equites
PROPERTY FUND

Audited summary consolidated financial statements

for the year ended 29 February 2020

Contents

Audited summary consolidated financial statements for the year ended 29 February 2020

Highlights

Distribution per share growth	NAV per share growth	Loan-to-value
↑ 9.4%	↑ 3.7%	↓ 26.1%

Commentary

1. The year in review

For the financial year to 29 February 2020, Equites Property Fund Limited ("Equites" or "the company") has continued to excel and return strong total shareholder returns. This financial year has been defined by a consistent focus on value creation through the efficient deployment of capital to create robust, sustainable income growth and achieve long-term capital appreciation.

Our curated portfolio of high-quality logistics assets continues to create a compelling investment case. In the past year, specific focus has been based on ensuring that each acquisition and development meets the group's strict investment criteria. We have successfully deployed capital and increased the portfolio by R2.9 billion (24.4%) since February 2019. Since listing, the compounded annual growth rate in Equites' share price and market capitalisation has exceeded 10% and 48% respectively.

Our financial performance over the past 12 months is testament to the strength of our tenant base, our sound investment philosophy and our prudent financial risk management policies. Financial highlights for the year include:

- Distribution per share ("DPS") of 151.39 cents compared to 138.43 cents for the financial year ended 28 February 2019, an increase of 9.4%.
- Loan-to-value ("LTV") of 26.1% (including the equity capital raise on 3 March 2020), compared to 26.9% at February 2019 exhibits the characteristics of a conservative financial profile and sound financial risk management.
- The all-in cost of debt has fallen by 77 basis points to 5.94%, partially as a result of falling global interest rates but also due to the attractive spreads that we have been able to secure additional debt funding.
- Diligent management of liquidity, resulting in cash and available facilities of R1.5 billion, an increase of R0.6bn from 28 February 2019.
- Net asset value ("NAV") per share has increased by 3.7% over the financial year to R17.55 which reflects a compound annual growth rate since listing exceeding 10%.

We have continued to enhance income certainty by both increasing our weighted average lease expiry period ("WALE") and increasing the credit quality of our portfolio. Our WALE has increased to 10.2 years, up from 8.8 years at 28 February 2019. Furthermore, 94.0% of our revenue is derived from A-grade tenants increasing from 92.5% at 28 February 2019.

In the financial year ended 29 February 2020, we completed seven developments with a capital value of R1.3 billion and commenced the development of six, state-of-the-art logistics facilities with a capital value of R1.1 billion on completion.

On 11 March 2020, the World Health Organisation ("WHO") declared COVID-19 a pandemic. Within three weeks, both the South African ("SA") and United Kingdom ("UK") government introduced significant measures to curtail business activities to reduce the spread of the virus. The curtailment measures imposed and the concomitant impact that those measures have had on a leveraged global financial ecosystem with greater exposure to systemic risk have produced wild and capricious swings in global financial markets.

Since 29 February 2020, we have collected 92.8% and 100% of the contractual rental due in terms of our lease agreements in SA and the UK, respectively. While the situation remains fluid and largely unpredictable, we remain cautiously optimistic that opportunities will arise from our position of strength.

Commentary (continued)

2. Equites – who we are

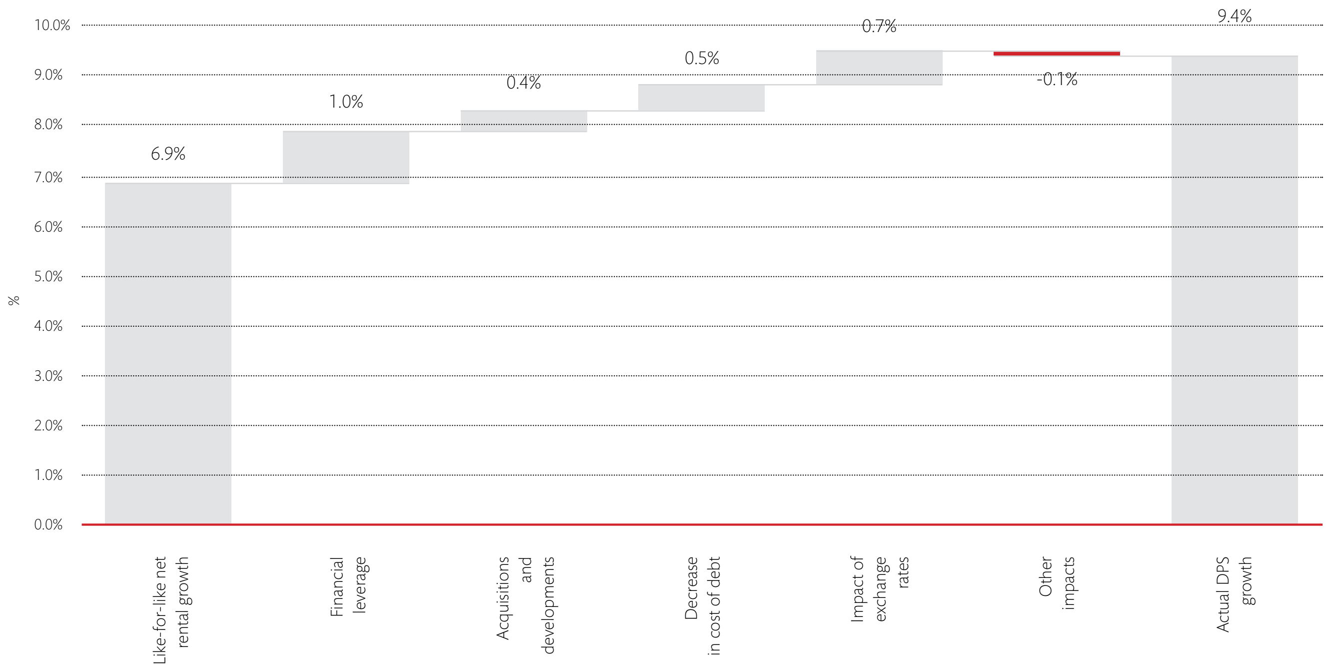
Equites listed on the Johannesburg Securities Exchange ("JSE") on 18 June 2014 and has established itself as a market leader in the logistics property space. Equites and its subsidiaries (together the "group") has executed its vision of becoming a globally relevant Real Estate Investment Trust ("REIT"), with a footprint in SA and the UK. Whilst retaining a clear focus on high-quality logistics properties, the value of the portfolio has grown significantly from R1 billion on listing to R15 billion at 29 February 2020.

3. Our financial performance

Our financial performance for the current year demonstrates that we have continued to efficiently allocate capital to create sustainable income growth while focusing on long-term capital appreciation as a result of sound investment decisions, optimising the cost of capital and through effective property and asset management.

3.1. Distribution per share

DPS grew by 9.4% compared with the prior financial year mainly as a result of strong growth in like-for-like net rental income which is largely a product of the longevity of our WALE.

