



UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020



DIRECTORS' COMMENTARY

NATURE OF BUSINESS

Castlevue is a property holding and investment company that is invested in a well-located small regional shopping centre in the Eastern Cape.

PROPERTY PORTFOLIO

Castlevue's property portfolio consists of one property, namely Pier 14 Shopping Centre in Govan Mbeki Road, Port Elizabeth, which is defined as a small regional shopping centre with 29 690m² of rentable space and is anchored by large national tenants such as Shoprite, Pep, Ackermans and Mr Price.

STRATEGY

Castlevue intends to invest further in retail properties which are anchored by high quality national tenants on long-term, escalating leases, where opportunities to increase value to shareholders through sound asset management strategies are available and providing investors with exposure to consumers from a cross-section of income categories.

Castlevue may also invest in listed property shares in the future.

COMMENTARY ON RESULTS, DISTRIBUTABLE EARNINGS AND NET ASSET VALUE

The period under review was meaningfully negatively impacted by the COVID-19 pandemic, the resultant national lockdown and forced shutdown of most retail tenants at Pier 14, excluding essential services such as food retailers and pharmacies. As a result, turnover of tenants at the centre for the six months declined by 22.1% in absolute terms year-on-year and by 21.4% on a like-for-like basis, with foot traffic decreasing by an average of 34%, implying an increase in basket size per shopper of 21%. Vacancies at August 2020 of 11.5% have remained constant since February 2020, with retail vacancies increasing from 7.2% to 8.7%, offices remaining flat at 12.9% and residential decreasing from 52.2% to 37.4% – the result of take-up of apartments since completion of the development of 111 apartments in December 2019.

During the period Castlevue gave rental discounts to tenants totaling R4,2m and rental deferrals of R67k in order to assist tenants through the extremely tough operating period, resulting in reduced rental income. Operating costs increased in excess of inflation due to the Fund assuming the full electricity costs at Pier 14, which were previously taken on by a service provider and in return benefiting from the recoveries of these costs from tenants.

The lower rental income was partially compensated for by lower interest charges, with net interest paid decreasing from R7.1m in the comparable period last year to R6,45m. The Fund benefited from having its debt facilities unhedged at the beginning of the period under review during which prime interest rates decreased from 9.75% to 7.0%. The net effect of the above is that distributable earnings per share declined from 16.72 cents to 9.21 cents.

Pier 14's valuation decreased from R345.5m to R325.7m during the period following the adverse impact of the trading conditions, the net effect of which is that the Fund's net asset value per share has decreased from 515 cents to 449 cents.

Given the continued uncertainty regarding the rate of COVID-19 infections, the South African economy and the need to retain cash in these uncertain times, the Board has decided to not declare a distribution for the period. The Fund's ability to pay a dividend will be reassessed after results for the full year to February 2021 are finalised in May 2021.

Distributable earnings for the period equated to 9.21 cents (Feb 2020: 36.33 cents).

Castlevue has decreased its net asset value per share from R5.15 at 29 February 2020 to R4.49 at period-end, a decrease of 12.8% during the six month period.

DIRECTORS' COMMENTARY (continued)

SUMMARY OF FINANCIAL INDICATORS

	31 August 2020	29 February 2020
Shares in issue	35 264 627	34 188 520
Distributable earnings per share (cents)	9.21	36.33
Net asset value per share* (cents)	449	515
Loan-to-value ratio**	49.5%	47.1%
Net property cost-to-income ratio	43.2%	35.2%

* Net asset value per share is calculated by dividing the net assets by the total number of shares in issue at period end. Net assets comprise total assets less total liabilities, less equity attributable to non-controlling interests.

** The loan-to-value ratio is calculated by dividing interest bearing borrowing net of cash on hand by the total of investment property.

