equites
PROPERTY FUND

Interim results for the period ended
31 August 2020

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Contents

Interim results for the period ended 31 August 2020

Highlights

Distribution per share

74.44 cents

NAV per share growth

0.4%

Loan-to-value

29.5%

Commentary

1. Highlights

- Net asset value ("NAV") per share of R17.44 at 31 August 2020, 0.4% higher compared with R17.37 at 31 August 2019
- Distribution per share ("DPS") has remained largely flat at 74.44 cents compared with 74.43 cents at 31 August 2019
- In line with group policy, 100% of distributable earnings has been declared as an interim cash dividend to shareholders
- Loan-to-value ("LTV") of 29.5% at 31 August 2020, compared to 27.3% at 31 August 2019, reflecting a conservative financial profile against an uncertain macroeconomic backdrop
- Like-for-like ("LFL") net rentals in SA increased by 6.2% from 31 August 2019 to 31 August 2020
- Average collection rate above 99.0% over the six-month reporting period, across SA and the UK
- Cash and undrawn facilities in excess of R1.0 billion at 31 August 2020 available to execute development pipeline
- Raised R600 million in senior unsecured floating rate notes at a margin of 205bps above JIBAR through a heavily oversubscribed private bookbuild in September 2020
- Weighted average lease expiry ("WALE") remains robust at 10.0 years at 31 August 2020 up from 9.3 years at 31 August 2019
- The all-in cost of debt has decreased 50bps since 29 February 2020 from 5.94% to 5.44%
- Vacancies were well contained at 3.8% at 31 August 2020 (3.4% at 29 February 2020)
- Achieved Level 4 B-BBEE rating for the third year in a row, with verified black ownership of 51%

2. Overview

Equites commenced trading on the JSE in June 2014 and elected to be listed as a real estate investment trust ("REIT") as defined in the South African Income Tax Act. This election served our purpose to provide investors with the income returns derived from our portfolio of high-quality logistics assets and to create outperformance through development activity in key strategic nodes.

We believe that our current organisation and operations will enable us to continue operating as a REIT, and we will continue to pay distributions to the extent that it does not compromise the capital structure of the business.

Equites is currently included as the 8th largest company in the SAPY (by market capitalisation) and has cemented its ranking as a fixture in the SAPY and other indices. Trading volumes have increased over the past year, with an average free float of 84.3% over the last twelve months. Together, these indicators reflect the appetite and support from equity capital markets, which has also been reflective in the share price which has held its value well compared to our peers.

3. Our positioning

Equites is the only specialist logistics REIT on the JSE with a market capitalisation of R11 billion and 63 properties under management. This portfolio has been carefully curated to bring together the best assets in the most desirable locations, let to blue-chip covenants on long-dated leases.

The logistics asset class has proven to outperform in key global markets over time, and through careful acquisition and development activity, we have managed to unlock significant value for shareholders.

We pride ourselves on being able to provide high quality logistics assets to our tenants, enabling them with solutions to grow, optimise and redefine their businesses.

We believe that a strong financial result is meaningless without ensuring the sustainability of income. In order to ensure this goal is met, we have prioritised sustainability and governance as cornerstones of our strategy.

4. Logistics as an asset class

COVID-19 ("COVID") has accelerated e-commerce penetration globally, fuelling the demand for prime modern logistics space. In the UK, internet sales as a percentage of total retail sales surged from 19% in 2019 to 26% in the first half of 2020, with a monthly peak of 33% in May 2020. As COVID has shifted the e-commerce growth curve forward by a few years, we expect strong occupier demand for new A-grade logistics facilities in the short-to medium-term. This trend has already been proven, with take-up in the UK already reaching 3.6 million square meters, 3.6% above 2016, which was the previous highest year on record. We expect online pure-plays to continue to drive the demand for logistics facilities, especially via last-mile facilities in order to get closer to the consumer.

In SA, the economy has been marred by a number of structural weaknesses. Although e-commerce penetration in SA was relatively low in 2019 at 1.4%, research suggests that online retail sales could be more than 5% of total retail sales in SA during 2020, in part, attributable to COVID. While e-commerce adoption has been credited with robust growth, we expect the strongest driver of occupier demand in the SA logistics market to stem from supply chain optimisation, as there is a clear trend of large retailers having a renewed focus on investing in digital transformation and their online platforms, which is typically supported by additional warehouse space.

Commentary continued

5. Operating context

The six months under review have been the most challenging in our trading history. This period fell squarely within periods of lockdown both in SA and the UK which resulted in the closure of "non-essential" services in an attempt to curb the spread of COVID. While the logistics asset class remained resilient relative to other asset classes, the impacts of the lockdowns in both jurisdictions could not be avoided in totality.

Despite the macroeconomic challenges both in SA and the UK, we continued to execute on our value proposition through maintaining our strength of focus, remaining disciplined in our capital allocation and protecting our balance sheet to ensure the sustainability of our operations and serve future growth ambitions.

5.1. South Africa

The South African economy entered a global pandemic in a perilous situation. The economy was in technical recession prior to the onset of COVID with three consecutive economic contractions (quarter-on-quarter, seasonally adjusted and annualised) of 0.8%, 1.4% and 2.0% for Q3 2019, Q4 2019 and Q1 2020, respectively. Furthermore, largely due to the lockdown regulations enforced from the end of March 2020, the economy collapsed by 51.0% (annualised) in Q2 2020 (real quarterly decline was 16.4%), with some concerning signals that indicate weakness in consumer demand that may persist into 2021.

Some of the risks presented to our business include: cash flow constraints for tenants which may result in late lease payments, tenant failures, and the decision to hold off expansion or renewal plans at existing facilities. A further impediment to our growth prospects results from potential tenants halting their decisions on development leases as a result of the current uncertainty.

5.2. United Kingdom

The UK economy's growth has slowed since the 2016 referendum on leaving the EU ("Brexit"). The UK's GDP increased by 1.4% in 2019, compared to 1.3% in 2018. The pandemic further exacerbated its economic difficulties as evidenced by an estimated decrease in UK GDP of 19.8% in Q2 2020, marking the second consecutive quarterly decline after it fell by 2.2% in Q1 2020.

The economic risk presented by a depressed economy as well as the uncertainty relating to Brexit is largely offset through the large-scale adoption of e-commerce and the demand drivers which has been propelling the investment case for logistics properties. We expect this to continue to unfold in the UK as a result of the change in the retail landscape.

6. Operating amidst the pandemic

6.1 Key objectives

At the onset of the pandemic, we prioritised the following objectives, and acted swiftly to address them:

Objective	Application
Preservation of capital in an uncertain environment	– Reassessed all capital allocation decisions and increased risk premiums to reflect the heightened uncertainty. This led us to abandon projects which no longer met our risk- adjusted internal return metrics
Ensuring sufficient liquidity to implement our capital commitments and ongoing operational costs	– Maintained high cash holdings in call and money market accounts to avoid a potential liquidity crunch – Curtailed all discretionary expenditure to preserve capital and enhance liquidity – Proactively managed certain outstanding hedging instruments to reduce liquidity risk
Supporting tenants through cash flow relief where possible	– Engaged with our tenants to understand the immediate and longer-term impact of COVID on their businesses and how Equites could support them on their journey
Health and safety of our employees and tenants	– Ensured that all staff were provided with the tools to enable them to work safely and effectively from home
Preservation of jobs for employees and contractors	– Prioritised the continued operations of development sites once it was legally permissible to do so and provided support to contractors where construction was delayed

The costs borne by undertaking these activities have been isolated as once-off COVID costs. This includes, *inter alia*, the cost of funding tenant deferrals, the cost of holding cash on money market and in reserves to prevent any liquidity issues, the cost of providing contractors with once-off grants to continue to pay the lowest income earners on site and the cost of ensuring our employees were in good health and remained protected during this period.

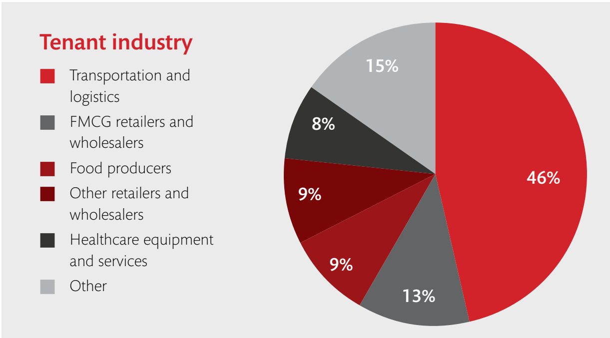
The total measurable costs impacting distributable earnings amounted to approximately R29 million for the six months to 31 August 2020. In addition to the once-off costs, there are additional indirect costs which will have a lasting impact on our operating performance. This includes delays in construction which add to holding costs with no corresponding adjustment to rental, the time delay of rental inflows from new developments, changes in tenant's business requirements which has resulted in the postponement of expansion plans and the loss of development leases where businesses have decided to delay investment decisions for a post-pandemic environment.

6.2. Our performance during COVID

Our portfolio mix and the natural diversification of tenants further lends itself to the defensive nature of our portfolio.

During the lockdown, we noted:

- Transportation and logistics providers, FMCG retailers and food producers proved to be the most resilient, with 100% of these tenants remaining operational throughout the period
- In our healthcare bucket, pharmaceutical logistics tenants remained fully operational, operating at increased demand levels while medical device tenants operated at slightly reduced levels
- Other retailers and wholesalers consist largely of apparel retailers, who were unable to trade during level 5 lockdown; we provided cash flow relief to the SA apparel retailers for the duration of the Level 5 lockdown
- Our "other" bucket includes tenants operating in liquor distribution, diversified industrials and household goods; some of these tenants were the most affected through lockdown restrictions and this is where the majority of our cash flow relief was focused



As a result of our portfolio comprising of 94.6% blue-chip tenants and the diversified tenant mix, our rental collection rates remained between 98.1% and 100.0% over the lockdown both in SA and the UK.

March 2020 – August 2020 rental collection statistics

As a % of rent receivable	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
South Africa	100.0%	98.1%	98.9%	99.4%	99.4%	99.0%
United Kingdom	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Rental deferrals granted	South Africa	United Kingdom
– Short-term	R21 million	n/a
– Longer-term	R8 million	£326 000

Rental deferrals collected	South Africa	United Kingdom
– Short-term	R2 million	n/a
– Longer-term	R1 million	£36 265

Commentary continued

6. Operating amidst the pandemic continued

6.2. Our performance during COVID continued

The average collection rate in SA and the UK over the past six months was 99.1% and 100% respectively. Furthermore, R29 million of rental deferrals were granted in SA and £326 000 in the UK, most of which is expected to be recovered within the current financial year. It is noteworthy that some tenants have accelerated repayment of their deferred rentals and settled the full amount, despite being granted cashflow relief over a longer period.