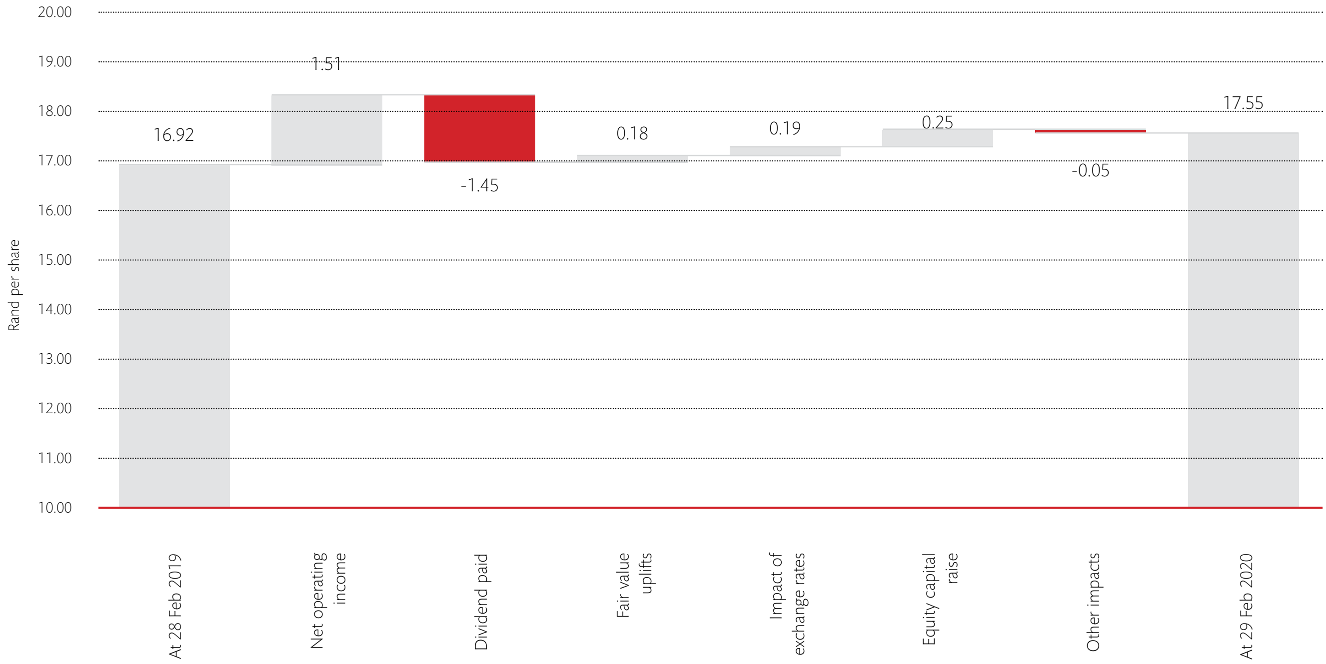


The group has achieved DPS growth of 9.4% for the current financial year which was underpinned by:

- Like-for-like net rental growth, calculated on a constant currency and interest rate basis, of 6.9% which largely depicts our robust in-force contractual lease escalation rate considering that the UK rentals are subject to 5-yearly rent reviews as opposed to annual escalations.
- Financial leverage contributed only 1.0% as we maintained a low LTV. Capitalisation of finance costs onto developments also reduces the effective financial leverage.
- Acquisitions and developments contributed 0.4% predominantly through the deployment of debt and equity capital at net initial yields that exceeded our marginal weighted cost of capital. We broadly maintained our capital structure during the period, and the impact of equity raises are included in this component.
- The reduction in the cost of debt, both in SA and in the UK, partially as a result of falling interest rates in both jurisdictions, the impact of the increased proportion of UK debt funding as a proportion of the total outstanding debt and tightening of credit spreads in both jurisdictions as a result of our strong credit metrics.
- The impact of the 4.5% depreciation in the rand for the comparative financial year coupled with the impact of our foreign exchange hedging policy.

3.2. NAV per share

NAV per share increased from R16.92 at 28 February 2019 to R17.55 at 29 February 2020, an increase of 3.7%. The growth in NAV per share is largely a product of the capital appreciation of our portfolio, the impact of rand depreciation and the effects of the equity raise.



In conjunction with distribution growth, NAV per share plays an important role in demonstrating long-term shareholder value creation. NAV per share grew by 3.7% during the year under review with the following main contributors:

- Fair value uplifts contributed 1.1 percentage points ("%pt") (R0.18) to the overall growth in NAV per share.
- 7.6% depreciation in the rand at 29 February 2020 (relative to 28 February 2019) resulted in a 1.1%pt (R0.19) increase in the NAV per share growth.
- Growth in net operating income generated during the year (net of the dividend paid over the same period) added 0.3%pt (R0.06) to the growth in NAV per share.
- Raising equity at a premium to our NAV per share contributed 1.5%pt (R0.25) to the NAV growth on a per share basis.

4. Our operating context

As we present our results for the sixth operating year, we face an unprecedented global economic and health crisis. The emergence of Coronavirus disease ("COVID-19") has overshadowed our performance over the past twelve months with all our attention now firmly focused on safeguarding the value created and adapting to the changing landscape. We have built our portfolio in a financially responsible manner and this has provided us with a sound foundation to prevail in these extraordinary times.

4.1. Impact of COVID-19

On 11 March 2020, the World Health Organisation ("WHO") declared COVID-19 a pandemic. Since the outbreak of COVID-19, prices of risk assets have fallen sharply. Equity markets have endured declines of 30% or more at the trough and credit spreads have widened, most notably for sub-investment grade covenants. While the extent of the impact of these measures is not yet fully understood, it is clear from data releases over the past month that the economic damage caused will surpass that suffered after the global financial crisis of 2007-2009.

Most economic forecasts made for 2020 (as it relates to real GDP growth, inflation expectations and unemployment rates) before the onset of COVID-19 have been shattered and while it is challenging to accurately estimate the impact of the virus, the need remains urgent. In SA, the SARB forecasts a 6.1% contraction in 2020 compared to the 0.2% contraction expected at the beginning of April. GDP is then expected to grow by 2.2% in 2021 and by 2.7% in 2022. In the UK, growth forecasts have been revised to reflect a 6.5% contraction for 2020. The IMF predicts that the crisis would have a sharp impact on the country's growth but expects a rapid recovery with growth of 4.0% forecast in 2021.

While it is still too early to quantify the full impact, if any, of COVID-19 on our core portfolio, we have evaluated the impact on both SA and the UK on rental collections since year-end and tenants' ability to remain operational during this period.

Commentary (continued)

4. Our operating context continued

4.1. Impact of the Coronavirus disease (COVID-19) continued

4.1.1. South Africa

Rental collections

Since 29 February 2020, a total of R97 million was due in terms of contractual rental agreements in SA. We have collected 92.8% of this rental, a testament to the credit quality of our portfolio.

Furthermore, we have engaged with many of our tenants individually to understand how we may assist them to ensure the sustainability of their businesses. In this regard, we have granted short-term cash flow relief to tenants representing 3.7% of total contractual rental by deferring a portion of rental for 3 months and an agreement has been made with these tenants to settle the outstanding balance over a limited period. For a small minority of tenants (1.1% of contractual rental), we have had exceptional cases and therefore granted the deferral benefit over 6 months with the outstanding balance to be settled thereafter. At present, 2.4% of the rental due in terms of contractual rental agreements for the two-month period remains outstanding.

Rental collections

Rental paid for March and April 2020	**92.8%**
Arrangements made for cash flow relief	**4.8%**
Short-term cash flow relief (less than 3 months)	3.7%
Longer-term cash flow relief (3 months or more)	1.1%
Rental in arrears	**2.4%**
Contractual rental for March and April 2020	**100.0%**

Ability to remain operational

While rental collections for March and April 2020 has remained robust, we recognise that our ability to collect rentals in future is contingent upon our tenants' ability to remain operational. During the nationwide lockdown over the past several weeks, 80.4% of our tenants have remained operational, albeit with some tenants on a reduced scale. We expect that more tenants will be able to resume operations as a result of the government's decision to partially relax some of the lockdown restrictions since 1 May 2020.

4.1.2. United Kingdom

Rental collections

Since 29 February 2020, we have collected 100% of the contractual rental due in terms of lease agreements. Furthermore, we remain confident about the financial strength of our tenants in the UK and we anticipate that the structural trends that have been driving occupier demand for high-quality, well located logistics facilities will be further reinforced by the crisis.

Ability to remain operational

Excluding the two tenants who are currently undergoing fit-out works as a result of having recently occupied both properties, all our tenants in the UK remain operational, with some operating on a reduced scale.

4.2. Equites' response to COVID-19

Our most valuable resource remains our people. We have therefore proactively implemented measures to limit the potential spread of the virus among our employees, service providers, tenants and other persons linked to the business. We implemented work-from-home policies in March 2020, ensured that all staff had the capabilities and means to work from home and we have committed to all staff that their salaries would not be at jeopardy due to the lockdown.

We have engaged with our service providers, contractors and subcontractors who are currently employed at our various logistics parks and on our building sites and have agreed to assist in ensuring that their low-income workers are provided with a living wage. We have contributed R1 million to the various organisations, some of which may be recovered when UIF payments are received from the government. Through The Michel Lanfranchi Foundation, we have committed financial resources to ensuring that we feed some of the most vulnerable families in the environments in which we operate. Lastly, the executive team have, in response to President Ramaphosa's challenge to join him in the support of the most vulnerable in our society, uniformly agreed to forfeit 1/3 of their salary for three months to be donated to charities of their choice.

