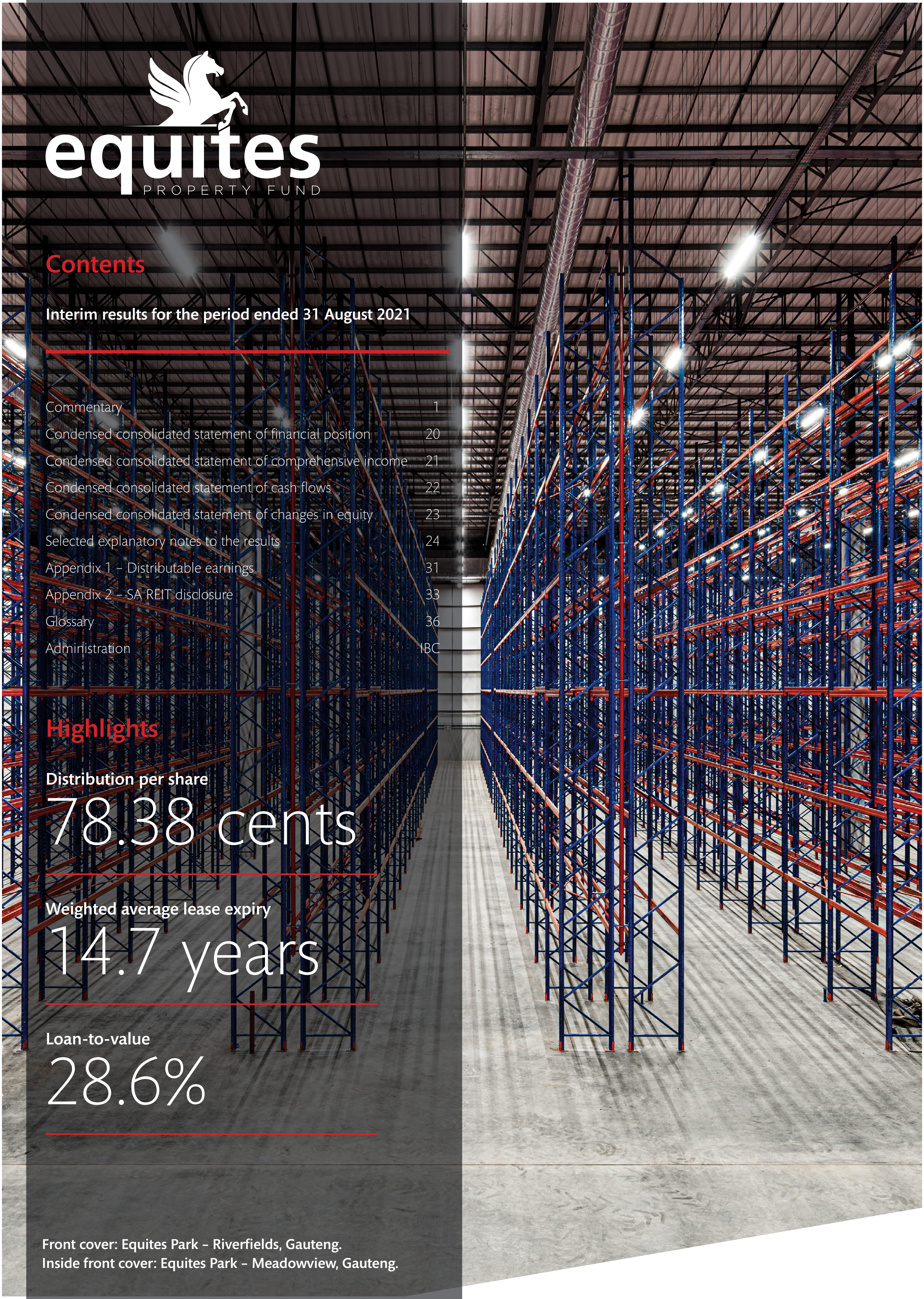
equites
PROPERTY FUND

Interim results

for the period ended 31 August 2021



equites PROPERTY FUND

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Interim results for the period ended 31 August 2021

Highlights

Distribution per share

78.38 cents

Weighted average lease expiry

14.7 years

Loan-to-value

28.6%

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

Commentary

Highlights

- **Distribution per share ("DPS") of 78.38 cents, an increase of 5.3% compared to the prior comparable period**
- **Loan-to-value ("LTV") ratio of 28.6%, demonstrating a conservative capital structure**
- **Net asset value ("NAV") per share increased by 2.2% from R17.25 to R17.63, supported by uplifts on UK developments**
- **Like-for-like ("LfL") portfolio valuation uplift in the UK was 5.1% in sterling**
- **LfL property valuations in SA were flat for the period**
- **LfL net property income growth was 7.5% in SA**
- **Average rental collection rates were 99.6% and 100% in SA and the UK, respectively**
- **Overall logistics portfolio vacancy rate of 0.8%**
- **Raised R1.3 billion in equity during the period under review**
- **Issued a R300 million floating rate note at an exceptional margin of 3-month JIBAR plus 165bp**
- **The distribution policy remains unchanged at a 100% pay-out ratio**
- **Solar plant output capacity reached 980 MWh at Aug-21 compared to 89 MWh at Aug-20**

1. Six months in review

Equites continues to benefit from the outperformance of the logistics property market globally; with supply chain optimisation, the growth in e-commerce and the consumers' requirements for faster fulfilment driving strong occupier demand for warehousing space.

These global trends continue to reflect in the Group's results, with DPS and NAV per share exceeding pre-COVID-19 levels. Equites continues to enjoy access to equity markets and raised R1.3 billion in equity over the last six months; this resulted in an LTV ratio of 28.6% at 31 August 2021. The Group refinanced over R1.2 billion of debt facilities during the period, with more than 60% of debt maturing after February 2024, resulting in a weighted average debt maturity of 3.0 years. Equites issued a R300 million 3-year floating rate note off the recently updated Domestic Medium Term Note ("DMTN") Programme at an exceptional margin of 3-month JIBAR plus 165bp.

The strong performance over the last six months is underpinned by resilient property portfolios in SA and the UK, which was further enhanced by the attractive development pipeline of logistics properties in the top-end of the UK logistics market.

In SA, the bulk of Equites' tenants are operationally strong after facing an uncertain and challenging 2020. This is especially true for large listed and multinational tenants including Shoprite, Simba, The Foschini Group ("TFG"), Nestlé, DSV and Digistics. The Group has recovered all rent deferrals due, in line with payment arrangements made with each respective tenant, with no arrears noted. The civil unrest which plagued SA in July 2021 only impacted one property in the portfolio, with damages estimated to be less than R1 million, which is fully recoverable under Sasria.

The UK portfolio delivered a 100% rental collection rate and a 5.1% uplift in value over the six-month period, in sterling. Equites Newlands Group Limited ("ENGL"), the venture with Newlands Property Developments LLP ("Newlands"), has started to deliver on its promised value creation. Equites' first logistics facility developed by ENGL reached practical completion on 15 September 2021. The total development cost is £35 million (R694 million) and the property will be leased to Amazon on a 15-year lease. The development for Hermes is progressing well and is on track to be completed in February 2022, with a total development cost of £72 million (R1.4 billion). The combined valuation uplift on these two developments is estimated to be in excess of R500 million, creating significant value to Equites shareholders.

The Group is on track to deliver on its DPS guidance of 5% to 6% growth for FY22, in conjunction with strong growth in NAV per share, whilst distributing 100% of its distributable earnings.

Commentary continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

2. Overview of UK logistics market

The occupier market in the UK logistics market has reached an all-time high, with online retailers and third-party logistic companies jostling for space to expand their logistics networks and bolster their fulfilment capabilities. With the structural changes supporting the demand for logistics assets, the take-up of warehousing space is now 50% higher than pre-COVID-19 levels. The ferocious demand for warehousing space has driven supply to decrease at its fastest pace on record, with the national vacancy rate decreasing from 6.6% to 4.4%. This clearly demonstrates that recent demand has run ahead of supply.

The consequence of the demand-supply dynamic evident in the UK market, is an increase in market rental growth, with national market rents estimated to grow by between 5% and 7% for 2021. The surge in global demand for raw materials following prolonged COVID-19 lockdowns has also given rise to construction inflation, which further supports market rental growth. Given the demand for construction materials, UK developers have struggled to source sufficient cladding, steel and concrete, which has driven an increase in the average cost to construct a warehouse. A clear example is structural steel prices, which have increased by more than 30% over the last 18 months.

Average land prices in England have demonstrated an annual increase of 40%, adding significantly to the total cost of developments. Higher land prices have been supported by the yield compression in the market, which has increased property values and sustains an attractive development margin on new developments. Whilst the demand for space remains high, developers are able to pass along construction inflation to tenants in the form of higher rentals.

The prime yield for UK logistics properties compressed by 75bp over the last 12 months, from 4.0% to 3.25%, supported by strong investor appetite. Capital invested into the UK industrial and logistics market totalled a record £6.0 billion in H1 2021; this is more than double the £2.7 billion recorded in H1 2020.

Equites is well-positioned to benefit from the UK market dynamics via ENGL, which will enhance the performance of the Group significantly over the medium- to long-term.