6.3 Accounting for rental deferrals

An assessment was performed to ascertain whether the deferrals constituted a lease modification in terms of IFRS 16. No concessions were granted apart from the deferral of rental cash flows which amounted to approximately R36 million. A lease modification occurs, *inter alia*, where there is a change in the consideration for a lease that was not part of the original terms and conditions of the lease. In assessing whether there has been a change in the consideration for a lease, it is important to consider the overall effect of any change in the lease payments. For example, if a lessee does not make lease payments for a three-month period, the lease payments for periods thereafter may be increased proportionally whereby the total consideration for the lease is unchanged.

Based on our assessment, of the R36 million in rental deferrals granted, R7 million pertains to leases that have been modified due to the lease payments not being proportionately increased primarily as a result of not charging interest on deferred rentals. However, the impact of discounting in respect of these rent deferrals was considered to be immaterial.

Furthermore, we undertook a more detailed analysis of the expected credit losses relating to our lease receivables at 31 August 2020 mainly because of rent deferrals granted. While our historical credit loss experience does not show significantly different loss patterns within the group's operating segments, we stratified the lease receivables based on several criteria which we consider accurately reflects differences in credit risk characteristics. Furthermore, we also performed an assessment of the underlying macroeconomic indicators used to estimate the forward-looking impact on the expected credit loss allowance incorporating base, bullish and bearish cases on a probability-weighted basis.

As a result of our credit risk assessment, an expected credit loss of R3.7 million has been recognised across the portfolio as an impairment loss in the Statement of Comprehensive Income.

7. Our financial performance

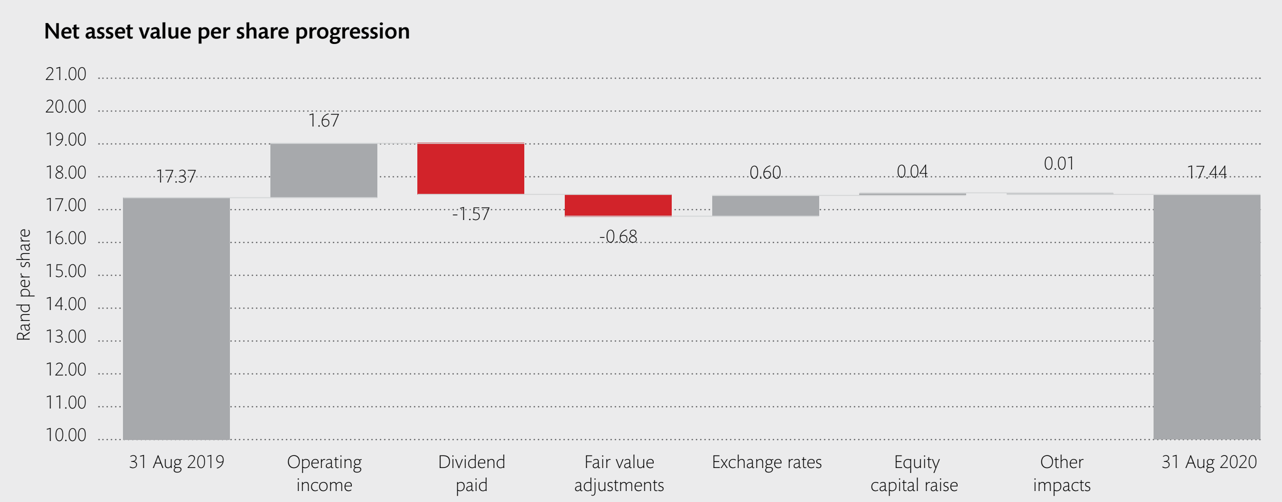
Distribution per share

DPS has remained largely flat at 74.44 cents compared with the corresponding prior period of 74.43 cents. The key drivers of the movement in DPS were:

- LFL net rental growth at 6.2% in the SA portfolio while the UK net rental growth will be apparent once the quinquennial rent reviews are undertaken in terms of the lease agreements.
- Financial leverage contributed an additional 0.4% mainly because of the conservative degree of financial leverage and the impact of capitalised interest.
- The impact of the depreciation in the Rand versus the corresponding prior period which had the effect of a 1.6% increase in DPS.
- The impact of COVID which resulted in at least four types of once-off costs being incurred which were incremental when compared with the prior period. These include:
  - R14.2 million relating to capitalised interest which was suspended during period in which the development was interrupted;
  - R9.5 million relating to the cost of holding excess cash reserves in money market and on call account and through the impact on working capital of providing rent deferrals;
  - R3.7 million relating to expected credit losses on deferred rental arrangements; and
  - R1.6 million in contractor and other contributions to assist with COVID relief.

NAV per share

The NAV per share has increased 0.4% from R17.37 at 31 August 2019 to R17.44 at 31 August 2020.



The primary drivers of the increase in the NAV per share were:

- Exchange rate movements as a result of the increase in the GBP/ZAR exchange rate resulted in a 3.5% (R0.60) increase in the NAV per share.
- Fair value adjustments reflecting the decline in the property valuations and the increase in the derivative financial liabilities as a result of the mark-to-market of interest rate derivatives contributed to a decline in the NAV per share of 1.9% (R0.33) and 2.0% (R0.35), respectively.
- Growth in net operating income generated during the year (net of the dividend paid over the same period) added 0.6% (R0.10) to the growth in NAV per share.
- Raising equity at a premium to our NAV per share contributed 0.3% (R0.04) to the NAV growth on a per share basis.

8. Our developments and acquisitions

Shoprite Holdings Limited ("Shoprite") and Equites have successfully concluded the establishment of a strategic partnership through ownership of Retail Logistics Fund Proprietary Limited ("RLF"). RLF will have an initial portfolio of properties valued at R3.2 billion with a GLA of more than 400 000m^2. The acquisition yield is 7.5% and will be neutral to distributable earnings. On a total return basis, the expected return on equity exceeds our minimum hurdle rate.

The acquisition is in line with our strict investment criteria and will complement the current portfolio by increasing the overall tenant exposure to the food industry in SA, via Africa's largest food retailer. Furthermore, we forecast that this acquisition will contribute strongly to our NAV growth in the medium-to-long term. The establishment of this strategic partnership provides both parties with significant long-term benefits, including the execution of further development and extension opportunities within this vehicle. The transaction is now unconditional, and the transfer of the properties is imminent.

Our development team in SA continues to innovate and push the boundaries to create a unique product offering which is unmatched in the SA context. We apply a strict baseline specification which is inspired from global best practice and this therefore remains one of our competitive advantages. Regarding implementation, the baseline specification is enforced diligently, and the highest quality materials are sourced to ensure low maintenance and the enhanced longevity of every item.

Our ability to create value stems from the acquisition of well-positioned land, which is suitable for development, the procurement of tenants through development leases and managing the construction process through the entire lifecycle. In the UK, this is evident in the relationship with our strategic partner, Newlands Property Developments LLP ("Newlands") and the value we will unlock through the pipeline.

While we continue to cultivate available land and market our SA land parcels, we are acutely aware of the impact which the pandemic has had on the appetite for development leases in SA. For this reason, Equites embarked on a programme to offload some of our land positions to owner occupiers or developers with a complementary focus (for example, developers looking to target smaller unit positions). We completed the first sale to a local Gauteng developer, who will be developing alongside Equites at Extension 78 in Plumbago. Furthermore, we are currently targeting two freehold deals on available land portions. Whilst the sale of land and freehold developments are not core to Equites' operations; it demonstrates the agility of management's response to the pandemic and the swift action taken to prevent any possible destruction of shareholder value.

Commentary continued

8. Our developments continued

8.1. Update on developments – SA and UK

Property	Tenant	Capital value	Location	Completion date
Completed developments				
Parc Felindre	DPDGroup	£12 million	Swansea, UK	Completed October 2019
Waterfall 8B (extension)	Digistics	R22 million	Midrand, Gauteng	Completed January 2020
The Hub, Unit 3	Roche Diagnostics	£13 million	Burgess Hill, UK	Completed February 2020
Airport Industria 2 (refurbishment)	Röhlig-Grindrod	R25 million	Airport Industria, Western Cape	Completed August 2020
Equites Park – Meadowview West 8 (extension)	DSV Healthcare	R60 million	Meadowview, Gauteng	Completed August 2020
Ongoing developments				
Total Park	DHL	£12 million	Leeds, UK	Expected completion October 2020
Equites Park – Meadowview West 19B	Altron	R239 million	Meadowview, Gauteng	Expected completion October 2020
Equites Park – Meadowview West 19A	Digistics	R217 million	Meadowview, Gauteng	Expected completion December 2020
Equites Park – Riverfields 2	Imperial	R175 million	Witfontein, Gauteng	Expected completion December 2020
Equites Park – Riverfields 1	Sandvik	R287 million	Witfontein, Gauteng	Expected completion February 2021
Philippi 2	N/A	R70 million	Philippi, Western Cape	Expected completion March 2021

8.2. Update on strategic venture with Newlands

Our strategy in the UK is focused on two distinct elements:

- The acquisition of properties in the open market to complement the Equites International (100% subsidiary of Equites) portfolio of income-producing "big box" assets and "last-mile" fulfilment centres
- The partnership with Newlands in which we unlock strategic land parcels and complete pre-let developments to add to the Equites International portfolio

The demand for logistics real estate in the UK by institutional investors and global property investors, combined with the scarcity of investment-grade facilities, have compressed yields to a level that makes it difficult for Equites to compete for new product. Prime distribution yields in the UK have compressed a further 25bps in September 2020, with average yields being recorded at 4.25% for the month (CBRE Research, September 2020).

Newlands specialises in logistics and infrastructure developments and has considerable in-house skills in turning farmland into appropriately zoned land, ready for logistics developments. This is a particular advantage in the UK market, where land shortage is one of the largest constraints to supply. The agreement with Newlands has an initial duration of five years and will see Newlands acting as development manager within the strategic venture, providing the group with exclusive access to Newlands-generated development opportunities at a significant discount to market value.

As previously communicated, we acquired a 6.7-hectare plot in Peterborough in September 2019, adjacent to our existing facilities at Peterborough Gateway. We are currently in the final stages of negotiations with a global e-commerce provider for the construction and development of a last-mile fulfilment centre, to be let to them on practical completion. Development is anticipated to commence in Q1 2021, with the building expected to be completed by Q4 2021. This asset will have a capital value of c.£40 million on completion and include key sustainability initiatives, which is integral to our strategy in the UK.

Equites is in the final stages of negotiations for the development of a last-mile fulfilment centre let to Hermes Parcelnet in Hoylands, South Yorkshire. Construction of the fulfilment centre is expected to commence in Q1 2021, following relevant infrastructure works being implemented on site. The project is expected to have a capital value of c.£80 million on completion.

A further transaction is near completion on the 12 hectares of land in Basingstoke which we acquired in 2019. This transaction is being negotiated with a global e-commerce provider and is expected to have a capital value of approximately £200 million. Due to the size of the asset and the concentration risk it may represent, it is likely that we will not retain the asset and realise the development profit to be reinvested in the growing UK portfolio.