SECTORAL SPLIT, LEASE EXPIRY PROFILE AND VACANCIES

	31 August 2020		29 February 2020	
	GLA	Gross rentals	GLA	Gross rentals
Sectoral split				
Based on:				
Retail	78.2%	82.5%	78.2%	84.2%
Office	13.9%	11.2%	13.9%	11.3%
Residential	7.9%	6.3%	7.9%	4.5%
Total	100.0%	100.0%	100.0%	100.0%
Lease expiry profile				
Based on:				
Vacant	11.5%	7.2%	11.5%	13.5%
Feb 2021	4.9%	5.6%	1.4%	1.5%
Feb 2022	15.9%	18.3%	29.9%	26.7%
Feb 2023	14.2%	16.3%	18.4%	18.7%
Feb 2024	13.8%	14.8%	15.6%	18.3%
> Feb 2024	39.7%	37.8%	23.2%	21.3%
Total	100.0%	100.0%	100.0%	100.0%

LOAN FUNDING

Facility	Approved Loan R'm	Amount drawn down at 31 August 2020 R'm	Interest rate
ABSA Bank	165.0 (Feb 2020: 165.0)	157.0 (Feb 2020: 129.6)	3m JIBAR (currently 3.44%) plus 2.25%
Urban Retail Property Investments 1 (URP1)	28.4 (Feb 2020: 28.4)	9.4 (Feb 2020: 36.6)	Prime less 0.25% (6.75%) (Feb 2019: 9.5%)

* Interest on the URP1 loan is capitalised monthly and payable annually in arrears in December.

The ABSA facility is secured by a first mortgage bond and security cessions over the fixed property comprising Pier 14 Shopping Centre.

During the period, the Fund entered into interest rate swap agreements with ABSA Bank, such that R123.75m of the ABSA Bank loan has been effectively fixed in two tranches expiring in April 2024 and April 2025 at a weighted all-in rate of 6.98%.

OUTLOOK

Castlevue will continue to focus on a disciplined approach to the management of its existing asset and the growth of the portfolio in order to return growth in capital and income to shareholders. The full financial impact of the COVID-19 pandemic is not yet able to be fully estimated, particularly due to the uncertainty surrounding the ability for tenants to remain in occupation and to sustainably pay contracted rentals. As a result, it is currently too early to provide shareholders with guidance for distributions for the financial year to February 2021, save to say that distributable earnings per share is expected to be meaningfully lower than that for February 2020.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 AUGUST 2020

	Notes	Unaudited 31 August 2020 R	Unaudited 31 August 2019 R	Audited 29 February 2020 R
ASSETS				
Non-current assets				
Property, plant and equipment		–	1 132 387	–
Investment property	3	319 523 718	313 353 829	338 798 677
Operating lease asset		6 176 282	5 162 259	6 701 323
Total non-current assets		325 700 000	319 648 475	345 500 000
Current assets				
Trade and other receivables		3 343 044	2 864 874	3 223 413
Cash and cash equivalents	4	5 467 680	6 136 972	3 549 206
Total current assets		8 810 724	9 001 846	6 772 619
Total assets		334 510 724	328 650 321	352 272 619
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of parent				
Share capital		176 567 759	165 000 000	171 025 800
Accumulated profit		(18 224 309)	2 225 644	5 064 936
		158 343 450	167 225 644	176 090 736
Non-controlling interest		187 901	182 279	189 831
Total equity		158 531 351	167 407 923	176 280 567
Liabilities				
Non-current liabilities				
Mortgage bond	5	–	116 602 657	–
Loan from parent company		9 361 725	34 386 160	36 063 748
Total non-current liabilities		9 361 725	150 988 817	36 063 748
Current liabilities				
Trade and other payables		9 393 557	8 040 722	9 760 232
Loan from parent company		–	525 861	573 099
Mortgage bond		157 224 091	–	129 593 297
Current tax payable		–	1 686 998	–
Bank overdraft		–	–	1 676
Total current liabilities		166 617 648	10 253 581	139 928 304
Total liabilities		175 979 373	161 242 398	175 992 052
Total equity and liabilities		334 510 724	328 650 321	352 272 619