3. Overview of SA logistics market

In SA, a more resilient local economy continued to exceed expectations, with Q2 2021 GDP growth of 1.2% (q/q) slightly ahead of expectations of 0.7% (q/q). A surge in metal exports drove SA into a very robust trade surplus for H1 2021. However, the uncertainty around SA's path to recovery from COVID-19, coupled with the recent civil unrest and record levels of unemployment, points to a low-growth environment for SA over the medium-term.

Despite the structural weaknesses in the economy, the SA logistics market has proved its defensiveness over the last 18 months as tenants focus on supply chain optimisation and enhancing their e-commerce capabilities. The demand for A-grade warehousing space remains robust in SA, which is evident from numerous national and multinational tenants expanding their warehousing footprint – this includes DSV, Shoprite, Massmart, Takealot, Pick n Pay and TFG.

The paradigm shift from brick-and-mortar to online shopping is gaining momentum in SA, with numerous retailers recently doubling their online sales. According to World Wide Worx, online sales as a percentage of total retail sales was 2.8% in 2020 (c.R30 billion), with expectations that this could reach 5% of total retail sales in 2022 (c.R54 billion). The 2021 South African Digital Customer Experience Report estimates that SA's e-commerce market could double from 2.8% to 5.6%, if e-tailers improved shoppers' issues around their online customer experience, which includes e-tailers' trustworthiness, ease-of-use, security, delivery and after-sales support.

Equites is of the view that the focus on supply chain optimisation and growth in e-commerce will be strong tailwinds to SA's logistics property market in future.

4. Operational update

4.1 Tenant engagement during COVID-19 and rental relief

Equites proactively engaged with every single tenant during 2020 to understand their immediate and long-term business needs during the pandemic and to ascertain how the Group 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, Equites 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 were to be made within 12 months, with a few being extended over the remaining term of the lease.

The short-term rental deferrals in SA, which amounted to R24 million, have mostly been recovered in full with R1.2 million to be recovered in the next three months. Long-term rental deferrals granted to tenants in SA amounted to R13 million, with only R5 million outstanding, to be fully recovered over the remaining term of the respective leases. In the UK, R0.9 million (£43 750) of rental relief is outstanding from a single tenant, to be recovered by January 2022. Additional rental relief has been granted during the current period, amounting to R1.5 million, to two C-grade tenants in SA.

The average rental collection rates over the period have been 99.6% in SA and 100% in the UK. This is testament to a resilient property portfolio that comprises of 97% A-grade tenants.

4.2 Civil unrest in SA

The civil unrest in July 2021 had an insignificant impact on Equites' SA portfolio, as only one property was damaged in KwaZulu-Natal, which is tenanted by Pick n Pay. The damage to the property was less than R1 million and is fully recoverable from Sasria. In response to the civil unrest, the Group has increased security at all logistics parks in SA and adopted more innovative security measures, including the use of artificial intelligence, to respond swiftly and effectively to any threats. The additional security costs attributable to Equites had an insignificant impact on its distributable earnings.

4.3 Employee health and safety

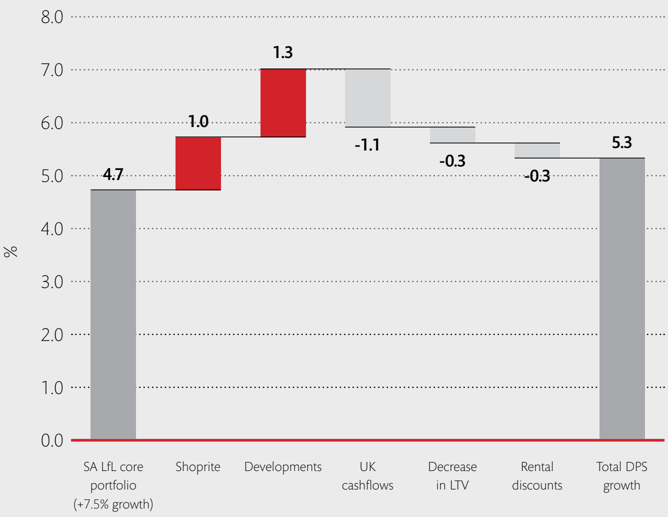
The Group has made a concerted effort to prioritise the health and wellbeing of its people. Approximately two-thirds of staff have spent the last 18 months working from home to ensure that the spread of COVID-19 was contained, while fully committing their time and resources to ensuring that Equites continued to function optimally. Those who returned to the office were provided with additional sanitisers and masks, and alternative transport arrangements were procured for those who travelled using public transport. To support the country's drive to increase vaccination numbers, Equites provided vaccine education to all staff members as well the necessary time away from work to enable them to receive their vaccines. To date, 84% of employees have received the first dose and the team is well on its way to being a fully vaccinated workforce.

5. The Group's financial performance

5.1 Distribution per share

DPS has increased by 5.3% to 78.38 cents compared with the corresponding prior interim period of 74.44 cents. The key drivers of the movement in DPS were:

- LfL net rental growth in the SA portfolio of 7.5% contributed to 4.7% DPS growth, a result of the Group's robust in-force contractual lease escalation rate and exposure to A-grade tenants.
- The Shoprite transaction, which was concluded in November 2020, was effective for the full six-month period, contributing 1.0% to DPS growth.
- Developments during the period under review, were not affected by construction interruptions compared to the previous comparable period, where construction activities on developments in SA were suspended for two months, resulting in the suspension of capitalised interest during these months. This resulted in 1.3% DPS growth for the period under review.
- Lower net cash flows received from the UK portfolio due to the strengthening in the Rand, which had the effect of a 1.1% decline in DPS.



Commentary continued

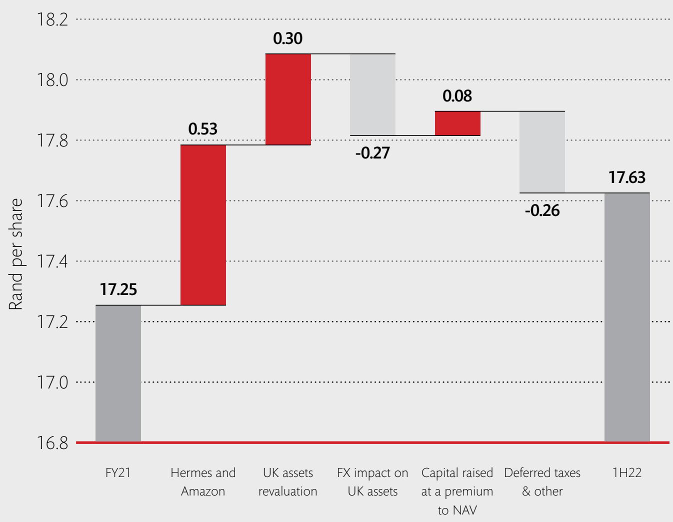
Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

5. The Group's financial performance continued

5.2 Net asset value per share

NAV per share increased by 2.2% from R17.25 at 28 February 2021 to R17.63 at 31 August 2021. NAV per share has recovered over the period under review and is now above pre-COVID-19 levels. The primary drivers of the increase in the NAV per share were:

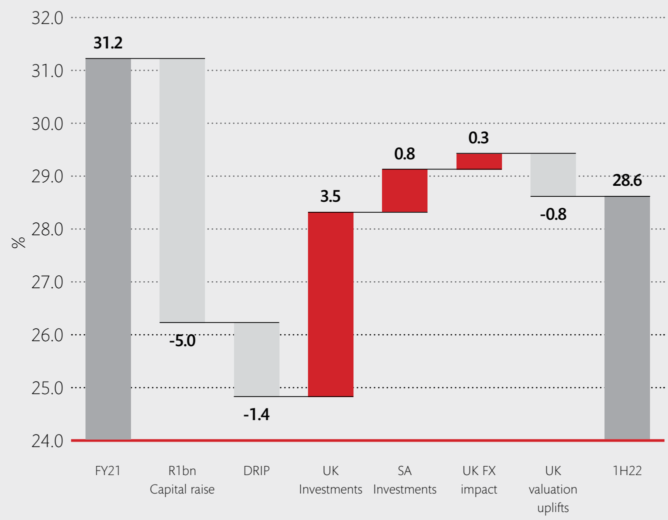
- Progress on the two UK developments, Hermes and Amazon, which resulted in a R373 million uplift in value, contributing 3.1% to NAV growth. The developments are valued on a percentage completion basis.
- The UK portfolio's value increased by 5.1% on a LfL basis, supported by the compression of prime distribution yields in the UK during 2021, in sterling. This resulted in a R213 million uplift in value, contributing to 1.7% growth in NAV per share.
- Due to the Rand strengthening by 5% against the sterling, the net foreign exchange impact on the UK asset base, debt and derivatives was R187 million, negatively impacting NAV per share by 1.6%.
- Net deferred tax and other impacts negatively impacted NAV per share by 1.5%.



5.3 Loan-to-value ratio

The LTV ratio decreased by 2.6% from 31.2% as at 28 February 2021, to 28.6%, as at 31 August 2021. The key factors impacting the Group's LTV ratio during the period under review were:

- An equity raise of R1 billion in July 2021 decreased the LTV ratio by 5%.
- The Group retained R279 million in equity through the dividend reinvestment programme ("DRIP"), decreasing the LTV ratio by 1.4%.
- The total investment in the UK and SA development pipelines was R1.2 billion, increasing the LTV ratio by 4.3%.



6. Developments and acquisitions

6.1 SA: Developments and acquisitions

Equites has consistently communicated its strategy of pursuing growth in SA through high-quality acquisitions and developments.