5. Our property portfolio

All acquisitions and developments are expected to create value and increase the overall quality and defensiveness of the portfolio. When evaluating the feasibility of a transaction, we determine an acceptable rate of return over the investment horizon by calculating the weighted average cost of capital and adding an appropriate risk premium which considers the location, lease length, lease escalation rate, covenant strength and any other factors that might materially alter the investment risk.

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. When it comes to implementation, the baseline specification is enforced diligently, and the highest quality materials are sourced to ensure low maintenance and to enhance 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.

For the year under review, we have delivered a total of seven assets with a capital value of R1.3 billion. Due to the exacting nature of these buildings and the highest quality standards we adhere to in all new builds, we view this as an increasingly important source of our portfolio's growth in future years.

5.1. Acquisitions and developments

We have made the following acquisitions and developments during the 2020 financial year:

Property	Type	Capital value	Location	Date
The Hub, Unit 1	Development	£12 million	Burgess Hill, UK	Completed April 2019
Peterborough Gateway 2	Development	£13 million	Peterborough, UK	Completed June 2019
Equites Park – Bellville 3	Development	R46 million	Bellville, Western Cape	Completed June 2019
Equites Park – Meadowview West 3	Development	R120 million	Meadowview, Gauteng	Completed July 2019
Equites Park – Meadowview West 19A	Development	R180 million	Meadowview, Gauteng	Commenced August 2019
Equites Park – Meadowview West 19B	Development	R222 million	Meadowview, Gauteng	Commenced August 2019
Equites Park – Meadowview West 8 (extension)	Development	R60 million	Meadowview, Gauteng	Commenced July 2019
Super G	Acquisition	£30.7 million	Glasshoughton, UK	Acquired August 2019
Parc Felindre	Development	£12 million	Swansea, UK	Commenced January 2019 and completed October 2019
Waterfall 8B (extension)	Development	R22 million	Midrand, Gauteng	Commenced June 2019 and completed January 2020
Airport Industria 2 (refurbishment)	Development	R25 million	Airport Industria, Western Cape	Commenced January 2020
The Hub, Unit 3	Development	£13 million	Burgess Hill, UK	Commenced October 2019 and completed February 2020
Total Park	Development	£12 million	Leeds, UK	Commenced in November 2019
Equites Park – Plumbago West 1	Development	R275 million	Witfontein, Gauteng	Commenced in February 2020
Equites Park – Plumbago West 2	Development	R150 million	Witfontein, Gauteng	Commenced in February 2020
Philippi 2	Development	R70 million	Philippi, Western Cape	Commenced in February 2020

Commentary (continued)

5. Our property portfolio continued

5.2. Update on our UK strategic venture

The demand that has been placed on the logistics asset class in the UK both by institutional property investors and leading global property investors, together with the scarcity of investment-grade facilities which meets Equites' investment criteria, have compressed yields to a level that makes it difficult for Equites to compete for new product. This scarcity has become more pronounced as UK REITs and other property companies have entered into exclusivity agreements with leading developers in the UK. Equites' decision to partner with a best-in-class development team in Newlands Property Developments LLP ("Newlands") provides us with the opportunity to unlock value on land holdings in the UK in the coming years, thereby ensuring that we are able to continue to grow the UK portfolio by developing assets at a discount to market value.

In the year under review, we concluded two acquisitions of land and entered into options over four other land parcels as part of our strategic venture with Newlands. The first transaction related to the acquisition of 12 hectares of land in Basingstoke for a consideration £14.2 million. While planning approvals are only expected later in 2020, the land has already been marketed to interested users and we expect a deal to be imminent.

The second transaction relates to the acquisition of a 6.7 hectare plot in the Peterborough Gateway logistics park for a price of £7.3 million. All the requisite approvals are in place on this land parcel and the negotiations for a pre-let development are underway with a large e-commerce logistics user.

5.3. Capital commitments

We have capital commitments over the next 12-18 months as outlined below:

R'm	29 February 2020	28 February 2019
SA acquisitions and developments	**1 800**	**364**
– Acquisition of investment property	1 192	–
– Development of investment property	608	364
UK acquisitions and developments	**148**	**329**
Total capital commitments	**1 948**	**692**

The most significant capital commitment pertains to the obtaining of control over a portfolio of distribution centres in SA which is expected to be completed in the coming months. The group is currently in discussions with several debt and equity investors in relation to this transaction.

Due to the measures taken to combat the impact of the COVID-19 pandemic, and the concomitant impact on capital and debt markets, the board of directors of Equites has resolved not to proceed with the transaction with Pepkor Trading Proprietary Limited ("Pepkor") in terms of which Equites was to develop a 122 734 square metre warehouse facility in Hammarsdale, KwaZulu-Natal at an indicative total cost of development of R1.3 billion. Equites has nevertheless indicated to Pepkor that it would like to continue its constructive engagement with Pepkor with a view to possibly conclude a transaction once market conditions are more conducive.

6. Portfolio valuations

The fair value of our property portfolio has increased by 24.4% from R12.0 billion at 28 February 2019 to R14.9 billion at 29 February 2020. Most of this growth is attributable to pre-let developments in SA and the UK, and the acquisition of one property in the UK.

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. The assumptions used in the DCF valuations are derived from external observable evidence, including, inter alia, SAPOA and MSCI published guidelines in SA and the Gerald Eve Prime Logistics reports in the UK.

Due to increased focus on property valuations, we have revised our external valuation policy to enhance transparency. In order to do this, we made the following improvements:

- Increased our valuation panel both in SA and the UK – we now have a total of five external valuation specialists who provide their expertise in valuing our portfolio.
- Increased the frequency of the valuations – we have targeted externally valuing every property in our portfolio at least once every 18 months.

Externally valued income-producing properties by gross lettable area	29 February 2020	31 August 2019	28 February 2019
Externally valued	61%	14%	24%
Internally valued	39%	86%	76%
Total	**100%**	**100%**	**100%**

We continue to make significant steps towards increasing the frequency of external valuations and have externally valued more than 70% of our portfolio in the current financial year.

We consider the reasonability of our valuations based on the type of property and the associated characteristics. These are summarised below:

Property type	Description
Modern distribution centre	Well located properties with high specification levels including ultra-flat floors, large volumetric capacity, deep yards and advanced fire protection. Site coverage typically averages 50%.
Logistics campus	Properties that include both a modern distribution centre and the tenant's head office (national or international). Given the number of head office staff, these properties also typically have a larger number of parking bays and other value adding elements. The office components are exclusively A- and P-grade, which increases the average value significantly.
Cross docking/ultra-low coverage	Properties that are designed to meet the needs of a 3PL or last-mile fulfilment occupier and necessarily have a site coverage of below 35%. This category includes cross-docking facilities and city distribution units where the value of the yard, increases the comparable value on a GLA basis.
Other	All properties that are not used for logistics. This category includes a jet hangar, a bakery and the commercial property in our portfolio.

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%	R11 211	13.59%	8.05%
	Logistics campus	36%	R17 695	13.39%	8.00%
	Cross-docking / Ultra-low coverage	12%	R15 787	13.56%	8.06%
	Other	6%	R17 596	13.83%	8.58%
SA total:		**100%**	**R14 470**	**13.53%**	**8.07%**
United Kingdom	Modern distribution centre	44%	R23 298	5.83%	5.16%
	Cross-docking / Ultra-low coverage	56%	R49 574	5.27%	4.70%
UK total:		**100%**	**R37 935**	**5.52%**	**4.91%**

Commentary (continued)

7. Managing our portfolio

One of our competitive advantages relates to how we manage our properties. We are selective when assessing the tenants that we would like in our portfolio and we render a personalised service to each tenant to ensure the highest levels of tenant satisfaction. By constantly assessing the portfolio and managing individual sites, we strengthen our competitive position, attract, and retain quality tenants, maintain the integrity of the buildings, and consequently, support our property values.

Our WALE of 10.2 years and proportion of A-grade tenants of 94.0% remain sector-leading. We invest in locations that evidence strong potential for capital and rental growth and which serve as proven nodes given their proximity to road networks, densely populated areas and accessibility to a large labour force.