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 AUGUST 2020

	Notes	Unaudited six months ended 31 August 2020 R	Unaudited six months ended 31 August 2019 R	Audited 12 months ended 29 February 2020 R
Revenue		21 042 191	21 087 512	45 492 823
Other income		–	135 218	–
Operating expenses		(11 953 389)	(7 947 393)	(17 429 982)
Operating profit		9 088 802	13 275 337	28 062 841
Fair value (loss) gain	3	(20 403 732)	(184 860)	5 776 037
Investment income		24 600	45 610	84 297
Finance costs		(6 453 345)	(7 104 176)	(15 179 776)
Profit before taxation		(17 743 675)	6 031 911	18 743 399
Taxation		–	–	1 686 998
Profit for the period		(17 743 675)	6 031 911	20 430 397
Total comprehensive income		(17 743 675)	6 031 911	20 430 397
Total profit and comprehensive income attributable to:				
Owners of the parent		(17 747 287)	6 025 879	20 405 272
Non-controlling interest		3 612	6 032	25 125
		(17 743 675)	6 031 911	20 430 397
Earnings per share information (cents per share)				
Basic and diluted earnings per share	6	(51.39)	23.37	61.36

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 AUGUST 2020

	Share capital R	Accumulated profit/(loss) R	Total attributable to equity holders of the group R	Non- controlling interest R	Total equity R
Balance at 1 March 2019	165 000 000	2 611 665	167 611 665	182 658	167 794 323
Issue of shares	6 025 800	–	6 025 800	–	6 025 800
Dividends paid	–	(6 411 900)	(6 411 900)	(6 411)	(6 418 311)
Total comprehensive income for the period	–	6 025 879	6 025 879	6 032	6 031 911
Balance at 31 August 2019	171 025 800	2 225 644	173 251 444	182 279	173 433 723
Dividend paid	–	(11 540 100)	(11 540 100)	(11 541)	(11 551 641)
Profit and total comprehensive income for the period	–	14 379 393	14 379 393	19 093	14 398 486
Balance at 29 February 2020	171 025 800	5 064 937	176 090 737	189 831	176 280 568
Issue of shares	5 541 959	–	5 541 959	–	5 541 959
Dividends paid	–	(5 541 959)	(5 541 959)	(5 542)	(5 547 501)
Total comprehensive loss for the period	–	(17 747 287)	(17 747 287)	3 612	(17 743 675)
Balance at 31 August 2020	176 567 759	(18 224 309)	158 343 450	187 901	158 531 351

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 AUGUST 2020

	Unaudited 6 months ended 31 August 2020 R	Unaudited 6 months ended 31 August 2019 R	Audited 12 months ended 29 February 2020 R
Cash flows from operating activities			
Cash generated from operations	9 213 451	12 146 317	27 299 619
Interest received	24 600	45 610	84 297
Interest paid	(5 517 220)	(5 480 798)	(11 330 127)
Net cash from operating activities	3 720 831	6 711 129	16 053 789
Cash flows from investing activities			
Additions to investment property	(1 128 773)	(4 138 215)	(23 124 176)
Net cash from investing activities	(1 128 773)	(4 138 215)	(23 124 176)
Cash flows from financing activities			
Dividends paid	–	(6 411 900)	(11 926 200)
Proceeds from mortgage bond	27 328 093	6 300 220	18 868 379
Repayment of loan from parent	(28 000 000)	–	–
Net cash from financing activities	(671 907)	(111 680)	6 942 179
Total cash movement for the period	1 920 151	2 461 234	(128 208)
Total cash and cash equivalents at the beginning of the period	3 547 529	3 675 738	3 675 738
Total cash and cash equivalents at the end of the period	5 467 680	6 136 972	3 547 530

SIGNIFICANT FINANCIAL STATEMENT NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 31 August 2020 ("interim report") are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The interim report has been prepared in accordance with IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the unaudited condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the preparation of the previous year's consolidated annual financial statements, except as described in note 1.2.

These results have been prepared under the historical cost convention, except for investment properties, which are measured at fair value. These condensed consolidated interim financial statements for the period ended 31 August 2020 have not been reviewed or audited by the company's independent external auditors.

