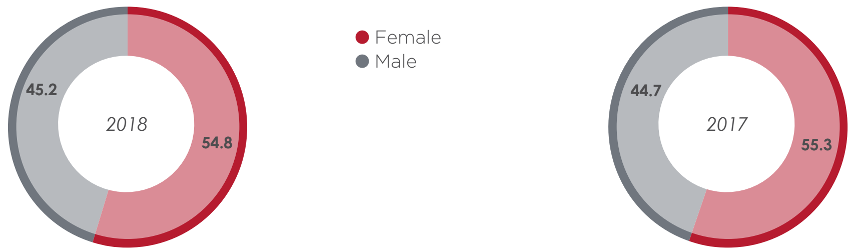
CFO Raj Nana	**COO** Jackie van Niekerk	**Company secretary** Tasja Kodde	**Chief investment officer** Peter de Villiers	**Head of developments** Giles Pendleton	
Finance Legal Investor relations	New business development Property and asset management Transformation Marketing Business operations	Compliance Statutory	Investments Funding	Developments	**Human resources** Phuti Rankoe

HUMAN RESOURCES continued

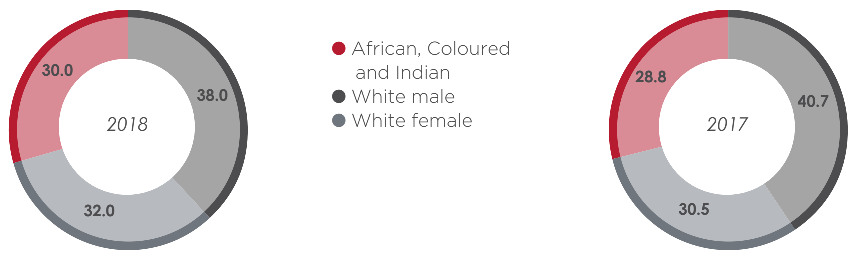
Employment equity statistics (%)



Gender breakdown (%)



HDI employees in management positions (%)



Building a diverse workforce

Our workforce increased by 10.5% to 126 employees (2017: 114) at 30 June 2018, mainly due to organic growth and internalising the marketing function at Garden Route, MooiRivier and Eikestad malls. We also internalised the centre management team at Mall of Africa. Our expanding workforce created opportunities to further improve our employment equity (EE) levels, mainly through recruitment, internal promotions and transfers to create capacity for appointing historically disadvantaged individuals (HDIs).

Reflecting our commitment to improve EE ratios, 57.1% of new appointments in the past year were from African, Coloured or Indian groups. Appointments outside of prioritised groups were individually approved by the CEO. These appointments were only approved because it was a scarce skill, or a critical role that had to be filled urgently and where no suitable HDI candidates were found.

HDI employees in management positions increased slightly to 61.8% from 59.3% in the previous year. This is based on employees on occupational level 1 to 4 and includes white females.

Total employee turnover for the year rose to 20.3% (2017: 11.7%). Exit interviews follow all resignations and the outcome of these interviews is presented at monthly exco meetings. The most frequent reason for resigning was better career prospects, while two senior employees emigrated to the United Kingdom. An underlying concern for employees was uncertainty around certain leadership positions.

Aligning our reward system to strategic objectives

Our remuneration policy, specifically the performance indicators of our long-term incentive (LTI) scheme, supports implementation of our strategy. With the REIT conversion, LTI performance conditions have been realigned to the revised strategy (see remuneration report, page 108).

Contribution plans have been created for each employee, linked to KPIs agreed with their line manager. A bottom-up and top-down approach is used to determine individual KPIs, ensuring alignment with our strategic KPIs.

Performance reviews drive a high-performance culture. The mandatory annual 360° performance assessment for each employee includes an evaluation on behavioural, role-related and specific criteria as part of a self-assessment exercise, with line manager and peer reviews. These results are consolidated, and an employee's rating is used in the annual salary review process. Discretionary bonuses are paid in October based on actual performance for the financial year ended 30 June.

Development and growth

The practice of using role profiles to create contribution plans, defining deliverables as well as measurements, has been embedded in our culture over the past year. Employees are starting to experience the benefit of clearly defined performance objectives linked to the company strategy.

Self-development is a standard KPI and employees are responsible for designing their personal development plans. Each employee's self-development is part of the annual performance evaluation process. The growing number of personal development plans being finalised and implemented in the past year reflects a culture of growth and development.

Training	2018	2017	2016	2015
Total training spend (R)	**1 043 110**	1 106 517	998 280	649 765
Number of training initiatives	**110**	300	337	234
Training hours*	**3 778**	2 097	2 890	1 587
Total training spend per employee (R)	**8 149**	10 743	10 620	8 439
Training initiatives per employee	**0.9**	2.9	3.6	3.0
Training hours per employee	**29.5**	20.4	35.3	27.8

** Training hours include after-work hours that employees invest in their studies, but exclude study leave hours where we have not paid for the training.*

Formal and informal training follows the 70/20/10 principle: 70.0% is on-the-job training, 20.0% is channelled through mentorship and 10.0% is addressed by customised training. Each business unit has identified its training needs, for which we are developing specific solutions.

While training hours increased by 80.2%, training spend decreased by 5.7% as a number of employees received bursaries and we paid for medium-term specialised training courses. Similarly, as much of the training we invest in is long term, the number of training initiatives decreased by 63.3%.

Our policy is to promote internally where possible, and retrain when required. Although our flat hierarchical structure limits vertical career promotions, deserving individuals are given additional responsibilities to support personal development, with commensurate remuneration. As we expand, we are confident that more opportunities for promotion and career development will emerge organically.

HUMAN RESOURCES continued

Work environment

We strive to create an inclusive work environment that promotes productivity, efficiency and engagement among individuals and teams. This is mainly achieved by:

- A monthly CEO update, followed by an informal lunch
- Regular interaction between managers and employees to ascertain what drives and motivates them
- Providing role clarity to ensure actions are focused on specific objectives
- Assessing and implementing flexible working arrangements where possible
- Investing in targeted development initiatives based on individual development plans
- Frequent social events, creating a culture of affinity and positive working relationships.

Current organisational culture	Executive management culture	Target company culture
Results Caring Order	Results Learning Caring	Results Caring Learning

Each culture style represents a unique set of strengths that can enhance the effectiveness of the organisation. The key qualities of our cultural strengths include:

Focus

Attacq sets focused and ambitious goals and employees work very hard toward achieving them

Determination

The company is outcome-oriented and driven to succeed. Employees tend to persevere in the face of difficulty

Teamwork

The company encourages collaboration and team effort. Employees tend to work well together

Discipline

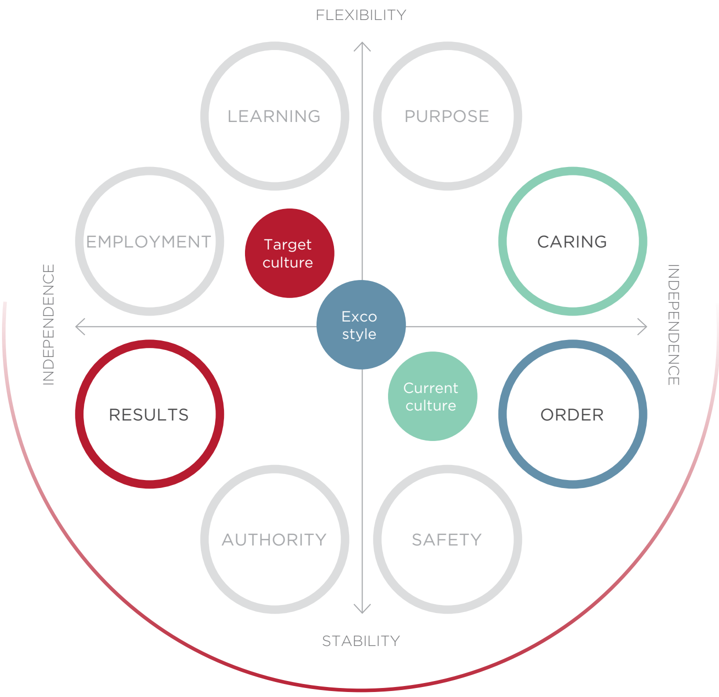
Attacq encourages self-control and moderation. Employees rarely let their emotions get the better of them

Culture

An external specialist service provider was commissioned to survey our employees and assess how our organisation culture was evolving in 2017. Results were reviewed in the current year. The work session focused on the current organisational culture, the exco team's culture style as well as the targeted culture that exco believed would drive and support the organisation in achieving its strategic objectives. The current organisational culture was identified as:

- We have a strong results-driven culture. Employees are driven to achieve great things, and the unifying element is success and capability
- The company is a caring orientation. Employees tend to help and support one another and high value is placed on loyalty, mutual trust, collaboration and teamwork
- The group seeks order. Employees respect rules and value process, systems, stability and efficiency.

The next step is to align our existing organisational culture and exco management style with the target culture to fulfil our values and achieve our strategic objectives.



Succession planning

Jacob Maleka (handyman) proved himself ready for more responsibility and has been appointed senior handyman. He is currently in a structured training programme with the assistant operations manager to transfer specific skills. Post year end, he was promoted to operations assistant – technical. Congratulations Jacob!

Ilanika du Plessis (centre financial administrator) attended multiple courses through the University of Cape Town as well as a management course through the South African Council of Shopping Centres, preparing herself for more responsibility.

Lunga Nkosi (operations assistant) is being trained for more complex tasks in the team, while **Delsia Moloi's** role as property administrator/personal assistant is growing to include lease administration.

Shadrack Sedumedi (senior operations manager) started at Attacq in 2014 as a candidate in the Royal Bafokeng programme. He was subsequently permanently appointed as junior building supervisor and has since progressed from junior operations manager to his current position.

Tumi Sebeela was promoted from helpdesk administrator to facilities administrator due to her willingness to assist where needed, demonstrating what collaboration and teamwork is all about.

Creating a talent pipeline

Lindo Twala: I started working at Attacq as a temporary cleaner/caterer and, in November 2015, I was offered a permanent position. Due to my previous experience as a receptionist, I was asked to relieve the full-time receptionist during lunch breaks. Through my willingness to learn, I gained valuable knowledge and skills. On 1 July 2017, I was permanently appointed as Attacq's receptionist.

I have learned so much through Attacq and am grateful for the opportunity to grow.

Lindo Twala, receptionist

SOCIAL AND RELATIONSHIP RESOURCES

Introduction

Our social and relationship resources refer to the network and relationships we have with our stakeholders.