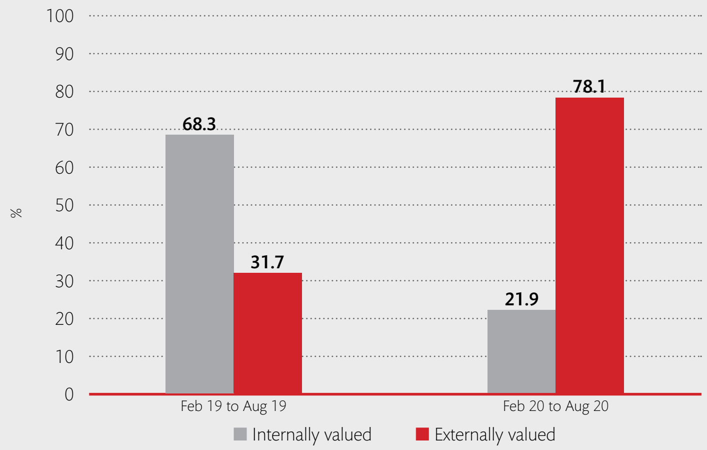
8.3. Our valuations

The fair value of our property portfolio has increased by 19.7% from R13.5 billion at 31 August 2019 to R16.2 billion at 31 August 2020. Most of this growth is attributable to pre-let developments in SA and the UK which were completed over the last twelve months together with the impact of foreign currency fluctuations over the period.

All properties are valued by the board at every reporting period primarily using the discounted cash flow ("DCF") method. Other valuation techniques, such as the income capitalisation method, are considered to ensure the reasonability of values. At 31 August 2020, we externally valued 15 properties, in line with our policy to target externally valuing each property at least once every 18 months. The assumptions in the external valuations were used as a basis for establishing the reasonability of assumptions used in our internal valuations.

We continue to make significant steps towards increasing the frequency of external valuations and have externally valued over 75% of our income-producing portfolio between February and August 2020.

Externally valued completed properties by GLA



The COVID pandemic and prevailing macroeconomic climate has caused some uncertainty regarding valuations, however, both in SA and the UK, high quality logistics real estate has proven to be resilient. Both discount rates and exit capitalisation rates have remained relatively flat for prime logistics assets, however, there has been a slight moderation in discount rates for more specialised assets and certain low coverage sites. In SA, we have also noted flat to slight decreases in market rental assumptions and the forecasts for rental growth, despite it being early to determine the exact impact on rentals as a result of the pandemic.

The information presented below is a summary of the significant inputs and resultant values assigned to all properties valued using the DCF methodology:

Region	Type of property	% of income-producing portfolio	Average value (R/m²)	Discount rate (%)	Exit cap rate (%)
South Africa	Modern distribution centre	46	11 109	13.64	7.90
	Logistics campus	36	16 762	13.50	7.96
	Cross-docking/Ultra-low coverage	11	13 925	13.69	7.95
	Other	7	14 852	13.69	8.47
SA total:		**100**	**13 797**	**13.60**	**7.98**
United Kingdom	Modern distribution centre	49	32 839	5.52	4.90
	Cross-docking/Ultra-low coverage	51	54 828	5.61	4.88
UK total:		**100**	**43 961**	**5.57**	**4.89**

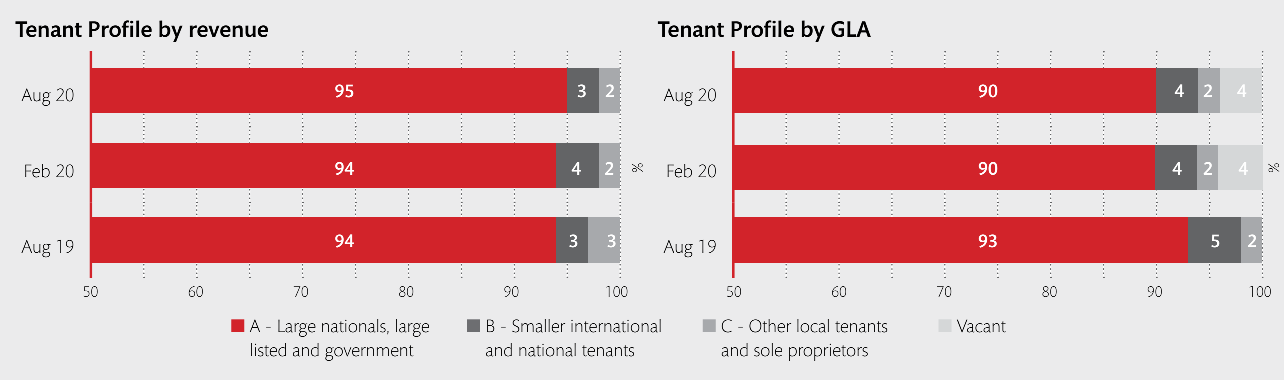
As a reasonability test, we calculate the implied initial yields based on the outputs of the DCF models. The variance in the implied average initial yield over the past six months is illustrated below:

Region	Variance in initial yield	Quantum (in bps)
South Africa	Increase ▲	32
United Kingdom	Decrease ▼	1

Commentary continued

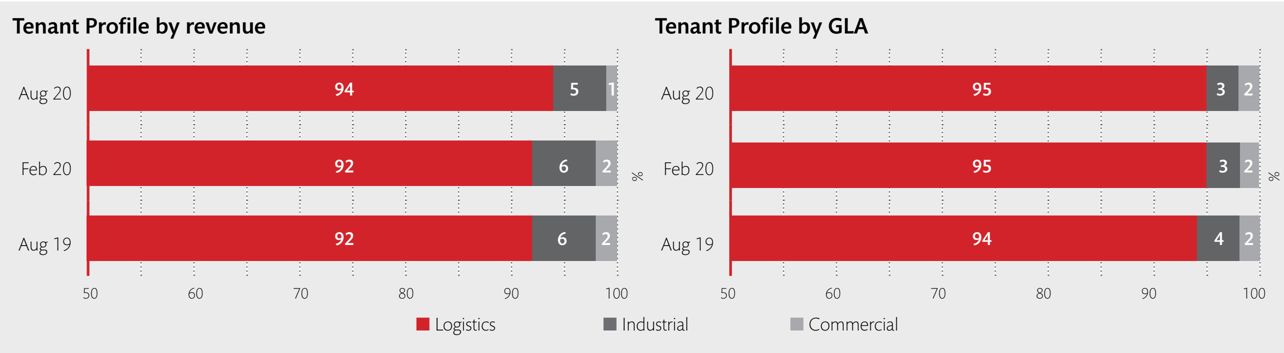
9. Our operational performance

9.1. Tenant quality



We understand the value of low-risk tenants, which is reflected in the fact that 94.6% of our revenue is derived from A-grade tenants. This, in conjunction with the long WALE, suggests a high level of income predictability and low risk of default on our rental streams.

Sector profile



Our clear focus remains on building a high-quality portfolio of assets focused on the logistics sector. With the structural tailwinds supporting the asset class, we are pleased that 94.0% of our total revenue is derived from logistics real estate.

9.2. Lease longevity

Weighted average lease expiry by revenue (years)	**31-Aug-20**	**29-Feb-20**	**31-Aug-19**
South Africa – Logistics	7.0	7.4	7.9
South Africa – Industrial	4.5	4.9	5.4
South Africa – Commercial*	–	–	2.0
	6.9	**7.2**	**7.7**
United Kingdom – Logistics	13.7	14.1	12.9
Weighted average lease expiry	**10.0**	**10.2**	**9.3**

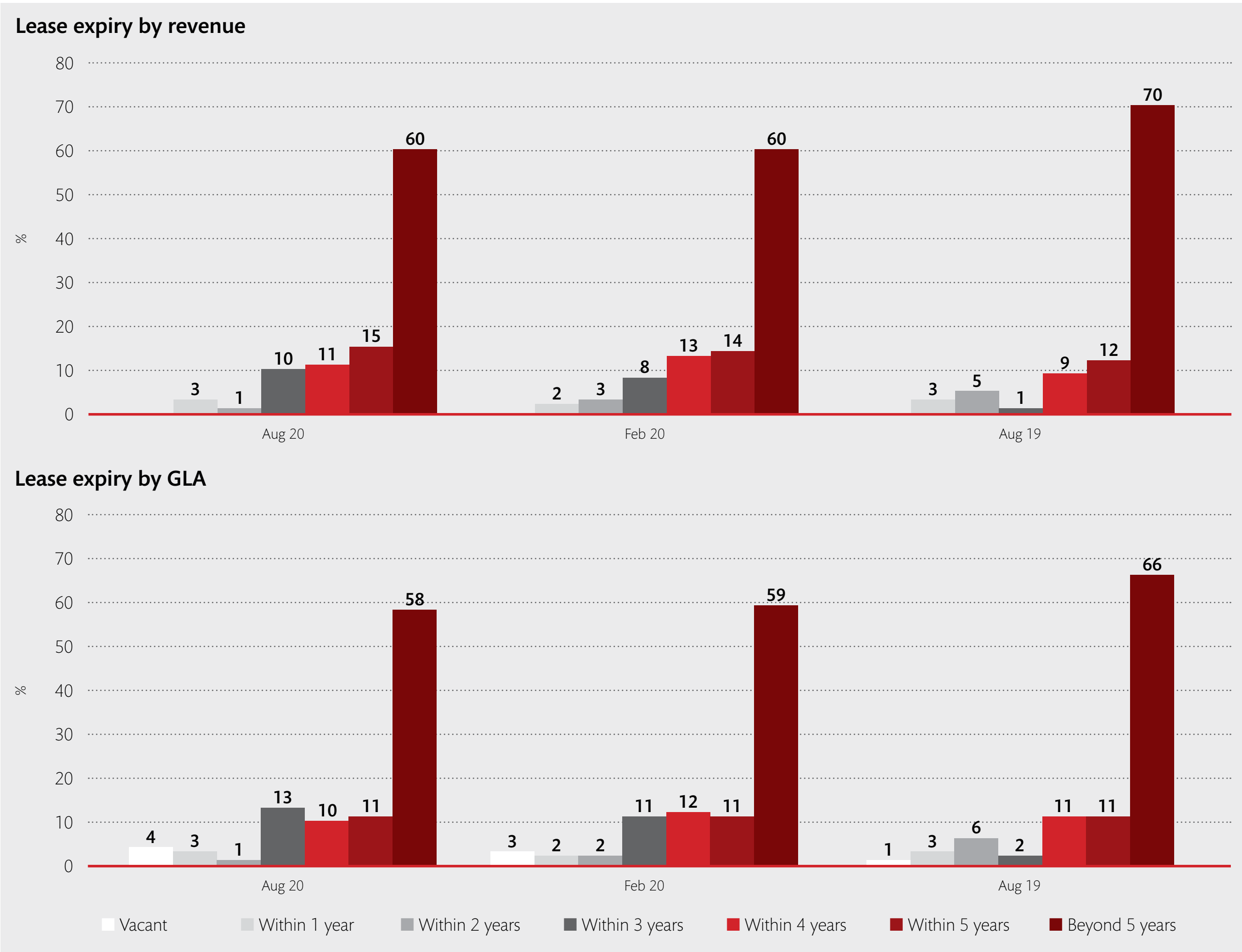
*Vacant

Our WALE of 10.0 years, combined with the quality of our tenants, represents a high degree of income certainty over a sustained period. We continue to target assets on long-dated leases both in SA and the UK which is evidenced by the completion of DHL in Leeds on a 15-year lease and the acquisition of three distribution centres ("DCs") on 20-year leases. The aforementioned transactions are not included in the WALE calculated above and will further bolster this number once transfer is complete.