During the period under review, the Group concluded an agreement with Attacq Waterfall Investment Company ("Attacq") whereby Attacq will dispose of an undivided half share of the leasehold rights and rental enterprises in respect of two logistics properties being the Amrod and Massbuild distribution centres ("DCs"), as well as an undivided half share in a development in Waterfall for Cotton On. The weighted average lease expiry ("WALE") across all three properties is c.10 years, and the weighted average acquisition yield is 8.5%. The total transaction consideration is R511 million, which includes the remaining development costs of the Cotton On DC. The Waterfall Logistics Hub is regarded as one of the pre-eminent logistics parks in SA, and this acquisition will increase Equites' exposure to this node.

Equites' in-house development team continues to innovate and push the boundaries to create a unique product offering that is unmatched in the SA context. All developments are built applying a strict baseline specification which is inspired by global best practice; this remains one of the Group's competitive advantages in this space.

During the last six months, Equites completed a distribution campus for Sandvik, a global mining and excavating company. The total development cost was R293 million and the facility is let to Sandvik on a 10-year triple net lease. This transaction is the second development agreement concluded at Equites Park, Riverfields. The Group continues to see strong occupier demand in this precinct due to its location on the R21 and R23 interchange and its close proximity to OR Tambo International Airport. It is expected that this node will continue to attract development deals of this nature in the future.

In line with the previously communicated strategy of securing high-quality development deals, Equites has secured two development leases which will be developed on its existing land bank in SA. The first is the extension of the TFG warehouse in Lords View by 16 784m², increasing the total GLA of the facility to c.40 000m². The current facility will remain operational throughout the duration of the extension project, which will result in no "downtime" for TFG. In addition to the increase in the building size, a solar photovoltaic ("PV") system will be installed and additional upgrades will be implemented to prepare the facility for an EDGE certification. The latter will significantly boost the sustainability rating of the existing facility. The total development cost of the extension is estimated to be R198 million, and the lease term will be 10 years. In addition to the extension, Equites has agreed to a renewal of the existing lease, which will be coterminous with the extension and expire in 2032.

The second agreement relates to the development of a flagship distribution facility for Cargo Compass SA (Pty) Ltd ("Cargo Compass SA") in Jet Park. Cargo Compass SA is one of SA's largest freight forwarding companies, specialising in exports, imports, warehousing and distribution. The facility exhibits the Equites standard building specifications and will be fitted with a full solar PV system. The expected development cost is R256 million with a GLA of 29 188m². The property will be let to Cargo Compass SA on a 10-year triple net lease.

6.2 Update on strategic venture with Newlands in the UK

The investment landscape in the UK logistics property market continues to be frenetic in 2021, 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 its hurdle rate (predominantly due to the lower initial yields). Equites' decision to partner with a best-in-class development team, Newlands, affords Equites the opportunity to expand in the premium sector of the UK logistics market at a discount to open market values.

The Group estimates the pipeline of development opportunities within ENGL to exceed £800 million (R16 billion) over the next three to five years, which will provide Equites with an opportunity to build scale in the top-end of the UK logistics market. The pipeline will be focused on developing modern distribution warehouses on a pre-let basis for blue-chip tenants on long-term leases. ENGL will, however, also fund turnkey developments on behalf of third parties (built-to-sell developments), with the third parties assuming all financial risks, which will release cash profits and will not be distributed to shareholders, but will be a key source of equity for new projects and will enhance the balance sheet.

Commentary continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

6. Developments and acquisitions continued

6.2 Update on strategic venture with Newlands in the UK continued

The key transactions to date are summarised below:

Amazon – Peterborough
The Group completed the development of a world-class last-mile DC, which will be let to Amazon on a 15-year triple net, fully repairing and insuring lease. The lease agreement will afford Equites stable cashflows of £2.1 million (R42 million) per annum, with five-yearly (upward only) rent reviews, subject to a CPI collar and cap of 1.00% and 3.00%, compounded annually. The total development cost is £35 million (R694 million) – including the Newlands profit share – which results in Equites effectively taking full control of the asset at a 5.68% yield on cost. The percentage completion as at 31 August 2021 was 77%, with the remaining construction draws to be settled on completion of the lease. The DC reached practical completion on 15 September 2021.

Hermes – Hoyland Plot 1
The development for Hermes is on track to be completed in February 2022. The total development cost is estimated to be £72 million (c. R1.4 billion) and Hermes has signed a 20-year triple net, fully repairing and insuring lease. The lease agreement will afford Equites with stable cashflows of £3.8 million (R76 million) per annum, with five-yearly (upward only) rent reviews, subject to a Retail Price Index collar and cap of 2.00% and 4.00%, compounded annually. The percentage completion was 61% as at 31 August 2021.

Turnkey development – Hoyland Plot 2
ENGL entered two agreements, i) a sale of land agreement and ii) a development funding agreement, whereby ENGL will develop two DCs for Promontoria. Equites' total funding commitment in respect of the development of the two DCs is approximately £24 million (R492 million) with an expected profit attributable to Equites of c.£6.0 million (R120 million), equating to an ungeared return on invested capital of 25%. The proceeds will be used as equity for further opportunities within ENGL.

6.3 Equites pipeline

The total pipeline of current opportunities is R3.9 billion, with R2 billion of capital expenditure outstanding at the reporting date. The pipeline will be funded from cash on hand, undrawn debt facilities, debt raised against completed developments, new listed debt instruments and several equity sources – including dividend reinvestment programmes and the potential sale of a property in the UK.

A summary of current and future projects is presented below:

Equites pipeline Amount in R million	Equites outlay	Cashflows outstanding	Est. yield on cost	Est. fair value yield	Completion date
SA developments	**824**	**581**			
Cargo Compass SA – Jet Park	256	195	8% – 9%	8% – 9%	Jul-22
TFG – Lords View	198	145	8% – 9%	8% – 9%	Jun-22
Viking – Lords View	108	45	8% – 9%	8% – 9%	Mar-22
Site 12 – Meadowview	74	36	8% – 9%	8% – 9%	Mar-22
Nioro Plastics – Saxdowne	89	61	8% – 9%	8% – 9%	May-22
Cotton On – Waterfall (50% share)	99	99	8.10%	8% – 9%	May-22
SA acquisitions	**412**	**412**	**8.50%**	**8.50%**	
Amrod – Waterfall (50% share)	197	197	8.90%	8.90%	Oct-21
Massbuild – Waterfall (50% share)	215	215	8.20%	8.20%	Oct-21
UK developments – Equites hold	**2 139**	**723**	**5.44%**		
Amazon – UK (Peterborough)	694	160	5.68%	4.0% – 4.5%	Sep-21
Hermes – UK (Hoyland Plot 1)	1 445	563	5.30%	3.5% – 4.0%	Feb-22
			Est. profit to Equites		
UK developments – Turnkey	**500**	**314**			
Hoyland Plot 2 (Barnsley)	500	314	R120 million		3Q22
Grand total of pipeline	**3 875**	**2 030**			

7. Property valuations

The fair value of the Group's investment property portfolio (including assets held-for-sale) has increased by 9.5% from R19.3 billion at 28 February 2021 to R21.2 billion at 31 August 2021. The growth is attributable to the increase in the UK valuations, along with the completion of pre-let developments in SA.

All properties are valued by the Board at every reporting period, primarily using the discounted cash flow method. Other valuation techniques, such as the income capitalisation method, are considered to ensure the reasonability of values. At 31 August 2021, the Group externally valued 48 properties, in line with its policy to target externally valuing each property at least once every 18 months. The assumptions in the external valuations were used as a basis for establishing the reasonability of assumptions used in the Group's internal valuations.

The fair value of developments was established using a forward income yield, applying a stage of completion method.

In SA, the COVID-19 pandemic and prevailing macroeconomic climate resulted in the moderation of property valuations at 28 February 2021. Following a slight recovery in the SA economy and the resilience of the logistics asset class, the Group has seen values remaining steady, with no further declines reported. Equites externally valued 74% of the SA portfolio at 31 August 2021.

In the UK, valuation yields have reached an all-time low, supported by the structural changes in the logistics space and the demand for the asset class. Furthermore, higher property values are being supported by strong rental growth in all key logistics nodes in the UK. The Group externally valued 100% of the UK portfolio at 31 August 2021.

