equites
PROPERTY FUND

Audited summary consolidated financial statements

for the year ended 28 February 2021

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Audited summary consolidated financial statements for the year ended 28 February 2021

Highlights

Distribution per share

155.00 cents

Weighted average lease expiry

15.4 years

Loan-to-value

31.2%

Front cover: Equites Park – Riverfields 2, Gauteng.
Inside front cover: Equites Park – Meadowview, Gauteng.

Commentary

1 The year in review

Equites Property Fund Limited ("Equites" or "the Company") has benefited from a defensive and high-quality logistics portfolio, a conservative capital structure and a prudent approach to liquidity management despite the uncertainty and global devastation caused by the Coronavirus Pandemic ("COVID-19"). Whilst the majority of our tenants remained operational throughout 2020, short-term cashflow relief, in the form of rent deferrals, was provided to tenants who experienced difficulties due to lockdown measures imposed by both the SA and UK governments during 2020.

Our financial performance over the last 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 155.00 cents compared to 151.39 cents for the financial year ended 29 February 2020, an increase of 2.4% and in line with market guidance.
- Loan-to-value ("LTV") ratio of 31.2%, demonstrating a conservative capital structure.
- Net asset value ("NAV") per share decreased by 1.7% over the financial year to R17.25.
- Cash and undrawn facilities were R1.0bn at year-end, supported by two UK property disposals to Blackstone Group.
- Like-for-like ("LfL") portfolio valuations changed by -5.2% in SA and +5.0% in the UK (+9.7% including the impact of a weaker Rand).
- Delivered a positive total return (dividends and change in NAV per share) of 7.1%.
- Short-term cash flow relief of R42m granted to tenants during the period under review.
- Average rental collection rates for FY21 were 99.3% and 100% in SA and the UK, respectively.
- Logistics portfolio vacancy of 0.1% at year end.

We continued to enhance income certainty by both increasing our weighted average lease expiry ("WALE") period and improving the credit quality of our portfolio. Our WALE has increased to 15.4 years, up from 10.2 years at 29 February 2020, primarily supported by the Shoprite Checkers (Pty) Ltd ("Shoprite") transaction and the disposal of two properties in the UK with relatively shorter remaining lease periods. Furthermore, 95.0% of our revenue is derived from A-grade tenants, marginally higher than the 94.0% reported at 29 February 2020.

During the period under review we completed three state-of-the-art logistics developments in SA with a capital value of R635m, which enhanced the growth and quality of the SA portfolio. On the acquisition side, we concluded a strategic venture with Shoprite for the acquisition of a 50.1% equity stake in three distribution centres with an initial portfolio value of R3.2bn. These assets are let to Shoprite on 20-year fully repairing and insuring leases (with three 10-year renewal options) and an annual rental escalation rate of 5%. This was a landmark transaction for the portfolio which supports our investment fundamentals.

In the UK, we completed the development of a pre-let building in Leeds, which has a capital value of £12m and is let to DHL on a 15-year lease. We also recycled capital for the first time in the UK, through the disposal of two properties at a 5.8% premium to book value and a 4.79% exit yield. The sale proceeds will be reinvested into the development of high-quality logistics facilities by the Equites and Newlands Property Developments LLP ("Newlands") strategic venture, with these new warehouses being let on 20- and 15-year leases to Hermes Parcelnet Ltd ("Hermes") and Amazon UK Services Ltd ("Amazon"), respectively.

2 Equites – who we are

Equites listed on the JSE Limited ("JSE") on 18 June 2014 and has established itself as a market leader in the logistics property space. Equites (together with its subsidiaries, 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 facilities, the value of the portfolio has grown significantly from R1bn on listing to R19.3bn on 28 February 2021.

3 Our financial performance

Our financial performance for the current year demonstrates another year of efficient capital management which has translated into sustainable income growth and capital appreciation over time. This was complimented by sound investment decisions, optimising the cost of capital and an increased focus on effective property and asset management.

Commentary continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

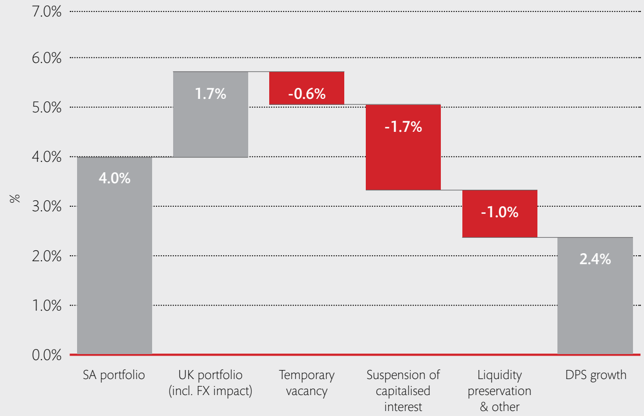
3 Our financial performance continued

3.1. Distribution per share

Our distribution per share grew by 2.4% to 155.00 cents (FY20: 151.39 cents), mainly on the back of strong growth in LfL net rental income, no tenant defaults and a limited number of lease expiries. Current year growth in DPS was impacted by the following key items:

- LfL net rental growth in the SA portfolio of 6.7% contributed to 4.0% DPS growth, a factor of our robust in-force contractual lease escalation rate.
- Higher cashflows received from the UK portfolio due to the depreciation in the Rand, which had the effect of a 1.7% increase in DPS.
- Capitalised interest was suspended for two months in 2020 due to COVID-19, which equated to R14.2m, a 1.7% decrease in DPS.
- A temporary vacancy contributed towards -0.6% DPS growth. The property has subsequently been let to a multinational tenant on a five-year lease.
- The cost of holding excess cash reserves in money market to preserve liquidity during the initial stages of the COVID outbreak detracted 1.0% of DPS growth.

FY21 DPS bridge

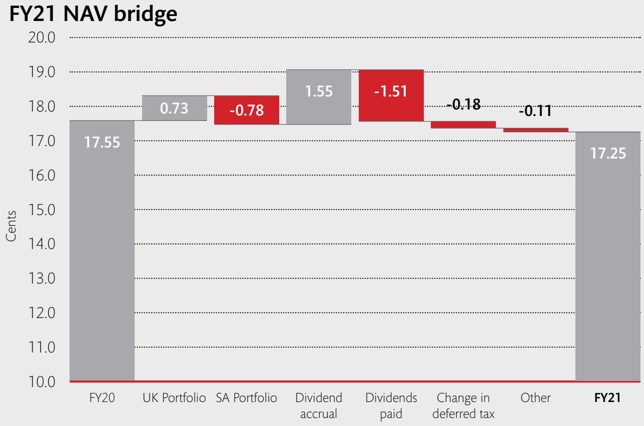


3.2. NAV per share

Our net asset value per share decreased by 1.7% from R17.55 on 29 February 2020 to R17.25 at 28 February 2021. The largest detractors from NAV growth were negative fair value adjustments in the SA portfolio and an increase in deferred tax liabilities primarily relating to the first-time recognition of deferred tax liabilities on fair value adjustments in the UK. The deferred tax liability recognition is a result of the change in UK tax laws whereby companies which were subject to tax under the Non-Resident Landlord Scheme have now become subject to Corporations Tax, effective 6 April 2020. The following key items impacted NAV per share:

- The UK portfolio's value increased by 9.7% on a LfL basis, supported by the compression of prime distribution yields in the UK during 2020 and a weaker Rand.
- Negative fair value adjustments on the SA portfolio were R394m, reducing NAV per share by 4.4%.
- The robust increase in property valuations in the UK as well as changes in the UK tax law, increased deferred tax liabilities, negatively impacting NAV per share by 1%.

FY21 NAV bridge

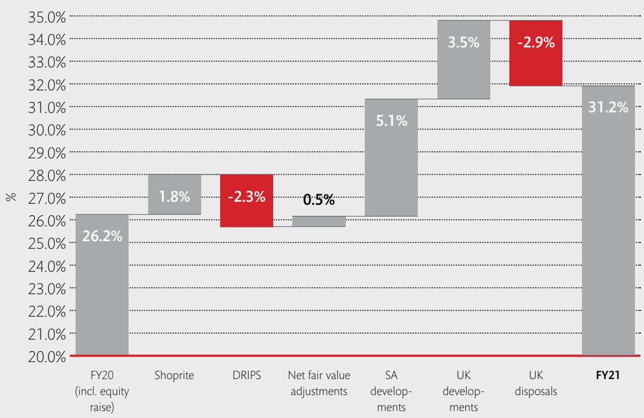


3.3. LTV ratio

Our LTV ratio was 31.2% at 28 February 2021. The key factors impacting our LTV ratio during the period under review were:

- The acquisition of the Shoprite portfolio increased our LTV ratio by 1.8%.
- The retention of capital from two dividend reinvestment programmes (R428m) decreased our LTV ratio by 2.3%.
- We invested R2.2bn in our development pipelines in SA and the UK, which had an 8.6% impact on the LTV ratio.
- The disposal of two UK logistics facilities to Blackstone for a purchase consideration of £43m decreased our LTV ratio by 2.9%.