Our aim is to create value in each step of the stakeholder engagement process.

Governance oversight

- Transformation, social and ethics committee and exco

Strategic matters

Please refer to page 24 for more details on our value-creation process.

Performance highlights

- **2 337** (2017: 1 800) **beneficiaries reached** by spending R6.8 million (2017: R4.4 million) and 309 hours (2017: 483 hours) employee hours
- **B-BBEE level 2 rating** under revised property sector codes
- Tenant general satisfaction score increased to 7.5 out of 10
- To date, **376 jobs** (2018: 177 jobs) **created** through the Attacq Property Point initiative

Property Point graduation ceremony
Hellen El Haimer, Mpho Sono, Godfrey Sono, Melt Hamman, Shawn Theunissen

Progress in 2018

Our 2018 focus	Progress made	More information
Improving the frequency of stakeholder communication and quality of stakeholder relationships	✓	Our key relationships, page 26
Full review of our social media platforms	Continuous	Social media, page 90
Maintaining and improving our transformation	✓	Our B-BBEE rating, page 91

2019 Looking ahead

- Corporate restructuring, establishing a centre of excellence for our marketing team
- Rebranding the Attacq Foundation as our centre for corporate social investment

Attacq the Future
Front: Maiar Ahmed, Tandokuhle Nagcinisa, Zoë Goff and Danny Vermeulen
Middle: Wagner Nel, Candice Bartness, Theuns Smith and Tessa Malan
Back: Estelle Vogel and Dané Holtzhausen

SOCIAL AND RELATIONSHIP RESOURCES continued

Stakeholder engagement

For more information, refer to our key relationships, page 26, and chairperson's review on page 10.

For more information on our relationships with tenants, see our key relationships, page 26, and manufactured resources, page 50.

Understanding our tenants

The team focuses on a close and proactive working relationship with our tenants to understand and respond promptly to their business needs. We follow a tiered approach, with tenant feedback being escalated from property manager/general manager to heads of property and asset management to our COO. We believe fostering good relationships with our tenants underpins continued, mutually beneficial business.

We have consolidated our deal-making team for office and mixed-use into the asset management team. Debbie Theron, as head of property and asset management: office and mixed-use, heads up this team. The benefits of this consolidation is alignment of interest between the deal-making team and the asset management team in terms of lease terms and conditions, the long-term financial impact and sustainability of a deal as well as improving our relationship with our tenants.

Jackie van Niekerk met with key tenants and retailers over the year. Discussion points at these successful meetings included expansions (eg Dis-Chem and Woolworths), business operations and new opportunities.

We annually appoint independent consultants to conduct tenant satisfaction surveys on our mixed-use and commercial portfolios that help us understand their views. This year, the general tenant satisfaction score increased to 7.5 (2017: 7.4) out of 10, with specific actions to be taken to improve these levels.

The rising cost and availability of electricity and water remain a challenge for us and, in turn, for our tenants. Electricity accounts for 11.2% (2017: 12.1%) of the occupancy cost of a building, increasing the burden on our tenants from whom we recover these costs (see natural resources, page 76).

Social media

Our social media platforms were reviewed during the year and we are determined to keep these channels of communication open. We have a slow but steady increase in followers and engagements on our social media pages. It provides us with a platform to promote and share digital news articles and media releases that are located on our website, thereby increasing traffic to the website. We are committed to constantly improve our communication through social media.

Investing in our communities

Our communities are of utmost importance to us, as their growth and stability underpins our business sustainability. Our corporate social investment is focused on education and training in order to address skill shortages in the industry. During the year, our employees invested 309 hours (2017: 483) of their time in corporate social investment programmes reaching 2 337 direct beneficiaries (2017: 1 800) and 11 650 indirect beneficiaries, supported by R6.8 million (2017: R4.4 million) from our company.

PROPERTYPOINT
A GROWTHPOINT INITIATIVE

Property Point

As small businesses are critical to a thriving economy, we continued our relationship with Property Point, a Growthpoint initiative that develops upcoming black entrepreneurs. In March 2018, we celebrated the graduation of five participants who entered the second Attacq Property Point programme in July 2016.

The programme, with eight original participants, was conducted over two years and participants concluded contracts to the value of R82.7 million. The five successful participants or businesses collectively created employment equivalent to 295 full-time positions.

Our third Attacq Property Point programme, consisting of nine businesses (seven based in Gauteng and two in the Western Cape), began in March 2018.

Funding

Smaller businesses often struggle to access capital, prompting us to grant R2.6 million in long-term loans and R500.0 million equity for six small to medium enterprises. These three-year loans are monitored quarterly on specific criteria, eg financial performance and employment growth.

Other investments

Through the Attacq Foundation, we invested R340 000 in Columba, a non-profit organisation focused on education, and we contributed R200 000 to the Women Property Network's bursary programme that awarded 29 bursaries to black female students in the property sector. Our malls have participated in various projects such as the #keepaGirlChildInSchool, Stellenbosch CAN and Attacq the Future. As key roleplayers in their communities, the malls plays a vital role in driving social programmes.

Nation Builder member

As a Nation Builder member, we understand our contributions must have real and lasting impacts. Nation Builder is a platform that brings roleplayers together for greater impact, with resources, tools and a community to help companies ensure their CSI is effective. We use Nation Builder's good giving benchmarking tool to monitor our year-on-year improvement.

Our overall score for 2018 is 72.0%, slightly down from 2017 (73.0%). We scored best (89.0%) for implementing projects, while our CSI positioning and governance were indicated as areas for improvement.

Our B-BBEE rating

Our commitment to transformation and strategy to align with the amended property sector codes enabled us to achieve a level 2 B-BBEE rating, which allows our tenants to claim 125.0% B-BBEE procurement recognition. Converting to a REIT will affect our B-BBEE rating, given two additional scorecard elements. Our team is working to ensure that the impact of these new pillars does not adversely affect our scorecard in future. Our B-BBEE scorecard was verified by Siyandisa Verification Solutions and is valid until May 2019.

B-BBEE scorecard explained

100.0%
of our procurement spend contributed to empowering suppliers

2016 – level 4

2017 – level 6 (restated)

2018 – level 2

Level 2 = enhanced procurement recognition at 125.0%

Black economic interest: 18.2%

Black female economic interest: 8.0%

39.2%
of our B-BBEE procurement spend is from empowering suppliers that are at least 51.0% black owned

INTELLECTUAL RESOURCES

Introduction

Our intellectual resources are defined as organisational knowledge-based intangibles, including:

- Organisational capital such as tacit knowledge, systems, policies and procedures
- Intellectual property, such as our brand, reputation and systems.

We create value by applying our intellectual resources to meet our tenants' expectations, manage our assets and develop the Waterfall precinct. Although not under our direct control, we also apply our intellectual resources to influence and support the management teams of MAS and AttAfrica.

Governance oversight

- Transformation, social and ethics committee; audit and risk committee; combined assurance forum, exco and portfolio committee

Strategic matters

Please refer to page 24 for more details on our value-creation process.

Performance highlights

- **2018 SAPOA awards** for the best corporate development for PwC Tower and best industrial development for BMW Group SA Regional Distribution Centre
- Our 2017 integrated report was rated **"excellent"** (from "good" in the prior year) in the benchmark **EY's Excellence in Integrated Reporting Awards 2018**, reflecting improved disclosure
- Second consecutive inclusion in the **FTSE/Russell Responsible Investment Index (FTSE4Good)**
- Collaborative use of our intranet to share large volumes of data has become a valuable management tool for informed decisions based on accurate trend analysis

Our brands

MALL OF Africa

EIKESTAD MALL

GARDEN ROUTE MALL

LynnwoodBridge retail

MooiRivier mall

WATERFALL

Progress in 2018

Our 2018 focus	Achieved	More information
Gap analysis of our property management system to identify where and how it can be enhanced	Continuous	Asset management, page 94
Introducing mobile applications for managing services to and engaging with tenants	✓	MyBuildings case study, page 95
Improve data analysis and real-time management reporting	✓	Asset management, page 94

2019 Looking ahead

- MyBuildings, a management tool and mobile application, roll out to all buildings
- Continue to integrate reports on advanced data analytics on shopper behaviour
- Design an optimal information technology architecture, with specific focus on how we manage our Waterfall development.

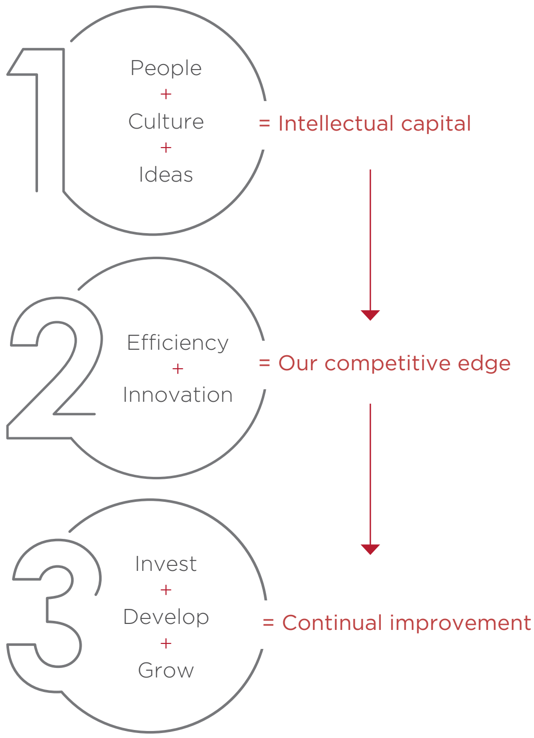
FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Attacq Limited has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index series. Created by the global index provider FTSE Russell, the FTSE4Good Index series is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Intellectual capital

The collective knowledge of our people powers our business philosophy and enables us to realise our objectives. Their skills and energy add value to our store of human capital while their innovations and expertise support our store of intellectual capital. For both capitals, the contributions of our people generate outcomes that support the business of Attacq, which in turn enables the company to deliver benefits for all stakeholders, starting with our people.

Our corporate culture is founded on the success and motivation of individuals, understanding that motivated people become a collective force, focused on continual improvement.

Effectively deploying intellectual capital is the heartbeat of who we are as a company.



INTELLECTUAL RESOURCES
continued

We are uniquely positioned as one of the only REITs with access to significant development opportunities. For our people, this presents challenges and opportunities for growth, translating into sustainable returns for shareholders and sustainable benefits for all stakeholders.

Activities during the year

In terms of applying our intellectual capital to our strategic pillars of invest, develop, grow, highlights of the review period are summarised below. Given their overlapping nature, we have not separated our activities under a specific pillar.