Weighted average escalation (%)	**31-Aug-20**	**29-Feb-20**	**31-Aug-19**
South Africa – Logistics	7.8	7.6	7.5
South Africa – Industrial	8.1	8.1	9.5
South Africa – Commercial*	–	–	8.0
	7.8	**7.7**	**7.7**

*Vacant

Strong in-force escalations prevail in our portfolio; this provides us with stable and predictable growth for the duration of the leases.

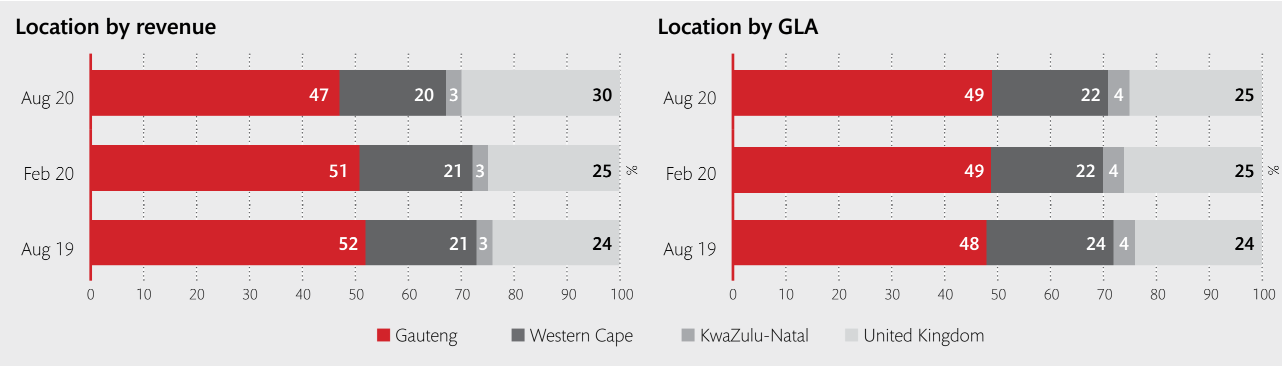


13.6% of all rentals expire within three years, with only 2.6% of revenue expiring within the upcoming year. We actively engage with all tenants whose leases are reaching expiry, from 18-24 months prior to the expiry date.

Commentary continued

9. Our operational performance continued

9.3. Geographical profile



While the UK portfolio has been steadily increasing, we are still a SA-focused REIT and continue to focus on growing the SA portfolio through acquisitions and developments. The largest single geographic concentration is Gauteng, with 46.7% of our portfolio currently situated in the region. We view this region as the hub of South African logistics and will continue to focus our growth efforts there.

9.4. Vacancy

Vacancy profile	31-Aug-20	29-Feb-20	31-Aug-19
Logistics	1.9%	1.4%	0.2%
Commercial	100.0%	100.0%	0.0%
	3.8%	**3.4%**	**0.2%**

We have 3.8% vacancy in our portfolio at 31 August 2020. The offices at Jet Park remain vacant, with prospects having dwindled significantly during the lockdown. The logistics vacancy relates primarily to a development facility at Equites Park Lord's View, which we are actively marketing.

10. Treasury financial management

10.1. An update on financial markets

The past six months can be characterised as a protracted period of turbulence within financial markets arising mainly because of the first-order consequences of decisions taken by governments to curtail the spread of COVID. While it remains to be seen what the second- and third-order consequences will be, what is apparent is that the economic destruction caused has been profound. Global interest rates remain at or near all-time lows and inflation continues to be muted with the impact of curtailment measures continuing to have a significant effect on both aggregate demand and supply.

The South African Reserve Bank is currently forecasting a decrease in real GDP for 2020 of 8.2% at its recent MPC meeting which is lower than its previous estimates, mainly as a result of the sharper contraction than expected in Q2 2020 real GDP of 51.0% (quarter-on-quarter, seasonally adjusted and annualised). It is expecting a modest recovery in 2021 with real GDP growth projected to be 3.9%.

The Bank of England released its Monetary Policy Report for August 2020 which reflects an expected decline in real GDP in 2020 of 9.5% following a sharp rebound reflected in projected 2021 real GDP growth of 9%.

10.2. Our approach to treasury financial management

We believe that the formation of, and our adherence, to a robust treasury policy is a cornerstone from which we maximise stakeholder value. We employ guiding principles to evaluate the appropriateness of any financial decision made.

Our six key guiding principles as documented in our policy are outlined below together with the steps taken in the past six months to abide by these principles:

Reference	Principle
10.2.1	Minimise the current cost of capital using an optimal mix of debt and equity
10.2.2	Maintain a robust balance sheet which offers flexibility for future growth opportunities
10.2.3	Diversify the sources of finance employed to fund operations
10.2.4	Phase the maturity of outstanding financial liabilities
10.2.5	Ensure that strong liquidity is maintained
10.2.6	Appropriately manage significant financial risks

10.2.1. Minimising the cost of capital

Our cost of capital is a benchmark that must be exceeded for an investment decision to create value for all stakeholders. A good investment decision is separated from a bad one simply based on the ability to generate an internal rate of return on that investment which is more than its risk-adjusted cost of capital. Furthermore, in a world with default risk, the optimal mix of debt and equity is ascertained at the point at which the cost of capital is minimised. Therefore, we carefully evaluate the constituents of our cost of capital to minimise them wherever possible.

Over the past six months, we have managed to reduce our all-in cost of debt in SA and the UK by 93bps and 4bps, respectively.

	31-Aug-20	29-Feb-20	31-Aug-19
All-in ZAR effective fixed cost of debt	7.62%	8.55%	8.74%
All-in GBP effective fixed cost of debt	2.66%	2.70%	2.70%
All-in effective average fixed cost of debt	5.44%	5.94%	5.76%
Marginal ZAR effective cost of debt	6.45%	8.14%	8.50%
Marginal GBP effective cost of debt	2.15%	2.65%	2.52%

On 10 September 2020, we issued a R600 million, 3-year, unsecured floating rate note at an interest rate of 3m JIBAR + 205bps. The issuance was over two times oversubscribed with 12 bids received in the process. On a fully hedged basis, this results in an all-in cost of debt of 6.05% (nacq).

10.2.2. Maintaining a robust balance sheet

We continue to target an LTV of between 25% and 35% over time. We consider this target range to reflect an optimal mix of debt and equity considering the nature of the business and the related risks. LTV is determined based on the ratio of net debt to the fair value of property assets as follows:

R'000	31-Aug-20	29-Feb-20	31-Aug-19
Net debt (excluding derivatives financial instruments):	**4 871 214**	**4 741 671**	**3 749 135**
Less: equity raise in March 2020	–	(800 000)	–
Net debt (including equity raise)	**4 871 214**	**3 941 671**	**3 749 135**
Total assets	**16 892 475**	**15 202 824**	**13 796 066**
Less: assets related to net debt	(361 093)	(76 742)	(72 034)
Fair value of property assets:	**16 531 382**	**15 126 082**	**13 724 032**
LTV ratio	**29.5%**	**26.1%**	**27.3%**

We have managed to remain at the lower end of our target range with an LTV of 29.5% at 31 August 2020. This focused approach to optimising the mix of debt and equity has enhanced the lustiness of our balance sheet in a turbulent economic environment.

Commentary continued

10.2. Our approach to treasury financial management continued

10.2.3. Diversifying sources of funding

We have established several diversified sources of debt funding both in the UK and in SA and now have debt facilities of R6.0 billion (Aug-19: R5.2 billion) across term facility agreements, unsecured listed and unlisted notes and working capital facilities.

As communicated on 9 September 2020, we concluded a R1.6 billion sustainability-linked facility agreement ("the Facility") with The Standard Bank of South Africa Limited ("Standard Bank"). The Facility is comprised of two tranches, Tranche 1 and Tranche 2, each of R800 million and will be applied towards part-financing the acquisition of a controlling interest in RLF, an entity that will own the Shoprite facilities identified in the SENS announcement released on 25 February 2020.

Tranche 2 is an 18-month, partially secured facility which was agreed at an interest rate of 3-month JIBAR + 155bps. The margin reflects our conservative financial profile and evidences the strength of our property fundamentals. The facility agreement includes an ESG pricing mechanism linking the all-in cost of debt to our ESG risk rating score. Our maiden comprehensive ESG Risk Rating Report depicts an ESG Risk rated as "Low Risk" with a peer relative performance in the top third of the global REIT Subindustry. A sustainability-linked facility agreement of this nature is unprecedented in the South African REIT sector and is in line with global best practice. Furthermore, there is latitude to embed this ESG pricing mechanism into a longer-dated facility agreement in future.

10.2.4. Phasing the maturity of financial liabilities

We have continued to target an optimal term structure of our loans and borrowings to reduce refinancing risk while minimising the cost of debt. Our weighted average debt maturity profile has remained relatively consistent between 3.5 years and 4.0 years over the past 18 months which is testament to our ability to refinance existing loans and borrowings. At 31 August 2020, our weighted average debt maturity profile was 3.5 years, largely in line with 31 August 2019 at 3.6 years.

The following table shows the expiry profile of our debt funding facilities and the facilities currently available:

Expiry period	Facility amount (R'000)	Amount drawn (R'000)	Amount undrawn (R'000)	% of drawn facility
FY21	300 000	104 511	195 489	1.9
FY22	1 051 617	750 761	300 856	14.3
FY23	1 281 018	1 281 014	4	24.4
FY24	971 000	970 497	503	18.5
FY25 and beyond	2 395 495	2 145 836	249 659	40.9
Total	**5 999 130**	**5 252 619**	**746 511**	**100.0**

We have continued to demonstrate our creditworthiness which is evidenced through our robust credit metrics which culminated in Global Credit Ratings Co. ("GCR") affirming the national scale long term rating as A+(ZA) and the short term rating at A1+(ZA), with a change in outlook from Stable to Positive.