7.1. The quality of our tenants

	Based on rentable area		Based on contractual revenue	
	Feb-20	**Feb-19**	**Feb-20**	**Feb-19**
A – Large nationals, large listed and government	90.2%	84.6%	94.0%	92.5%
B – Smaller international and national tenants	4.0%	3.1%	3.6%	2.2%
C – Other local tenants and sole proprietors	2.4%	8.4%	2.4%	5.3%
Vacant	3.4%	3.9%	n/a	n/a
	100.0%	**100.0%**	**100.0%**	**100.0%**

We favour long-dated leases with low-risk tenants, which is reflected in the fact that 94.0% of our revenue is derived from A-grade tenants. This, in conjunction with the long WALE, suggests a high level of income predictability and a low risk of default.

7.2. Lease longevity

Weighted average lease expiry by revenue (years)	**Feb-20**	**Feb-19**
South Africa – Industrial	7.2	7.9
South Africa – Commercial*	n/a	3.0
	7.2	**7.9**
United Kingdom – Industrial	14.1	11.0
Weighted average lease expiry	**10.2**	**8.8**

Weighted average lease escalation (%)	**Feb-20**	**Feb-19**
South Africa – Industrial	**7.7**	**7.6**
South Africa – Commercial*	n/a	8.4
Weighted average lease escalation	**7.7**	**7.7**

* Commercial property is vacant at year end

	Based on rentable area		Based on contractual revenue	
Lease expiry	**Feb-20**	**Feb-19**	**Feb-20**	**Feb-19**
Vacant	3.4%	3.9%	n/a	n/a
Expiry within 1 year	2.8%	2.1%	2.6%	2.6%
Expiry within 2 years	2.3%	4.9%	2.6%	4.0%
Expiry within 3 years	10.5%	8.6%	8.4%	7.8%
Expiry within 4 years	11.5%	9.2%	13.1%	6.1%
Expiry within 5 years	10.6%	12.7%	13.5%	14.3%
Expiry beyond 5 years	58.9%	58.6%	59.8%	65.2%
	100.0%	**100.0%**	**100.0%**	**100.0%**

Through active asset management, we have continued to increase our WALE, which increased from 8.8 years to 10.2 years at 29 February 2020. Combined with strong in-force escalations in SA and guaranteed rental increases in most of the UK leases, this will result in predictable income growth for at least the foreseeable future. Less than 14% of our leases (based on contractual revenue) expire in the next three years.

7.3. Tenant location

Geographic profile	Based on rentable area Feb-20	Based on rentable area Feb-19	Based on contractual revenue Feb-20	Based on contractual revenue Feb-19
Gauteng	48.3%	50.6%	50.9%	52.9%
Cape Town	22.2%	25.4%	20.6%	23.5%
KwaZulu-Natal	4.1%	4.3%	3.0%	1.7%
United Kingdom	25.4%	19.7%	25.5%	21.9%
	100.0%	**100.0%**	**100.0%**	**100.0%**

Our portfolio is concentrated in key logistics nodes which are typically nodes with excellent road infrastructure, access to sufficient electricity and water supply, labour within close proximity and areas expected to benefit from strong occupier demand. While the UK portfolio continues to grow, the SA portfolio still contributed 74.5% of our total revenue for the financial year ended 29 February 2020. The largest single geographic concentration is Gauteng, with 48.3% of our portfolio currently situated in the region. We view this region as the hub of South African logistics and we continue to focus our growth efforts there.

7.4. Vacancies

Vacancy profile by rentable area	Feb-20	Feb-19
Industrial	1.4%	3.8%
Commercial	100.0%	7.1%
	3.4%	**3.9%**

A vacant industrial facility has been let since year-end. With the letting of this facility, the vacancy rate decreases to 2.2% by gross lettable area, with the vacancy rate on the industrial portfolio at a low 0.2%. The commercial vacancy relates to the offices at Jet Park. This was acquired as part of a brownfields site and plans are currently underway to let the high-quality office component to a single user.

7.5. Customer type

Sectoral profile	Based on rentable area Feb-20	Based on rentable area Feb-19	Based on contractual revenue Feb-20	Based on contractual revenue Feb-19
Industrial	98.0%	97.3%	97.6%	97.8%
Commercial	2.0%	2.7%	2.4%	2.2%
	100.0%	**100.0%**	**100.0%**	**100.0%**

Commentary (continued)

8. Treasury financial management

8.1. An update on financial markets

Global interest rates have fallen dramatically over the past 12 months with the US 10-year treasury yield falling to all-time lows of 0.32%. The SA and UK Monetary Policy Committees have cut their repurchase rates 250bps and 65bps, respectively, over the same period, largely in response to the economic threat posed by lockdown measures introduced by both governments.

Although COVID-19 results in both a supply (firm shutdowns) and demand (decrease in spending) shock, the depth of the fall in economic demand is likely to result in benign inflation forecasts in the short-term. However, medium-term inflationary risks could materialise as a result of substantial quantitative easing coupled with the recent emergency interest rate cuts and the impact of soft currency depreciation.

8.2. 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 outlined in our policy are outlined below together with the steps taken in the past six months to abide by these principles:

	Principle	Application
(i)	Minimise the current cost of capital using an optimal mix of debt and equity	– Reduction in cost of debt in SA and the UK of 35 basis points and 19 basis points since February 2019 respectively – Continued to take advantage of pricing mismatches in the UK as evidenced in the additional £41 million, 7-year loan drawn at an all-in fixed interest rate of 2.40%
(ii)	Diversify the sources of finance employed to fund operations	– Issued R600 million in unsecured notes and commercial paper in the current financial year – Eight financial institutions providing SA and UK bank funding on a secured and unsecured basis
(iii)	Phase the maturity of outstanding financial liabilities	– Increased weighted average term debt maturity profile from 3.6 years at February 2019 to 4.0 years at February 2020 – Less than 15% of outstanding debt expiring in the next two years with over 35% expiring beyond the next five years
(iv)	Ensure that strong liquidity is maintained	– Increase in undrawn facilities to R1.4 billion at February 2020 (including R0.8 billion equity raise) – Increase in unencumbered assets from R2.2 billion at February 2019 to R2.9 billion at February 2020 – Cash generated from operations has increased R202 million (29.9%) from February 2019 to February 2020
(v)	Appropriately manage significant financial risks	– Maintained interest rate hedging levels above 80% throughout the period under review – Maintained the duration of derivative interest rate hedging instruments at 4 years at February 2020 – Continued to reduce cross currency interest rate swap ("CCIRS") utilisation from 36.3% at February 2019 to 29.0% at February 2020
(vi)	Maintain a robust balance sheet which offers flexibility for future growth opportunities	– Actual LTV levels over the past five years have remained well below the 35% upper limit of the target range – Raised R1.55 billion through oversubscribed accelerated bookbuilds in August 2019 and March 2020 – LTV at 26.1% at February 2020 (including R0.8 billion capital raise), down from 26.9% at February 2019

We have upheld these key principles which has culminated in a sound financial profile and disciplined capital allocation. This foundation continues to provide us with the necessary flexibility to pursue growth opportunities while ensuring that the existing base portfolio experiences the accretive benefits associated with more diversified and cost-effective funding sources.

8.3. How we manage our capital structure

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and reducing the cost of capital. As a REIT, we are required to declare at least 75% of our distributable earnings as a dividend. The board has decided (subject to the availability of cash resources and legislative requirements) to declare 100% of our distributable earnings as a dividend on a biannual basis for the foreseeable future. As a result of our dividend policy, capital expansion is funded through a combination of bank debt and equity funding. We also promote our dividend-reinvestment plan as a tax efficient mechanism to retain a proportion of our distributable earnings for future expansion.

We target an LTV of between 25% and 35% over time. LTV is determined based on the ratio of net debt to the fair value of property assets as follows:

	29 February 2020	28 February 2019
Net debt (excluding derivatives financial instruments):	**4 741 671**	**3 271 967**
Less: equity capital raise in March 2020	(800 000)	–
Net debt (including impact of equity capital raise)	**3 941 671**	**3 271 967**
Total assets	**15 202 824**	**12 238 767**
Less: assets related to net debt	(76 742)	(91 235)
Fair value of property assets:	**15 126 082**	**12 147 532**
LTV ratio (including impact of equity capital raise):	**26.1%**	**26.9%**

8.4. Our sources of debt funding

We have established several diversified sources of debt funding both in the UK and in SA and now have debt facilities of R5.4 billion (FY19: R4.2 billion) across term facility agreements, unsecured listed and unlisted notes and working capital facilities. R1.4 billion (FY19: R0.9 billion) of these facilities are undrawn (including the impact of the equity capital raise) at the end of the period and are available to fund acquisitions and developments.