Dealmaking

- We continue to attract top-tier tenants to Waterfall based on its unique location, our excellent relationships in the market and ability to move swiftly. Given the sluggish economy, we creatively tailor deals to suit the requirements of new tenants and our growth strategy.
- Innovative thinking is required to efficiently fund our portfolio and development pipeline.
- As we own the process from inception to conclusion, we ensure sustainable solutions are aligned with our strategy and unlock shareholder value.

Attracting well-known tenants, namely: Accenture, Cummins, Pirtek, Superga/Kappa and Zimmer Biomet.

Developments

- We develop quality buildings, all originating from great ideas and all delivered on time and within budget.
- By embedding sustainability into the design of each building, we are reducing environmental impact while increasing operational efficiency across its lifecycle.
- Our 360° approach to identifying, constructing and managing each asset ensures our tenants can relocate smoothly to their new corporate homes in the Waterfall precinct.

2018 SAPOA design awards for PwC Tower, BMW building, the South African Institute of Civil Engineering 2018 award for structural engineering and overall technical excellence.

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Asset management

- In a challenging economy, we have some of the lowest portfolio vacancy rates in our industry. We believe this reflects the strength of our relationships and teams focused on delivering outstanding service to our tenants and shoppers alike.
- How do we know if we are providing a great service? By investing in technology and analytics, we have a consolidated view of all issues that may detract from our tenants' experience. We quantitatively track a range of metrics from occupational health and safety requirements to how long it takes to change a light bulb for a tenant.
- Our proactive asset management approach, enhanced by the latest technology and trend analysis, maintains the high level of demand by shoppers and tenants alike, ensuring steady capital growth across our portfolio.
- Identifying new income streams, apart from traditional rental income, is key in our competitive environment. We are successfully marketing common spaces for pop-up stores, advertising, social and media events and exhibitions.
- Management systems – by engaging with stakeholders, we identify their information requirements. Our flexible approach addresses these changing requirements by pooling all our data to enable users to extract what they need. In addition, they benefit from trend analysis for informed insight that drives tactical changes. To enhance "business as usual" operations and efficiencies for all staff, we have deployed specific tools across the portfolio to unlock further synergies. To mitigate the growing trend of data breaches and cyber-security incidents, proactive security and network protection measures are in place.

Successful pilot of work-request and incident-handling system, MyBuildings, being deployed across our portfolio.

Case study: Technology in action

MyBuildings software application

A pilot programme using the MyBuildings mobile app as an operations management tool was implemented at Garden Route Mall. Following its success, we are rolling this out across our buildings.

In South Africa, we have 1 056 tenants spread over 802 256m^2 of lettable area. Managing their needs is a daily operational requirement but how well we do so is fundamental to our sustainability. To put this into context, a leaking tap is an irritation and waste of natural resources: fixing it fast addresses both issues. At the other end of the spectrum, a roof collapse after a hailstorm is a catastrophic event that tests our emergency response and disaster recovery planning. The common thread is fast, accurate information, effective response and close monitoring.

The MyBuildings app gives management real-time information that tenant needs are being addressed promptly. Outstanding issues can be tracked centrally, continuously improving tenant and customer service.

In the pilot project, we collected large volumes of operational data, which translated into meaningful management insight when combined with advanced data and analytics tools.

From query resolution time to balancing workloads across responsible employees, technology is simplifying the property management process. This is illustrated by actual dashboards below.

Total
1 858

1 852
Completed queries

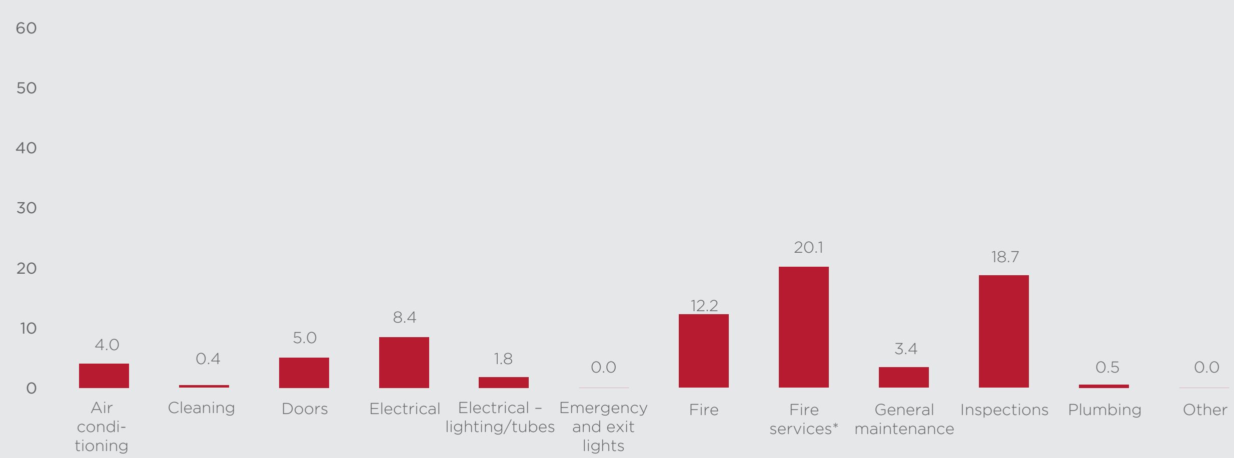
6
Outstanding queries

Average query length (days)
3.5

1.89
Query lodge to start (days)

0.75
Query start to complete (days)

Average completed query length (days)



** It took 20.0 days to inspect 740 sprinklers in the mall*

CORPORATE GOVERNANCE REVIEW

Waterfall Corporate Campus, Waterfall City

CORPORATE GOVERNANCE REVIEW

We believe that achieving the highest standards of corporate governance is key to the sustainability of our business, realising our vision and strategy, as well as creating and sustaining value for all stakeholders in the short, medium and long term. We were included in the FTSE/JSE Responsible Investment Index (FTSE4Good) for the second year and obtained a 100.0% compliance rating for the governance section of the assessment.

Transition to King IV and compliance

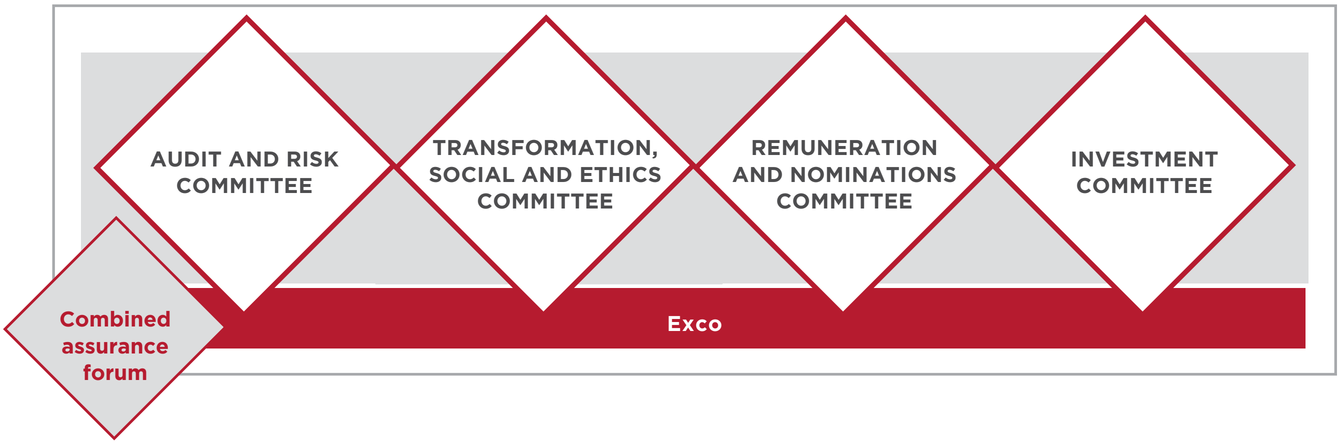
As a responsible corporate citizen, committed to high standards of governance, ethics and integrity, we have adopted King IV. By shifting the focus to an outcomes-based approach, King IV is driving transparency, enhanced accountability, strong risk management and effective leadership – all standards we fully support. Over the past year, we aligned our business processes and standards with the principles of King IV **(refer to our website for the detailed King IV checklist).**

In addition, we also comply with all applicable legislation and regulations, including the Companies Act and JSE Listings Requirements.

Our governance framework

The board has established committees with specific mandates to support it in fulfilling its duties, while retaining effective control and accountability. The board has delegated day-to-day business management to our exco.

Board of directors



The role of the board
The board is our highest decision-making body. It approves the strategy supported by our values and monitors its implementation against performance targets and risks.

Members of the board
Please refer to page 18.

Key roles and functions
There is a clear distinction between the roles and responsibilities of the chairperson and the CEO, set out in the board charter and evidenced by the CEO having his own KPIs and employment agreement. At board level there is a clear balance of power and authority to ensure that no one director has unfetted powers in decision making.

Chairperson
The chairperson, Pierre Tredoux, leads the board and liaises between the board and management through the CEO.

Lead independent director
The board appointed Hellen El Haimer in February 2018 as the lead independent non-executive director as recommended by King IV. Hellen chairs the board in the absence of the chairperson, or where his independence is considered impaired. She can also co-ordinate the activities of independent directors and fulfil other duties as required.

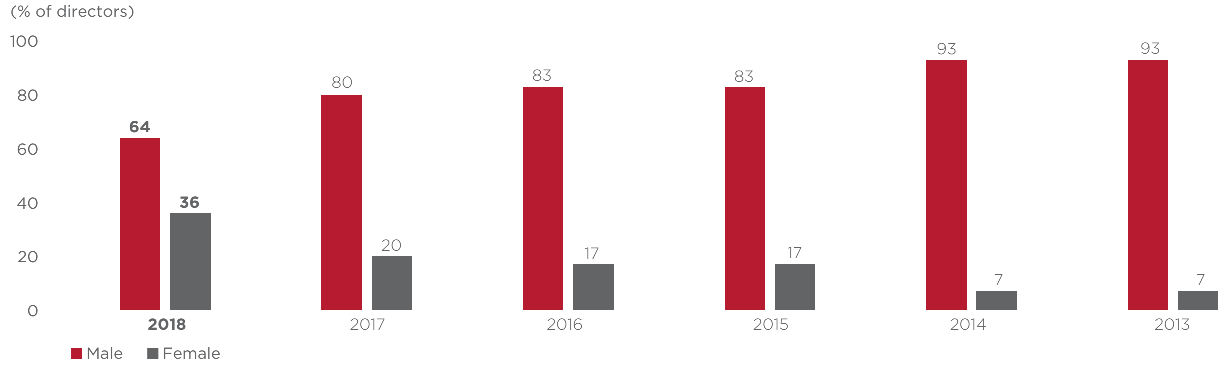
Chief executive officer
The CEO is ultimately responsible for the day-to-day management of Attacq and for implementing our strategy and vision as approved by the board. Melt Hamman is also the liaison between management and the board. He was appointed full-time CEO in June 2018 after six months in an acting capacity following Morné Wilken's resignation in October 2017.