As part of our objective to phase the maturity of our financial liabilities, we are refinancing a £30 million term facility which was due to expire in June 2022 into a 5-year facility at the same margin of 210bps. Furthermore, we have refinanced a R315 million secured facility due to expire in December 2021 to December 2023 at a margin of 165bps.

10.2.5. Maintaining strong liquidity

In a period of heightened volatility, prioritising strong liquidity has been vitally important. To this end, we had more than R1.0 billion of undrawn available facilities, cash and short-term deposits at 31 August 2020.

Furthermore, we raised a further R600 million on 10 September 2020 and concluded the R1.6 billion sustainability-linked funding agreement with Standard Bank. Moreover, we are in the process of finalising a £40 million facility agreement with HSBC which is partly to refinance the existing facility and also to raise additional liquidity to fund the UK development activities.

With these additional sources of liquidity, we will be able to execute our development pipeline while providing the necessary flexibility to execute on any further opportunities should these arise.

10.2.6. Appropriately managing financial risks

a. Interest rate risk

We have continued to use a combination of natural hedges and derivative financial instruments to hedge exposure to interest rate risk. Furthermore, we have also sought to negotiate fixed all-in interest rates where preferential rates are available.

An evaluation of the sufficiency of our hedge cover at 31 August 2020 has been performed as follows:

R'000	31-Aug-20	29-Feb-20	31-Aug-19
Interest rate swaps and collars	2 439 066	2 120 113	2 300 701
Cross currency interest rate swap ("CCIRS")	600 000	600 000	600 000
Embedded derivative	207 492	229 627	245 710
Fixed interest-bearing borrowings	1 745 495	1 524 243	889 890
Hedge cover	**4 992 053**	**4 473 983**	**4 036 301**
Total interest-bearing borrowings	**5 220 600**	**4 796 043**	**3 821 168**
Hedge cover of term loan balances	**95.6%**	**93.3%**	**105.6%**
Total interest-bearing borrowings	**5 220 600**	**4 796 043**	**3 821 168**
Contracted capital commitments (and including development accruals)	2 245 649	2 109 118	1 438 729
Cash and cash equivalents	(134 597)	(53 724)	(35 370)
Financial assets held at fair value	(214 789)	(648)	(36 304)
Equity raise on 3 March 2020	–	(800 000)	–
Total committed future cash outflows	**7 116 863**	**6 050 789**	**5 187 223**
Hedge cover	**4 992 053**	**4 473 983**	**4 036 301**
Forward-starting interest rate swaps	1 192 500	1 370 514	–
Total hedge cover	**6 184 553**	**5 844 497**	**4 036 301**
Total effective interest rate risk exposure hedged	**86.9%**	**96.6%**	**77.8%**

At 31 August 2020, we had hedged 95.6% and 86.9% of the existing term loan balances and total committed future cash outflows, respectively. A significant component of our contracted capital commitments pertains to the Shoprite transaction which is expected to be finalised shortly. We have therefore entered into forward-starting interest rate swaps to mitigate the interest rate risk that arises in respect of this transaction.

b. Foreign exchange rate risk

We continued to implement our foreign exchange risk management policy which delineates our strategy towards foreign exchange rate risk.

Hedging net investment in foreign operation

Our treasury policy restricts the utilisation of CCIRSs to 45% of foreign denominated income-producing assets over time. We achieve this by continually monitoring our exposure to foreign exchange rates as a result of the investment into the UK. In the current financial year, we have continued to effectively reduce our hedge cover over our investment into the UK and thereby increase exposure of the group's net investment into the UK to foreign currency fluctuations. At 31 August 2020, the utilisation of CCIRS had fallen to 27.6%, down from 29.0% at 29 February 2020.

The table below shows the carrying amounts of our UK assets which are currently hedged via derivative currency hedging instruments:

£'000	31-Aug-20	29-Feb-20	31-Aug-19
Carrying amount of UK assets	335 263	318 351	282 632
Nominal value of cross-currency interest rate swaps	92 447	92 447	77 447
CCIRS hedged of foreign denominated assets	**27.6%**	**29.0%**	**27.4%**

Commentary continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

10.2. Our approach to treasury financial management continued

10.2.6. Appropriately managing financial risks continued

b. Foreign exchange rate risk continued

Hedging distributable earnings and cash flow risk

Where possible, we continue to utilise natural hedges to minimise exposure to fluctuations in foreign exchange rates on our distributable earnings. We assess the likely impact on the funds to be received from our foreign operations of reasonably possible changes in the GBP/ZAR exchange rate using financial modelling and hedges our exposure to this exchange rate.

In line with the enhanced hedging level policy, we have hedged net income to be received over the next 24 months as follows:

Six-month period ended	Effective hedging level	Blended participation floor	Blended participation cap
28 February 2021	85.0%	R20.38/£	R20.95/£
31 August 2021	80.0%	R20.95/£	R21.25/£
28 February 2022	60.0%	R22.04/£	R22.07/£
31 August 2022	47.5%	R24.00/£	R24.00/£

Our hedging policy with respect to distributable earnings and cash flow risk is deliberately constructed to provide short-term stability in the growth in distributable earnings but to gain from the hard currency appreciation over the medium and long term.

11. Transformation

In our pursuit to support efforts toward rectifying the past injustices in our country, we fully recognise and acknowledge the importance of adhering to the country's B-BBEE policies in order to promote true transformation within a South African context. We are pleased to report that we have achieved a Level 4 B-BBEE rating for the third year in a row, with a verified black ownership of 51%.

In May 2020, we were faced with the partial loss of our anchor empowerment shareholder, Brimstone Investment Corporation Limited. It has therefore become a strategic imperative that we find an anchor empowerment partner in an attempt to maintain a transformed ownership register.

Furthermore, we intend to continue to promote employment equity principles in all hiring and restructuring decisions and further support our enterprise and supplier development programmes which have been incredibly successful to date. In addition to these initiatives, we will continue to partner with The Michel Lanfranchi Foundation NPC, who invests in educational initiatives including scholarships, bursaries, mentoring and educational projects.

12. Sustainability

Through our continued efforts towards sustainable value creation we were able to secure a R1.6 billion sustainability-linked facility with Standard Bank. This is the first of its kind in the South African REIT context and through our sustainability initiatives we plan to reap the benefits of lower funding costs through incremental improvements to our environmental, social and corporate governance ("ESG") rating. Our rating is calculated by Sustainalytics UK Limited, a renowned global company in this area, and is based on various aspects of the business across the ESG spectrum. The outcome of the assessment for 2020 resulted in Equites being assessed overall as "low risk" of experiencing material financial impacts from ESG factors. It was noted that a contributing factor to reducing our overall score was our strong corporate governance performance. Despite the financial benefits that come from improving our rating, it, more importantly, demonstrates our drive towards sustainability and becoming a responsible corporate citizen. In doing this we are able to focus on our efforts on the following areas:

Focus area	Description
Environmental consciousness	We aim to be at the forefront of green building initiatives and techniques and through our impact assessment, we incorporate natural resources and environmentally responsible techniques in our developments. We have been qualified for a higher level of EDGE certification and are in the process of obtaining our EDGE certification for our Altron development in Equites Park Meadowview.
Ethics	Through our commitment towards fair and ethical practices both within the organisation and for our stakeholders.
Community upliftment and education initiatives	Through our focus on educational initiatives and positively impacting on the local communities in which we build our sites.
Customer centricity	Building long standing relationships with our tenants that is embedded with trust and loyalty.
Human capital	Through a wide representation of skills, experience and diversity in our team and promoting internal growth and development.

13. Prospects

While the effects of COVID are still unfolding, we are confident that we have effectively managed the first-round impacts of the pandemic and have amassed a portfolio which will continue to be resilient in the face of adversity. For this reason, the board expects that the company will achieve full year DPS growth of 2% – 4%.

This guidance is based on the assumptions that a stable macro-economic environment will prevail, no major corporate failures will occur, the GBP/ZAR exchange rate remains materially unchanged and tenants will be able to absorb the recovery of rising utility costs and municipal rates. This forecast has not been audited or reviewed by Equites' external auditors.

14. Subsequent events

As detailed on SENS on 24 February 2020, Equites and Shoprite, concluded an agreement in terms of which, *inter alia*:

- Equites and Shoprite will establish RLF to which Shoprite will contribute a portfolio of DCs and associated undeveloped bulk land in Brackenfell, Western Cape and Centurion, Gauteng valued at R2.0 billion and Equites will contribute cash of R2.1 billion to RLF in exchange for a 50.1% equity stake in RLF, with Shoprite owning the balance;
- RLF will thereafter acquire from Shoprite the Cilmor DC in Brackenfell, Western Cape with associated undeveloped bulk land, for an agreed cash consideration of R1.2 billion;
- RLF and Shoprite will conclude "triple net" lease agreements in respect of the Brackenfell, Cilmor and Centurion DCs; and
- RLF will manage the portfolio and it will serve as a platform for the future development of the undeveloped bulk land situated at Cilmor and Centurion and for future property acquisition and development opportunities.

All conditions precedent were met on 14 September 2020 and transfer of the DCs is imminent.

Except for the items identified above, no further material subsequent events are noted.

15. Basis of preparation

The condensed consolidated interim results for the six months ended 31 August 2020 are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards council, the JSE Listings Requirements and the requirements of the Companies Act of 2008 of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting standards and are consistent with those applied in the previous annual financial statements.

Laila Razack CA(SA), in her capacity as Chief Financial Officer, was responsible for the preparation of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements have not been reviewed or audited by our external auditors.

The SA REIT Association's best practice recommendations ("BPR") was published in November 2019, outlining the rationale and calculation of consistent metrics across the REIT sector with the aim of enhancing transparency, accountability, and comparability. The new BPR is effective for Equites for the year ending 28 February 2021 and as such, we have included these metrices for the six months ended 31 August 2020.

16. Declaration of an interim cash dividend with the election to reinvest the cash dividend in return for Equites shares

The board has approved, and notice is hereby given of the declaration of a gross interim dividend (dividend number 14) of 74.43601 cents per share.

Subject to final regulatory approvals, shareholders will be entitled, in respect of all or part of their shareholdings, elect to reinvest the cash dividend in return for Equites shares and a circular containing details of the election to reinvest the cash dividend, accompanied by the requisite SENS announcements will be issued in due course.

The board in its discretion may withdraw the share reinvestment alternative should market conditions warrant such actions and such withdrawal will be communicated to shareholders via SENS.