LTV ratio



4 Operating amidst the pandemic

The past year has been one of the most challenging to date. The pandemic has not only caused health and economic uncertainty but has also precipitated a dramatic shift in our operating context. Global supply chains have been thrust into the spotlight and retailers have been forced to bolster their e-commerce offerings. Whilst we take cognisance of the challenges which the past year has presented, we look ahead to an era where we are poised to take advantage of the structural shifts benefiting our asset class which should lead to significant further growth.

4.1 Preservation of capital

We have reassessed all capital allocation decisions and increased risk premiums to reflect the heightened uncertainty in the economy. This led to some projects either being abandoned, as they no longer met our risk-adjusted internal return metrics or being delayed until such time as the economic environment has improved.

4.2 Liquidity and cash management

We adopted a conservative approach to liquidity management over the past year, due to the financial market volatility and uncertainty around COVID-19. The R800m capital raise (effective early March 2020) and additional debt facilities that were secured significantly improved our liquidity position and ensured that our minimum liquidity buffers were in place throughout the pandemic. Between March and October 2020, the Group held between R200m and R775m in call and money market funds to ensure liquidity. Stress tests were rigorously performed to ensure the Group had sufficient liquidity to service its obligations during the period under review.

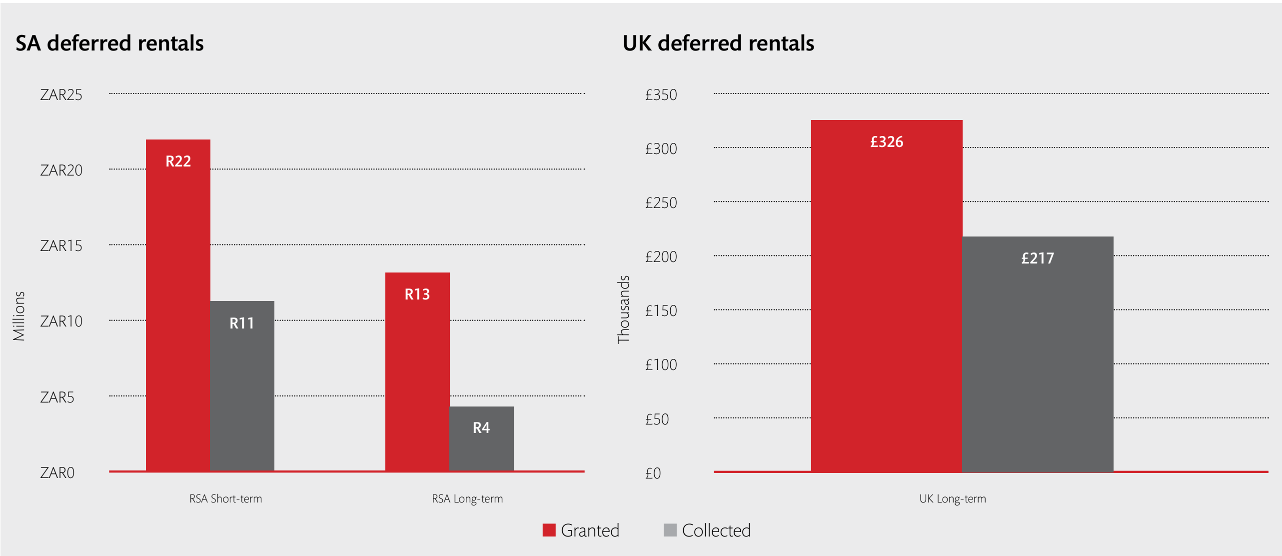
4.3 Tenant engagement

We proactively engaged with every single tenant to understand their immediate and long-term business needs during the pandemic and to ascertain how we could assist in ensuring the sustainability of their operations. For the majority of tenants, the immediate concern was their cash flow requirements for the duration of the lockdown. Following these engagements, we offered deferred rental arrangements to 31 tenants (29 in SA and 2 in the UK). The arrangements constituted short-term cash flow relief over a period of approximately three months. The majority of the repayments are to be made within 12 months with a few being extended over the remaining term of the lease.

Following a tumultuous trading year in 2020, most of these tenants have now turned the corner and have proactively reached out to us to convey their messages of gratitude. It is through these interactions that we understand the impact which we, as landlords, have had on their businesses and look forward to playing an integral part in their futures.

4.3.1 Deferred rental arrangements

Rental deferrals totalling R42m was granted across the group (R35m in SA and R7m in the UK) during the current financial year. Since granting the deferrals, we have seen a promising recovery, with no tenant defaults and R20m of the total deferred rentals having been repaid by 28 February 2021. From the outstanding balance at 28 February 2021, R18m is due to be repaid in the next 12 months and the remainder is to be recovered over the term of the lease. We do not expect further rental deferrals to be granted to our tenants.



Commentary continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

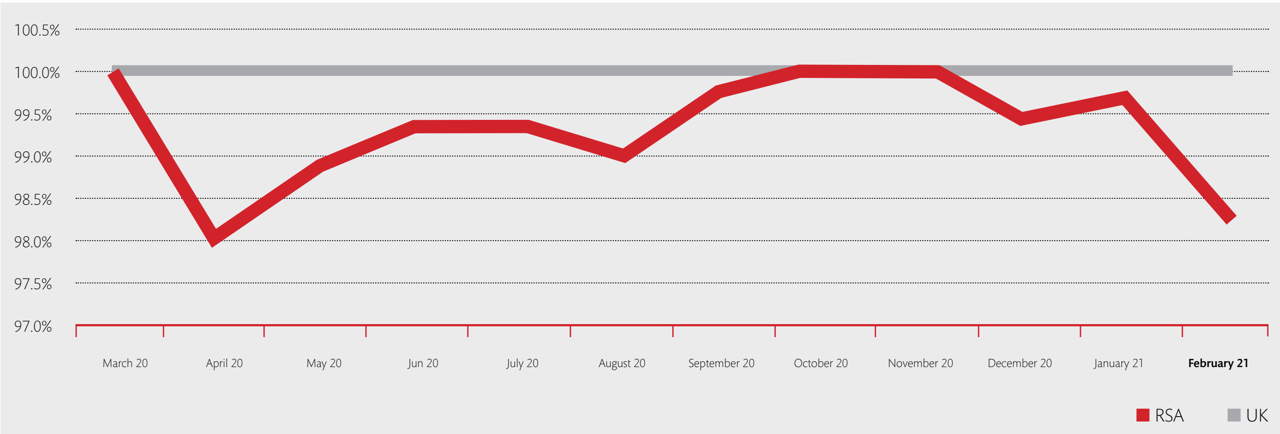
4 **Operating amidst the pandemic** continued

4.3 **Tenant engagement** continued

4.3.2 Rent collections

The average collection rate over the past year has been 99.3% in SA and 100% in the UK. This is testament to a resilient portfolio which comprises 95.0% A-grade tenants which service a diverse range of industries.

Collections as a % of rent receivable



4.4 **Employee health and safety**

Over the past year, we have made a concerted effort to prioritise the health and wellbeing of our people. Approximately two-thirds of our staff have spent the last year working from home, to ensure that the spread of the virus was contained, while committing their full time and resources to ensuring that Equites continued to function optimally. Those who returned to office were provided with additional sanitisers and masks and alternative transport arrangements were procured for those who travelled using public transport.

4.5 **Preservation of jobs**

We ensured that our employees were well equipped to work from home during the lockdown period by providing access to stable internet connections and confirmed that their hardware was in optimal working order to facilitate remote working.

We engaged with service providers who are an integral part of our developments, as well as those whom we have brought on as part of our Enterprise Supplier Development programme, to offer our assistance in ensuring that their low-income workers were provided with a living wage throughout the level-5 lockdown period, where no business activity was undertaken. As soon as lockdown restrictions allowed for development activities to commence, we prioritised the continued operations of our on-going development sites to ensure that contractors could commence operation and to limit delays caused by lockdown.