During the period under review, we remained resolute in taking advantage of pricing mismatches between the UK gilt curve and the GBP LIBOR forward curve and drew down on a further £41m loan facility with Aviva Commercial Finance Limited at an all-in fixed interest rate of 2.40%.

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	500 000	110 000	390 000	2.3%
FY22	799 102	598 243	200 859	12.4%
FY23	1 203 000	1 202 996	4	24.9%
FY24	750 000	750 000	–	15.5%
FY25 and beyond	2 195 529	2 166 805	28 724	44.9%
Sub-total	**5 447 631**	**4 828 044**	**619 587**	**100.0%**
Equity capital raise	–	(800 000)	800 000	n/a
Total	**5 447 631**	**4 028 044**	**1 419 587**	**100.0%**

Our all-in effective cost of debt has fallen 77 basis points to 5.94% since our last reporting period mainly as a result of the additional GBP debt funding but also due to the 35 basis points and 19 basis points decreases in the cost of debt capital in SA and in the UK respectively.

	29 February 2020	28 February 2019
All-in ZAR effective fixed cost of debt	8.55%	8.90%
All-in GBP effective fixed cost of debt	2.70%	2.89%
All-in effective average fixed cost of debt	5.94%	6.71%
Marginal ZAR effective cost of debt	8.14%	8.76%
Marginal GBP effective cost of debt	2.65%	2.83%

Commentary (continued)

8. Treasury financial management continued

8.5. Financial risk management

8.5.1. 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 29 February 2020 has been performed as follows:

R'000	29 February 2020	28 February 2019
Interest rate swaps and collars	2 120 113	1 614 124
Cross currency interest rate swap	600 000	600 000
Embedded derivative	229 627	260 567
Fixed interest-bearing borrowings	1 524 243	653 427
Hedge cover	**4 473 983**	**3 128 118**
Total interest-bearing borrowings	**4 796 043**	**3 310 524**
Hedge cover of term loan balances	**93.3%**	**94.5%**
Total interest-bearing borrowings	**4 796 043**	**3 310 524**
Contracted capital commitments (and including development accruals)	2 109 118	378 640
Less: equity raise in March 2020	(800 000)	–
Total committed future cash outflows	**6 105 162**	**3 689 164**
Hedge cover	**4 473 983**	**3 128 118**
Forward-starting interest rate swaps	1 370 514	–
Total hedge cover	**5 844 497**	**3 128 118**
Total effective interest rate risk exposure hedged	**95.7%**	**84.8%**

At 29 February 2020, we had hedged 93.3% and 95.7% of the existing term loan balances and total committed future cash outflows, respectively. A significant component of our contracted capital commitments pertains to a single transaction which is expected to complete in the coming months. We have therefore entered into forward-starting interest rate swaps at favourable fixed interest rates to partially mitigate the interest rate risk that arises in respect of this transaction.

8.5.2. 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 29 February 2020, the utilisation of CCIRS had fallen to 29.0%, down from 36.3% at 28 February 2019.

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

£'000	29-Feb-20	28-Feb-19	28-Feb-18	28-Feb-17
Carrying amount of UK assets	318 351	213 504	146 945	49 126
Nominal value of derivative currency hedging instruments	92 447	77 447	74 860	32 905
CCIRS hedged of foreign denominated assets	**29.0%**	**36.3%**	**50.9%**	**67.0%**

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 exceptional 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
31 August 2020	90.0%	R20.07/£	R20.51/£
28 February 2021	85.0%	R20.36/£	R20.94/£
31 August 2021	70.0%	R20.63/£	R20.98/£
28 February 2022	60.0%	R22.04/£	R22.04/£

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.

9. Sustainability

We recognise that without consideration of the environment, our employees, our tenants, the communities in which we operate and our suppliers, we cannot exist. We are a supporter of the UN Sustainability Development Goals and in order to better amalgamate our core business with our sustainability focus, we underwent an internal review of how to best focus our efforts to create sustainable value and devise a strategy around this. Even though the impacts of this will not be immediate, our steady and consistent effort towards stakeholder value creation will bring long term positive results. This will be an iterative process and we will continuously monitor and evolve our sustainability strategy to adapt to our environment.

Through stakeholder engagement, we devised the key material focus areas for the year as follows:

- Ethics: We are committed to fair and ethical practices both within the organisation and for our stakeholders. Through recognising the importance of a sound ethical foundation, we aim to uphold the highest ethical standards throughout the organisation.
- Community upliftment and education initiatives: Our focus for the year was on educational initiatives and our impact on the local communities in which we build our sites. Our strategy is to create a lasting impact on society, with the long-term view of sustainably developing the skills set of people in our country, which will have a lasting impact on our economy and self-development.
- Customer centricity: With tenants being the main pillar of the business, we recognise the importance of building long standing relationships with our tenants as our success relies on constant engagement and maintaining trust with them.
- Human capital: With our small, highly motivated team of dedicated individuals, we ensure that there is a good representation of skills, experience and diversity in our group and through our transformation initiatives, consideration around our employees profiles is given when seeking talent to join our team.
- Environmental consciousness: The environment, its resources and the management thereof are of paramount importance in the way we conduct our activities. We recognise that the continuity of our business and our shared resources weigh heavily, not only from a short-term perspective, but also from a longer-term view and preserving our natural capital. We assess the impact on ecological resources and try to incorporate natural resources and environmentally responsible techniques in our developments.

10. Transformation and B-BBEE

To remain a responsible corporate citizen, 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 second year in a row, with a verified black ownership of 54% and note that we will continue to find meaningful ways in which to improve our impact on the economy and society.

11. Prospects

Through focusing on the strength and quality of our underlying portfolio, being disciplined in our capital allocation, and managing the flexibility of our balance sheet, Equites' has demonstrated a large degree of resilience in the face of adversity.

However, we are aware that the economic consequences of COVID-19 will be far-reaching, and the economic pain has yet to be fully experienced. Furthermore, while we are continually stress-testing our forecasting models and planning for various extremely unlikely eventualities, the level of unpredictability continues to rise. It is for these reasons that providing detailed guidance proves to be challenging. The board will therefore communicate guidance once the situation surrounding the pandemic becomes clearer and the board is comfortable that the guidance is highly probable.

Commentary (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 29 February 2020

12. Subsequent events

The two relevant subsequent events relate to the equity capital raise on 3 March 2020 and the impact of COVID-19, both of which have been outlined above.

13. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited ("JSE") for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting . Except for the adoption of revised and new standards that became effective during the year, all accounting policies applied in the preparation of these summary consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

Laila Razack, in her capacity as Chief Financial Officer, was responsible for the preparation of these summary consolidated financial results.

13.1. Adoption of IFRS16

The group has adopted IFRS 16 from 1 March 2019 and comparatives have not been restated, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balances as at 1 March 2019.

Lessor accounting

The group acts as a lessor over all its leases over its investment property. These leases are classified as operating leases at lease inception. The group recognises lease payments received under an operating lease as income on a straight-line basis over the lease term as part of gross property revenue. The group did not need to make any adjustment to the accounting for assets held under operating leases as a result of the adoption of IFRS 16.

Lessee accounting

The group now recognises a right-of-use asset and a lease liability at the lease commencement date in relation to all lease agreements (save for where practical expedients are permitted by the standard) where it acts as the lessee.

On adoption of IFRS 16, the group recognises lease liabilities in relation to the leases which had been previously classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 March 2019.

14. Declaration of a final cash dividend with the election to reinvest the cash dividend in return for Equites shares ("dividend reinvestment alternative")

Notice is hereby given of the declaration of the final dividend number 13 of 76.95693 cents per share.

The board has declared a final gross dividend of 76.96 cents per share on 4 May 2020 further to total interim dividends of 74.43 cents per share. This brings the total distributions for the year ended 29 February 2020 to 151.39 cents per share, which is a 9.4% growth over the prior year total distributions of 138.43 cents per share. The DPS growth is in line with previously guided 8% – 10%.