1.1 Measurement of fair value – Investment property

At the interim reporting stage, the properties are valued internally by the directors.

The property is valued using the discounted cash flow method by the directors and external valuers.

1.2 General

The unaudited condensed consolidated interim financial statements were compiled by Colin Dockrall CA(SA), the financial director.

A dividend of 15.34000 cents was declared on 10 June 2020 and paid on 10 July 2020. The board has resolved not to declare an interim distribution for the 6 months ended 31 August 2020.

The directors are not aware of any other matters or circumstances arising subsequent to the period-end that require any additional disclosure or adjustment to the unaudited condensed consolidated interim financial statements.

2. SEGMENT ANALYSIS

Segment information

At 31 August 2020, the group is organised into one main operating segment, being the Pier 14 Shopping Centre located in Govan Mbeki Road, Port Elizabeth. This is the only reportable segment whose information is considered by the Chief Operating Decision Maker which is the board of directors. As such no further segmental information is provided.

3. INVESTMENT PROPERTY

	Unaudited 31 August 2020 Carrying value R	Unaudited 31 August 2019 Carrying value R	Audited 29 February 2020 Carrying value R
Group			
Investment property at fair value	319 523 718	313 353 829	338 798 677
Reconciliation of investment property			
Opening carrying value	338 798 677	309 400 474	309 400 474
Improvements	1 128 773	4 138 215,00	23 124 176,00
Fair value adjustment	(20 403 732)	(184 860)	5 776 037
Transfer from property, plant and equipment	–	–	497 990
Investment property valuation at year end	319 523 718	313 353 829	338 798 677
Operating lease asset	6 176 282	5 162 259	6 701 323
Recognised in property, plant and equipment	–	1 132 387	–
Directors' valuation	325 700 000	319 648 475	345 500 000

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

3. INVESTMENT PROPERTY (CONTINUED)

Details of property

Pier 14 shopping centre

A retail shopping centre located in Port Elizabeth

Details of valuation

At the interim reporting stage, the properties are valued internally by directors.

The property was revalued using the discounted cash flow of future income streams method. The key assumptions used by directors in determining fair value were as follows:

- Discount rate 15.00%
- Market cap rate 10.40%
- Income growth rate Between 4.00% and 6.00%
- Expense growth rate Between 6.00% and 7.00%
- Discounted cash flow term 10 years

Inter-relationship between key unobservable inputs and fair value measurements

The estimated fair value would increase/(decrease) if:

- Discount rate was lower/(higher);
- Capitalisation rate was lower/(higher);
- Expected expense growth rate was lower/(higher);
- Expected market rental growth rate was higher/(lower);
- Initial yield was (lower)/higher;
- Exit capitalisation rate was lower/(higher).

	Unaudited 31 August 2020 R	Unaudited 31 August 2019 R	Audited 29 February 2020 R
Amounts recognised in profit and loss for the period			
Rental income from investment property	21 042 191	21 087 512	45 492 823
Direct operating expenses from rental generating property	(9 082 548)	(5 793 800)	(16 010 174)
	11 959 643	15 293 712	29 482 649

Pledged as security

Mortgage bonds have been registered over the entire investment property as security for the interest-bearing liabilities. Refer note 5.

4. CASH AND CASH EQUIVALENTS

Funds totalling R28 million were drawn down from the available ABSA facility to settle a portion of the shareholder's loan.

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

5. MORTGAGE BOND

	Unaudited 31 August 2020 R	Unaudited 31 August 2019 R	Audited 29 February 2020 R
Held at amortised cost			
Mortgage bond, ABSA Bank	157 224 091	116 602 657	129 593 297

In October 2017, the group entered into a loan agreement with ABSA Bank. This loan is on an interest only repayment profile for 36 months, following which the loan will be repayable in full. The loan bears interest at 3-month Jibar plus 2.25%.

During the period under review, approval was granted by the financier for a moratorium on interest payments for a period of 6 months, effective 10 May 2020. A commensurate 6-month extension was granted on the loan term, with the new effective expiry date of the loan being 26 April 2021.