We contributed R1.6m to various contractors which ensured that all workers on our sites received a wage during these difficult times.

5 Growing our property portfolio

Our property portfolio has grown from R1bn on listing to R19.3bn at 28 February 2021, supported by acquisitions and developments in both our SA and UK portfolios. Only acquisitions that meet our strict investment criteria are undertaken. When performing a feasibility analysis on a transaction, we estimate a fair value for the property based on a discounted cash flow model. The discount rate incorporates an appropriate risk premium, which is a function of the investment risk of the property. The location of the property, lease length, lease escalation rate, covenant strength and any other factors that might materially alter the investment risk are the key variables impacting our required return. The largest transaction in the financial year was the Shoprite transaction, which presented a truly compelling investment case and is a prime example of our effective capital allocation decisions to create long-term shareholder value.

Our property developments team in SA continue 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 by global best practice and this remains one of our competitive advantages. We pride ourselves on being a sector specialist in SA, and we are able to provide valuable insights and recommendations to our clients' warehousing and supply chain requirements. Furthermore, we invest in long-term relationships with our tenants, which typically creates new opportunities for our development team over time.

For the year under review, we have delivered three modern distribution facilities in SA and one in the UK with a total capital value of R887m. A further two developments are expected to be completed by May 2021 with a combined capital value of R361m. Due to COVID-19, we experienced a noticeable decline in demand within SA for new warehousing in 2020. Activity has, however, significantly picked up in early 2021 and we believe that demand has reached 2019 levels, which was a record year for new developments for the Group.

5.1. Acquisitions and developments

We have made the following acquisitions and completed or commenced the following developments during the 2021 financial year:

Property	Tenant	Capital value	Location	Completion date
Completed developments				
Airport Industria 2 (refurbishment)	RöhligGrindrod	R25 million	Airport Industria, Western Cape	Completed August 2020
Meadowview West 8 (extension)	DSV Healthcare	R60 million	Meadowview, Gauteng	Completed August 2020
Total Park	DHL	£12 million	Leeds, UK	Completed October 2020
Equites Park – Meadowview West 19B	Altron	R240 million	Meadowview, Gauteng	Completed November 2020
Equites Park – Meadowview West 19A	Digistics	R220 million	Meadowview, Gauteng	Completed December 2020
Equites Park – Riverfields 2	Imperial	R175 million	Witfontein, Gauteng	Completed February 2021
Ongoing developments				
Philippi 2	n/a	R70 million	Philippi, Western Cape	Completed March 2021
Equites Park – Riverfields 1	Sandvik	R291 Million	Witfontein, Gauteng	Expected completion May 2021
Peterborough Gateway 3	Amazon	£41 million	Peterborough Gateway, UK	Expected completion July 2021
Hoyland Common	Hermes	£72 million	Barnsley, UK	Expected completion February 2022
Equites Park – Saxdowne 3	Nioro Plastics	R76 Million	Blackheath, Western Cape	Expected completion March 2022

Commentary continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

5 Growing our property portfolio continued

5.2. Update on our UK strategic venture

The investment landscape in the UK logistics property market was frenetic during 2020, as the sheer weight of capital chasing investment opportunities compressed distribution yields to record levels. With yields for prime logistics facilities continuing to reach unprecedented lows, it is currently not feasible for Equites to acquire new product in the open market, as the expected total return does not exceed our hurdle rate (predominantly due to the lower initial yields). Equites' decision to partner with a best-in-class development team, Newlands Developments – located in Rugby, Warwickshire in the heart of the logistics network – affords Equites the opportunity to expand in the premium sector of the UK logistics market at a discount to open market values.

As we do not expect UK development costs to rise substantially in the medium term, we anticipate that this, combined with the current yield compression in the UK logistics market will afford us substantial fair value uplifts. This will decrease our LTV ratio and create increased capacity to fund development activity.

We estimate that the value of the total potential pipeline of opportunities through the Newlands venture will be in excess of £800m over the next five years. New development opportunities will focus on large-scale, world-class distribution facilities in the UK let to multinational tenants with strong covenants on long-term leases. From a risk management perspective, Newlands will only undertake pre-let developments and will not embark on any speculative developments until the portfolio has reached scale. Land will initially mainly be controlled using options, until outline planning has been granted (often led by a tenant driven planning application), which will then trigger the acquisition of land parcels by Equites. The process of acquiring options over land instead of paying the entire purchase price upfront decreases the risks associated with the complexity of land assembly. Furthermore, we believe the UK logistics market will benefit from robust growth in online sales, and given the scarcity of land for development, we anticipate strong rental growth in the medium-term.

Due to the size of the potential pipeline, we are exploring various structures and alternative sources of funding to capitalise on the exciting pipeline of development opportunities in the UK. Due to the current demand in the logistics sector in the UK, the opportunities in this location currently outweigh those in SA and we therefore expect the UK portfolio to outgrow the SA portfolio in the long-term.

5.3. Capital commitments

The total capital commitments as at 28 February 2021 was R2.2bn. The majority of these capital commitments relate to development agreements that have been signed with Hermes (R1.3bn outstanding) and Amazon (R600m outstanding). The remainder of the commitments relate to development activities in SA. The developments will be funded from cash on hand, undrawn debt facilities, further listed debt and several equity sources including accelerated bookbuilds, dividend reinvestment programmes and the potential sale of a minority stake in the UK portfolio.

The capital commitments over the next 12-18 months are outlined as follows:

R'm	28 February 2021	29 February 2020
SA acquisitions and developments	**317**	**1 800**
– Acquisition of investment property	294	1 192
– Development of investment property	23	608
UK acquisitions and developments	**1 854**	**148**
Total capital commitments	**2 171**	**1 948**

6 Portfolio valuations

The fair value of our property portfolio has increased by 29.9% from R14.9bn at 29 February 2020 to R19.3bn at 28 February 2021. The majority of this growth is attributable to the conclusion of the Shoprite transaction, which is supplemented by completed developments in both SA and 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 MSCI information in the UK.

We used five external valuation specialists to value our portfolio as at 28 February 2021 and we externally value each property at least once every 18 months.

Valuations of income-producing properties by gross lettable area	28 February 2021	31 August 2020	29 February 2020
Externally valued	55.7%	23.9%	60.8%
Internally valued	44.3%	76.1%	39.2%
Total	**100.0%**	**100.0%**	**100.0%**

We continue to make significant steps towards increasing the frequency of external valuations and have externally valued 56% of our income producing property portfolio in the current financial year.

We consider the reasonability of our valuations based on the type of property and the associated characteristics, as 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 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 company 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 classified in the above categories. This category includes a jet hangar, bakery and mobile cell towers.

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/m^2)	Discount rate	Exit cap rate
South Africa	Modern-distribution centre	63.8%	R8 806	12.9%	7.8%
	Logistics campus	22.0%	R16 874	13.4%	8.2%
	Cross-docking / Ultra-low coverage	12.3%	R12 160	13.4%	8.0%
	Other	1.9%	R15 828	13.8%	9.8%
	SA total:	**100.0%**	**R11 128**	**13.1%**	**8.0%**
United Kingdom	Modern distribution centre	44.3%	R30 373	4.5%	4.2%
	Cross-docking / Ultra-low coverage	55.7%	R42 769	4.5%	4.7%
	UK total:	**100.0%**	**R37 277**	**4.5%**	**4.5%**

Commentary continued

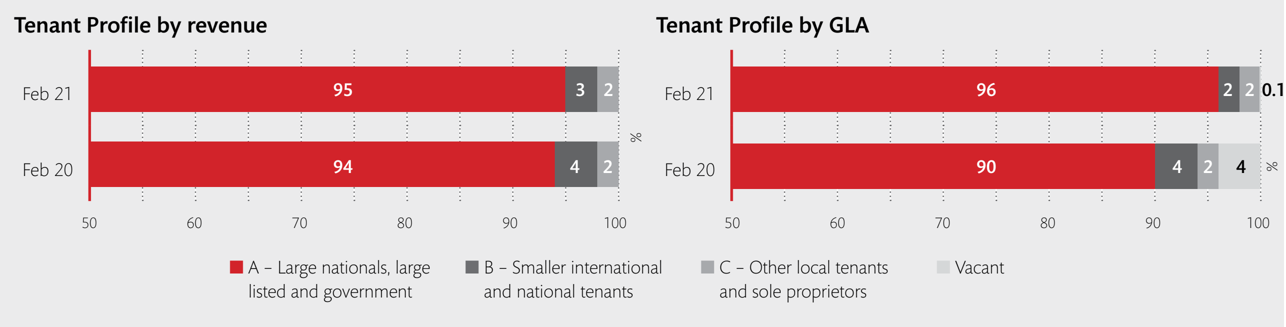
Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

7 Managing our portfolio

The proactive and effective management of our property portfolio is one of our core proficiencies. We are selective when appraising our tenants 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 15.4 years and proportion of A-grade tenants of 95.0% are unparalleled in the sector. 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



We favour long-dated leases with low-risk tenants, which is reflected in the fact that 95.0% of our revenue is derived from A-grade tenants. This, in conjunction with the long WALE, results in a high level of income predictability and a low risk of default.