Dividends declared (cents per share)	% change	29-Feb-20	28-Feb-19
Interim dividend		74.43	68.12
Final dividend		76.96	70.31
Total distributions for the year	**9.4%**	**151.39**	**138.43**

Shareholders will be entitled, in respect of all or part of their shareholdings, to elect to reinvest the cash dividend in return for Equites shares. Those shareholders who elect not to reinvest will receive a gross cash dividend of 76.96 cents per share. The entitlement for shareholders to receive the dividend reinvestment alternative is subject to the board agreeing on the pricing and terms of the dividend reinvestment alternative. The board in its discretion may withdraw the dividend reinvestment alternative should market conditions warrant such actions and such withdrawal will be communicated to shareholders prior to the finalisation announcement to be published by no later than 11:00 (SA time) on Tuesday, 12 May 2020.

A circular providing further information in respect of the cash dividend and dividend reinvestment alternative (the "circular") will be posted to shareholders and published on SENS on Tuesday, 5 May 2020. Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker should instruct their CSDP or broker with regard to their election in terms of the custody agreement entered into between them and their CSDP or broker.

The distribution of the circular and/or accompanying documents and the right to elect shares in jurisdictions other than the Republic of South Africa (SA) may be restricted by law and any failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdictions. Shareholders' rights to elect shares are not being offered, directly or indirectly, in the United Kingdom (UK), European Economic Area (EEA), Canada, United States of America (USA), Japan, Hong Kong or Australia unless certain exemptions from the requirements of those jurisdictions are applicable.

Fractions'

Trading in the Strate environment does not permit fractions and fractional entitlements. Where a shareholder's entitlement to the shares in relation to the dividend reinvestment alternative gives rise to an entitlement to a fraction of a new share, such fraction will be rounded down to the nearest whole number with the cash balance of the dividend being retained by the shareholders.

Salient dates and times	**2020**
Equites results including declaration of an interim distribution published on SENS	Tuesday, 5 May
Circular and form of election posted to shareholders	Tuesday, 5 May
Finalisation information including the share ratio and reinvestment price per share published on SENS by 11:00 (SA time)	Tuesday, 12 May
Last day to trade in order to participate in the election to receive shares in terms of the dividend reinvestment alternative or to receive a cash dividend ("LDT")	Tuesday, 19 May
Shares trade ex-dividend	Wednesday, 20 May
Listing of maximum possible number of shares under the dividend reinvestment alternative	Friday, 22 May
Last day to elect to receive shares in terms of the dividend reinvestment alternative or to receive a cash dividend (no late forms of election will be accepted) at 12:00 (SA time)	Friday, 22 May
Record date for the election to receive shares in terms of the dividend reinvestment alternative or to receive a cash dividend ("record date")	Friday, 22 May
Announcement of results of cash dividend and dividend reinvestment alternative released on SENS	Monday, 25 May
Payment of cash dividends to certificated shareholders by electronic funds transfer	Monday, 25 May
Dematerialised shareholders' CSDP or broker accounts credited with the cash dividend payment (if applicable)	Monday, 25 May
Share certificates posted to certificated shareholders on or about	Wednesday, 27 May
Dematerialised shareholders' CSDP or broker accounts credited with the new shares (if applicable)	Wednesday, 27 May
Adjustment to shares listed on or about	Friday, 29 May

Notes:

1. Shareholders electing the dividend reinvestment alternative are alerted to the fact that the new shares will be listed on LDT + 3 and that these new shares can only be traded on LDT + 3, due to the fact that settlement of the shares will be three days after the record date, which differs from the conventional one day after record date settlement process.
2. Shares may not be dematerialised or rematerialised between Wednesday, 20 May 2020 and Friday, 22 May 2020, both days inclusive.
3. The above dates and times are subject to change. Any changes will be released on SENS.

Commentary (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 29 February 2020

14. Declaration of a final cash dividend with the election to reinvest the cash dividend in return for Equites shares ("dividend reinvestment alternative") continued

Tax implications

Equites listed on the JSE as a REIT in line with the REIT structure as provided for in the Income Tax Act, No. 58 of 1962, as amended (the "Income Tax Act") and section 13 of the JSE Listings Requirements.

The REIT structure is a tax regime that allows a REIT to deduct qualifying distributions paid to investors, in determining its taxable income.

The cash dividend of 76.95693 cents per share meets the requirements of a qualifying distribution for the purposes of section 25BB of the Income Tax Act (a "qualifying distribution") with the result that:

- qualifying distributions received by resident Equites shareholders must be included in the gross income of such shareholders (as a non-exempt dividend in terms of section 10(1)(k)(aa) of the Income Tax Act), with the effect that the qualifying distribution is taxable as income in the hands of the Equites shareholder. These qualifying distributions are however exempt from dividends withholding tax, provided that the South African resident shareholders provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:
  - a declaration that the dividend is exempt from dividends tax; and
  - a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

- qualifying distributions received by non-resident Equites shareholders will not be taxable as income and instead will be treated as ordinary dividends but which are exempt in terms of the usual dividend exemptions per section 10(1)(k) of the Income Tax Act. Any qualifying distributions are subject to dividends withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder. Assuming dividends withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 61.56554 cents per share. A reduced dividend withholding rate in terms of the applicable DTA, may only be relied upon if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:
  - a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
  - a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Shareholders are advised that in electing to participate in the dividend reinvestment alternative, pre-taxation funds are utilised for the purposes and that taxation will be due on the total cash dividend amount of 76.95693 cents per share.

Other information

- The issued ordinary share capital of Equites at the date of declaration is 597 221 994 ordinary shares of no par value each before any election to reinvest the cash dividend.
- Income Tax Reference Number of Equites: 9275393180.

The cash dividend or the dividend reinvestment alternative may have tax implications for resident as well as non-resident shareholders. Shareholders are therefore encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

By order of the board

Equites Property Fund Limited

4 May 2020

Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Equites Property Fund Limited

Opinion

The summary consolidated financial statements of Equites Property Fund Limited, set out on pages 18 to 27 of the preliminary report titled "Equites Property Fund Audited summary consolidated financial statements", which comprise the summary consolidated statement of financial position as at 29 February 2020, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Equites Property Fund Limited for the year ended 29 February 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the notes to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 4 May 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in the notes to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Anton Wentzel
Registered Auditor

Cape Town
4 May 2020

Consolidated statement of financial position

Equites Property Fund Limited and its subsidiaries at 29 February 2020

	Notes	29 February 2020 R'000	28 February 2019 R'000
Assets			
Non-current assets			
Fair value of investment property (excluding straight-lining)	2	14 517 138	11 721 087
Straight-lining lease income accrual	2	317 030	236 510
Deferred tax asset		159 870	68 930
Non-current financial assets		6 226	38 692
Property, plant and equipment		15 399	10 366
		15 015 663	**12 075 585**
Current assets			
Trade and other receivables		76 191	110 640
Other current financial assets		16 791	16 263
Cash and cash equivalents		53 724	36 279
		146 706	**163 182**
Investment property held-for-sale	2	40 455	–
Total assets		**15 202 824**	**12 238 767**
Equity and liabilities			
Equity and reserves			
Stated capital		8 046 457	7 026 680
Accumulated profit		1 370 734	1 442 632
Foreign currency translation reserve		242 903	(19 361)
Share-based payment reserve		69 496	69 842
Total attributable to owners		**9 729 590**	**8 519 793**
Non-controlling interest		40 434	149 919
Total equity and reserves		**9 770 024**	**8 669 712**
Liabilities			
Non-current liabilities			
Loans and borrowings	3	4 686 043	3 232 837
Other non-current financial liabilities		173 957	22 355
Other liabilities		4 462	2 240
		4 864 462	**3 257 432**
Current liabilities			
Trade and other payables		389 496	200 108
Loans and borrowings	3	110 000	77 687
Other current financial liabilities		67 514	33 099
Current tax liability		1 328	729
		568 338	**311 623**
Total liabilities		**5 432 800**	**3 569 055**
Total equity and liabilities		**15 202 824**	**12 238 767**

Consolidated statement of comprehensive income

Equites Property Fund Limited and its subsidiaries for the year ended 29 February 2020