The information presented below is a summary of the significant inputs and resultant values assigned to Equites' income-producing portfolio:

Region	Type of property	% of income-producing portfolio	Average value (R/m²)	Discount rate (%)	Exit cap rate (%)
SA	Modern distribution centre	66	9 343	12.61	7.65
	Logistics campus	19	17 483	13.35	8.17
	Cross-docking / Ultra-low coverage	11	12 686	13.05	7.92
	Other	4	17 961	13.22	9.74
	SA total:	**100**	**11 792**	**12.85**	**7.87**
UK	Modern distribution centre	47	33 065	n/a[1]	n/a[1]
	Cross-docking / Ultra-low coverage	53	54 043	n/a[1]	n/a[1]
	UK total:	**100**	**42 370**	**n/a**	**n/a**

[1] As 100% of the UK portfolio was externally valued using an income capitalisation method, a discount rate and an exit capitalisation rate does not apply

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

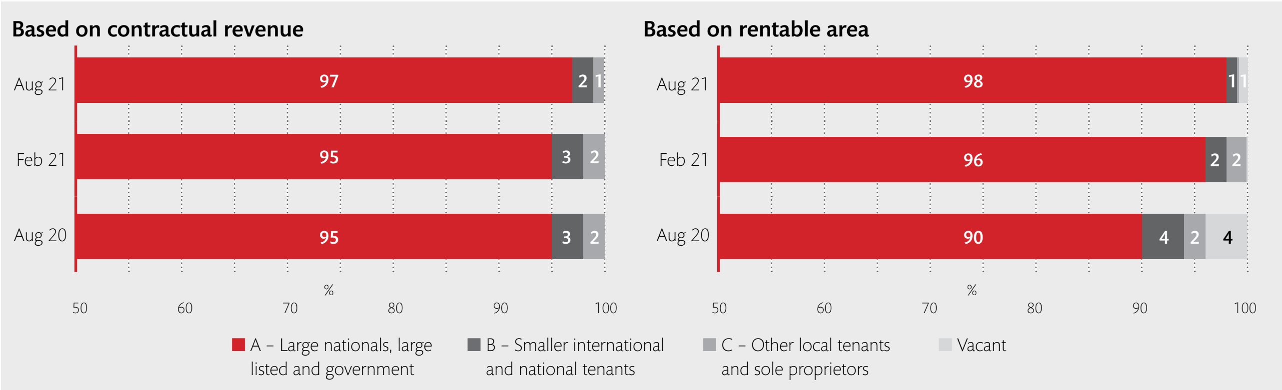
Region	Variance in initial yield	Quantum (in bp)
SA	Increase ▲	18
UK	Decrease ▼	28

Commentary continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

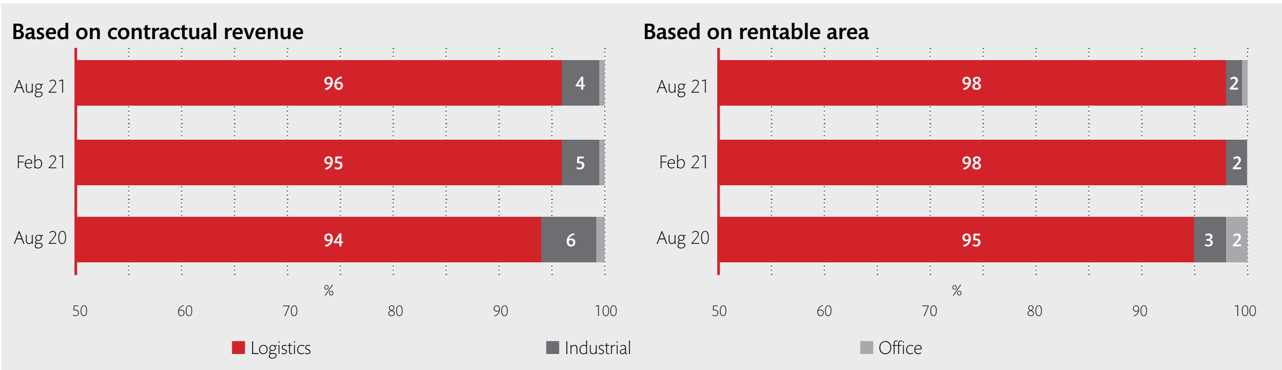
8. Equites' operational performance

8.1 Tenant quality



The Group understands the value of low-risk tenants, which is reflected in the fact that 97.0% of its revenue is derived from A-grade tenants. This, in conjunction with the long WALE, suggests a high level of income predictability and low risk of tenant default.

Sectoral profile



The Group's clear focus remains on building a high-quality portfolio of assets focused on the logistics sector. With the structural tailwinds supporting the asset class, Equites is pleased that 95.8% of its total revenue is derived from logistics real estate.

8.2 Lease longevity

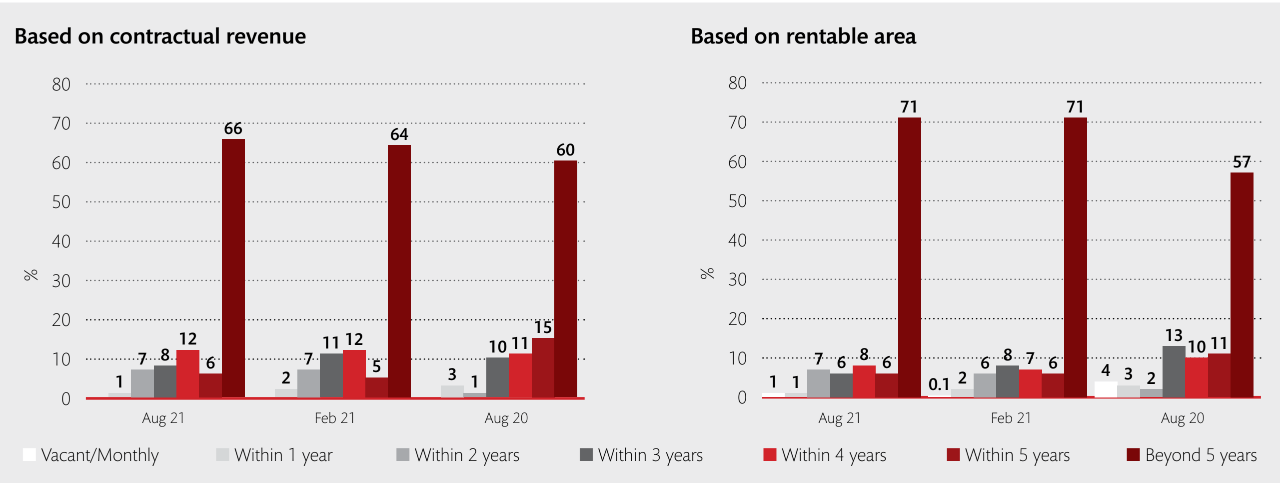
Weighted average lease expiry by revenue (years)	**31 August 2021**	**28 February 2021**	**31 August 2020**
SA – Logistics	15.0	15.6	7.0
SA – Industrial	3.8	4.1	4.5
SA – Office	1.8	–	–
	14.9	**15.5**	**6.9**
UK – Logistics	13.7	15.1	13.7
Weighted average lease expiry	**14.7**	**15.4**	**10.0**

Equites' WALE of 14.7 years, combined with the quality of its tenants, represents a high degree of income certainty over a sustained period. This further reduces continuous reletting commissions and decreases the risk of vacancies in the medium-term.

Weighted average escalation by GLA (%)	31 August 2021	28 February 2021	31 August 2020
SA – Logistics	6.5	6.4	7.8
SA – Industrial	8.0	8.0	8.1
SA – Office	7.0	–	–
	6.5	**6.4**	**7.8**

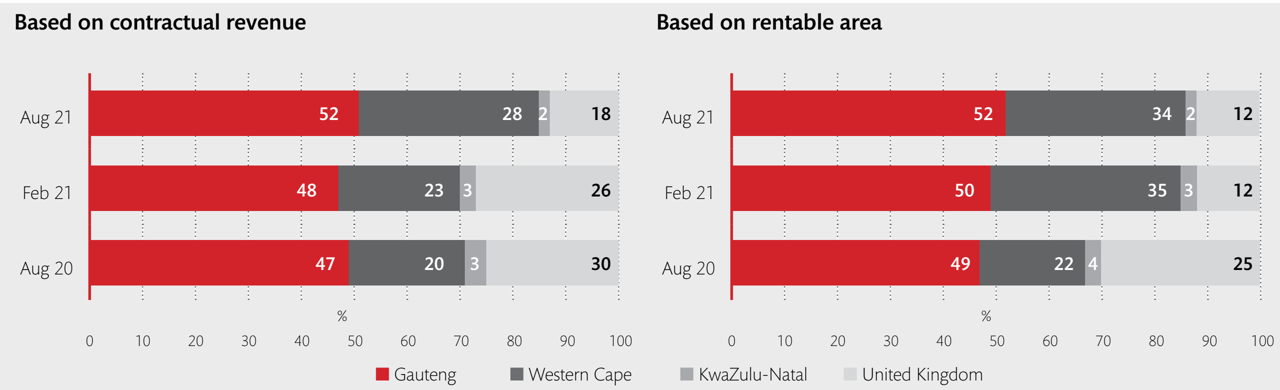
Strong in-force escalations prevail in the Group's portfolio; this provides it with stable and predictable growth for the duration of the leases. The weighted average lease escalation is now 6.5% in Equites' SA portfolio, by GLA. On an income basis, the average SA portfolio escalation rate is 6.8%. The majority of the UK leases are structured with five year annual rent reviews and not fixed annual escalations.

Lease expiry



8.4% of all rentals expire within two years, with only 1.0% of revenue expiring within the upcoming year. Equites actively engages with all tenants whose leases are reaching expiry, from 18-24 months prior to the expiry date.

8.3 Geographical profile



While the UK portfolio has been steadily increasing in value, the Group is still an SA-focused REIT and continues to focus on growing the SA portfolio through acquisitions and developments. The largest single geographic concentration is Gauteng, with 51.7% of its portfolio currently situated in the region. Equites views this region as the hub of SA logistics and will continue to focus its growth efforts there.