By order of the Board

Equites Property Fund Limited
12 October 2020

Condensed consolidated statement of financial position

Equites Property Fund Limited and its subsidiaries at 31 August 2020

	Notes	Unaudited 31 August 2020 R'000	Unaudited 31 August 2019 R'000	Audited 29 February 2020 R'000
Assets				
Non-current assets				
Fair value of investment property (excluding straight-lining)	4	15 826 388	13 211 238	14 517 138
Straight-lining lease income accrual	4	331 069	288 127	317 030
Deferred tax asset		181 973	104 938	159 870
Non-current financial assets		445	31 936	6 226
Property, plant and equipment		16 528	16 211	15 399
		16 356 403	**13 652 450**	**15 015 663**
Current assets				
Trade and other receivables		107 194	54 257	76 191
Other current financial assets		226 050	53 629	16 791
Cash and cash equivalents		134 597	35 730	53 724
		467 841	**143 616**	**146 706**
Investment property held-for-sale		68 231	–	40 455
Total assets		**16 892 475**	**13 796 066**	**15 202 824**
Equity and liabilities				
Equity and reserves				
Stated capital		9 109 583	7 854 027	8 046 457
Accumulated profit		789 373	1 591 696	1 370 734
Foreign currency translation reserve		762 462	(37 551)	242 903
Share-based payment reserve		62 332	55 933	69 496
Total attributable to owners		**10 723 750**	**9 464 105**	**9 729 590**
Non-controlling interest		38 062	35 390	40 434
Total equity and reserves		**10 761 812**	**9 499 495**	**9 770 024**
Liabilities				
Non-current liabilities				
Loans and borrowings	5	4 932 843	3 338 681	4 686 043
Other non-current financial liabilities		474 274	136 439	173 957
Other liabilities		4 479	4 481	4 462
		5 411 596	**3 479 601**	**4 864 462**
Current liabilities				
Trade and other payables		274 962	322 286	389 496
Loans and borrowings	5	287 757	482 487	110 000
Other current financial liabilities		155 748	11 191	67 514
Current tax liability		600	1 006	1 328
		719 067	**816 970**	**568 338**
Total liabilities		**6 130 663**	**4 296 571**	**5 432 800**
Total equity and liabilities		**16 892 475**	**13 796 066**	**15 202 824**

Condensed consolidated statement of comprehensive income

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

	Notes	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
Property revenue and tenant recoveries	2	494 609	440 841	913 279
Straight-lining of leases adjustment		15 773	51 617	80 420
Gross property revenue		**510 382**	**492 458**	**993 699**
Property operating and management expenses		(69 358)	(62 295)	(115 893)
Other net operating gains or losses	6	(232 790)	67 336	(20 162)
Administrative expenses		(34 043)	(26 213)	(53 117)
Fair value adjustments – investment property		(80 296)	124 173	21 764
Operating profit before financing activities		**93 895**	**595 459**	**826 291**
Finance costs	7	(232 252)	(143 782)	(218 529)
Finance income		12 870	2 342	6 494
Net (loss)/profit before tax		**(125 487)**	**454 019**	**614 256**
Tax (expense)/income		1 397	35 846	76 996
(Loss)/profit for the period		**(124 090)**	**489 865**	**691 252**
Other comprehensive income				
Items that may subsequently be reclassified to profit or loss:				
Translation of foreign operations		519 514	(18 190)	262 239
Total comprehensive income for the period		**395 424**	**471 675**	**953 491**
(Loss)/profit attributable to:				
Owners of the parent		(121 763)	485 848	682 167
Non-controlling interest		(2 327)	4 017	9 085
		(124 090)	**489 865**	**691 252**
Total comprehensive income attributable to:				
Owners of the parent		397 796	467 658	944 431
Non-controlling interest		(2 372)	4 017	9 060
		395 424	**471 675**	**953 491**
Basic earnings per share (cents)		(20.1)	95.4	128.8
Diluted earnings per share (cents)		(20.0)	95.0	128.3

Condensed consolidated statement of cash flows

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited 12 months ended 28 February 2020 R'000
Cash flows from operating activities			
Cash generated from operations	346 337	440 210	879 623
Finance costs paid	(25 861)	(49 753)	(98 434)
Finance income received	10 734	1 318	6 494
Tax paid	(728)	(253)	(1 969)
Dividends paid	(459 598)	(357 086)	(760 236)
Net cash flows generated from operating activities	**(129 116)**	**34 436**	**25 478**
Cash flows utilised by investing activities			
Acquisition of investment properties	–	(874 208)	(1 409 323)
Development of investment properties	(729 011)	(374 878)	(806 109)
Purchases of current financial assets[a]	(920 000)	(320 000)	(928 000)
Proceeds on divestment of current financial assets[a]	707 267	287 000	929 629
Purchase and development of property, plant and equipment	(56)	(155)	(338)
Net cash flows utilised by investing activities	**(941 800)**	**(1 282 241)**	**(2 214 141)**
Cash flows from financing activities			
Proceeds from share issue (net of costs)	794 549	749 519	742 442
Proceeds from share issue relating to dividend reinvestment programme	255 580	74 876	270 633
Acquisition of non-controlling interest	–	(98 245)	(101 351)
Settlement of share-based payment transaction	–	–	(15 818)
Repayment of lease liability	(1 647)	–	(3 570)
Proceeds from borrowings	708 851	2 005 445	4 575 403
Repayment of borrowings	(611 265)	(1 488 176)	(3 263 278)
Net cash flows raised from financing activities	**1 146 068**	**1 243 419**	**2 204 461**
Net increase/(decrease) in cash and cash equivalents	75 152	(4 386)	15 798
Effect on exchange rate movements in cash and cash equivalents	5 721	3 837	1 647
Cash and cash equivalents at the beginning of the period	53 724	36 279	36 279
Cash and cash equivalents at the end of the period	**134 597**	**35 730**	**53 724**

[a] This primarily consists of investments in and divestments of surplus cash held in money market funds.

Condensed consolidated statement of changes in equity

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

	Stated capital R'000	Accumulated profit R'000	Foreign currency translation reserve R'000	Share based payment reseve R'000	Total attributable to parent R'000	Non-controlling Interest R'000	Total R'000
Balance at 1 March 2019	7 026 680	1 442 632	(19 361)	69 842	8 519 793	149 919	8 669 712
Profit for the period	–	485 848	–	–	485 848	4 017	489 865
Other comprehensive income	–	–	(18 190)	–	(18 190)	–	(18 190)
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	1	1
Transaction with non-controlling interests	–	17 195	–	–	17 195	(118 547)	(101 352)
Shares issued for cash	750 000	–	–	–	750 000	–	750 000
Shares issued in terms of the dividend re-investment programme	74 876	–	–	–	74 876	–	74 876
Shares issued in terms of the conditional share plan	6 702	–	–	(6 702)	–		–
Settlement of share-based payment transaction	–	–	–	(9 829)	(9 829)	–	(9 829)
Equity-settled share-based payment charge	–	–	–	2 622	2 622	–	2 622
Dividends distributed to shareholders	–	(353 979)	–	–	(353 979)	–	(353 979)
Share issue costs	(4 231)	–	–	–	(4 231)	–	(4 231)
Balance at 31 August 2019	**7 854 027**	**1 591 696**	**(37 551)**	**55 933**	**9 464 105**	**35 390**	**9 499 495**
Profit for the period	–	196 319	–	–	196 319	5 068	201 387
Other comprehensive income	–	–	280 454	–	280 454	(25)	280 429
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	–	–
Transaction with non-controlling interests	–	–		–	–	1	1
Shares issued for cash	–	–	–	–	–	–	–
Shares issued in terms of the dividend re-investment programme	195 757	–	–	–	195 757	–	195 757
Shares issued in terms of conditional share plan	–	–	–	–	–	–	–
Settlement of share-based payment transaction	–	(11 024)	–	5 035	(5 989)	–	(5 989)
Equity-settled share-based payment charge	–	–	–	8 528	8 528	–	8 528
Dividends distributed to shareholders	–	(406 257)	–	–	(406 257)	–	(406 257)
Share issue costs	(3 327)	–	–	–	(3 327)	–	(3 327)
Balance at 29 February 2020	**8 046 457**	**1 370 734**	**242 903**	**69 496**	**9 729 590**	**40 434**	**9 770 024**
Loss for the period	–	(121 763)	–	–	(121 763)	(2 327)	(124 090)
Other comprehensive income	–	–	519 559	–	519 559	(45)	519 514
Shares issued for cash	800 000	–	–	–	800 000	–	800 000
Shares issued in terms of the dividend re-investment programme	255 580	–	–	–	255 580	–	255 580
Shares issued in terms of the conditional share plan	12 997	–	–	(12 997)	–	–	–
Settlement of share-based payment transaction	–	–	–	–	–	–	–
Equity-settled share-based payment charge	–	–	–	5 833	5 833	–	5 833
Dividends distributed to shareholders	–	(459 598)	–	–	(459 598)	–	(459 598)
Share issue costs	(5 451)	–	–	–	(5 451)	–	(5 451)
Balance at 31 August 2020	**9 109 583**	**789 373**	**762 462**	**62 332**	**10 723 750**	**38 062**	**10 761 812**

Selected explanatory notes to the results

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

1. Earnings per share

This note provides the obligatory information in terms of IAS 33 Earnings per share and SAICA Circular 1/2019 for the group and should be read in conjunction with Appendix 1, where earnings are reconciled to distributable earnings. Distributable earnings determine the dividend declared to shareholders, which is a meaningful metric for a shareholder in a REIT.

	Unaudited 6 months ended 31 August 2020	Unaudited 6 months ended 31 August 2019	Audited 12 months ended 29 February 2020
1.1 Basic earnings per share			
Shares in issue			
Number of shares in issue at end of year	614 717 973	544 889 587	554 441 246
Weighted average number of shares in issue	605 673 034	509 523 099	529 724 495
Add: weighted potential dilutive impact of conditional shares	3 379 130	2 056 588	2 050 970
Diluted weighted average number of shares in issue	609 052 164	511 579 687	531 775 465
Basic earnings per share	**cents**	**cents**	**cents**
Basic earnings per share	(20.1)	95.4	128.8
Diluted earnings per share	(20.0)	95.0	128.3
1.2 Headline earnings per share			
Reconciliation between basic earnings and headline earnings:	**R'000**	**R'000**	**R'000**
Earnings (profit attributable to owners of the parent)	(121 763)	485 848	682 167
Adjusted for:			
Fair value adjustments to investment properties	80 296	(124 173)	(21 764)
Less: Fair value adjustment to investment properties (NCI)	(4 613)	(202)	6 664
Headline earnings	**(46 080)**	**361 473**	**667 067**
Headline earnings per share:	**cents**	**cents**	**cents**
Headline earnings per share	(7.6)	70.9	125.9
Diluted headline earnings per share	(7.6)	70.7	125.4

2. Segment information

The segment information for the group for the period ended 31 August 2020 is set out below:

	Operating segments			
R'000	**SA Industrial**	**UK Industrial**	**Other**	**Total**
Statement of profit or loss and other comprehensive income				
Property revenue	339 778	151 859	2 972	**494 609**
Fair value adjustments – investment property	(134 039)	53 743	–	**(80 296)**
Operating profit before financing activities	(94 984)	189 257	(378)	**93 895**
Finance income	12 792	78	–	**12 870**
Finance costs	(207 817)	(24 424)	(11)	**(232 252)**
Statement of financial position				
Investment property	8 748 083	7 298 185	111 189	**16 157 457**
Held for sale	26 500	–	41 731	**68 231**
Loans and borrowings	2 821 403	2 399 197	–	**5 220 600**
Total assets	9 094 206	7 610 675	187 594	**16 892 475**
Total liabilities	3 626 334	2 498 737	5 592	**6 130 663**

The segment information for the group for the period ended 31 August 2019 is set out below:

	Operating segments			
R'000	**SA Industrial**	**UK Industrial**	**Other**	**Total**
Statement of profit or loss and other comprehensive income				
Property revenue	308 960	106 605	25 275	**440 840**
Fair value adjustments – investment property	99 685	29 829	(5 341)	**124 173**
Operating profit before financing activities	497 990	110 788	(13 319)	**595 459**
Finance income	2 288	54	–	**2 342**
Finance costs	(128 825)	(14 957)	–	**(143 782)**
Statement of financial position				
Investment property	8 206 870	5 132 799	159 696	**13 499 365**
Loans and borrowings	2 407 548	1 413 620	–	**3 821 168**
Total assets	8 377 031	5 239 713	179 322	**13 796 066**
Total liabilities	2 628 952	1 667 619	–	**4 296 571**

The segment information for the group for the year ended 29 February 2020 is set out below:

	Operating segments			
R'000	**SA Industrial**	**UK Industrial**	**Other**	**Total**
Statement of profit or loss and other comprehensive income				
Property revenue	658 296	232 925	22 057	**913 279**
Fair value adjustments – investment property	3 589	28 127	(9 952)	**21 764**
Operating profit before financing activities	581 406	240 320	4 565	**826 291**
Finance income	6 275	219	–	**6 494**
Finance costs	(177 121)	(41 408)	–	**(218 529)**
Statement of financial position				
Investment property	8 493 592	6 228 145	152 886	**14 874 623**
Interest bearing borrowings	2 674 670	2 121 372	–	**4 796 043**
Total assets	8 611 914	6 399 580	191 330	**15 202 824**
Total liabilities	3 048 765	2 374 916	9 119	**5 432 800**

Notes continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

3. Fair value measurement

All assets and liabilities measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement as follows:

Level 1: measurements in whole or in part are done by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: measurements are done by reference to inputs other than quoted prices that are included in level 1.

These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).

Level 3: measurements are done by reference to inputs that are not based on observable market data .

	31 August 2020			
Figures in R'000s	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Non-financial assets at fair value – investment properties	16 225 688	–	–	16 225 688
Financial assets held at fair value	214 789	–	214 789	–
Derivative financial assets	11 707	–	11 707	–
	16 452 184	–	226 496	16 225 688
Liabilities				
Derivative financial liabilities	607 314	–	607 314	–
	607 314	–	607 314	–

	31 August 2019			
Figures in R'000s	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Non-financial assets at fair value – investment properties	13 499 366	–	–	13 499 366
Financial assets held at fair value	36 304	–	36 304	–
Derivative financial assets	49 262	–	49 262	–
	13 584 932	–	85 566	13 499 366
Liabilities				
Derivative financial liabilities	122 769	–	122 769	–
	122 769	–	122 769	–

	29 February 2020			
Figures in R'000s	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Non-financial assets at fair value – investment properties	14 874 623	–	–	14 874 623
Financial assets held at fair value	648	–	53 724	–
Derivative financial assets	22 370	–	23 017	–
	14 897 641	–	76 741	14 874 623
Liabilities				
Derivative financial liabilities	218 204	–	241 470	–
	218 204	–	241 470	–

Details of valuation techniques

Investment property

The fair value of investment properties is updated at each reporting period either by way of external valuations or directors' valuations. At 31 August 2020, the group externally valued 15 of its largest properties, 13 from SA and 2 from the UK. The remainder of the portfolio was internally valued. The fair value of each property is determined by calculating its net present value by discounting forecasted future net cash flows and a residual value at the end of the cash flow projection period by the discount rate of each property. The residual value is calculated using an appropriate exit capitalisation rate. The discount rate used to determine the fair value of each property is assessed with reference to observable inputs. The capitalisation rate is dependent on a number of factors, including location, asset class, market conditions, lease covenants and the risks inherent in the property.

Derivative financial assets and liabilities

Interest rate and cross-currency interest rate swaps

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the group and of the counterparty. This is calculated based on credit spreads derived from current credit default swap or bond prices.

The key input to the valuation of investment property is the discount rate and the exit capitalisation rate. The table below illustrates the sensitivity of the fair value to changes in assumptions:

Sensitivity analysis to capitalisation rates	**SA industrial R'000**	**UK industrial R'000**	**Total R'000**
Increase in fair value if discount rates decrease by 10 basis points	25 744	27 157	**52 901**
Decrease in fair value if discount rates increase by 10 basis points	(25 615)	(27 008)	**(52 623)**
Increase in fair value if exit capitalisation rates decrease by 10 basis points	57 605	100 561	**158 166**
Decrease in fair value if exit capitalisation rates increase by 10 basis points	(56 161)	(96 641)	**(152 802)**
Increase in fair value if market rentals increase by 5%	224 165	247 919	**472 084**
Decrease in fair value if market rentals decrease by 5%	(224 165)	(247 919)	**(472 084)**

There were no transfers between Level 1, 2 or 3 during the year.

Notes continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

4. Investment property

	Unaudited 31 August 2020 R'000	Unaudited 31 August 2019 R'000	Audited 29 February 2020 R'000
Investment property (excluding straight-lining)	13 016 646	11 464 977	12 250 065
Investment property under development and available land	2 789 641	1 723 929	2 245 571
Investment property held for sale	68 231	–	40 455
Right of use asset	20 101	22 332	21 502
Fair value of investment property (excluding straight-lining)	**15 894 619**	**13 211 238**	**14 557 593**
Straight-lining lease income accrual	331 069	288 127	317 030
Fair value of investment property	**16 225 688**	**13 499 365**	**14 874 623**

Reconciliation of investment property (excluding investment property held for sale)

	South Africa		United Kingdom	
R'000	**Industrial**	**Other**	**Industrial**	**Total**
Balance as at 28 February 2019	**7 643 650**	**161 573**	**3 915 865**	**11 721 088**
Change in accounting policy	23 624	–	–	**23 624**
Restated balance as at 1 March 2019	**7 667 274**	**161 573**	**3 915 865**	**11 744 712**
Acquisitions	–	–	1 051 730	**1 051 730**
Improvements and extensions	17 679	23	1 850	**19 552**
Construction and development costs	134 863	–	162 154	**297 017**
Letting commission capitalised	3 500	–	3 305	**6 805**
Letting commission amortised	(817)	–	(312)	**(1 129)**
Fair value adjustment	99 107	(4 763)	29 829	**124 173**
Foreign exchange movements	–	–	(31 622)	**(31 622)**
Balance as at 31 August 2019	**7 921 606**	**156 833**	**5 132 799**	**13 211 238**
Acquisitions	80 600	–	311 185	**391 785**
Improvements and extensions	32 230	–	4 505	**36 735**
Construction and development costs	230 161	–	326 317	**556 478**
Transfers	–	(40 455)	–	**(40 455)**
Letting commission capitalised	6 573	–	–	**6 573**
Letting commission amortised	156	–	(388)	**(232)**
Lease incentives capitalised	1 650	–	–	**1 650**
Lease incentives amortised	(103)	–	–	**(103)**
Remeasurements	451	–	–	**451**
Fair value adjustment	(95 519)	(5 189)	(1 702)	**(102 410)**
Foreign exchange movements	–	–	455 429	**455 429**
Balance as at 29 February 2020	**8 177 805**	**111 189**	**6 228 145**	**14 517 139**
Improvements and extensions	87 829	–	3 041	**90 870**
Construction and development costs	312 857	–	224 986	**537 843**
Transfers	(25 721)	–	–	**(25 721)**
Letting commission capitalised	877	–	1 065	**1 942**
Letting commission amortised	(484)	–	(371)	**(855)**
Lease incentives capitalised	1 250	–	–	**1 250**
Lease incentives amortised	(124)	–	–	**(124)**
Fair value adjustment	(134 237)	–	53 743	**(80 494)**
Foreign exchange movements	–	–	784 538	**784 538**
Balance as at 31 August 2020	**8 420 052**	**111 189**	**7 295 147**	**15 826 388**

5. Loans and borrowings

Reconciliation of movement in loans and borrowings

	Unaudited 31 August 2020 R'000	Unaudited 31 August 2019 R'000	Audited 29 February 2020 R'000
Opening balance	**4 796 043**	**3 310 524**	**3 310 524**
Non-current borrowings	4 686 043	3 232 837	3 232 837
Current borrowings	110 000	77 687	77 687
Proceeds from borrowings	708 851	2 005 445	4 575 403
Repayment of borrowings	(611 265)	(1 488 176)	(2 363 278)
Interest amortisation	4 520	1 933	6 368
Foreign exchange movement	322 451	(8 558)	167 026
Closing balance	**5 220 600**	**3 821 168**	**4 796 043**
Non-current borrowings	4 932 843	3 338 681	4 686 043
Current borrowings	287 757	482 487	110 000

6. Other net operating gains or losses

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
Income from foreign exchange derivative instruments	74 805	61 528	127 336
Fair value adjustment on foreign exchange derivative instruments	(294 592)	(4 096)	(174 082)
Insurance recoveries	12	–	5
Foreign exchange (loss)/gain	(13 589)	(1 976)	12 995
Sundry income	190	10 726	11 405
Sundry income – capital in nature (non-distributable)	384	1 153	2 180
Other net operating gains or losses	**(232 790)**	**67 336**	**(20 162)**

Notes continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

7. Finance costs

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
Interest expense on borrowings	118 316	114 603	250 695
Finance costs relating to interest rate derivatives	19 893	4 302	9 890
Interest on lease liabilities	1 199	–	2 443
Fair value movement on interest rate derivatives	193 524	91 183	105 234
Interest on utility accounts and other	60	111	107
Borrowing costs capitalised to investment property[a]	(100 740)	(66 417)	(149 840)
Finance costs	**232 252**	**143 782**	**218 529**

[a] The capitalisation rate applied during the 6-month period was 8.4% (2019: 8.9%) in relation to general borrowings and 2.6% (2019: 2.9%) in relation to specific borrowings.

Reconciliation of finance costs expense to finance costs paid

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
Interest accrued opening balance	29 457	19 853	19 853
Finance costs	232 252	143 782	218 529
Derivative settlement	4 207	–	1 111
Fair value movement on interest rate derivatives	(193 524)	(91 183)	(105 234)
Interest amortisation	(4 520)	(1 933)	(6 368)
Interest accrued closing balance	(42 011)	(20 766)	(29 457)
Finance costs paid during the year	**25 861**	**49 753**	**98 434**

8. Related parties

Related party relationships exist between the company, its subsidiaries, directors, and key management of the group. The group acquired 60% of the net asset value of Equites Newlands Group Limited and its subsidiaries during the prior year.