	Notes	29 February 2020 R'000	28 February 2019 R'000
Property revenue and tenant recoveries		913 279	701 000
Straight-lining of leases adjustment		80 420	65 158
Gross property revenue		**993 699**	**766 158**
Property operating and management expenses		(115 893)	(107 384)
Other net gains or losses		(20 162)	(81 959)
Administrative expenses		(53 117)	(42 413)
Fair value adjustments – investment property		21 764	220 212
Operating profit before financing activities		**826 291**	**754 614**
Finance costs	4	(218 529)	(70 731)
Finance income		6 494	3 223
Net profit before tax		**614 256**	**687 106**
Tax expense		76 996	28 854
Profit for the period		**691 252**	**715 960**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Translation of foreign operations		262 239	293 062
Total comprehensive income for the period		**953 491**	**1 009 022**
Profit attributable to:			
Owners of the parent		682 167	669 856
Non-controlling interest		9 085	46 104
		691 252	**715 960**
Total comprehensive income attributable to:			
Owners of the parent		944 431	962 918
Non-controlling interest		9 060	46 104
		953 491	**1 009 022**
Basic earnings per share (cents)	1	128.8	149.6
Diluted earnings per share (cents)	1	128.3	148.8

Consolidated statement of cash flows

Equites Property Fund Limited and its subsidiaries for the year ended 29 February 2020

	28 February 2020 R'000	28 February 2019 R'000
Cash flows from operating activities		
Cash generated from operations	879 623	677 214
Finance costs paid	(98 434)	(51 243)
Finance income received	6 494	1 846
Tax paid	(1 969)	(734)
Dividends paid	(760 236)	(572 665)
Net cash flows generated from operating activities	**25 478**	**54 418**
Cash flows from investing activities		
Acquisition of investment properties	(1 409 323)	(1 589 514)
Development of investment properties	(806 109)	(1 447 590)
Proceeds from disposal of investment properties	–	91 771
Purchases of current financial assets[a]	(928 000)	(210 000)
Proceeds on divestment of current financial assets[a]	929 629	210 000
Purchase and development of property, plant and equipment	(338)	(5 482)
Net cash flows utilised by investing activities	**(2 214 141)**	**(2 950 815)**
Cash flows from financing activities		
Proceeds from share issue (net of costs)	742 442	1 497 705
Proceeds from share issue relating to dividend reinvestment programme	270 633	125 145
Repurchase of share capital	–	(114)
Acquisition of non-controlling interest	(101 351)	–
Settlement of share-based payment transaction	(15 818)	–
Repayment of lease liability	(3 570)	–
Proceeds from borrowings	4 575 403	3 732 162
Repayment of borrowings	(3 263 278)	(2 442 146)
Net cash flows raised from financing activities	**2 204 461**	**2 912 752**
Net increase in cash and cash equivalents	15 798	16 355
Effect of exchange rate movements on cash and cash equivalents	1 647	2 111
Cash and cash equivalents at the beginning of the year	36 279	17 813
Cash and cash equivalents at the end of the year	**53 724**	**36 279**

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

Consolidated statement of changes in equity

Equites Property Fund Limited and its subsidiaries for the year ended 29 February 2020

	Stated capital R'000	Accumulated profit R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Total attributable to parent R'000	Non-controlling interest R'000	Total R'000
Balance at 1 March 2018	5 203 773	1 339 846	(312 423)	67 578	6 298 774	109 410	6 408 184
Profit for the year	–	669 856	–	–	669 856	46 104	715 960
Other comprehensive income	–	–	293 062	–	293 062	–	293 062
Shares issued for cash	1 511 441	–	–	–	1 511 441	–	1 511 441
Shares issued in terms of conditional share plan	5 518	–	–	(5 518)	–	–	–
Equity-settled share based payment for the acquisition of land	194 653	–	–	–	194 653	–	194 653
Equity-settled share-based payment charge	–	–	–	7 782	7 782	–	7 782
Dividends distributed to shareholders	–	(567 070)	–	–	(567 070)	(5 595)	(572 665)
Share issue in terms of dividend reinvestment programme	125 145	–	–	–	125 145	–	125 145
Treasury shares acquired	(114)	–	–	–	(114)	–	(114)
Share issue costs	(13 736)	–	–	–	(13 736)	–	(13 736)
Balance at 28 February 2019	**7 026 680**	**1 442 632**	**(19 361)**	**69 842**	**8 519 793**	**149 919**	**8 669 712**
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 year	–	682 167	–	–	682 167	9 085	691 252
Other comprehensive income	–	–	262 264	–	262 264	(25)	262 239
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	1	1
Transaction with non-controlling interests	–	17 195	–	–	17 195	(118 546)	(101 351)
Shares issued for cash	750 000	–	–	–	750 000	–	750 000
Share issue in terms of dividend reinvestment programme	270 633	–	–	–	270 633	–	270 633
Shares issued in terms of conditional share plan	6 702	–	–	(6 702)	–	–	–
Settlement of share-based payment transaction	–	(11 024)	–	(4 794)	(15 818)	–	(15 818)
Equity-settled share-based payment charge	–	–	–	11 150	11 150	–	11 150
Dividends distributed to shareholders	–	(760 236)	–	–	(760 236)	–	(760 236)
Share issue costs	(7 558)	–	–	–	(7 558)	–	(7 558)
Balance at 29 February 2020	**8 046 457**	**1 370 734**	**242 903**	**69 496**	**9 729 590**	**40 434**	**9 770 024**

Consolidated operating segment information

Equites Property Fund Limited and its subsidiaries for the year ended 29 February 2020

	29 February 2020 R'000	28 February 2019 R'000
Revenue		
SA industrial	658 296	532 142
UK industrial	232 925	153 232
Other	22 057	15 626
	913 279	**701 000**
Operating profit before financing activities		
SA industrial	581 406	559 042
UK industrial	240 320	189 099
Other	4 565	6 473
	826 291	**754 614**
Total assets		
SA industrial	8 611 914	8 075 299
UK industrial	6 399 580	3 987 185
Other	191 330	176 283
	15 202 824	**12 238 767**
Total liabilities		
SA industrial	3 048 765	2 262 521
UK industrial	2 374 916	1 260 549
Other	9 119	45 985
	5 432 801	**3 569 055**

Selected explanatory notes to the results

Equites Property Fund Limited and its subsidiaries for the year ended 29 February 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.

1.1 Basic earnings per share

Shares in issue	2020 Number of shares	2019 Number of shares
Number of shares in issue at end of year	554 441 246	503 416 786
Weighted average number of shares in issue	529 724 495	447 727 114
Add: weighted potential dilutive impact of conditional shares	2 050 970	2 305 592
Diluted weighted average number of shares in issues	531 775 465	450 032 706
Basic earnings per share	**cents**	**cents**
Basic earnings per share	128.8	149.6
Diluted earnings per share	128.3	148.8

1.2 Headline earnings per share

Reconciliation between basic earnings and headline earnings:	**R'000**	**R'000**
Earnings (profit attributable to owners of the parent)	682 167	669 856
Adjusted for:		
Fair value adjustments to investment properties	(21 764)	(220 212)
Less: Fair value adjustment to investment properties (NCI)	6 664	33 825
Profit or loss on sale of non-current assets	–	6 157
Headline earnings	**667 067**	**489 626**
Headline earnings per share:	**cents**	**cents**
Headline earnings per share	125.9	109.4
Diluted headline earnings per share	125.4	108.8

2 Investment property

	29 February 2020 R'000	28 February 2019 R'000
Investment property (excluding straight-lining) (note 2.1)	12 250 065	10 028 625
Investment property under development (note 2.1)	578 526	738 300
Freehold land available for development (note 2.1)	1 667 045	954 162
Right of use asset (note 2.1)	21 502	–
Investment property held for sale (note 2.2)	40 455	–
Straight-lining lease income accrual (note 2.3)	317 030	236 510
	14 874 623	**11 957 597**