Commentary continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

8. Equites' operational performance continued

8.4 Vacancy

Vacancy profile	31 August 2021	28 February 2021	31 August 2020
Logistics	0.8%	0.1%	1.9%
Office	50.7%	–	100.0%
	1.0%	**0.1%**	**3.8%**

Equites' logistics vacancy rate increased marginally from 0.1% as at 28 February 2021 to 0.8%, as at August 2021. The increase in the vacancy rate relates to a small speculative development that reached completion during the period. The Group expects to conclude a lease agreement for this property in the near future. The balance of the portfolio's logistics vacancy consists of a single ancillary unit of 1 401m² located in the UK.

9. Treasury financial management

9.1 Financial market update

Globally, the abstruseness of the timing of fiscal and monetary stimulus tapering by the US Federal Reserve and other central banks has created volatility in the markets as new waves and variants of COVID-19 and delays in vaccination rollout keep the market guessing as to central bank rate moves. Global economic activity continues to tick upwards within the context of shifting geopolitical nexuses, and whilst many reserve banks have turned hawkish, the Group expects rates to remain towards the bottom of the cycle in SA until there is a further improvement in the growth outlook, with economic and political uncertainty being the primary factors, and the South African Reserve Bank's attempts to balance growth and inflation.

In the UK, a successful vaccine rollout has allowed for an earlier return to work to the extent that staff shortages and high wage inflation have been experienced. Whilst the Bank of England has looked through temporary inflation, it sees inflation peaking at 4% by year-end, and the current expectation is that the Bank Rate will need to be hiked by mid-2022.

9.2 Highlights of the past six months

Two important updates to the financial standing of Equites occurred during the past six months, i) the credit rating of Equites was upgraded by Global Credit Ratings Co. ("GCR") to AA- and ii) the JSE granted approval for the update of the listed DMTN Programme including an increase in authorised size to R10 billion.

GCR upgraded the national scale long- and short-term issuer ratings of Equites from A+$_{(ZA)}$ and A1$_{(ZA)}$ to AA-$_{(ZA)}$ and A1+$_{(ZA)}$ respectively, with a stable outlook. GCR highlighted *"the sustained improvement in portfolio quality, supported by positive externalities impacting the logistics sector... characterised by growth in rental income, elimination of vacancies and stability of margins"*. GCR emphasised that the strong tenant profiles and boom in demand for logistics space which have sustained robust performance, coupled with above-inflation escalations together with continuous completion of developments and acquisitions, will drive growth in rental income going forward. Comprehensive interaction between GCR and Equites enabled GCR to discern that sector concentration is mitigated by *"the diversity of tenants' business lines"* and *"strong collection rates"*.

GCR noted shareholders' support in the recent R1 billion capital raise and that they *"would be expected to back an additional equity raise in the short term given the current value of the REIT's share price relative to net asset value"*. The DMTN Programme *"added to the diversity of funding sources"* and *"liquidity cover is underpinned by strong access to funding through both debt and equity markets, where the REIT is building a good track record"*.

The stable outlook reflects GCR's expectation that *"portfolio quality will remain resilient relative to peers, backed by high occupancy rates with high-quality tenants and largely pre-let development-led growth"*. GCR stated that the rating may be upgraded with increased *"exposure to more stable and developed markets"* whilst *"negative rating action is considered unlikely"*.

The update to the JSE-listed DMTN Programme brings Equites in line with current JSE Debt Listings Requirements, and the increase in authorised Programme size to R10 billion positions Equites for future growth in the debt capital market. Further, this will enable Equites to issue sustainability-linked notes funded by SA banks and other financial institutions, allowing the Group to continue to be a leader in environmental, social and corporate governance ("ESG") in SA.

9.3 Approach to treasury financial management

The formation of, and adherence to, a robust treasury policy is a cornerstone from which the Group maximises stakeholder value, employing guiding principles to evaluate the appropriateness of any financial decision made.

The six key guiding principles as outlined in the Group policy are stated below, together with the steps taken in the past six months to abide by these principles:

	Principle
1	Minimise the current cost of capital using an optimal mix of debt and equity
2	Maintain a robust balance sheet which offers flexibility for future growth opportunities
3	Diversify the sources of finance employed to fund operations
4	Phase the maturity of outstanding financial liabilities
5	Ensure that strong liquidity is maintained
6	Appropriately manage significant financial risks

9.3.1 Minimising the cost of capital

In June 2021 Equites issued a listed R300 million three-year floating rate note off the DMTN Programme. Whilst this was a private placement to a single investor, this investor expressed the desire for a significantly larger quantum, and several other institutional investors were also willing to subscribe. The decision to issue only R300 million was driven by Equites' focus in maintaining an optimal capital structure incorporating a low cost of debt.

The pricing of the note at 3-month JIBAR plus 165bp is reflective of the strong financial standing of Equites in the SA debt capital market, especially when compared with other issuers in the same sector.

The listed debt pricing has a resultant impact on bilateral loan funding with banks and other financial institutions, and recent refinancing of new and existing debt facilities have allowed Equites to further reduce the cost of debt.

	31 August 2021	28 February 2021	31 August 2020
All-in ZAR effective fixed cost of debt	6.81%	6.54%	7.69%
All-in GBP effective fixed cost of debt	2.48%	1.89%	2.76%
All-in effective average fixed cost of debt	4.97%	5.19%	5.44%

9.3.2 Maintaining a robust balance sheet

The capital structure of the Group is constantly evaluated, considering both stakeholder risk appetite and the projected future requirements of the business. The Group aims for an LTV ratio that aligns with the capital structure, with a focus on ensuring that the business is appropriately structured to reduce risk and maximise the ability to take advantage of potential future opportunities.

The sale of two UK properties in February 2021, a strong uptake in the dividend reinvestment alternative in May 2021, and a successful equity raise of R1 billion in July 2021 resulted in a minimal requirement to raise debt funding during the past six months. Rather, shorter-dated maturing facilities were repaid and the maturity of debt facilities with two SA banks was extended.

The LTV ratio is determined based on the ratio of net debt to the fair value of property assets. As a result of the reduced requirement to raise debt, LTV ratio as at 31 August 2021 was 28.6%.

R'000	31 August 2021	28 February 2021	31 August 2020
Gross debt	6 506 495	6 828 343	5 005 811
Cash & cash equivalents	(203 020)	(612 316)	(134 597)
Net debt (excluding derivatives)	**6 303 475**	**6 216 027**	**4 871 214**
Total assets	22 636 646	20 857 199	16 892 475
Less assets related to net debt	(586 499)	(925 436)	(361 093)
Fair value of property assets	**22 050 147**	**19 931 763**	**16 531 382**
LTV ratio	**28.6%**	**31.2%**	**29.5%**

Commentary continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

9. Treasury financial management continued

9.3 Approach to treasury financial management continued

9.3.3 Diversifying sources of funding

The update to the DMTN Programme listed on the JSE positions Equites to continue to diversify sources of funding in the local DCM. As at August 2021, R1.8 billion (44% of SA debt and 28% of total debt) had been raised from DCM sources.

The Group continues to engage directly with banks, financial institutions and DCM investors to understand their requirements and offerings. The past six months have seen a particular focus on engaging with the sustainability and ESG teams at several institutions in order to align debt financing with Equites' commitment to developing EDGE-certified green buildings, enabling the Group to continue to achieve progress in Sustainable Development Goals. The SA government's increase in permitted renewable energy generation by the public sector will allow Equites to deploy capital towards increasing the solar PV at properties above the current 1MW level, with Equites' tenants being the direct beneficiaries.

In this regard, the Group has recently completed the refinancing of several facilities with SA banks that incorporate various forms of sustainability metrics. In terms of the UK funding, the Group has begun discussions to incorporate sustainability goals into new funding that will be raised over the next 12 months.

9.3.4 Phasing the maturity of financial liabilities

The Group balances the term structure of loans and borrowings to reduce refinancing risk with the minimisation of the cost of debt. The weighted average debt maturity profile has remained at 3.0 years since last reported in February 2021 through a combination of new and refinanced facilities. The Group has recently completed the refinancing of more than R1.2 billion with two SA institutions, extending the tenor to August 2024 (R1 billion) and August 2025 (R0.2 billion). GBP-denominated debt has been raised from these two SA banks, with a new £10 million facility maturing in 12 months and an increase of an existing facility of £25 million to £50 million maturing in 24 months. In June 2021, R300 million of three-year debt was raised off the DMTN Programme, thereby ensuring that 87.7% of debt matures after 28 February 2023 and more than 60% matures after 29 February 2024.

Expiry date	Loan balance (R'000)	Facility amount (R'000)	Undrawn facility (R'000)	% of total loan balance
FY22	200 035	400 000	199 965	3.1%
FY23	599 996	799 759	199 763	9.2%
FY24	1 799 397	2 548 795	749 398	27.5%
FY25	1 771 000	1 771 000	–	27.1%
Beyond FY25	2 136 067	2 396 387	225 000	33.1%
Total	**6 506 495**	**7 915 941**	**1 374 126**	**100.0%**

9.3.5 Maintaining strong liquidity

Equites has maintained a highly liquid financial position throughout the suppressed macroeconomic environment. The Group has a policy-driven contingent liquidity buffer of R300 million, and due to cash flow from the capital raise and disposal of assets during the period, cash and committed undrawn facilities were R1.6 billion at August 2021, including R960 million of undrawn new facilities.