Board attendance
In line with our memorandum of incorporation, the board is required to have quarterly meetings. In the past year, the board convened four times, with three additional special meetings (including the annual strategic session). There was 100.0% attendance for scheduled meetings and 90.0% attendance for special meetings.

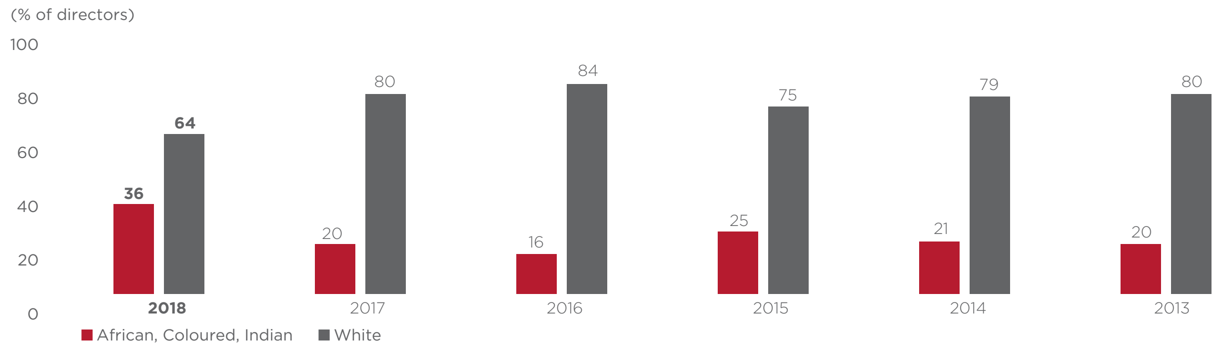
Independent non-executive directors	Meetings attended	Executive directors	Meetings attended
Pierre Tredoux (Chairperson)	7/7	Melt Hamman (was excused from attending the special meeting held in October 2017)	6/7
Hellen El Haimer (Lead independent)	6/7		
Thys du Toit	7/7		
Ipeleng Mkhari (appointed March 2018)	2/2		
Keneilwe Moloko	5/7	Morné Wilken (was excused from attending the special meeting held in October 2017 and resigned 31 December 2017)	3/4
Brett Nagle	7/7		
Stewart Shaw-Taylor	7/7		
Johan van der Merwe	7/7		

Board composition
The board acknowledges the importance of diversity in driving its effectiveness, targeting female representation of at least 20.0% under the company's gender diversity policy. The board has adopted a formal policy on the promotion of race diversity, targeting at least 20.0% representation. Transformation and diversity have been a key focus for the board, assisted by the nominations committee.

Gender diversity



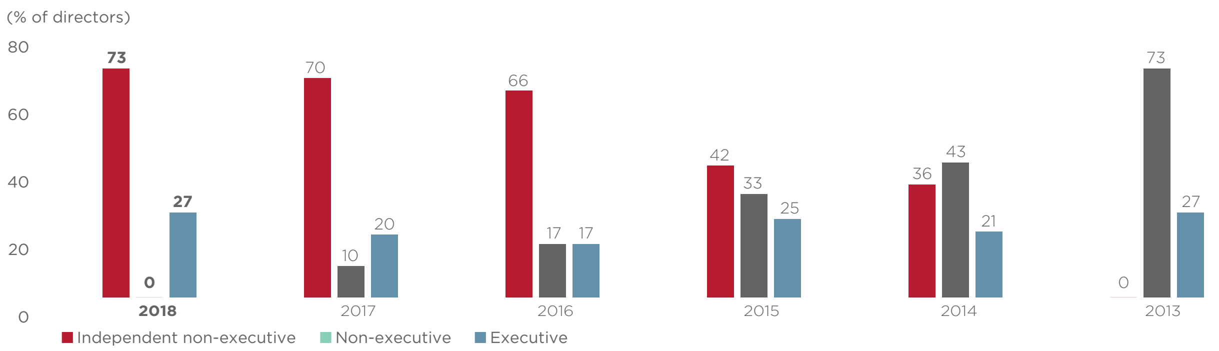
Racial diversity



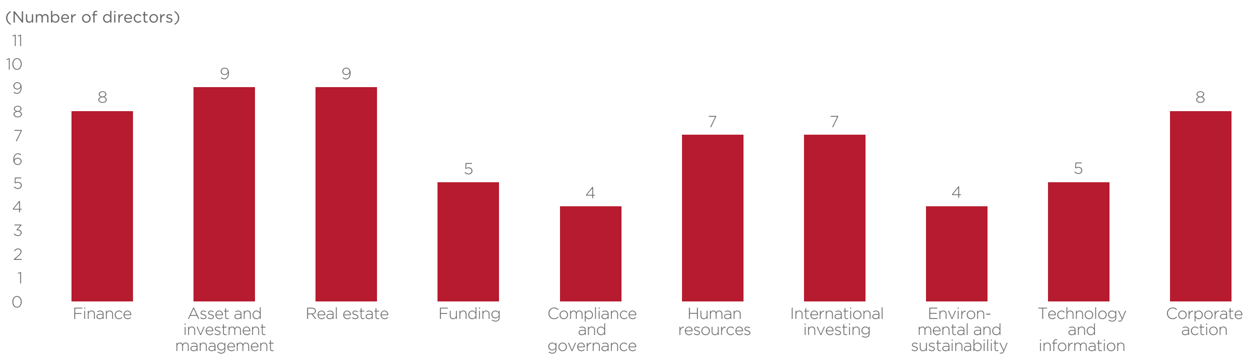
CORPORATE GOVERNANCE REVIEW continued

All non-executive directors are independent. As per King IV, the independence of individual directors will be reviewed annually by the nominations committee.

Independence



Directors' skills matrix at reporting date



Board tenure

AVERAGE TENURE: 5.8 years (June 2017: 5.4 years)

Other key areas of expertise among the directors are engineering, surveying, construction, economics, marketing and government/public sector.

Board appointment and re-election

The board follows a formal and transparent process in appointing new directors. The nominations committee proposes any appointment to the full board for consideration. New appointees are evaluated on their skills, knowledge and experience to interrogate the company's strategy. Any non-executive director appointed during the year may only hold office until the next annual general meeting, when they will be required to retire and offer themselves for re-election. As the only independent non-executive appointed in the financial year, Ipeleng Mkhari, will retire and stand for election at the AGM on 15 November 2018.

In terms of the company's memorandum of incorporation, one-third of directors retire by rotation each year and are eligible for re-election by shareholders at the AGM. Accordingly, the board recommends the election of the following retiring directors: Keneilwe Moloko, Thys du Toit and Brett Nagle.

The retirement age for non-executive directors is 70. Directors older than that can remain on the board, and their performance will be reviewed annually with the nominations committee recommending they retire and be re-elected at every AGM. The period in office of directors is reviewed individually by the board on the recommendation of this committee.

Board evaluation

To continuously improve the board's effectiveness, the chairperson assesses board members individually and shares his views with the nominations committee. The lead independent director will assess the chairperson and table her findings at the nominations committee. Board and committee effectiveness assessments will be conducted in November 2018.

The audit and risk committee annually considers and satisfies itself on the appropriateness of the expertise and experience of the CFO. It concluded, before being appointed as CEO, in May 2018 that Melt Hamman had fulfilled his responsibilities for the 2018 financial year. After his appointment as CEO was confirmed, Raj Nana was appointed CFO on 19 June 2018. The committee satisfied itself on the appropriateness of the expertise and experience of Raj Nana as CFO on 30 August 2018.

In our board evaluation, the following areas of improvement were highlighted in our 2017 integrated report, with progress summarised below:

Board relationship with executive management

There has been progress in strengthening the relationship between the board and executive management. An informal breakfast before every board meeting enables directors to liaise and interact with executive members and senior management. Exco members and senior management are invited to attend board and committee sessions to present, and to engage further with non-executive directors.

Management succession

Our management succession plan was tested when our CEO resigned in October 2017. Our CFO, Melt Hamman, was appointed interim CEO and the board agreed that he was the most suitable successor to fulfil the role of CEO from 19 June 2018. Raj Nana, our investment officer, was identified as the likely candidate to be promoted to CFO and his appointment was confirmed by the board on 19 June 2018. Due to the company's flat structure, there are only a few roles that require succession planning, but remedial plans are in place to steer the business until suitable candidates can be employed in positions that do arise.

CORPORATE GOVERNANCE REVIEW continued

Board committees

Audit and risk committee

Refer to page 6 of the AFS for the audit and risk committee report.

Members	Meetings attended	Meeting attendance for 2018 financial year
Independent non-executive directors		Four statutory meetings and three special meetings were held during the year.
Stewart Shaw-Taylor *(chairperson)*	7/7	The committee had several special meetings to review the financial model prior to the REIT conversion and to ensure that all relevant requirements were addressed.
Hellen El Haimer	6/7	Additional meetings were arranged to review the integrated report as requested by the board.
Keneilwe Moloko *(resigned from committee October 2018)*	4/7	
Brett Nagle	7/7	

Skills and experience as at reporting date (%)

- Finance
- Asset and investment management
- Real estate
- Funding
- Compliance and governance
- Human resources
- International investing
- Environmental and sustainability
- Technology and information
- Corporate action

Roles and responsibilities*

- Assures the board on the reliability of financial information by monitoring external audit functions, including independence
- Assures the board on the adequacy and efficiency of internal controls by monitoring the internal audit function
- Ensures significant business, financial and other risks have been identified and are being managed correctly
- Reviews and recommends the group's solvency and liquidity to the board for approval
- Ensures high standards of governance, reporting and compliance

Overview for the year

- Significant focus on the REIT conversion and associated regulatory requirements and financial models.
- Internal controls and their effectiveness
- Half-year and year-end results for recommendation to the board for approval
- External valuers and property valuations
- External audit reports and material matters
- Audit fees and effectiveness of the external audit function
- Internal audit plan and effectiveness of the internal audit function
- Risk policies and strategies, ensuring effective management principles are in place
- Enterprise risk management dashboard indicating key risks and mitigants
- Regulatory compliance as reported by the chairperson of the transformation, social and ethics committee
- SENS releases for the half-year, year-end and REIT conversion
- The 12-month rolling forecast cash flow and solvency and liquidity of the company for recommendation to the board for approval

Looking ahead

- REIT governance and compliance
- Continued focus on the interim and annual financials, internal controls and risk management

Our strategic matters

Our risks and opportunities

Meeting shareholder expectations
Liquidity
Legal and regulatory compliance
Emerging markets

* Refer to www.attacq.co.za for board committee charters.