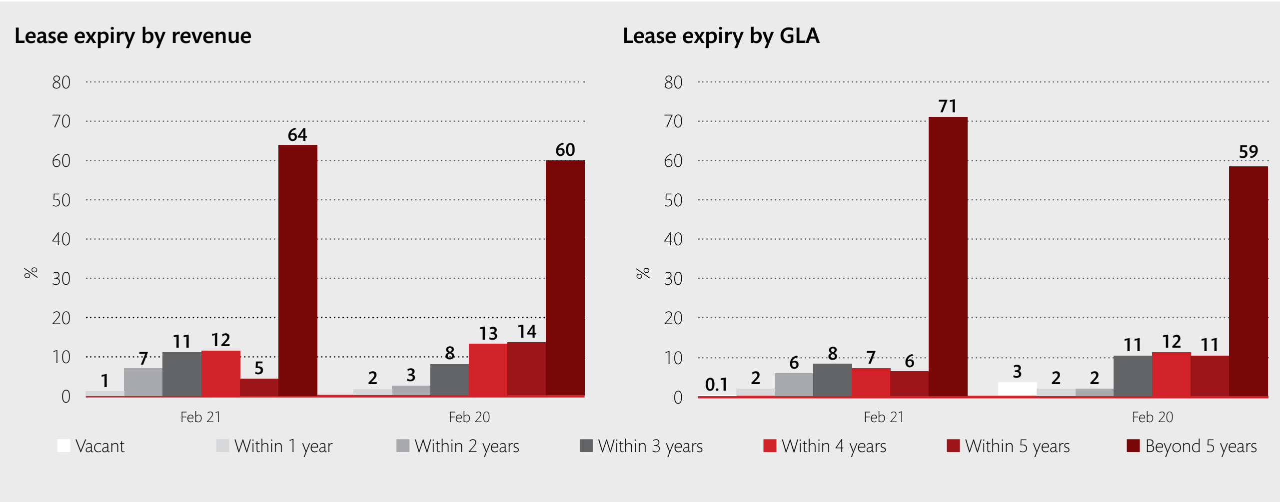
7.2 Lease longevity

Weighted average lease expiry by revenue (years)	28 February 2021	29 February 2020
South Africa – Logistics	15.6	7.4
South Africa – Industrial	4.1	4.9
	15.5	**7.2**
United Kingdom – Industrial	15.1	14.1
Weighted average lease expiry	**15.4**	**10.2**

Through active asset management we have continued to increase our WALE, which increased from 10.2 years at 29 February 2020 to 15.4 years at 28 February 2021. This is primarily attributable to the acquisition of three Shoprite distribution centres on 20-year leases in SA, completion of the DHL Leeds development in the UK on a 15-year lease and the sale of two Stoke properties in the UK on shorter lease terms.

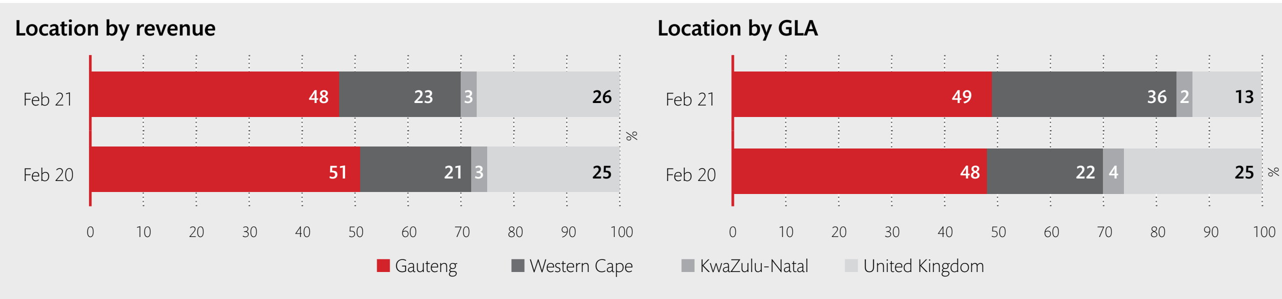
Weighted average lease escalation (%)	28 February 2021	29 February 2020
South Africa – Logistics	6.4	7.6
South Africa – Industrial	8.0	8.1
Weighted average lease escalation	**6.4**	**7.7**

Strong in-force escalations provide us with stable and predictable growth for the duration of the leases.



20.1% of all rentals expire within three years, with only 1.6% expiring in the next year. We actively engage with all of our tenants between 18 and 24 months prior to the expiry date of the lease to maximise the probability of retaining the tenant.

7.3 Tenant location



The Group continues to grow the SA portfolio though both acquisitions and developments, concentrated from a geographical perspective in Gauteng, with 49.5% of our lettable area currently situated in the region. We view this region as the hub of SA logistics, supported by our continuous research and analysis, and we continue to focus our growth efforts there.

7.4 Vacancies

Vacancy profile by rentable area	28 February 2021	29 February 2020
Industrial	0.1%	1.4%
Office	–	100%
	0.1%	**3.9%**

There are no vacancies in the SA logistics portfolio and the only vacancy in our portfolio relates to a single ancillary unit of 1 401m² located in the UK.

Commentary continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

8 Treasury financial management

8.1. An update on financial markets

Over the last 12 months we have witnessed significant economic and financial risks fuelled by the COVID-19 pandemic, with global trade tensions and policy uncertainty in both the world's major economies and in SA. Ongoing political instability combined with electricity shortages in SA continued to dent business confidence and exaggerated the economic impact of the pandemic for the country over this period.

A global economic recovery is anticipated to continue in the near term, led by the economies that have made robust progress in COVID-19 vaccinations such as the UK. Retail trade has rebounded to 2019 levels in some major economies, while other sectors reliant on human interaction, such as tourism and in-person retail shopping, remain subdued. In the UK, quantitative easing is expected to be maintained in the near term with monetary policy remaining accommodative until inflation reaches target levels and as such, interest rate hikes are only expected in 2022.

Whilst the SA economy is expected to fare better in 2021 than the past year, the slow rollout of vaccines and possible further waves of COVID-19 infections will hamper recovery, and growth will continue to remain subdued in the country. Whilst factors such as stronger exports, firmer consumer spending and the rebuilding of depleted inventories may add some stimulus, inflation will be kept in check by subdued demand and as such, interest rates are expected to remain low for 2021.

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. The six key principles of our policy are outlined below together with the steps taken in the past year 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 of 75bps compared with the prior year – Raised an additional R1.8bn of debt in the current financial year, increasing available debt and banking facilities to R7.3bn, in order to benefit from the lower interest rate environment
(ii)	Diversify the sources of finance employed to fund operations	– Issued an additional R0.9bn in unsecured bonds and commercial paper in the current financial year – Eight financial institutions provide SA and UK bank funding on a secured and unsecured basis
(iii)	Phase the maturity of outstanding financial liabilities	– Weighted average term debt maturity profile of 3.0 years at 28 February 2021 – Less than 15% of outstanding debt expires in the next year with one third of all debt expiring beyond 28 February 2025
(iv)	Ensure that strong liquidity is maintained	– Undrawn facilities and cash available at year-end totalled R1.0bn – Increase in unencumbered borrowings of R1.1bn through utilisation of DMTN Programme – Cash generated from operations has increased R0.4bn (49.4%) from 29 February 2020 to 28 February 2021
(v)	Appropriately manage significant financial risks	– Maintained interest rate hedging levels above 80% throughout the period under review – Duration of interest rate hedging derivatives of 3.6 years at 28 February 2021 – Continued to reduce cross-currency interest rate swap ("CCIRS") utilisation from 29.0% at 29 February 2020 to 25.2% at 28 February 2021
(vi)	Maintain a robust balance sheet which offers flexibility for future growth opportunities	– LTV levels over the past five years have remained below 35% – LTV at 31.2% with an increase in net debt at year-end of R2.3bn to R6.2bn and no additional equity capital raise following R0.8bn capital raise in March 2020

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

The Group aims to maintain a strong capital base through the optimal management of capital in order to provide sustainable returns for shareholders. The Group may maintain or adjust the capital structure through various mechanisms, including issuing new shares or selling assets to reduce debt. The board has decided 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 programme as a tax efficient mechanism to retain a proportion of our distributable earnings for future expansion.