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

9.3.6 Appropriately managing financial risks

a. Interest rate risk

The Group has continued to use a combination of natural hedges and derivative financial instruments to hedge exposure to interest rate risk. At 31 August 2021, the Group had hedged 98.8% and 81.6% of the existing floating-rate term loan balances and total committed future cash outflows, respectively. Forward-starting interest rate swaps, entered into in prior years to mitigate the interest rate risk arising from forecast future committed outflows, are now hedging current risk. Additional derivatives have been entered into to take advantage of the low interest rate cycle resulting in a high proportion of interest rate risk exposure that is hedged, which will benefit the Group in future years.

R'000	31 August 2021	28 February 2021	31 August 2020
Interest rate derivatives	4 344 547	4 216 614	2 439 066
Fixed-for-floating cross currency swap	600 000	600 000	600 000
Hedge cover	**4 944 547**	**4 816 614**	**3 039 066**
Floating-rate borrowings	5 005 767	5 055 890	3 475 105
Current interest rate risk exposure hedged	98.8%	95.3%	87.5%
Fixed-rate borrowings	1 536 048	1 772 453	1 745 495
Total interest-bearing borrowings	**6 506 495**	**6 828 343**	**5 220 600**
Contracted capital commitments	1 974 945	2 170 938	2 245 649
Total committed future cash outflows	**8 481 440**	**8 999 281**	**7 466 248**
Hedge cover including fixed-rate borrowings	6 480 595	6 589 067	4 784 561
Forward-starting interest rate hedges	439 470	692 028	1 192 500
Total hedge cover	**6 920 065**	**7 281 095**	**5 977 061**
Effective interest rate risk exposure hedged on committed future financing cash outflows	81.6%	80.9%	80.1%

b. Foreign exchange rate risk

The Group continues to implement the foreign exchange risk management policy, which defines the Group's strategy towards foreign exchange rate risk.

Hedging net investment in foreign operation

The Equites treasury policy restricts the utilisation of cross-currency interest rate swaps ("CCIRS") to 45% of foreign denominated assets. Several pre-let developments in the UK are nearing completion and, once these assets become income-producing properties, the Group will raise in-country debt and close out the related CCIRS. Discussions around debt financing of these assets has already commenced and will be concluded on completion of the assets. Given the relatively large increase in developments compared with the lesser increase in CCIRS, the utilisation of CCIRS has decreased to 23.2% of foreign denominated assets. The raising of sterling-denominated debt from SA banks has facilitated this reduction in utilisation.

The table below shows the carrying amount of UK assets which are currently hedged through CCIRS:

£'000	31 August 2021	28 February 2021	31 August 2020
Carrying amount of UK assets	419 147	366 322	335 263
Nominal value of CCIRS	97 405	92 447	92 447
CCIRS hedged of foreign denominated assets	**23.2%**	**25.2%**	**27.6%**

Commentary continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

9. Treasury financial management continued

9.3 Approach to treasury financial management continued

9.3.6 Appropriately managing financial risks continued

b. Foreign exchange rate risk continued

Hedging distributable earnings and cash flow risk

Where possible, the Group continues to utilise natural hedges to minimise exposure to fluctuations in foreign exchange rates on distributable earnings. The Group assesses the likely impact on the funds to be received from foreign operations of reasonably possible changes in the GBP/ZAR exchange rate using financial modelling and hedges exposure within these levels.

The Group has hedged net income to be received over the next 24 months in line with the documented Group hedging level policy.

Six-month period ended	Effective hedging level	Blended participation floor	Blended participation cap
28 February 2022	80.00%	R21.36/GBP	R21.51/GBP
31 August 2022	75.00%	R22.86/GBP	R22.98/GBP
28 February 2023	45.00%	R21.10/GBP	R23.25/GBP
31 August 2023	30.00%	R21.00/GBP	R22.75/GBP

The Group's 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.

10. Transformation

In Equites' pursuit to support efforts toward rectifying inequalities in SA, the Group fully recognises and acknowledges the importance of adhering to the country's B-BBEE policies. For the period under review, the Group has maintained a Level 4 B-BBEE rating with a verified black ownership of 51%.

In May 2020, the Group was faced with the partial loss of an anchor empowerment shareholder. Following the loss, it became imperative for the Group to engage in strategic empowerment transactions.

To aid this objective, the Group has engaged in a Statement 102 transaction whereby it will dispose of six property assets located in the Western Cape to a black property investment company. These assets are deemed to be non-core to the Equites portfolio due to the size of the individual assets. The intention is not only to transfer the properties to the counterparty, but more importantly, to impart mentoring in respect of property and asset management in order to support them in building a long-term successful property business. Whilst the transaction has been concluded, there are still outstanding conditions precedent which in all likelihood should be confirmed by the end of November 2021.

The second part of the strategy is focused on identifying and engaging with potential empowerment partners on an equity level. Negotiations in this respect are ongoing and any significant developments will be communicated in due course.

11. Environmental, social and governance

ESG has become one of the Group's key strategic areas of differentiation, with a keen focus on sustainability. The areas of focus are detailed below:

Focus area	Description
Product design	Equites aims to be at the forefront of green building initiatives by incorporating natural resources and environmentally responsible techniques into all new developments. Equites has qualified for a higher level of EDGE certification and has obtained EDGE certifications for all new developments which have come online in the last 12 months. It is the intention for all new developments to meet this standard.
Environmental awareness	The Group has undertaken sustainability audits across the portfolio; based on the outcomes of the audits, the Group will suggest improvements to be undertaken by the landlord and/or the tenant to improve its environmental footprint.
Equites' atmosphere	Equites has undertaken a detailed carbon assessment to drive more conscious behaviour and reduce the impact on the atmosphere.
Community upliftment and education initiatives	Equites aims to drive sustainable community development through its focus on educational initiatives and positively impacting the local communities in which developments are undertaken.
Customer centricity	Equites engaged in its first full-scale tenant satisfaction survey, with the outcomes translating into more effective engagement with tenants. The intention is to build long-standing relationships with the Group's tenants that are embedded with trust and loyalty.
Human capital	Equites promotes diversity through a wide representation of skills, experience and diversity in its team and promoting internal growth and development.

12. Prospects

In line with previous guidance, the Board expects that Equites will achieve full year distribution per share growth of 5% – 6%.

Management is also targeting positive NAV per share growth for FY22, supported by the development pipeline within ENGL. The Group therefore expects to achieve a double-digit total return for FY22, which is a function of the distribution yield on NAV per share as well as the growth in NAV per share.

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

13. Subsequent events

The directors are not aware of any events that have occurred since the end of this reporting period which have a material impact on the result.

14. Changes to the board of directors and company secretary

14.1 Board appointments

The Board is pleased to announce the appointment of Cindy Hess and Ndabezinhle Mkhize as independent non-executive directors with effect from 1 October 2021.

Cindy (CA(SA)) is currently an independent non-executive director of Life Healthcare Group Holdings Limited, RCL Foods Limited and Truworths International Limited. Her previous experience includes serving as Chief Financial Officer of Pioneer Food Group Limited, Media24 Holdings Proprietary Limited and Sea Harvest Group Limited.

Ndabezinhle (BSc (Actuarial Science), CFA, CAIA) is currently the Chief Investment Officer of the Eskom Pension and Provident Fund, chairman of IG Markets South Africa and an independent non-executive director and chairperson of the audit and risk committee of Fairvest Property Holdings Limited. His previous experience includes co-portfolio management positions at STANLIB Asset Management and Coronation Fund Managers as well as an equity analyst role at Prudential Investment Managers.

The board of directors confirms that the appointments of the non-executive directors were made in accordance with Equites' policy on the nomination of directors, and these appointments are in line with Equites' policy to ensure that the Board enhances its independence, meets its diversity targets and constitutes the appropriate level of skills and expertise required to successfully fulfil its duties.

Commentary continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

14. Changes to the board of directors and company secretary continued

14.2 Company secretary

The Board have appointed Todd Colin Petersen as company secretary of the Company with effect from 1 October 2021. In line with best governance practices, it is recommended that an executive director does not also serve as the company secretary; for this reason, Riaan Gous has resigned from the role of company secretary, effective 1 October 2021.

Todd is a qualified attorney of the High Court of South Africa. Moreover, Todd holds a Bachelor of Arts Degree (majoring in Political Science and History) and an LLB Degree both from the University of Cape Town. Todd has experience in corporate and commercial law having started his legal career as a candidate attorney and, thereafter, as an associate at Norton Rose Fulbright. He has also been an associate at ENSafrica and at Bedell Cristin in the Channel Islands. Todd has been employed as a Legal Executive at Equites since 1 September 2020.

The board is satisfied that Todd has the necessary experience, qualifications and expertise to take up the position of company secretary of Equites.

15. Basis of preparation

The condensed consolidated interim results for the six months ended 31 August 2021 are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards council, the JSE Listings Requirements and the requirements of the Companies Act of 2008 of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting standards and are consistent with those applied in the previous annual financial statements.

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

These condensed consolidated interim financial statements have not been reviewed or audited by the Company's external auditors.

16. Declaration of an interim 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 interim dividend number 16 of 78.37854 cents per share.

The Board has declared an interim gross dividend of 78.37854 cents per share on 4 October 2021 which is a 5.3% growth over the prior year interim distribution of 74.44 cents per share. The DPS growth is in line with previous guidance of 5% – 6%.