Transformation, social and ethics committee

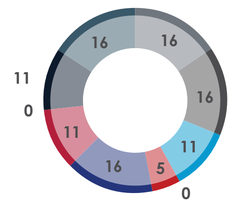
Members	Meetings attended
Independent non-executive directors	
Hellen El Haimer *(chairperson)*	4/4
Keneilwe Moloko *(appointed October 2018)*	–
Executive directors	
Melt Hamman *(resigned August 2018)*	2/4
Raj Nana *(appointed August 2018)*	–
Jackie van Niekerk	4/4

Meeting attendance for 2018 financial year

Four statutory meetings and numerous special meetings were held during the year.

The special meetings are not reflected in the overall attendance for the committee.

Skills and experience as at reporting date (%)



- Finance
- Asset and investment management
- Real estate
- Funding
- Compliance and governance
- Human resources
- International investing
- Environmental and sustainability
- Technology and information
- Corporate action

Roles and responsibilities*

- Monitors compliance with legislation, including recommended practices and regulations as per King IV and the Companies Act
- Oversees and monitors activities in community development, ethics, transformation, sustainability and environmental matters, good corporate citizenship, occupational health and safety, stakeholder relationships and employment matters

Overview for the year

- Significant time understanding revised property sector charter codes and the impact on Attacq. This included additional requirements that would apply when the REIT conversion was finalised
- Management commitment and support from the committee improved B-BBEE scores to level 2, valid until May 2019
- The committee approved and recommended the code of ethics for directors to the board. This was adopted in May 2018. A code of ethics for employees is being finalised
- Action plans for managing the impact of the water crisis in the Western Cape regularly reported to the committee. This is continuously monitored and redundancy plans implemented at all our buildings

Looking ahead

- Skills development and training for our people and non-Attacq staff
- Environmental sustainability
- Enterprise and supplier development
- Governance, compliance with legislation, and social and ethical requirements of relevant legislation

Our strategic matters

Our risks and opportunities

Meeting shareholder expectations
Cost and availability of water supply
Legal and regulatory compliance
B-BBEE score
Cost and availability of electricity
Stakeholder activism
Land invasion

** Refer to www.attacq.co.za for board committee charters.*

CORPORATE GOVERNANCE REVIEW continued

Remuneration and nominations committee (remco)

Members	Meetings attended	Meeting attendance for 2018 financial year
Independent non-executive directors		Two statutory meetings and three special meetings were held during the year.
Johan van der Merwe *(chairperson of remuneration matters)*	4/5	
Pierre Tredoux *(chairperson of nomination matters)*	5/5	
Thys du Toit	5/5	

Skills and experience as at reporting date (%)

- Finance
- Asset and investment management
- Real estate
- Funding
- Compliance and governance
- Human resources
- International investing
- Environmental and sustainability
- Technology and information
- Corporate action

Roles and responsibilities*

- Governs reward policies and sets the foundation of remuneration principles, which in turn determine reward processes
- Ensures remuneration is structured to be fair and equitable, and aligned with best market practices
- Approves consolidated annual increases, bonus pool and allocation of share awards
- Oversees good governance on executive remuneration, ensuring executive behaviour is aligned with the strategic objectives of the group and shareholder interests
- Considers suitable nominations for appointment to the board as well as succession planning for board members and executive management

Overview for the year

- Progress with gender and race diversity on the board
- With the REIT conversion, the committee reviewed performance criteria linked to the long-term incentive scheme to ensure synergy between the incentive's performance target and company strategy
- KPIs for the CFO were agreed in February 2018 and will be the metrics against which Melt Hamman will be evaluated for the review period
- Appointment of the CEO was a key focus. Performance criteria were agreed with Melt Hamman and his performance for the 2019 financial year will be measured against these outcomes
- In September 2017, remco reviewed company performance for that year in terms of rewarding employees. As the company's performance did not meet targeted returns, the short-term incentive pool was significantly decreased. Refer to the remuneration implementation plan for more detail

Looking ahead

- Under King IV, remco has additional responsibilities, especially on disclosure. As such, the committee will focus on meaningful disclosure and addressing any stakeholder concerns when the remuneration policy and remuneration implementation report are presented for non-binding votes at the AGM
- Continued focus on gender and race diversity at board level and throughout the company. This is one of the executive directors' KPIs
- Evaluations of the board and committees are due for review in November 2018 and will be overseen by the committee. Our lead independent director, Hellen El Haimer, will facilitate the chairperson's review
- The annual salary review, short and long-term incentives for the 2019 financial year will be reviewed and approved
- The rotation of directors and directors' fees will be recommended to board for final submission to the AGM for approval

Our strategic matters

Our risks and opportunities

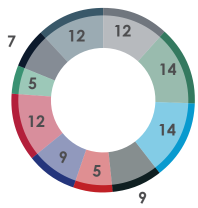
Meeting shareholder expectations
B-BBEE score

* *Refer to www.attacq.co.za for board committee charters.*

Investment committee

Members	Meetings attended	Meeting attendance for 2018 financial year
Independent non-executive directors		Although no statutory meetings are required, 12 meetings were held during the year.
Pierre Tredoux *(chairperson)*	11/12	
Brett Nagle	11/12	
Stewart Shaw-Taylor	10/12	
Executive directors		
Morné Wilken *(resigned December 2017)*	6/6	
Melt Hamman	11/12	
Raj Nana	10/12	
Jackie van Niekerk	10/12	
Other members		
Giles Pendleton *(appointed March 2018)*	1/1	
Peter de Villiers *(appointed June 2018)*	4/12	

Skills and experience as at reporting date (%)



- Finance
- Asset and investment management
- Real estate
- Funding
- Compliance and governance
- Human resources
- International investing
- Environmental and sustainability
- Technology and information
- Corporate action

Roles and responsibilities*

- Reviews the group's investment strategy, setting targets and criteria
- Assesses investment proposals for development, acquisitions and disposals
- Assesses bank and loan funding, including debt restructuring

Overview for the year

- The committee meets ad hoc to decide on acquisitions, developments and disposals. It focused on funding methodology, including the interest cover ratio, when approving transactions
- A review on past investments and how these actually performed against initial approved criteria

Looking ahead

- Residential developments opportunities
- Funding strategy, specifically the impact on future distributable earnings and interest cover ratio
- Investment criteria
- Performing and non-performing assets

Our strategic matters

Our risks and opportunities

Meeting shareholder expectations
Emerging markets
Cost and availability of water supply
Delivery of Waterfall development
Cost and availability of electricity
Liquidity
Fibre reliability
Land invasion

* *Refer to www.attacq.co.za for board committee charters.*

CORPORATE GOVERNANCE REVIEW continued

Combined assurance forum

The main responsibility of the combined assurance forum is overseeing assurance providers, in support of the audit and risk committee. It also ensures the combined assurance model provides a co-ordinated approach to related activities and addresses significant risks facing the company. For more information, see our risk and opportunities (page 30).

Ethical culture

The board subscribes to the highest standards of ethical behaviour, best practices and controlling the affairs of the company. It sets a clear example for management and employees, and safeguards the company's integrity and reputation.

The directors' code of ethics and conduct was approved in February 2018 and the directors abide by the values underpinning all our activities. They do not condone any unethical behaviour such as corrupt, illegal or collusive practices. The board is committed to the principles outlined below:

- **Transparency:** We maintain an atmosphere of openness and transparency to promote the confidence of shareholders, employees, financial service providers, regulatory bodies, the public, media and other stakeholders
- **Accountability:** Our activities will withstand scrutiny by shareholders, the public, media and other stakeholders
- **Integrity and fairness:** These will be hallmarks in dealing with fellow directors, shareholders and employees as well as individuals and institutions outside Attacq.

Internal audit completed our ethical review in July 2018 and the overall outcome was satisfactory, with a few minor administrative recommendations to implement. Our organisational cultural transformation journey started in 2013 when we listed on the JSE. Through continuous focus, understanding and awareness of transformation and diversity among our leadership, our progress reflects our commitment.

Conflicts of interest and share dealings

A director or prescribed officer is prohibited from using their position or access to confidential, price-sensitive information to benefit themselves or any related third party. They are also required to inform the company secretary timeously of any actual or potential conflicts of interest they may have with particular items of business, or other directorships. Comprehensive registers of all directors' interests are continuously updated, signed by the director and details noted by other board members at every meeting.

We have a policy regulating dealings in Attacq shares by directors and relevant employees. No director or employee may deal, directly or indirectly, in the company's shares based on unpublished, price-sensitive information or in prohibited periods as defined in the JSE Listings Requirements.

Company secretary

The board believes the company secretary, Tasja Kodde, has the required competence, qualifications and expertise to fulfil the role. Tasja is not a director of the company or any of its subsidiaries. The board is comfortable that she maintains an arm's-length relationship with the executive team, board and individual directors as per the JSE Listings Requirements and King IV.

Governance of information and communication technology (ICT)

We believe technology and data analysis, correctly implemented, can generate time and cost savings through insights. As such, a more operational focus has been placed on ICT and is represented by the chief operating officer at board level. With the adoption of King IV, we undertook an independent assessment of our ICT governance. BDO confirmed that our ICT governance is fully compliant with principle 12 of King IV. Going forward the effective use of ICT infrastructure will be monitored through our combined assurance forum and audit and risk committee and will ultimately be overseen by the board. ICT governance will form part of the board's responsibility for ensuring that information and ICT technologies are aligned with the strategy of the business.

Strategic operational tools have been successfully piloted and are being implemented nationally. This will ensure a consistent and high standard of service delivery to our key stakeholders, as well as valuable insights for management through data analytics. Investments have been made to enhance cyber-security and defend against the rising global trend of cyber-attacks, as well as to align the business with King IV.

Attacq Heritage Day
Sitting: Bronwyn Osman and Thembeka Badela
Standing: Lindo Twala, Melt Hamman, Tumi Sebeela, Delsia Moloi and Aniki Mthimunye

REMUNERATION REPORT

Part 1: Background statement

Remuneration strategy

In the 2018 year, we revised our long-term incentive (LTI) performance conditions and targets to align with our adjusted strategy as a REIT.