The Group strategy is to maintain a conservative capital structure. The LTV ratio increased from 26.2% at 29 February 2020 to 31.2% at 28 February 2021 predominantly as a result of an increase in unsecured debt issuance.

	28 February 2021	29 February 2020
Net debt (excluding derivatives financial instruments):	**6 216 027**	**4 741 671**
Less: equity capital raise in March 2020	–	(800 000)
Net debt (including impact of equity capital raise)	**6 216 027**	**3 941 671**
Total assets	**20 857 199**	**15 202 824**
Less: assets related to net debt	(925 436)	(152 933)
Fair value of property assets:	**19 931 763**	**15 049 891**
LTV ratio (Including impact of equity capital raise)	**31.2%**	**26.2%**

8.4. Sources of debt funding

We have established diversified sources of debt funding both in the UK and in SA and now have debt facilities of R7.3bn (FY20: R5.4bn) across term facility agreements, unsecured listed and unlisted notes and working capital facilities. R0.4bn of undrawn facilities and R0.6bn of cash (FY20: R1.4bn, which included an R0.8bn equity capital raise) are available to fund current acquisitions and developments.

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
FY22	1 409 880	984 558	425 321	14.4%
FY23	1 400 000	1 399 996	4	20.5%
FY24	1 771 000	1 760 500	10 500	25.8%
FY25	450 000	449 000	1 000	6.6%
Beyond FY25	2 234 289	2 234 289	–	32.7%
Total	**7 265 169**	**6 828 343**	**436 825**	**100.0%**

Our all-in effective cost of debt has fallen 75 basis points to 5.19% since 29 February 2020, driven principally by the 300bp decrease in base rates in SA and 61bp decrease in inter-bank lending rates in the UK impacting the unhedged portion of debt as indicated in point 8.5.1.

	28 February 2021	29 February 2020
All-in ZAR effective fixed cost of debt	6.85%	8.55%
All-in GBP effective fixed cost of debt	2.61%	2.70%
All-in effective average fixed cost of debt	5.19%	5.94%

Commentary continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

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.

An evaluation of the efficacy of our hedge cover at 28 February 2021 has been performed as follows:

R'000	28 February 2021	29 February 2020
Interest rate swaps and collars	4 025 270	2 120 113
Cross currency interest rate swap	600 000	600 000
Embedded derivative	199 344	229 627
Fixed interest-bearing borrowings	1 772 453	1 524 243
Hedge cover	**6 589 067**	**4 473 983**
Total interest-bearing borrowings	**6 828 343**	**4 796 043**
Hedge cover of term loan balances	**96.5%**	**93.3%**
Total interest-bearing borrowings	**6 828 343**	**4 796 043**
Contracted capital commitments (including development accruals)	2 170 938	2 109 118
Less: equity raise in March 2020	–	(800 000)
Total committed future cash outflows	**8 999 281**	**6 105 161**
Hedge cover	**6 589 067**	**4 473 983**
Forward-starting interest rate swaps	692 028	1 370 514
Total hedge cover	**7 281 095**	**5 844 497**
Total effective interest rate risk exposure hedged	**80.9%**	**95.7%**

At 28 February 2021, we had hedged 96.5% and 80.9% of the existing term loan balances and total committed future cash outflows, respectively.

8.5.2. Foreign exchange rate risk

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

Hedging net investment in foreign operation

Our treasury policy restricts the utilisation of CCIRS to 45% of foreign assets. 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 28 February 2021, the utilisation of CCIRS had fallen to 25.2%, down from 29.0% at 29 February 2020.

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

£'000	28 February 2021	29 February 2020	28 February 2019	29 February 2018
Carrying amount of UK assets	366 322	318 351	213 504	146 945
Nominal value of GBPZAR cross-currency swaps	92 447	92 447	77 447	74 860
Derivative hedging of foreign assets	**25.2%**	**29.0%**	**36.3%**	**50.9%**

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 outlined in the table below. As a result of the disposal of UK assets in the current financial year, the current forecast for UK earnings in the six months to 31 August 2021 is now lower than previously forecast when hedges for this six-month period were enter into, hence the effective hedging level being greater than 80%. Given current market conditions and the materiality, the Group elected not to unwind existing hedges for this six-month period.

Six-month period ended	Effective hedging level	Blended participation floor	Blended participation cap
31 August 2021	106.0%	R20.95/GBP	R21.25/GBP
28 February 2022	66.3%	R22.04/GBP	R22.07/GBP
31 August 2022	52.5%	R24.00/GBP	R24.00/GBP
28 February 2023	30.0%	R21.50/GBP	R24.00/GBP

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 and to gain from the hard currency appreciation over the medium- and long-term.

Commentary continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

9 Sustainability

We continue to integrate sustainability initiatives into all aspects of our operations. Our ESG verification was finalised for February 2021 by Sustainalytics UK (Ltd), and we achieved an overall improvement of 6% in our ESG risk management rating compared to February 2020, which displays our continued effort towards being a responsible corporate citizen. Our score improved in areas pertaining to Board/Management Quality & Integrity, Bribery & Corruption Programmes, Human Capital Development and Board Structure. The outcome of the assessment for 2021 resulted in Equites being assessed overall as "low risk" of experiencing material financial impacts from ESG factors in line with February 2020. Our efforts continue to be focused on the following areas, which are aligned with the UN Sustainability Development Goals:

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 qualified for a higher level of EDGE certification and are in the process of obtaining our EDGE certifications for our Altron and Philippi developments in Equites Park Meadowview and Philippi Cape Town.
Ethics	Through our commitment towards fair and ethical practices both within the organisation and for our stakeholders.
Community upliftment and education initiatives	A focus on education initiatives and positively impacting on the local communities in which we develop our properties.
Customer centricity	Building long standing relationships with our tenants that is embedded with trust and loyalty.
Human capital	Maintaining a wide representation of skills, experience and diversity in our team and promoting internal growth and development.

10 Transformation and B-BBEE

We fully recognise and acknowledge the importance of adhering to the country's B-BBEE policies in order to promote true transformation within a SA 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% and note that we will continue to find meaningful ways in which to improve our black ownership and impact on the economy and society.

11 Prospects

The Board expects that the Group will achieve between 5% and 6% distribution growth per share for the next financial year. Management is targeting positive NAV per share growth for FY22, supported by the development pipeline within the Newlands venture. We therefore expect to achieve a double-digit total return for FY22 (FY21: 7.1%), which is a function of our distribution yield on NAV per share as well as the growth in NAV per share.

The Board's distribution per share 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 rising utility costs and municipal rates will be recovered from tenants. This forecast has not been audited or reviewed by the external auditors of Equites.

12 Subsequent events

The directors are not aware of any events that occurred since the end of the financial year which have a material impact on these financial results.

13 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 15 of 80.55835 cents per share.

The board has declared a final gross dividend of 80.56 cents per share on 3 May 2021 further to the interim dividend of 74.44 cents per share. This brings the total distributions for the year ended 28 February 2021 to 155.00 cents per share, which is a 2.4% growth over the prior year total distributions of 151.39 cents per share. The DPS growth is in line with previous guidance of 2% – 4%.

Dividends declared (cents per share)	% change	28 February 2021	29 February 2020
Interim dividend		74.44	74.43
Final dividend		80.56	76.96
Total distributions for the year	**2.4%**	**155.00**	**151.39**

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 80.56 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, 11 May 2021.

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, 4 May 2021. 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.