Dividends declared (cents per share)	% change	31 August 2021	31 August 2020
Interim dividend	5.3%	78.37854	74.44

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 78.37854 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 October 2021.

A circular providing further information in respect of the cash dividend and dividend reinvestment alternative (the "circular") will be posted to shareholders on Tuesday, 5 October 2021. The circular will be available on the website of the Company (www.equites.co.za/investor-community/investors-documentation/) from Tuesday, 5 October 2021. Copies of the circular may be obtained from the registered offices of Equites during normal business hours from Tuesday, 5 October 2021 to Friday, 22 October 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 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, European Economic Area , Canada, United States of America , 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	2021
Equites results including declaration of an interim distribution published on SENS	Tuesday, 5 October
Circular and form of election posted to shareholders	Tuesday, 5 October
Finalisation information including the share ratio and reinvestment price per share published on SENS by 11:00 (SA time)	Tuesday, 12 October
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 October
Shares trade ex-dividend	Wednesday, 20 October
Listing of maximum possible number of shares under the dividend reinvestment alternative	Friday, 22 October
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 October
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 October
Announcement of results of cash dividend and dividend reinvestment alternative released on SENS	Monday, 25 October
Payment of cash dividends to certificated shareholders by electronic funds transfer	Monday, 25 October
Dematerialised shareholders' CSDP or broker accounts credited with the cash dividend payment (if applicable)	Monday, 25 October
Share certificates posted to certificated shareholders on or about	Wednesday, 27 October
Dematerialised shareholders' CSDP or broker accounts credited with the new shares (if applicable)	Wednesday, 27 October
Adjustment to shares listed on or about	Friday, 29 October

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 October 2021 and Friday, 22 October 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 78.37854 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.

Commentary continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

16. Declaration of an interim cash dividend with the election to reinvest the cash dividend in return for Equites shares ("dividend reinvestment alternative") continued

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 62.70283 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 78.37854 cents per share.

Other information

- The issued ordinary share capital of Equites at the date of declaration is 709 696 383 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 October 2021

Condensed consolidated interim results for the six months ended 31 August 2021

Condensed consolidated statement of financial position

Equites Property Fund Limited and its subsidiaries at 31 August 2021

	Notes	Unaudited 31 August 2021 R'000	Unaudited 31 August 2020 R'000	Audited 28 February 2021 R'000
Assets				
Non-current assets				
Fair value of investment property (excluding straight-lining)	4	20 417 136	15 826 388	18 878 285
Straight-lining lease income accrual	4	467 149	331 069	364 746
Deferred tax asset		139 047	181 973	120 031
Non-current financial assets		15 795	445	9 244
Property, plant and equipment		17 080	16 528	17 919
		21 056 207	**16 356 403**	**19 390 225**
Current assets				
Trading properties		724 609	–	464 670
Trade and other receivables		328 865	107 194	285 700
Other current financial assets		38 818	226 050	18 176
Cash and cash equivalents		203 020	134 597	612 316
		1 295 312	**467 841**	**1 380 862**
Investment property held-for-sale	4	285 127	68 231	86 112
Total assets		**22 636 646**	**16 892 475**	**20 857 199**
Equity and liabilities				
Equity and reserves				
Stated capital		10 801 751	9 109 583	9 337 288
Accumulated profit		1 575 120	789 373	918 422
Foreign currency translation reserve		127 659	762 462	391 520
Share-based payment reserve		9 511	62 332	195 953
Total attributable to owners		**12 514 041**	**10 723 750**	**10 843 183**
Non-controlling interest		2 268 066	38 062	2 166 757
Total equity and reserves		**14 782 107**	**10 761 812**	**13 009 940**
Liabilities				
Non-current liabilities				
Loans and borrowings	5	6 206 460	4 932 843	5 843 785
Other non-current financial liabilities		211 680	474 274	147 501
Deferred tax liability		170 621	–	59 388
Other liabilities		6 473	4 479	6 473
		6 595 234	**5 411 596**	**6 057 147**
Current liabilities				
Trade and other payables		907 082	274 962	629 404
Loans and borrowings	5	300 035	287 757	984 558
Other current financial liabilities		52 188	155 748	176 150
Current tax liability		–	600	–
		1 259 305	**719 067**	**1 790 112**
Total liabilities		**7 854 539**	**6 130 663**	**7 847 259**
Total equity and liabilities		**22 636 646**	**16 892 475**	**20 857 199**

Condensed consolidated statement of comprehensive income

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

	Notes	Unaudited 6 months ended 31 August 2021 R'000	Unaudited 6 months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
Property revenue and tenant recoveries	2	681 072	494 609	1 137 336
Straight-lining of leases adjustment		103 872	15 773	48 044
Gross property revenue		**784 944**	**510 382**	**1 185 380**
Property operating and management expenses		(105 439)	(69 358)	(163 098)
Other net operating gains or losses	6	217 434	(232 790)	127 341
Administrative expenses		(41 937)	(34 043)	(56 897)
Fair value adjustments – investment property	4	569 492	(80 296)	(224 874)
Operating profit before financing activities		**1 424 494**	**93 895**	**867 852**
Finance costs	7	(26 362)	(232 252)	(287 008)
Finance income		8 797	12 870	17 367
Net profit/(loss) before tax		**1 406 929**	**(125 487)**	**598 211**
Tax (expense)/income		(90 914)	1 397	(108 160)
Profit/(loss) for the period		**1 316 015**	**(124 090)**	**490 051**
Other comprehensive income				
Items that may subsequently be reclassified to profit or loss:				
Translation of foreign operations		(263 744)	519 514	208 507
Total comprehensive income for the period		**1 052 271**	**395 424**	**698 558**
Profit/(loss) attributable to:				
Owners of the parent		1 170 689	(121 763)	407 499
Non-controlling interest		145 326	(2 327)	82 552
		1 316 015	**(124 090)**	**490 051**
Total comprehensive income attributable to:				
Owners of the parent		906 829	397 796	615 996
Non-controlling interest		145 442	(2 372)	82 562
		1 052 271	**395 424**	**698 558**
Basic earnings per share (cents)		179.0	(20.1)	66.4
Diluted earnings per share (cents)		179.0	(20.0)	65.4

Condensed consolidated statement of cash flows

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

	Unaudited 6 months ended 31 August 2021 R'000	Unaudited 6 months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
Cash flows from operating activities			
Cash generated from operations	846 325	346 337	939 460
Finance costs paid	(40 704)	(25 861)	(110 461)
Finance income received	8 381	10 734	17 086
Tax received/paid	2 468	(728)	(5 286)
Dividends paid	(558 125)	(459 598)	(919 690)
Net cash flows generated from operating activities	**258 345**	**(129 116)**	**(78 891)**
Cash flows utilised by investing activities			
Acquisition of investment properties	(504 735)	–	(1 934 463)
Development of investment properties	(1 211 458)	(729 011)	(1 456 673)
Proceeds from disposal of subsidiaries	25 000	–	526 071
Purchases of current financial assets[1]	(805 000)	(920 000)	(1 614 000)
Proceeds on divestment of current financial assets[1]	725 000	707 267	1 629 992
Purchase and development of property, plant and equipment	(807)	(56)	(2 412)
Net cash flows utilised by investing activities	**(1 772 000)**	**(941 800)**	**(2 851 485)**
Cash flows from financing activities			
Proceeds from share issue (net of costs)	993 143	794 549	794 124
Proceeds from share issue relating to dividend reinvestment programme	279 051	255 580	427 414
Repayment of lease liability	(2 535)	(1 647)	(4 225)
Proceeds from borrowings	2 021 856	708 851	4 446 720
Repayment of borrowings	(2 219 102)	(611 265)	(2 133 893)
Net cash flows raised from financing activities	**1 072 413**	**1 146 068**	**3 530 140**
Net (decrease)/increase in cash and cash equivalents	(441 242)	75 152	599 764
Effect on exchange rate movements in cash and cash equivalents	31 946	5 721	(41 172)
Cash and cash equivalents at the beginning of the period	612 316	53 724	53 724
Cash and cash equivalents at the end of the period	**203 020**	**134 597**	**612 316**