Our reward philosophy is based on fair and transparent remuneration for all employees, and formulated to attract, retain, motivate and reward high-calibre employees. Remuneration components are designed to reward excellent team and individual performance, while aligning with our values and strategic objectives.

Guaranteed remuneration is mostly positioned at the market median, with key and critical skills remunerated at the higher end of median scales.

To track employee performance, our remuneration model focuses on contribution plans linked to each role profile with clear KPIs. These individual KPIs are associated with a divisional contribution plan that supports the company strategy and growth objectives.

In line with the requirements of King IV, the remuneration policy and the remuneration implementation report will be presented to shareholders for two separate non-binding advisory votes at the 15 November 2018 AGM. If more than 25.0% of the voting rights against either of these resolutions, the remco will engage with these shareholders to understand their objections and concerns on the company's remuneration policy and remuneration implementation report.

Remco may engage with shareholders using various means of communication and will provide more detail, explain certain elements in the policy and/or remuneration implementation report to clarify any concerns that could have caused them to vote against these resolutions. Remco has the discretion to take the necessary steps to address valid and reasonable concerns raised by shareholders. The process to address these matters will be fully disclosed as part of the shareholder engagement process in the remuneration report for the next financial year.

Part 2: Overview of remuneration policy

Key principles underpinning our remuneration policy

Attacq's philosophy is to structure remuneration to ensure a fair and equitable level of pay for all employees. Through the various components of remuneration, high and sustainable levels of team and individual performance are encouraged, aligned with the strategic direction and specific values of the group.

Employees' total remuneration includes guaranteed total package (GTP), short-term incentives (STI) and LTI. Key principles shape our remuneration philosophy:

- Remuneration policies are aligned with the business strategy and reviewed regularly
- Our remuneration policy is transparent and understandable, both for stakeholders and internal use
- Total rewards are set at competitive levels in the relevant market
- Incentive-based rewards are earned by achieving performance conditions consistently, measured against targets structured to ensure the business operates effectively throughout the financial cycle
- Risk management forms part of all employees' KPIs and is underpinned by the financial performance of the company
- The application of the LTI scheme is prudent and does not expose shareholders to unreasonable financial risk.

Remuneration policy snapshot

Elements of remuneration

Fixed remuneration

- The strategic purpose of GTP is to attract and motivate high-calibre employees in a competitive market and to recognise their skills, experience and contribution to group performance
- The GTP of each employee is based on their role and responsibilities
- GTP is paid monthly on a cost-to-company basis
- GTP represents payment for satisfying each employee's day-to-day job requirements
- The company does not rigidly adhere to market benchmarks, but does consider pay levels of companies in the real estate sector as well as other companies of comparable size and scope
- Employees have access to several benefits: leave, four months' paid maternity leave, subsidised lunches, death and disability cover, pension fund contributions as well as funeral and education cover for dependants
- GTPs are reviewed annually with changes effective 1 October; however, the company is not obliged to award an increase following the review
- Annual increases are based on several factors, including inflation, financial performance of the group, market movements, and are expressed as a percentage increase to individual GTP
- Annual increases thus consider:
  - Cost-of-living adjustments
  - Market adjustment and/or parity increases that seek to address internal inequalities, particularly in terms of pay scales
  - The degree to which market-related pay levels have moved since the last review and other external considerations
  - Affordability and business strategy considerations
  - The outcome of each employee's annual review.

Variable remuneration

STI scheme

The strategic purpose of the STI scheme is to reward staff for delivery of annual goals, to strive for superior performance and to achieve specific targets that support the business strategy, particularly for total property returns and recurring distributable earnings.

Performance is assessed against specific KPIs that relate to achieving key financial and/or non-financial measures, including personal objectives.

The bonus pool quantum is reviewed each financial year to ensure performance measures and targets are appropriate to support the business strategy. Individual bonuses are payable annually in October following the financial performance of the company and the individual. An individual's bonus amount exceeding six months' GTP is deferred and will be paid in two equal tranches in February and June of the following year. These deferred amounts accumulate interest at prime less 3.0%. Deferred balances are forfeited if the employee leaves the group. Commissions are payable as an incentive for leasing staff and considered part of their STI.

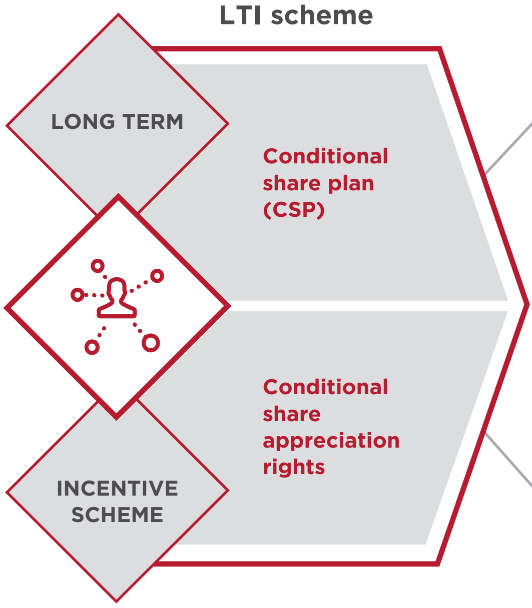
The measurement period for assessing performance is normally 12 months, coinciding with the group's financial year. Distribution of the bonus pool is based on the group's performance, employees' GTP and personal performance score (individual and divisional key performance areas). The bonus pool will not exceed 50.0% of annual group GTP.

LTI scheme

Our LTI scheme aligns our strategic objectives with employee performance to unlock shareholder value for a sustained period. It is the mechanism used to retain top performers and key employees who are vital to our organisation. Remco believes the best way to retain these individuals through our LTI scheme is to focus on the unvested value of an individual's share portfolio.

Conditional share plan (CSP) options are awarded to employees based on specific performance conditions agreed by remco. The quantum of options that will vest at maturing date is based on the actual performance of the company for the rolling three-year period. Vesting LTIs are staggered on a 60%/20%/20% split, vesting over a three, four and five-year period respectively. This supports remco's view of creating an employee-owner culture in Attacq, with a balanced view between short and long-term decisions.

LTI scheme



Performance shares
These shares have specific financial and non-financial performance conditions. They will vest if predetermined performance metric and continued employment conditions are met.

Retention shares
No performance conditions are linked to these shares.
These shares are aimed at employee retention and require the continued tenure of the participant until the predetermined vesting period has expired.

Share appreciation rights (SARs)
These shares represent the right to any increase in the value of a certain number of shares between award date and exercise date. The vesting of SARs is subject to employment and agreed performance conditions.

REMUNERATION REPORT continued

With the company's conversion to a REIT, amendments to existing performance conditions and targets were approved by remco in June 2018 to accommodate the company's changed business model. The revised performance conditions and targets create an alignment between the company's strategic objectives and the LTI scheme. In line with our LTI scheme, employees may not be prejudiced if performance criteria linked to an allocation are changed.

The amended performance criteria for 2017 share option allocations are shown below. These will be applied to 60.0% of the share options, ie the three-year employment condition, which will vest in 2020.

Performance conditions	Weighting %	Threshold 30.0%	Target 100.0%	Stretched target 150.0%
Financial	**80.0**			
Growth in DPS relative to peer group over a three-year period*	35.0	100.0%	110.0%	120.0%
Share price performance relative to peer group over a three-year period	35.0	90.0%	100.0%	120.0%
Annual average development surplus for a rolling three-year period	10.0	R60.0 million	R120.0 million	R150.0 million
Non-financial	**20.0**			
Transformation (based on new charter) as at date of vesting	10.0	Level 5	Level 4	Level 3
Annual average Waterfall bulk roll out for a rolling three-year period	10.0	35 000m²	70 000m²	90 000m²

** Emira Property Fund; Growthpoint Properties Limited; Hyprop Investments Limited; Redefine Properties Limited.*

Linear vesting is applied to performance between the different vesting scales. The proposed vesting scale is:
- Threshold achievement (minimum level of performance for any incentive to vest) – 30.0% vesting
- Target achievement (level of performance to pay an on-target incentive) – 100.0% vesting
- Stretched achievement (exceptional performance in the current business environment) – could attract vesting greater than 100.0% up to 150.0%.

Participants are not entitled to any shareholder rights prior to exercising their vested share awards. If the company is in a closed or prohibited period on the vesting date, exercising these options will be postponed to the first business day after the closed or prohibited period has been lifted. This is in line with scheme rules.

Based on the strategic objectives of the company, management recommends to the annual September remco meeting the three-year performance criteria for the LTI awards issued during that year. This will be in line with projected company growth communicated to the market.

Executive directors' remuneration

Remuneration for our executive directors is structured on a total remuneration basis that includes GTP, STIs and LTIs. These rewards are linked to agreed objectives set by the board and designed to support achieving the company's strategy, growth targets and performance levels.

Salient terms and conditions of existing executive directors' employment agreements include:
- The notice period for the CEO is six months and three months for the COO and CFO respectively
- If an executive director is dismissed after a disciplinary procedure, a shorter notice period could apply without entitlement for compensation for the shorter notice period
- Contracts do not commit the company to pay on a termination arising from a director's failure to fulfil their duties
- In exceptional situations of terminating executive directors' services, contracts provide for remco, assisted by labour law advisers, to oversee settlement of terms
- Under the rules of the plan, remco has discretion to declare a director leaving the company to be a "good leaver" as defined in the respective rules of the scheme.

The employment agreements with Morné Wilken (in his capacity as CEO) and Melt Hamman (in his capacity as CFO) in July 2013 included a set formula where the STI was a function of the group's annual growth in adjusted net asset value per share. The formula was based on a multiple of monthly GTP equal to every percentage point of growth above 7.0%. With the anticipated conversion to a REIT, remco approved revised KPIs for the STI calculations of the CFO, who at that point acted as interim CEO. Refer to the executive directors' remuneration on page 116.

A STI structure for Melt Hamman was agreed in the February 2018 remco meeting and replaced the existing scheme in the CFO's employment agreement. If 100.0% of KPIs are met, a multiple of 12 times monthly GTP will be awarded in October 2018, applied on a linear level and capped at 18 times monthly GTP. These KPIs were reviewed by remco in September 2018 and Melt Hamman's actual performance as CFO against these performance criteria is included under the implementation report (page 116). The STI will be awarded in the 2019 financial year.