6. PER SHARE INFORMATION

	Unaudited 31 August 2020 R	Audited 29 February 2020 R	Unaudited 31 August 2019 R
(Loss) profit attributable to shareholders	(17 747 287)	20 405 272	7 711 190
Loss (gain) on fair value adjustment	20 403 732	(5 776 037)	184 860
Non-controlling interest effects of adjustments	(20 404)	5 776	(185)
Headline earnings	2 636 041	14 635 011	7 895 865
Lease straight-lining adjustment	525 041	(2 320 091)	(781 028)
Depreciation	85 914	102 361	85 908
Deferred tax movement	–	–	(1 686 998)
Non-controlling interest effects of adjustments	(611)	2 218	695
Distributable income	3 246 385	12 419 499	5 514 442
Number of shares in issue	35 264 627	34 188 520	33 000 000
Weighted average number of ordinary shares in issue	34 532 430	33 253 985	33 000 000
Earnings per share (c)	(51.39)	61.36	23.37
Headline earnings per share (c)	7.63	44.01	23.93
Distributable earnings per share (c)*	9.21	36.33	16.71
Net asset value per share (c)**	449	515	512

The company does not have any potential dilutionary instruments in issue.

* Distributable earnings per share is calculated by dividing the distributable earnings calculated by the total number of shares in issue at period end. Distributable earnings is calculated in compliance with the recommendations of best practice from the SA REIT Association, and exclude all those items that are traditionally not distributed, such as capital profits/losses from the disposal of investment property and fair value adjustments.

** Net asset value per share is calculated by dividing the net assets by the total number of shares in issue at period end. Net assets comprise total assets less total liabilities, less equity attributable to non-controlling interests.

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

7. RELATED PARTIES

	Unaudited 31 August 2020 R	Audited 29 February 2020 R	Unaudited 31 August 2019 R
Relationship			
Ultimate holding company: Urban Retail Property Investments 1 (Pty) Ltd			
Companies under common directorships: Castlevue Asset Managers (Pty) Ltd			
Loan account owing to parent company			
Urban Retail Property Investments 1 (Pty) Ltd	(9 361 725)	(36 636 847)	(34 912 021)
Other receivables owing by companies under common directorships			
Castlevue Asset Managers (Pty) Ltd	304 762	304 762	158 272
Interest capitalised on loan owing to parent company			
Urban Retail Property Investments 1 (Pty) Ltd	724 878	3 427 165	3 283 012
Asset management fees paid to companies under common directorships			
Castlevue Asset Managers (Pty) Ltd	841 093	1 725 544	774 201
Compensation to directors and other key management			
Short-term employee benefits	303 600	552 000	276 000

8. PAYMENT OF DIVIDEND

The board has resolved not to declare an interim distribution for the 6 months ended 31 August 2020.

9. EVENTS AFTER REPORTING PERIOD

Ashraf Mohamed was appointed as an independent non-executive director and member of both the Audit and Risk, and Remuneration Committees with effect from 1 October 2020. David Green who filled the role of acting chairperson of the board was appointed as chairperson of Castlevue with effect from 1 October 2020.

By order of the board

James Templeton
Chief executive officer

Colin Dockrall
Financial director

Cape Town
30 October 2020

CORPORATE INFORMATION

CASTLEVIEW PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa) (Registration number 2017/290413/06)
JSE share code: CVW
ISIN: ZAE000251633
(Approved as a REIT by JSE)
("Castleview" or "the Company" or "the group")

DIRECTORS

JWA Templeton, C Dockrall, GC Bayly,
DJ Green, A Mahomed, A Padayachee

REGISTERED OFFICE

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Woodstock, 7925
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WEBSITE

www.castleview.co.za

COMPANY SECRETARY

Statucor

TRANSFER SECRETARY

Link Market Services

DESIGNATED ADVISER

Java Capital

The top half of the image features a solid teal background with several overlapping, semi-transparent geometric shapes in a darker shade of teal. These shapes include triangles and trapezoids, creating a layered, abstract composition. The bottom half of the image is a plain white background.

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