In the ordinary course of business, the group entered into the following other transactions with related parties:

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
Dividend paid to related party shareholders	75 943	72 916	137 570
Fees paid to BTKM (Pty) Ltd (of which Nazeem Khan is a director)	684	185	299
Fees paid to Automotion (Pty) Ltd (of which Kevin Dreyer is a director)	1	18	32
	76 628	**73 119**	**137 901**

9. Subsequent events

9.1 Unsecured note issuance

On 10 September 2020, we issued a R600 million, 3-year, unsecured floating rate note at an interest rate of 3m JIBAR + 205bps. The issuance was over two times oversubscribed with 12 bids received in the process. On a fully hedged basis, this results in an all-in cost of debt of 6.05% (nacq).

9.2 Shoprite joint venture

As detailed on SENS on 24 February 2020, Equites and Shoprite, concluded an agreement in terms of which, *inter alia*:

- Equites and Shoprite will establish RLF to which Shoprite will contribute a portfolio of DC's and associated undeveloped bulk land in Brackenfell, Western Cape and Centurion, Gauteng valued at R2.0 billion and Equites will contribute cash of R2.1 billion to RLF in exchange for a 50.1% equity stake in RLF, with Shoprite owning the balance;
- RLF will thereafter acquire from Shoprite the Cilmor DC in Brackenfell, Western Cape with associated undeveloped bulk land, for an agreed cash consideration of R1.2 billion;
- RLF and Shoprite will conclude "triple net" lease agreements in respect of the Brackenfell, Cilmor and Centurion DCs; and
- RLF will manage the portfolio and it will serve as a platform for the future development of the undeveloped bulk land situated at Cilmor and Centurion and for future property acquisition and development opportunities.

All conditions precedent were met on 14 September 2020 and transfer of the DC's is imminent.

Appendix 1 – Distributable earnings

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

Reconciliation between earnings and distributable earnings

Distributable earnings policy

The company has established strict guidelines regarding its distribution policy to ensure that the distributable earnings is a fair reflection of sustainable earnings. This comprises property related income net of property related expenditure, interest expense and administrative costs.

The principles encompassed in the calculation below are aligned with the best practice recommendations established by the SA REIT Association published in 2016 and the guidelines further developed in the revised best practice recommendations which were published in November 2019.

As distributable earnings is a measure of core earnings, the company has adjusted for the following key items in the determination of this metric:

- certain non-cash and accounting adjustments;
- gains or losses on the disposal of assets and the associated tax treatment;
- certain foreign exchange and hedging items;
- antecedent earnings adjustment.

The specific adjustments are detailed in the statement of distributable earnings presented below. All of these adjustments are derived from the face of the income statement presented and the notes accompanying these financial statements.

Distributable earnings

	6 months ended 31 August 2020 R'000	6 months ended 31 August 2019 R'000	Year ended 29 February 2020 R'000
(Loss)/profit for the period (attributable to owners of the parent)	(121 763)	485 848	682 167
Adjusted for:			
Fair value adjustments to investment properties	80 296	(124 173)	(21 764)
Less: Fair value adjustment to investment properties (NCI)+	(4 613)	(202)	6 664
Headline earnings	**(46 080)**	**361 473**	**667 067**
Adjusted for:			
Straight-lining of leases adjustment	(15 773)	(51 617)	(80 420)
Less: Straight-lining of leases adjustment (NCI)+	1 646	5 882	3 809
Fair value adjustments to derivative financial assets and liabilities	488 116	95 279	279 316
Equity-settled share-based payment reserve	5 833	2 622	11 150
Capital items non-distributable#	18 364	1 652	2 017
Deferred taxation	(1 397)	(36 378)	(79 471)
Antecedent dividend*	6 863	26 665	35 899
Distributable earnings	**457 572**	**405 577**	**839 367**

+ Non-controlling interest

* Antecedent dividend
In the determination of distributable earnings, an adjustment is made where equity capital is raised during the financial year to avoid diluting the returns of existing shareholders prior to the share issue. During the reporting period, the group issued the majority of the shares pursuant to the accelerated bookbuild on 3 March 2020 and the divident reinvestment programme in May 2020 which gave rise to antecedent earnings included above.

This primarily pertains to a foreign exchange loss relating to a capital item of R13.6 million.

	31 August 2020 R'000	31 August 2019 R'000	29 February 2020 R'000
The following inputs impacted the antecedent earnings adjustment:			
Opening balance – shares in issue	554 441 246	503 416 786	503 416 786
Increase in shares in issue as a result of accelerated bookbuild	42 780 748	37 091 989	37 091 989
Dividend reinvestment programme	16 682 158	3 839 423	13 391 072
Shares issued in terms of conditional share plan	813 821	541 399	541 399
Closing balance – shares in issue	**614 717 973**	**544 889 597**	**554 441 246**

Dividends declared and distribution per share

Total distribution for the year – 2021	Cents per share	R'000
Interim dividend declared on 12 October 2020 (Dividend number 14)	**74.44**	**457 572**

Total distribution for the year – 2020	Cents per share	R'000
Interim dividend declared on 7 October 2019 (Dividend number 12)	74.43	405 577
Final dividend declared on 4 May 2020 (Dividend number 13)	76.96	433 790
Total distribution for the year ended 29 February 2020	**151.39**	**839 367**

Appendix 2 – SA REIT disclosure

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

	6 months ended 31 August 2020 R'000	6 months ended 31 August 2019 R'000
SA REIT Funds from Operations (SA REIT FFO) per share		
(Loss)/profit for the period (attributable to owners of the parent)	**(121 763)**	**485 848**
Adjusted for:		
Accounting/specific adjustments:	64 029	(211 339)
Fair value adjustments to:		
Investment property	80 296	(124 173)
Depreciation and amortisation of intangible assets	903	829
Deferred tax movement recognised in profit or loss	(1 397)	(36 378)
Straight-lining operating lease adjustment	(15 773)	(51 617)
Adjustments arising from investing activities:	–	–
Foreign exchange and hedging items:	501 705	97 254
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	488 116	95 279
Foreign exchange gains or losses relating to capital items – realised and unrealised	13 589	1 976
Other adjustments:	3 896	32 345
Non-controlling interests in respect of the above adjustments	(2 967)	5 680
Antecedent earnings adjustment	6 863	26 665
SA REIT FFO:	**447 867**	**404 108**
Number of shares outstanding at end of period (net of treasury shares)	614 717 973	544 889 597
SA REIT FFO per share (cents):	**72.86**	**74.16**
Company-specific adjustments (cents per share)	1.58	0.27
Payroll costs incurred of a capital nature	0.69	–
Equity settled share based payment charge	0.95	0.48
Sundry income of a capital nature	(0.06)	(0.21)
Distributable earnings per share (cents):	**74.44**	**74.43**
SA REIT Net Asset Value (SA REIT NAV)		
Reported NAV attributable to the parent	**10 723 750**	**9 464 105**
Adjustments:		
Dividend to be declared	(457 572)	(405 577)
Fair value of certain derivative financial instruments	328 093	102 721
Deferred tax	(181 973)	(104 938)
SA REIT NAV:	**10 412 298**	**9 056 310**
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	614 717 973	544 889 597
Effect of dilutive instruments (options, convertibles and equity interests)	3 379 130	2 056 589
Dilutive number of shares in issue	**618 097 103**	**546 946 186**
SA REIT NAV (Rand per share):	**16.85**	**16.56**

	6 months ended 31 August 2020 R'000
SA REIT cost-to-income ratio	
Expenses	
Operating expenses per IFRS income statement (includes municipal expenses)	69 358
Administrative expenses per IFRS income statement	34 043
Exclude:	
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(903)
Operating costs	**102 498**
Rental income	
Contractual rental income per IFRS income statement (excluding straight-lining)	433 835
Utility and operating recoveries per IFRS income statement	60 774
Gross rental income	**494 609**
SA REIT cost-to-income ratio	**20.7%**
SA REIT administrative cost-to-income ratio	
Expenses	
Administrative expenses as per IFRS income statement	34 043
Administrative costs	**34 043**
Rental income	
Contractual rental income per IFRS income statement (excluding straight-lining)	433 835
Utility and operating recoveries per IFRS income statement	60 774
Gross rental income	**494 609**
SA REIT administrative cost-to-income ratio	**6.9%**
SA REIT GLA vacancy rate	
Gross lettable area of vacant space	27 022
Gross lettable area of total property portfolio	707 769
SA REIT GLA vacancy rate	**3.8%**

Cost of debt	**SA**	**UK**
Variable interest-rate borrowings		
Floating reference rate plus weighted average margin	5.1%	1.9%
Fixed interest-rate borrowings		
Weighted average fixed rate	0.0%	2.6%
Pre-adjusted weighted average cost of debt:	**5.1%**	**2.3%**
Adjustments:		
Impact of interest rate derivatives	2.6%	0.3%
Impact of cross-currency interest rate swaps	(0.1%)	0.0%
Amortised transaction costs imputed into the effective interest rate	0.1%	0.1%
All-in weighted average cost of debt:	**7.7%**	**2.7%**

Appendix 2 continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2020

	6 months ended 31 August 2020 R'000
SA REIT loan-to-value	
Gross debt	5 220 600
Less:	
Cash and cash equivalents (and including short-term deposits)	(349 386)
Add:	
Derivative financial instruments	595 607
Net debt	**5 466 821**
Total assets – per Statement of Financial Position	16 892 475
Less:	
Cash and cash equivalents (and including short-term deposits)	(349 386)
Derivative financial assets	(11 707)
Trade and other receivables	(107 194)
Carrying amount of property-related assets	**16 424 188**
SA REIT loan-to-value ("SA REIT LTV")	**33.3%**

Administration

Directors

Non-executive directors

PL Campher* (Chairman), G Lanfranchi (Deputy Chairman), RE Benjamin-Swales*, ME Brey*, E Cross*, K Dreyer, AJ Gouws, N Khan*, K Ntuli*
**Independent*

Executive directors

A Taverna-Turisan (CEO)^, GR Gous (COO), L Razack (CFO)
^*Italian*

Equites Property Fund Limited

(Incorporated in the Republic of South Africa)
(Registration number 2013/080877/06)
JSE share code: EQU ISIN: ZAE000188843
JSE alpha code: EQUI
(Approved as a REIT by the JSE)
("Equites" or "the company" or "the group")

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Company secretary

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Transfer secretary

Computershare Investor Services Proprietary Limited

Auditors

PricewaterhouseCoopers Inc.

Equity sponsor

Java Capital

Debt sponsor

Nedbank Limited

Date of Publication

13 October 2020

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