Commentary continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

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

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	2021
Equites results including declaration of a final distribution published on SENS	Tuesday, 4 May
Circular and form of election posted to shareholders	Tuesday, 4 May
Finalisation information including the share ratio and reinvestment price per share published on SENS by 11:00 (SA time)	Tuesday, 11 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, 18 May
Shares trade ex-dividend	Wednesday, 19 May
Listing of maximum possible number of shares under the dividend reinvestment alternative	Friday, 21 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, 21 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, 21 May
Announcement of results of cash dividend and dividend reinvestment alternative released on SENS	Monday, 24 May
Payment of cash dividends to certificated shareholders by electronic funds transfer	Monday, 24 May
Dematerialised shareholders' CSDP or broker accounts credited with the cash dividend payment (if applicable)	Monday, 24 May
Share certificates posted to certificated shareholders on or about	Wednesday, 26 May
Dematerialised shareholders' CSDP or broker accounts credited with the new shares (if applicable)	Wednesday, 26 May
Adjustment to shares listed on or about	Friday, 28 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, 19 May 2021 and Friday, 21 May 2021, both days inclusive.
3. The above dates and times are subject to change. Any changes will be released on SENS.

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 80.55835 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.

Tax implications continued

- 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 64.44668 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 80.55835 cents per share.

Other information

- The issued ordinary share capital of Equites at the date of declaration is 638 026 339 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

3 May 2021

Commentary continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

Audited summary consolidated financial statements

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, contained in the accompanying preliminary report, which comprise the summary consolidated statement of financial position as at 28 February 2021, 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 28 February 2021.

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 preliminary reports, as set out in note 1 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 summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

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 3 May 2021. 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 preliminary reports, set out in note 1 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
3 May 2021

Consolidated statement of financial position

Equites Property Fund Limited and its subsidiaries at 28 February 2021

	Notes	28 February 2021 R'000	29 February 2020 R'000
Assets			
Non-current assets			
Fair value of investment property (excluding straight-lining)	4	18 878 285	14 517 138
Straight-lining lease income accrual	4	364 746	317 030
Deferred tax asset		120 031	159 870
Non-current financial assets		9 244	6 226
Property, plant and equipment		17 919	15 399
		19 390 225	**15 015 663**
Current assets			
Trading properties		464 670	–
Trade and other receivables		285 700	76 191
Other current financial assets		18 176	16 791
Cash and cash equivalents		612 316	53 724
		1 380 862	**146 707**
Investment property held-for-sale	4	86 112	40 455
Total assets		**20 857 199**	**15 202 825**
Equity and liabilities			
Equity and reserves			
Stated capital		9 337 288	8 046 457
Accumulated profit		918 422	1 370 734
Foreign currency translation reserve		391 520	242 903
Share-based payment reserve		195 953	69 496
Total attributable to owners		**10 843 183**	**9 729 590**
Non-controlling interest		2 166 757	40 434
Total equity and reserves		**13 009 940**	**9 770 024**
Liabilities			
Non-current liabilities			
Loans and borrowings	5	5 843 785	4 686 043
Other non-current financial liabilities		147 501	173 957
Deferred tax liability		59 388	–
Other liabilities		6 473	4 462
		6 057 147	**4 864 461**
Current liabilities			
Loans and borrowings	5	984 558	110 000
Trade and other payables		629 404	389 496
Other current financial liabilities		176 150	67 514
Current tax liability		–	1 328
		1 790 112	**458 337**
Total liabilities		**7 847 259**	**5 322 800**
Total equity and liabilities		**20 857 199**	**15 092 824**

Consolidated statement of comprehensive income

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

	Notes	28 February 2021 R'000	29 February 2020 R'000
Property revenue and tenant recoveries		1 137 336	913 279
Straight-lining of leases adjustment		48 044	80 420
Gross property revenue		**1 185 380**	**993 699**
Property operating and management expenses		(163 098)	(115 893)
Other net gains and (losses)	6	127 341	(20 162)
Administrative expenses		(56 897)	(53 117)
Fair value adjustments – investment property		(224 874)	21 764
Operating profit before financing activities		**867 852**	**826 291**
Finance costs	7	(287 008)	(218 529)
Finance income		17 367	6 494
Net profit before tax		**598 211**	**614 256**
Tax expense		(108 160)	76 996
Profit for the period		**490 051**	**691 252**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Translation of foreign operations		208 507	262 239
Total comprehensive income for the period		**698 558**	**953 491**
Profit attributable to:			
Owners of the parent		407 499	682 167
Non-controlling interest		82 552	9 085
		490 051	**691 252**
Total comprehensive income attributable to:			
Owners of the parent		615 996	944 431
Non-controlling interest		82 562	9 060
		698 558	**953 491**
Basic earnings per share (cents)	2	66.4	128.8
Diluted earnings per share (cents)	2	65.4	128.3

Consolidated statement of cash flows

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

	28 February 2021 R'000	29 February 2020 R'000
Cash flows from operating activities		
Cash generated from operations	939 460	879 623
Finance costs paid	(110 461)	(98 434)
Finance income received	17 086	6 494
Tax paid	(5 286)	(1 969)
Dividends paid	(919 690)	(760 236)
Net cash flows generated from operating activities	**(78 891)**	**25 478**
Cash flows from investing activities		
Acquisition of investment properties	(1 934 463)	(1 409 323)
Development of investment properties	(1 456 673)	(806 109)
Proceeds from disposal of subsidiaries	526 071	–
Purchases of current financial assets[1]	(1 614 000)	(928 000)
Proceeds on divestment of current financial assets[1]	1 629 992	929 629
Purchase and development of property, plant and equipment	(2 412)	(338)
Net cash flows utilised by investing activities	**(2 851 485)**	**(2 214 141)**
Cash flows from financing activities		
Proceeds from share issue (net of costs)	794 124	742 442
Proceeds from share issue relating to dividend reinvestment programme	427 414	270 633
Transactions with non-controlling interest	–	(101 351)
Settlement of share-based payment transaction	–	(15 818)
Repayment of lease liability	(4 225)	(3 570)
Proceeds from borrowings	4 446 720	4 575 403
Repayment of borrowings	(2 133 893)	(3 263 278)
Net cash flows raised from financing activities	**3 530 140**	**2 204 461**
Net increase in cash and cash equivalents	599 764	15 798
Effect of exchange rate movements on cash and cash equivalents	(41 172)	1 647
Cash and cash equivalents at the beginning of the year	53 724	36 279
Cash and cash equivalents at the end of the year	**612 316**	**53 724**

[1] 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 28 February 2021

	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 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**
Balance at 1 March 2020	8 046 457	1 370 734	242 903	69 496	9 729 590	40 434	9 770 024
Profit for the year	–	407 499	–	–	407 499	82 552	490 051
Other comprehensive income	–	–	208 496	–	208 496	11	208 507
Reclassification of FCTR on disposal of subisidiary companies	–	59 879	(59 879)	–	–	–	–
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	2 043 760	2 043 760
Shares issued for cash	800 000	–	–	–	800 000	–	800 000
Share issue in terms of dividend reinvestment programme	427 414	–	–	–	427 414	–	427 414
Shares issued in terms of conditional share plan	12 997	–	–	(12 997)	–	–	–
Movements in respect of share-based payment transactions	56 296	–	–	123 704	180 000	–	180 000
Equity-settled share-based payment charge	–	–	–	15 750	15 750	–	15 750
Dividends distributed to shareholders	–	(919 690)	–	–	(919 690)	–	(919 690)
Share issue costs	(5 876)	–	–	–	(5 876)	–	(5 876)
Balance at 28 February 2021	**9 337 288**	**918 422**	**391 520**	**195 953**	**10 843 183**	**2 166 757**	**13 009 940**

Summarised operating segment information

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

	28 February 2021 R'000	29 February 2020 R'000
Revenue		
SA industrial	818 928	658 296
UK industrial	303 840	232 925
Other	14 568	22 057
	1 137 336	**913 279**
Operating profit before financing activities		
SA industrial	326 407	581 406
UK industrial	542 038	240 320
Other	(593)	4 565
	867 851	**826 291**
Total assets		
SA industrial	12 975 694	8 611 914
UK industrial	7 771 693	6 399 580
Other	109 812	191 330
	20 857 199	**15 202 824**
Total liabilities		
SA industrial	5 352 208	3 048 765
UK industrial	2 495 051	2 374 916
Other	–	9 119
	7 847 259	**5 432 800**

Selected explanatory notes to the results

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

1 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.

The accounting policies applied in the preparation of the consolidated annual financial statements from which these summary consolidated financial statements were derived are in terms of IFRS and are consistent with those applied in the previous preparation of the consolidated annual financial statements.