With the appointment of Melt Hamman as CEO, Raj Nana as CFO and Jackie van Niekerk as executive director on 19 June 2018, the following KPIs were agreed for the 2019 financial year:

KPIs for 2019	Weighting %	Target (100.0%)	Stretched target (150.0%)
Melt Hamman (CEO)			
Financial	**70.0**		
DPS growth	50.0	8.3% – 10.5%	9.4% – 11.9%
Interest cover ratio	20.0	>1.5 times	>1.7 times
Non-financial	**30.0**		
Development roll-out*	20.0		
- Retail, office and mixed-use, industrial, hotel	15.0	70 000m²	90 000m²
- Successful sale of residential units	5.0	200 units	300 units
Transformation	10.0		
- Transformation (based on new charter) as at date of vesting	5.0	Level 4	Level 3
- Actual staff composition to be in line or better than EE plan as approved by transformation, social and ethics committee and submitted to Department of Trade and Industry	5.0	50.0% of staff complement as per EE plan	
Raj Nana (CFO)			
Financial	**55.0**		
DPS growth	40.0	8.3% – 10.5%	9.4% – 11.9%
Debt management	15.0		
- Interest cover ratio	7.0	>1.5 times	>1.7 times
- Gearing ratio	2.0	35.0%	32.0%
- Debt expiry profile	2.0	>3 years	>4 years
- Weighted average cost of funding	2.0	<prime less 1.0%	<prime less 1.5%
- Interest rate hedging	2.0	>70.0%	>90.0%
Non-financial	**45.0**		
Risk and compliance	10.0	Positive feedback from audit and risk committee, external audit and internal audit	
People development	6.0	360° evaluation from direct reports and implementation of personal development plans for the individual and their staff	
Reporting	10.0	Timely, quality reporting as rated by the chairperson of each committee and an excellent rating in EY's Excellence in Integrated Reporting Awards 2019	
Actual staff composition to be in line or better than EE plan as approved by transformation, social and ethics committee and submitted to Department of Trade and Industry	4.0	50.0% of staff complement as per EE plan	
Strategic support to the CEO and collaboration with the rest of exco	15.0	360° evaluation from exco	

** Effective share of PGLA for newly completed buildings.*

REMUNERATION REPORT continued

KPIs for 2019	Weighting %	Target (100.0%)	Stretched target (150.0%)
Jackie van Niekerk (COO)			
Financial	**65.0**		
DPS growth	30.0	7.5% – 9.5% plus 10.0%	7.5% – 9.5% plus 25.0%
Property and asset management	10.0		
- Trading density growth for the year	4.0	3.0%	5.0%
- Vacancies as at reporting date	3.0	4.0%	2.5%
- Arrears as at reporting date	3.0	2.5%	2.0%
- New business development	25.0	40 000m²	50 000m²
Non-financial	**35.0**		
Risk and compliance	3.0	Positive feedback from audit and risk committee, external audit and internal audit	
IT and process environment	3.0	IT and process enhancements	
People development	3.0	360° evaluation from direct reports and implementation of personal development plans for the individual and their staff	
Reporting	3.0	Timely, quality reporting as rated by the chairperson of each committee and an excellent rating in EY's Excellence in Integrated Reporting Awards 2019	
Strategic support to the CEO and collaboration with the rest of exco	15.0	360° evaluation from exco	
Actual staff composition to be in line or better than EE plan as approved by transformation, social and ethics committee and submitted to Department of Trade and Industry	4.0	50.0% of staff complement as per EE plan	
Transformation (based on new charter) as at date of vesting	4.0	Level 4	Level 3

If 100.0% of the KPIs are achieved, then an STI equivalent to six times monthly GTP will be payable to the respective executive director. A linear approach will be followed between reaching the target (100.0%) and the stretched target (150.0%). Certain non-financial performance metrics, as indicated above, are capped at target level (100.0%). A minimum of 50.0% of the KPIs have to be achieved to qualify for a STI reward.

As part of appointing Melt Hamman as CEO, Raj Nana as CFO and Jackie van Niekerk as executive director, remco approved retention conditional share options. The performance conditions linked to these retention awards are shown below:

KPIs for the awards to be vested in October 2021	Weighting %	Target (100.0%)	Stretched (50.0%)
Compounded DPS growth for the three years ending 30 June 2021	50.0	20.0%	27.5%
Cumulative development roll-out over a rolling three-year period ending 30 June 2021*	25.0	210 000m²	270 000m²
Cumulative residential developments over a rolling three-year period ending 30 June 2021		500 units	600 units
Interest cover ratio for the year ending 30 June 2021	25.0	2.00 times	2.35 times

** Effective share of PGLA for newly completed buildings.*

- These options will not have a strike price linked to them
- To qualify for these conditional share options, the executive director has to achieve at least 50.0% of their LTI KPIs over the rolling three-year period
- A linear approach will be followed between 50.0% and 150.0% with a cap at 150.0%
- At vesting the executive directors will only be allowed to sell shares to cover the taxable amount on this incentive
- Executive directors will be required to retain the issued shares of this award in their share portfolio for three years from vesting, regardless of whether they leave the employ of the company.

LTIs are calculated taking into account the value of the unvested portfolio of executive directors, capped at a maximum multiple of annual GTP of 3.5 times for the CEO and 3 times for the CFO and COO.

Remco conducts an annual benchmarking exercise to ensure that total remuneration of executive directors is market related and aligned with the strategic objectives of the company to create sustainable growth and value for its stakeholders.

Remuneration of non-executive directors (NEDs)

The strategic purpose of NED remuneration is to attract and retain non-executives of suitable expertise to constructively challenge the executives in delivering the group's strategy. NEDs' remuneration is a function of the number of meetings attended in a one-year cycle from the start of each financial period. Fees are based on an assessment of the NEDs' time as well as their responsibilities and risk as directors.

Attacq's policy is to pay competitively for the role, while recognising the required time commitment. For this reason, and to ensure fairness, fees are benchmarked against a suitable comparator group of JSE-listed companies.

In line with the provisions of King IV, NEDs do not participate in any performance-related remuneration and they do not receive any benefits, nor do they participate in any LTI plans except where they previously held executive office and remain entitled to unvested benefits arising from their period of employment. NEDs do not receive remuneration other than the fees but are entitled to be paid all reasonable travelling, hotel and other expenses properly incurred in attending meetings of the board, its committees, general meetings or otherwise in connection with the business of the group.

Remco reviews NEDs' fees annually based on benchmarking provided by external service providers. These recommendations are made to the board, which in turn proposes fees for approval by shareholders at the AGM.

Proposed fees for the calendar year to 31 December 2019 below have been recommended by the board to the November 2018 AGM.

Annual fees	Recom-mended calendar 2019 R	Approved calendar 2018 R
Chairperson	**424 000**	400 000
Lead independent NED	**368 000**	347 700
Board member	**320 000**	302 400
Audit and risk committee		
– Chairperson	**150 000**	132 300
– Member	**120 000**	105 900
Investment committee		
– Chairperson	**100 000**	92 400
– Member	**80 000**	73 920
Remuneration and nominations		
– Chairperson	**50 000**	46 200
– Member	**40 000**	37 000
Transformation, social and ethics committee		
– Chairperson	**50 000**	46 200
– Member	**40 000**	37 000
Fees per ad hoc meeting		
Investment committee		
– Chairperson	**25 000**	23 100
– Member	**20 000**	18 500
Audit and risk committee		
– Chairperson	**25 000**	–
– Member	**20 000**	–

REMUNERATION REPORT continued

Part 3: Remuneration implementation report

Remuneration of employees

Considering economic conditions, remco approved an average increase linked to CPI of 6.06% on GTP, effective from 1 October 2017.

Taking into account the lower-than-expected financial performance of the company for the year ended 30 June 2017, the STI pool was reduced from the previous year's average of 2.1 times monthly GTP to 1.7 times monthly GTP for staff.

The financial performance for the year ended 30 June 2018 determines the actual vesting percentage for the share awards issued in 2015. Actual results were approved by remco in September 2018 with the actual vesting percentage being 89.4%. The vesting date of these LTIs are 14 October 2018 and they have vested as shown below.

Performance conditions	Weighting %	Threshold (30.0%)	Target (100.0%)	Stretched target (150.0%)	Achievement	Weighted achievement %
Financial	**70.0**					
DPS declared for June 2018 financial year	30.0	66.4cps	73.0cps	87.6cps	74.0cps	103.4
Compounded annual adjusted NAVPS growth over a rolling three-year period ended June 2018	40.0	CPI + 3%	CPI + 10%	CPI + 16%	8.5%	31.7
Non-financial	**30.0**					
Transformation (based on new charter) as at vesting date	10.0	Level 7	Level 6	Level 5	Level 2	150.0
Annual average bulk roll-out for a rolling three-year period*	20.0	35 000m²	52 500m²	65 000m²	100 888m²	150.0

** Effective share of PGLA for newly completed buildings.*

Key senior management and prescribed officers are set out below:

2018	2017
D Theron	D Theron
P Mackenzie – resigned 31 December 2017	P Mackenzie
MW Clampett	MW Clampett
G Pendleton – appointed 13 March 2018	JR van Niekerk – appointed 1 April 2017
	R Nana

** P de Villiers was appointed as prescribed officer from 1 July 2018.*

Remuneration of executive directors

For full disclosure of executive directors' remuneration, which is in line with the company's remuneration policy, please see note 32 of the AFS, available on **www.attacq.co.za**.

Both executive directors received a 6.06% increase in GTP, effective from 1 October 2017.