Notes (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 29 February 2020

2 Investment property continued

2.1 Reconciliation of investment property

	South Africa							United Kingdom			
R'000	Logistics	Industrial	Commercial	Properties under development	Zoned industrial land	Strategic land holdings	Right-of-use asset	Logistics	Properties under development	Strategic land holdings	Total
Balance as at 28 February 2018	**4 439 187**	**251 266**	**117 019**	**233 500**	**260 957**	**256 640**	**–**	**2 040 515**	**300 613**	**–**	**7 899 697**
Acquisitions	1 112 388	–	112 000	–	347 653	120 000	–	–		92 126	**1 784 167**
Improvements and extensions	29 194	5 780	520	–	–	–	–	2 130	–	–	**37 624**
Construction and development costs	1 154	–	–	295 675	64 813	28 239	–	–	1 077 275	–	**1 467 156**
Transfers*	411 787	–	–	(206 571)	(111 321)	(93 895)	–	1 165 464	(1 073 338)	(92 126)	**–**
Letting commission capitalised	3 449	–	–	–	–	–	–	2 516	1 656	–	**7 621**
Letting commission amortised	(238)	–	–	–	–	–	–	–	–	–	**(238)**
Fair value adjustment	109 988	3 739	751	(811)	26 024	55 052	–	(3 001)	28 470	–	**220 212**
Disposals	–	–	(68 717)	–	–	–	–	–	–	–	**(68 717)**
Foreign exchange movements	–	–	–	–	–	–	–	291 734	81 831	–	**373 565**
Balance as at 28 February 2019	**6 106 909**	**260 785**	**161 573**	**321 793**	**588 126**	**366 036**	**–**	**3 499 358**	**416 507**	**–**	**11 721 087**
Change in accounting policy	–	–	–	–	–	–	23 624	–	–	–	**23 624**
Balance as at 1 March 2019	**6 106 909**	**260 785**	**161 573**	**321 793**	**588 126**	**366 036**	**23 624**	**3 499 358**	**416 507**	**–**	**11 744 711**
Acquisitions	–	–	–	–	80 600	–	–	797 468	86 264	479 183	**1 443 515**
Improvements and extensions	49 904	5	23	–	–	–	–	6 355	–	–	**56 287**
Construction and development costs	–	–	–	248 914	97 460	18 650	–	–	424 613	63 858	**853 495**
Transfers*	(35 140)	203 251	(40 455)	(105 188)	126 321	(189 244)	–	828 692	(832 674)	3 982	**(40 455)**
Letting commission capitalised	3 298	–	–	6 775	–	–	–	3 305	–	–	**13 378**
Letting commission amortised	(661)	–	–	–	–	–	–	(700)	–	–	**(1 361)**
Lease incentives capitalised	1 650	–	–	–	–	–	–	–	–	–	**1 650**
Lease incentives amortised	(103)	–	–	–	–	–	–	–	–	–	**(103)**
Remeasurements	–	–	–	–	–	–	451	–	–	–	**451**
Fair value adjustment	2 581	2 214	(9 952)	11 446	(5 590)	(4 490)	(2 573)	28 127	–	–	**21 764**
Foreign exchange movements	–	–	–	–	–	–	–	381 579	76	42 152	**423 807**
Balance as at 29 February 2020	**6 128 438**	**466 255**	**111 189**	**483 740**	**886 917**	**190 952**	**21 502**	**5 544 184**	**94 786**	**589 175**	**14 517 138**

* Transfers relates to the following:
- i) Land which has been zoned and service and available for a development to commence;
- ii) Land where a development has commenced;
- iii) Investment properties under development which have been completed;
- iv) Properties that are being refurbished; and
- v) Properties that have been recognised as held for sale.

Land immediately available for development are land parcels that have the necessary zoning rights and have been prepared for developments. Land for future developments relate to land parcels which are in the process of obtaining the necessary zoning rights to be available for development.

		29 February 2020 R'000	28 February 2019 R'000
2.2	**Investment property held for sale**		
	Opening balance	–	28 000
	Transferred from investment property	40 455	–
	Disposed during the year	–	(28 000)
	Fair value of investment properties held for sale	**40 455**	**–**
2.3	**Straight-lining lease income accrual**		
	Contractual lease receivables are as follows:		
	Within one year	606 624	544 073
	Within two years	639 677	566 887
	Within three years	607 113	552 106
	Within four years	491 477	489 236
	Within five years	424 598	392 375
	Beyond five years	1 473 462	1 219 514
		4 251 401	**3 764 191**
	Less: lease revenue on straight-line basis	(3 934 371)	(3 527 681)
	Straight-lining lease income accrual	**317 030**	**236 510**
3	**Loans and borrowings**		
	Opening balance	**3 310 524**	**1 942 669**
	Non-current borrowings	3 232 837	1 887 730
	Current borrowings	77 687	54 939
	Proceeds from borrowings	4 575 403	3 732 162
	Repayment of borrowings	(3 263 278)	(2 442 146)
	Interest amortisation	6 368	638
	Interest accrual	–	12 304
	Interest accrual reclassified to other payables	–	(18 089)
	Foreign exchange on borrowings	167 026	82 985
	Closing balance	**4 796 043**	**3 310 524**
	Non-current borrowings	4 686 043	3 232 837
	Current borrowings	110 000	77 687
4	**Finance costs**		
	Interest expense on borrowings	250 695	165 443
	Interest on lease liabilities	2 443	–
	Finance costs relating to interest rate derivatives	9 890	6 611
	Fair value movement on interest rate derivatives	105 234	15 077
	Interest on utility accounts and other	107	129
	Borrowing costs capitalised to investment property[a]	(149 840)	(116 529)
		218 529	**70 731**

[a] The capitalisation rate applied during the year was 8.7% (2019: 9.0%) in relation to general borrowings and 2.9% (2019: 3.0%) in relation to specific borrowings.

Notes (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 29 February 2020

		29 February 2020 R'000	28 February 2019 R'000
5	**Capital commitments**		
	Authorised and contracted for construction of new logistics properties	1 901 346	378 640
	Authorised but not contracted	46 509	313 662
		1 947 855	**692 302**
6	**Related parties**		
	Related party relationships exist between the company, its subsidiaries, directors, and key management of the group.		
	In the ordinary course of business, the group entered into the following other transactions with related parties:	137 570	138 216
	Dividend paid to related party shareholders	299	525
	Fees paid to Automotion (Pty) Ltd (in which Kevin Dreyer is a director)	32	29
		137 901	**138 770**

Appendix 1

Equites Property Fund Limited and its subsidiaries for the year ended 29 February 2020

Distributable earnings

	29 February 2020 R'000	28 February 2019 R'000
Profit or loss for the period (attributable to owners of the parent)	682 167	669 856
Adjusted for:		
Fair value adjustments to investment properties	(21 764)	(220 212)
Less: Fair value adjustment to investment properties (NCI)+	6 664	33 825
Profit or loss on sale of non-current assets	–	6 157
Headline earnings	**667 067**	**489 626**
Adjusted for:		
Straight-lining of leases adjustment	(80 420)	(65 158)
Less: Straight-lining of leases adjustment (NCI)+	3 809	7 616
Fair value adjustments to derivative financial assets and liabilities	279 316	214 479
Less: Fair value adjustments to derivative financial assets and liabilities (NCI)+	–	520
Equity-settled share-based payment reserve	11 150	7 782
Capital items non-distributable	2 017	(5 351)
Less: Capital items non-distributable (NCI)+	–	–
Deferred taxation	(79 471)	(30 186)
Antecedent dividend*	35 899	77 575
Distributable earnings	**839 367**	**696 903**

+ 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 5 August 2019 and the two dividend reinvestment programmes in June and October 2019, which gave rise to the antecedent earnings included above.

The following inputs impacted the antecedent adjustment	29 February 2020 Number of shares	28 February 2019 Number of shares
Opening balance – shares in issue	503 416 786	409 973 331
Increase in shares in issue as a result of accelerated bookbuild	37 091 989	76 950 771
Dividend reinvestment programme	13 391 072	6 256 682
Shares issued in terms of conditional share plan	541 399	786 818
Share issue in respect of property acquisition	–	9 449 184
Closing balance – shares in issue	554 441 246	503 416 786

Dividends declared and distribution per share

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**

Total distribution for the year – 2019	Cents per share	R'000
Interim dividend declared on 8 October 2018 (Dividend number 10)	68.12	309 266
Final dividend declared on 6 May 2019 (Dividend number 11)	70.31	387 637
Total distribution for the year ended 28 February 2019	**138.43**	**696 903**

Administration

Directors
A Taverna-Turisan (CEO)^, GR Gous (COO), PL Campher*† (Chairman), G Lanfranchi* (Deputy Chairman), AJ Gouws*, K Dreyer*, N Khan*†, RE Benjamin-Swales*†, ME Brey*†, E Cross*†, K Ntuli*†

* Non-executive
† Independent
^ Italian

G Mtetwa resigned from the board effective 31 August 2019 and B Goossens (CFO) resigned effective 31 December 2019.

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)
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Riaan Gous

Transfer secretary
Computershare Investor Services Proprietary Limited

Auditors
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Equity sponsor
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