These summary consolidated annual financial statements for the year ended 28 February 2021 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated annual financial statements were derived.

A copy of the auditor's report on the summary consolidated annual financial statements and of the auditor's report on the consolidated annual financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

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

2 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.

2.1 Basic earnings per share

Basic earnings	**28 February 2021 R'000**	**29 February 2020 R'000**
Earnings (profit attributable to owners of the parent)	**407 499**	**682 167**
Shares in issue	**Number of shares**	**Number of shares**
Number of shares in issue at end of year	628 715 573	554 441 246
Weighted average number of shares in issue	613 629 280	529 724 495
Add: weighted potential dilutive impact of conditional shares	9 803 834	2 050 970
Diluted weighted average number of shares in issues	623 433 114	531 775 465
Basic earnings per share	**cents**	**cents**
Basic earnings per share	66.4	128.8
Diluted earnings per share	65.4	128.3

Notes continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

2 Earnings per share continued

2.2 Headline earnings per share

Reconciliation between basic earnings and headline earnings:	28 February 2021 R'000	29 February 2020 R'000
Earnings (profit attributable to owners of the parent)	407 499	682 167
Adjusted for:		
Fair value adjustments to investment properties	224 874	(21 764)
Less: Fair value adjustment to investment properties (NCI)	9 553	6 664
Profit on sale of subsidiary	(31 913)	–
Headline earnings	**610 013**	**667 067**
Headline earnings per share:	**cents**	**cents**
Headline earnings per share	99.4	125.9
Diluted headline earnings per share	97.8	125.4

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.

	28 February 2021			
Figures in R'000s	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Non-financial assets at fair value – investment properties	19 308 326	–	–	19 308 326
Derivative financial assets	27 420	–	27 420	–
	19 335 746	**–**	**27 420**	**19 308 326**
Liabilities				
Derivative financial liabilities	301 619	–	301 619	–
	301 619	**–**	**301 619**	**–**

	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	–	648	–
Derivative financial assets	22 370	–	22 370	–
	14 897 641	**–**	**23 018**	**14 874 623**
Liabilities				
Derivative financial liabilities	218 204	–	218 204	–
	218 204	**–**	**218 204**	**–**

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 28 February 2021, the Group externally valued 24 of its properties, 20 from SA and 4 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. External valuations in the UK were performed by capitalising the current income stream by targeting a net initial yield as well as taking into account the nominal equivalent yield.

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 interest rate swap and forward 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.

Sensitivity of fair values

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

	28 February 2021					
	Exit capitalisation rates		Discount rates		Market rentals	
R000's	**-0.1%**	**+0.1%**	**-0.1%**	**+0.1%**	**+5%**	**-5%**
	Increase fair value	**Decrease fair value**	**Increase fair value**	**Decrease fair value**	**Increase fair value**	**Decrease fair value**
SA Industrial	89 327	(87 097)	40 162	(39 961)	348 932	(348 932)
UK Industrial[1]	51 316	(49 170)	13 047	(12 975)	117 583	(117 583)
Total	**140 643**	**(136 267)**	**53 209**	**(52 936)**	**466 515**	**(466 515)**

	29 February 2020					
	Exit capitalisation rates		Discount rates		Market rentals	
R000's	**-0.1%**	**+0.1%**	**-0.1%**	**+0.1%**	**+5%**	**-5%**
	Increase fair value	**Decrease fair value**	**Increase fair value**	**Decrease fair value**	**Increase fair value**	**Decrease fair value**
SA Industrial	82 281	(80 365)	26 141	(26 010)	228 788	(228 788)
UK Industrial[1]	116 877	(112 142)	24 010	(23 879)	219 743	(219 743)
Total	**199 158**	**(192 507)**	**50 150**	**(49 889)**	**448 531**	**(448 531)**

[1] The sensitivities are based on those properties that were valued using the DCF method.

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

Notes continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

4 Investment property

	28 February 2021 R'000	29 February 2020 R'000
Investment property (excluding straight-lining) (note 4.1)	15 720 743	12 250 065
Investment property under development (note 4.1)	1 119 669	578 526
Freehold land available for development (note 4.1)	2 017 056	1 667 045
Right-of-use asset (note 4.1)	20 817	21 502
Investment property held for sale (note 4.2)	86 112	40 455
Straight-lining lease income accrual (note 4.3)	364 746	317 030
	19 329 143	**14 874 623**

4.1 Reconciliation of investment property

	SA							UK				
R'000	Logistics	Industrial	Office	Properties under development	Zoned industrial land[2]	Strategic land holdings[2]	Right-of-use asset	Logistics	Properties under development	Zoned industrial land[2]	Strategic land holdings[2]	Total
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 01 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[1]	(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**
Acquisitions	3 295 498	–	–	–	54 441	260 000	–	–	–	361 822	180 400	**4 152 161**
Improvements and extensions	31 431	1	–	–	–	–	–	13 995	–	–	–	**45 427**
Construction and development costs	–	–	–	750 597	88 889	31 945	–	–	434 187	39 019	66 607	**1 411 244**
Government grants received	–	–	–	–	–	–	–	–	(62 252)	–	–	**(62 253)**
Transfers[1]	841 601	(46 208)	(111 189)	(720 004)	(10 408)	–	–	279 319	122 926	(239 178)	(504 411)	**(387 552)**
Letting commission capitalised	2 718	–	–	–	–	–	–	2 093	–	–	–	**4 811**
Letting commission amortised	(1 524)	–	–	–	–	–	–	(817)	–	–	–	**(2 342)**
Lease incentives capitalised	1 250	–	–	–	–	–	–	–	–	–	–	**1 250**
Lease incentives amortised	(246)	–	–	–	–	–	–	–	–	–	–	**(246)**
Remeasurements	–	–	–	–	–	–	2 472	–	–	–	–	**2 472**
Fair value adjustment	(337 919)	(99 669)	–	970	9 199	–	(3 157)	206 254	–	–	–	**(224 323)**
Disposals	–	–	–	–	–	–	–	(863 638)	–	–	–	**(863 638)**
Foreign exchange movements	–	–	–	–	–	–	–	257 727	14 719	4 142	7 545	**284 133**
Balance as at 28 February 2021	**9 961 247**	**320 379**	**–**	**515 303**	**1 029 038**	**482 897**	**20 817**	**5 439 117**	**604 366**	**165 805**	**339 316**	**18 878 285**

[1] 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;
v) Properties that have been recognised as held for sale; and
vi) Land and developments which are held for trading.

[2] 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.

		28 February 2021 R'000	29 February 2020 R'000
4.2	**Investment property held for sale**		
	Opening balance	40 455	–
	Transferred from investment property	46 208	40 455
	Fair value adjustment	(551)	–
	Fair value of investment properties held for sale	**86 112**	**40 455**
4.3	**Straight-lining lease income accrual**		
	Contractual lease receivables are as follows:		
	Within one year	1 161 829	606 624
	Within two years	1 159 357	639 677
	Within three years	1 102 143	607 113
	Within four years	1 007 873	491 477
	Within five years	911 112	424 598
	Beyond five years	9 185 004	1 481 912
		14 527 318	4 251 401
	Less: lease revenue on straight-line basis	(14 162 572)	(3 934 371)
	Straight-lining lease income accrual	**364 746**	**317 030**
5	**Loans and borrowings**		
	Opening balance	**4 796 043**	**3 310 524**
	Non-current borrowings	4 686 043	3 232 837
	Current borrowings	110 000	77 687
	Proceeds from borrowings	4 446 720	4 575 403
	Repayment of borrowings	(2 522 089)	(3 263 278)
	Interest amortisation	(8 975)	6 368
	Foreign exchange on borrowings	116 645	167 026
	Closing balance	**6 828 343**	**4 796 043**
	Non-current borrowings	5 843 785	4 686 043
	Current borrowings	984 558	110 000
6	**Other net gains or losses**		
	Income from foreign exchange derivative instruments	138 845	127 336
	Fair value adjustment on foreign exchange derivative instruments	(35 922)	(174 082)
	Insurance recoveries	12	5
	Profit on sale of subsidiary companies	31 913	–
	Foreign exchange (loss)/gain	(9 280)	12 995
	Sundry income	1 379	11 405
	Sundry income – capital in nature (non-distributable)	394	2 180
		127 341	**(20 162)**
7	**Finance costs**		
	Interest expense on borrowings	245 182	250 695
	Interest on lease liabilities	2 364	2 443
	Finance costs relating to interest rate derivatives	68 378	9 890
	Fair value movement on interest rate derivatives	194 079	105 234
	Interest on utility accounts and other	133	107
	Borrowing costs capitalised to investment property[1]	(223 128)	(149 840)
		287 008	**218 529**

[1] The capitalisation rate applied during the year was 7.6% (2020: 8.7%) in relation to general borrowings and 2.7% (2020: 2.9%) in relation to specific borrowings.