Due to the lower-than-anticipated financial performance of the group for the 2017 financial year, remco agreed there would be no STI paid to the CEO. Remco did approve a cash incentive for the CFO of R67 100 due to a number of non-financial KPIs that he successfully implemented. The STI multiple, as determined by the set formula in their employment agreements, was calculated as follows:

	2018 %	2017 %
Adjusted NAVPS growth for June	**2.7**	15.3
Less: Minimum required to qualify for bonus	**7.0**	7.0
Equal to a multiple of monthly GTP	**–**	8.3

Melt Hamman was appointed as CEO and Raj Nana as CFO on 19 June 2018. Raj Nana and Jackie van Niekerk (COO) were appointed executive directors on the same date. Executive directors' total remuneration compared to the previous year is summarised below:

	2018 R000	2017 R000
Morné Wilken: CEO until 31 December 2017		
GTP*	**2 202**	4 342
STI	**–**	2 710
LTI CSP** (2018: 170 611 share options; 2017: 488 831 share options)	**–**	8 368
Total	**2 202**	15 420
Melt Hamman: interim CEO and CFO from 1 January to 19 June 2018		
GTP#	**3 951**	2 999
STI	**67**	1 799
LTI (2018: 147 826 share options; 2017: 263 622 share options)	**2 686**	4 513
Total	**6 704**	9 311
Raj Nana: CFO from 19 June 2018		
GTP	**1 588**	n/a
STI	**380**	n/a
LTI (2018: 55 000 share options; 2017: 63 202 share options)	**999**	n/a
Total	**2 967**	n/a
Jackie van Niekerk: COO, executive director from 19 June 2018		
GTP	**2 692**	n/a
STI	**–**	n/a
LTI (2018: 183 175 share options)	**3 328**	n/a
Total	**6 020**	n/a

 # GTP was adjusted for the period 1 December 2017 to 30 June 2018 for fulfilling the dual role of CEO and CFO.
** GTP is for the six months ended 31 December 2017.*
*** With the resignation of Morné Wilken, his CSPs awarded in September 2017 were not accepted and therefore not reflected in his share portfolio summary.*

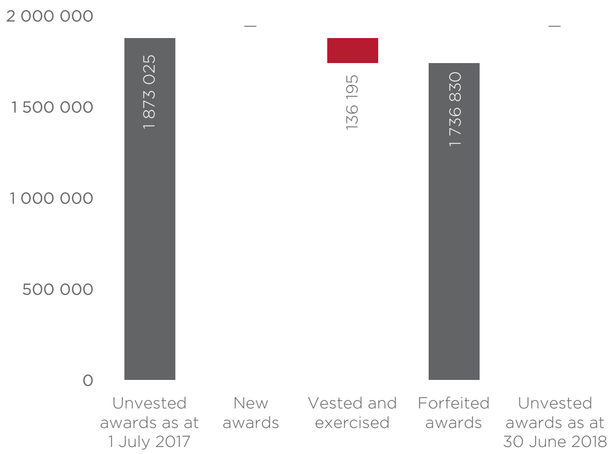
REMUNERATION REPORT continued

Below is the STI structure for Melt Hamman in his capacity as CFO for the 2018 financial year. Melt's actual performance in 2018 will be measured against these criteria and the STI will be awarded in October 2018 (2019 financial year).

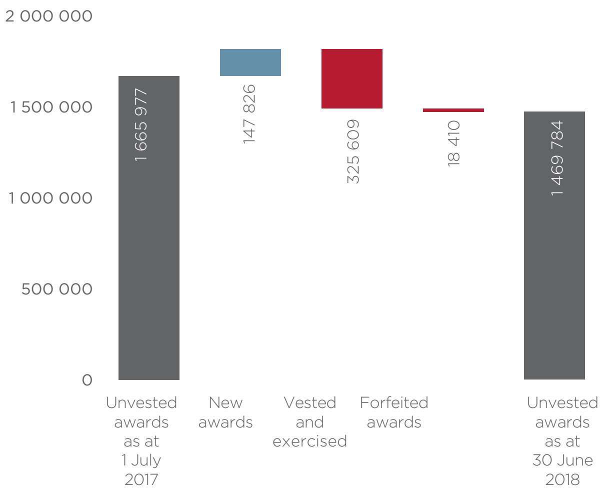
KPIs for the year ended 30 June 2018	Weighting %	Target	Achievement	Weighted achievement %
Pay-out of maiden distribution	**35.0**	73.0cps payable in October 2018	**74.0cps**	**35.5**
Actual management cost below budget	**5.0**	Less than the approved budget	**100.0%**	**5.0**
Debt management	**10.0**			**12.0**
Gearing ratio (as defined)		<35.0%	**34.0%**	
Interest cover ratio		>1.5 times	**1.6 times**	
Interest rate hedging		>70.0%	**97.7%**	
Debt expiry profile		>3 years	**4.4 years**	
Weighted average cost of funding		<Prime less 1%	**8.7%**	
Qualitative factors	**25.0**			**25.0**
Compliance: risk, governance, legal agreements	6.0	Achieve positive feedback from audit and risk committee, external and internal auditors	**100.0%**	
People development	3.0	Personal development plans for all staff in reporting structure	**100.0%**	
Employee satisfaction score	3.0	360° feedback from direct reports	**100.0%**	
Transformation (EE and B-BBEE)	4.0	Implement strategy and improve scorecard	**100.0%**	
Reporting: results, integrated report, board	4.0	Reports on time and improved quality	**115.0%**	
IT and process environment	5.0	System and process enhancement	**80.0%**	
Strategic initiatives	**25.0**			**28.5**
Strategic support to CEO and COO	15.0	360° feedback from CEO and COO	**110.0%**	**16.5**
Conversion to REIT	10.0	Conversion prior to 30 June 2018	**achieved**	**12.0**
Total	**100.0**			**106.0**

Total long-term incentive portfolio of executive directors

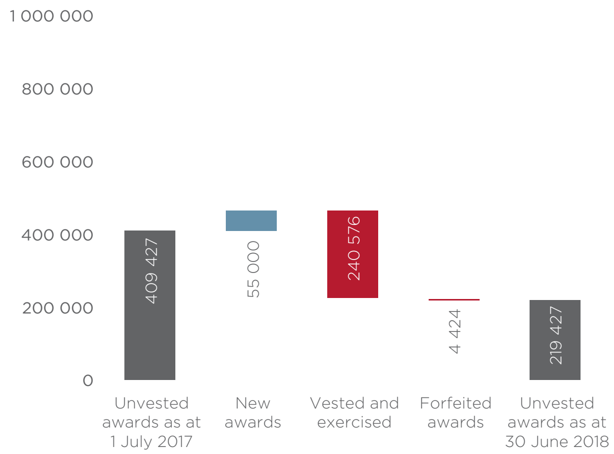
Morné Wilken (number of awards)



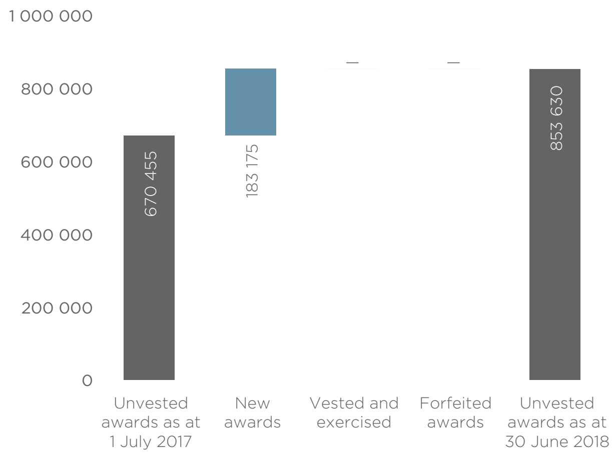
Melt Hamman (number of awards)



Raj Nana (number of awards)



Jackie van Niekerk (number of awards)



Remuneration of independent NEDs

The table below summarises actual fees paid to NEDs for the 2017 and 2018 financial years, as disclosed in note 32 of the AFS.

	2018 R000	2017 R000
P Tredoux	**694**	566
MM du Toit*	**381**	363
HR El Haimer	**466**	433
IN Mkhari – appointed 15 March 2018	**76**	–
KR Moloko*	**472**	478
BT Nagle	**614**	494
S Shaw-Taylor	**626**	527
JHP van der Merwe*	**369**	382
LLS van der Watt – resigned 1 July 2017	**–**	383
Total	**3 698**	3 626

** Including travel fees per meeting.*

Our NEDs are paid quarterly in arrears for attendance. Travel fees are added for directors based outside Gauteng and they receive a flat fee per meeting involving travel. The travel fee was introduced in January 2017 at R8 000 per trip and increased to R8 400 in January 2018. Travel fees will increase to R8 800 and will be included in the annual review of directors' remuneration presented to the AGM for approval on 15 November 2018.

GLOSSARY

AFS	Annual financial statements
AGM	Annual general meeting
Attacq	Attacq Limited and its subsidiaries
AttAfrica	AttAfrica Limited
Atterbury group	Atterbury Property Holdings Proprietary Limited and its subsidiaries
Barrow Properties	Barrow Properties Proprietary Limited
B-BBEE	Broad-based black economic empowerment
CAGR	Compound annual growth rate
CEE	Central and Eastern Europe
CEO	Chief executive officer
CFO	Chief financial officer
Companies Act	Companies Act 71 of 2008
Company	Attacq Limited and its subsidiaries
COO	Chief operational officer
CPS	Cents per share
CSI	Corporate social investment
CSP	Conditional share plan
DEPS	Distributable earnings per share
Development rights	The leasehold and development rights to develop and register long-term lease agreements against the title deeds of the Waterfall land parcels
DPS	Distribution per share
EE	Employment equity
Equites	Equites Property Fund Limited
Exco	Executive committee or executive management
GBCSA	Green Building Council of South Africa
Group	Attacq Limited and its subsidiaries
GTP	Guaranteed total package
HDI	Historically disadvantaged individual
ICT	Information and communications technology
JSE	JSE Securities Exchange
JSE Listings Requirements	The listing requirements, as issued by the JSE from time to time
King IV	King Code on Corporate Governance 2016
KPI	Key performance indicator
LEED	Leadership in Energy and Environmental Design
LIBFIN	Liberty Group Limited, acting through its Libfin division
LP	Land parcel
LTI	Long-term incentive

MAS	MAS Real Estate Inc.
MMI	MMI Group Limited
NAV	Net asset value, being the equity attributable to the owners of the holding company
NAVPS	NAV per share
NED	Non-executive directors
OMSFIN	Old Mutual Specialised Finance Property Limited
PGLA	Primary gross lettable area. The primary revenue-generating rentable area dedicated to the use of the tenant comprising usable and common area for offices and excluding common area for retail buildings
PV	Photovoltaic
PwC	PricewaterhouseCoopers
REIT	Real estate investment trust
Remco	Remuneration and nominations committee
Sanlam	Sanlam Life Insurance Limited
SAPOA	South African Property Owners Association
SAPY	FTSE/JSE South African Property Yield
Stenham	Stenham European Shopping Centre Fund Limited
STI	Short-term incentive
the board	The board of directors
TSE	Transformation, social and ethics
Zenprop	Zenprop Property Holdings Proprietary Limited

CORPORATE INFORMATION

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

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HR El Haimer (lead independent)
MM du Toit
IN Mkhari
KR Moloko
BT Nagle
S Shaw-Taylor
JHP van der Merwe

EXECUTIVE DIRECTORS
M Hamman (CEO)
R Nana (CFO)
JR van Niekerk (COO)

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T Kodde

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