Notes continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

		28 February 2021 R'000	29 February 2020 R'000
8	**Capital commitments**		
	Authorised and contracted for acquisition or construction of new industrial properties	1 790 914	1 901 346
	Authorised but not contracted	380 024	46 509
		2 170 938	**1 947 854**
9	**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:		
	Dividend paid to related party shareholders	134 013	137 570
	Fees paid to BTKM (Pty) Ltd (in which Nazeem Khan is a director)	955	299
	Fees paid to Automotion (Pty) Ltd (in which Kevin Dreyer is a director)	9	32
		134 977	**137 901**

Appendix 1 – Distributable earnings

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

Reconciliation between earnings and distributable earnings

Distributable earnings policy

The Group 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 largely 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

	Unaudited 28 February 2021 R'000	Unaudited 29 February 2020 R'000
Profit or loss for the period (attributable to owners of the parent)	407 499	682 167
Adjusted for:		
Fair value adjustments to investment properties	224 874	(21 764)
Less: Fair value adjustment to investment properties (NCI)	9 553	6 664
Profit or loss on sale of non-current assets	(31 913)	–
Headline earnings	**610 013**	**667 067**
Adjusted for:		
Straight-lining of leases adjustment	(48 044)	(80 420)
Fair value adjustments to derivative financial assets and liabilities	230 001	279 316
Equity-settled share-based payment reserve	11 752	11 150
Capital items non-distributable	15 341	2 017
Deferred taxation	108 160	(79 471)
Attributable to NCI	26 632	3 809
Antecedent dividend[1]	20 618	35 899
Distributable earnings	**974 473**	**839 367**

[1] **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 two dividend reinvestment programmes in May and October 2020 which gave rise to antecedent earnings included above.

Appendix 1 – Distributable earnings continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

	Unaudited 28 February 2021 R'000	Unaudited 29 February 2020 R'000
The following inputs impacted the antecedent earnings adjustment:		
Opening balance – shares in issue	554 441 236	503 416 786
Increase in shares in issue as a result of accelerated bookbuild	42 780 748	37 091 989
Dividend reinvestment programme	27 300 638	13 391 072
Shares issued in terms of conditional share plan	813 821	541 399
Share issue in respect of property acquisition	3 379 130	–
Closing balance – shares in issue	**628 715 573**	**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
Final dividend declared on 3 May 2021 (Dividend number 15)	80.56	516 901
Total distribution for the year ended 28 February 2021	**155.00**	**974 473**

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 year ended 28 February 2021

	Unaudited 28 February 2021 R'000	Unaudited 29 February 2020 R'000
SA REIT Funds from Operations (SA REIT FFO) per share		
Profit for the period (attributable to owners of the parent)	**407 499**	**682 167**
Adjusted for:		
Accounting/specific adjustments:	286 858	(179 805)
Fair value adjustments to:		
Investment property	224 874	(21 764)
Depreciation and amortisation	1 868	1 851
Deferred tax movement recognised in profit or loss	108 160	(79 471)
Straight-lining operating lease adjustment	(48 044)	(80 420)
Adjustments arising from investing activities:	(31 913)	–
Gains on disposal of:		
Subsidiaries	(31 913)	–
Foreign exchange and hedging items:	239 281	279 316
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	230 001	279 316
Foreign exchange losses relating to capital items – realised and unrealised	9 280	
Other adjustments:	56 803	46 371
Non-controlling interests in respect of the above adjustments	36 185	10 473
Antecedent earnings adjustment	20 618	35 899
SA REIT FFO:	**958 528**	**828 049**
Number of shares outstanding at end of period (net of treasury shares)	628 715 573	554 441 246
SA REIT FFO per share (cents):	**152.46**	**149.35**
Company-specific adjustments per share (cents)	2.54	2.04
Payroll costs incurred of a capital nature	0,68	0.42
Equity settled share based payment charge	1.87	2.01
Sundry income of a capital nature	(0.01)	(0.39)
Distributable earnings per share (cents):	**155.00**	**151.39**
SA REIT Net Asset Value (SA REIT NAV)		
Reported NAV attributable to the parent	**10 843 183**	**9 729 590**
Adjustments:		
Dividend to be declared	(516 901)	(433 790)
Fair value of certain derivative financial instruments	202 721	113 133
Deferred tax	(60 643)	(159 870)
SA REIT NAV:	**10 468 360**	**9 249 062**
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	628 715 573	554 441 246
Effect of dilutive instruments	9 803 834	2 050 970
Dilutive number of shares in issue	**638 519 407**	**556 492 216**
SA REIT NAV per share (Rand):	**16.39**	**16.62**

Appendix 2 – SA REIT disclosure continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

	28 February 2021 R'000
SA REIT cost-to-income ratio	
Expenses	
Operating expenses per IFRS income statement (includes municipal expenses)	163 098
Administrative expenses per IFRS income statement	56 897
Exclude:	
Depreciation expense in relation to property, plant and equipment	(1 868)
Operating costs	**218 127**
Rental income	
Contractual rental income per IFRS income statement (excluding straight-lining)	970 404
Utility and operating recoveries per IFRS income statement	166 932
Gross rental income	**1 137 336**
SA REIT cost-to-income ratio	**19.2%**
SA REIT administrative cost-to-income ratio	
Expenses	
Administrative expenses as per IFRS income statement	56 897
Administrative costs	**56 897**
Rental income	
Contractual rental income per IFRS income statement (excluding straight-lining)	970 404
Utility and operating recoveries per IFRS income statement	166 932
Gross rental income	**1 137 336**
SA REIT administrative cost-to-income ratio	**5.0%**
SA REIT GLA vacancy rate	
Gross lettable area of vacant space	1 401
Gross lettable area of total property portfolio	1 146 354
SA REIT GLA vacancy rate	**0.1%**

Cost of debt	SA	UK
Variable interest-rate borrowings		
Floating reference rate plus weighted average margin	5.35%	1.87%
Fixed interest-rate borrowings		
Weighted average fixed rate	5.32%	2.64%
Pre-adjusted weighted average cost of debt	**5.35%**	**2.35%**
Adjustments:		
Impact of interest rate derivatives	2.00%	0.25%
Impact of cross-currency interest rate swaps	(0.81%)	(0.71%)
Amortised transaction costs imputed into the effective interest rate	0.00%	0.00%
All-in weighted average cost of debt	**6.54%**	**1.89%**

All rates are nominal annual compounded quarterly (nacq)

	28 February 2021 R'000
SA REIT loan-to-value	
Gross debt	6 828 343
Less:	
Cash and cash equivalents (and including short-term deposits)	(612 316)
Add/Less:	
Derivative financial instruments	274 199
Net debt	**6 490 226**
Total assets – per Statement of Financial Position	20 857 199
Less:	
Cash and cash equivalents (and including short-term deposits)	(612 316)
Derivative financial assets	(27 420)
Goodwill and intangible assets	–
Trade and other receivables	(285 700)
Carrying amount of property-related assets	**19 931 763**
SA REIT loan-to-value ("SA REIT LTV")	**32.6%**

Administration

Directors

Non-executive directors

PL Campher[1] (Chairman), G Lanfranchi (Deputy Chairman), RE Benjamin-Swales[1], MA Brey[1], E Cross[1], K Dreyer, AJ Gouws, N Khan[1], K Ntuli[1], AD Murray[1,2]

[1] *Independent*

[2] *Appointment effective as from the next Annual General Meeting*

Executive directors

A Taverna-Turisan (CEO)[3], GR Gous (COO), L Razack[4] (CFO)

[3] *Italian*

[4] *Appointed 26 May 2020*

Equites Property Fund Limited

(Incorporated in the Republic of South Africa)
(Registration number 2013/080877/06)
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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Riaan Gous

Transfer secretary

Computershare Investor Services Proprietary Limited

Auditors

PricewaterhouseCoopers Inc.

Equity sponsor

Java Capital

Debt sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

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