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

Condensed consolidated statement of changes in equity

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

	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 2020	**8 046 457**	**1 370 734**	**242 903**	**69 496**	**9 729 590**	**40 434**	**9 770 024**
Loss for the period	–	(121 763)	–	–	(121 763)	(2 327)	(124 090)
Other comprehensive income	–	–	519 559	–	519 559	(45)	519 514
Shares issued for cash	800 000	–	–	–	800 000	–	800 000
Shares issued in terms of the dividend re-investment programme	255 580	–	–	–	255 580	–	255 580
Shares issued in terms of the conditional share plan	12 997	–	–	(12 997)	–	–	–
Equity-settled share-based payment charge	–	–	–	5 833	5 833	–	5 833
Dividends distributed to shareholders	–	(459 598)	–	–	(459 598)	–	(459 598)
Share issue costs	(5 451)	–	–	–	(5 451)	–	(5 451)
Balance at 31 August 2020	**9 109 583**	**789 373**	**762 462**	**62 332**	**10 723 750**	**38 062**	**10 761 812**
Profit for the period	–	529 262	–	–	529 262	84 879	614 141
Other comprehensive (loss)/income	–	–	(311 063)	–	(311 063)	56	(311 007)
Reclassification of FCTR on disposal of subsidiary companies	–	59 879	(59 879)	–	–	–	–
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	2 043 760	2 043 760
Share issued in terms of dividend reinvestment programme	171 834	–	–	–	171 834	–	171 834
Movements in respect of share-based payment transactions	56 296	–	–	123 704	180 000	–	180 000
Equity-settled share-based payment charge	–	–	–	9 917	9 917	–	9 917
Dividends distributed to shareholders	–	(460 092)	–	–	(460 092)	–	(460 092)
Share issue costs	(425)	–	–	–	(425)	–	(425)
Balance at 28 February 2021	**9 337 288**	**918 422**	**391 520**	**195 953**	**10 843 183**	**2 166 757**	**13 009 940**
Profit for the period	–	1 170 689	–	–	1 170 689	145 326	1 316 015
Other comprehensive income	–	–	(263 861)	–	(263 861)	117	(263 744)
Shares issued for cash	1 000 000	–	–	–	1 000 000	–	1 000 000
Shares issued in terms of the dividend re-investment programme	279 051	–	–	–	279 051	–	279 051
Shares issued in terms of the conditional share plan	11 854	–	–	(11 854)	–	–	–
Settlement of share-based payment transaction	180 000	–	–	(180 000)	–	–	–
Equity-settled share-based payment charge	–	–	–	5 827	5 827	–	5 827
Dividends distributed to shareholders	–	(513 991)	–	–	(513 991)	(44 134)	(558 125)
Share issue costs	(6 442)	–	–	(415)	(6 857)	–	(6 857)
Balance at 31 August 2021	**10 801 751**	**1 575 120**	**127 659**	**9 511**	**12 514 041**	**2 268 066**	**14 782 107**

Selected explanatory notes to the results

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

1. Earnings per share

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

	Unaudited 6 months ended 31 August 2021	Unaudited 6 months ended 31 August 2020	Audited 12 months ended 28 February 2021
1.1 Basic earnings per share			
Shares in issue			
Number of shares in issue at end of year	709 696 383	614 717 973	628 715 573
Weighted average number of shares in issue	654 128 928	605 673 034	613 629 280
Add: weighted potential dilutive impact of conditional shares	–	3 379 130	9 803 834
Diluted weighted average number of shares in issue	654 128 928	609 052 164	623 433 114
Basic earnings per share	**cents**	**cents**	**cents**
Basic earnings per share	179.0	(20.1)	66.4
Diluted earnings per share	179.0	(20.0)	65.4
1.2 Headline earnings per share			
Reconciliation between basic earnings and headline earnings	**R'000**	**R'000**	**R'000**
Earnings (profit attributable to owners of the parent)	1 170 689	(121 763)	407 499
Adjusted for:			
Fair value adjustments to investment properties	(569 492)	80 296	224 874
Fair value adjustments to investment properties (NCI)	34 636	(4 613)	9 553
Loss/(profit) on sale of subsidiary	423	–	(31 913)
Headline earnings	**636 256**	**(46 080)**	**610 013**
Headline earnings per share	**cents**	**cents**	**cents**
Headline earnings per share	97.3	(7.6)	99.4
Diluted headline earnings per share	97.3	(7.6)	97.8

2. Segment information

The unaudited segment information for the Group for the period ended 31 August 2021 is set out below:

	Operating segments				
R'000	**SA Industrial**	**UK Industrial**	**UK Developer[1]**	**Other**	**Total**
Statement of comprehensive income					
Property revenue	574 267	95 420	–	11 385	**681 072**
Fair value adjustments – investment property	12 779	586 287	–	(29 574)	**569 492**
Straight-lining of leases adjustment	99 990	7 224	–	(3 343)	**103 872**
Operating profit before financing activities	1 331 093	85 327	(1 572)	9 646	**1 424 494**
Finance income	5 826	3 061	–	(90)	**8 797**
Finance costs	(54 359)	27 933	–	64	**(26 362)**
Statement of financial position					
Fair value of investment property	12 827 421	7 989 025	–	67 839	**20 884 285**
Investment property held-for-sale	–	–	–	285 127	**285 127**
Trading properties	–	–	724 609	–	**724 609**
Loans and borrowings	4 834 275	1 672 220	–	–	**6 506 495**
Total assets	14 783 353	6 676 306	822 728	354 259	**22 636 646**
Total liabilities	5 427 503	1 880 233	540 155	6 648	**7 854 539**

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

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

The unaudited segment information for the Group for the year ended 28 February 2021 is set out below:

	Operating segments				
R'000	**SA Industrial**	**UK Industrial**	**UK Developer[1]**	**Other**	**Total**
Statement of comprehensive income					
Property revenue	818 928	303 840	–	14 568	**1 137 336**
Fair value adjustments – investment property	(430 577)	206 254	–	(551)	**(224 874)**
Straight-lining of leases adjustment	21 720	27 425	–	(1 101)	**48 044**
Operating profit before financing activities	326 407	542 038	–	(593)	**867 852**
Finance income	13 449	3 856	–	62	**17 367**
Finance costs	(229 582)	(55 848)	–	(1 578)	**(287 008)**
Statement of financial position					
Fair value of investment property	12 517 336	6 605 535		120 160	**19 243 031**
Investment property held-for-sale	–	–	–	86 112	**86 112**
Trading properties			464 670		**464 670**
Loans and borrowings	4 789 748	2 038 595	–	–	**6 828 343**
Total assets	12 975 694	6 969 988	801 705	109 812	**20 857 199**
Total liabilities	5 352 208	2 151 360	343 691	–	**7 847 259**

[1] Management evaluates the activities within ENGL pertaining to third-party developments to be a separate segment and the performance of these development activities are assessed separately.

Notes continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

3. Fair value measurement

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

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

Level 2: measurements are done by reference to inputs other than quoted prices that are included in level 1.
These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).

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

	31 August 2021			
Figures in R'000s	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Non-financial assets at fair value – investment properties	21 150 507			21 150 507
Financial assets at fair value (excluding derivatives)	–		–	
Derivative financial assets	54 613		54 613	
	21 205 120	–	54 613	21 150 507
Liabilities				
Derivative financial liabilities	(244 776)		(244 776)	–
	(244 776)	–	(244 776)	–

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

	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
Financial assets at fair value (excluding derivatives)	–		–	
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)	–

Details of valuation techniques

Investment property

The fair value of investment properties is updated at each reporting period either by way of external valuations or directors' valuations. At 31 August 2021, the Group externally valued 48 of its income producing properties, 39 from SA and 9 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 exit capitalisation rate is dependent on a number of factors, including location, asset class, market conditions, lease covenants and the risks inherent in the property. The discount rate used to determine the fair value of each property is assessed with reference to observable inputs.

Derivative financial assets and liabilities

Interest rate and cross-currency interest rate swaps

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

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

Sensitivity analysis to capitalisation rates

31 August 2021	Discount rate		Exit Capitalisation rate		Market rentals	
	-0.1%	+0.1%	-0.1%	+0.1%	+5%	-5%
R'000	Increase in fair value	Decrease in fair value	Increase in fair value	Decrease in fair value	Increase in fair value	Decrease in fair value
SA industrial	41 802	(41 593)	93 744	(91 364)	359 839	(359 839)
UK industrial[1]	n/a	n/a	n/a	n/a	n/a	n/a
Total	**41 802**	**(41 593)**	**93 744**	**(91 364)**	**359 839**	**(359 839)**

[1] The UK portfolio was externally valued using an adjusted income capitalisation method, therefore the discount rate and exit capitalisation rate sensitivities do no apply in the current period

31 August 2020	Discount rate		Exit Capitalisation rate		Market rentals	
	-0.1%	+0.1%	-0.1%	+0.1%	+5%	-5%
R'000	Increase in fair value	Decrease in fair value	Increase in fair value	Decrease in fair value	Increase in fair value	Decrease in fair value
SA industrial	25 744	(25 615)	57 605	(56 161)	224 165	(224 165)
UK industrial	27 157	(27 008)	100 561	(96 641)	247 919	(247 919)
Total	**52 901**	**(52 623)**	**158 166**	**(152 802)**	**472 084**	**(472 084)**

28 February 2021	Discount rate		Exit Capitalisation rate		Market rentals	
	-0.1%	+0.1%	-0.1%	+0.1%	+5%	-5%
R'000	Increase in fair value	Decrease in fair value	Increase in fair value	Decrease in fair value	Increase in fair value	Decrease in fair value
SA industrial	40 162	(39 961)	89 327	(87 097)	348 932	(348 932)
UK industrial	13 047	(12 975)	51 316	(49 170)	117 583	(117 583)
Total	**53 209**	**(52 936)**	**140 643**	**(136 267)**	**466 515**	**(466 515)**

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

Notes continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

	Unaudited 6 months ended 31 August 2021 R'000	Unaudited 6 months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
4. Investment property			
Investment property (excluding straight-lining)	16 092 886	13 016 646	15 720 743
Investment property under development and available land	4 305 345	2 789 641	3 136 725
Investment property held-for-sale	285 127	68 231	86 112
Right of use asset	18 905	20 101	20 817
Straight-lining lease income accrual	467 149	331 069	364 746
Fair value of investment property	**21 169 412**	**16 225 688**	**19 329 143**

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

	South Africa		United Kingdom	
R'000	**Industrial**	**Commercial**	**Industrial**	**Total**
Balance as at 29 February 2020	**8 177 804**	**111 189**	**6 228 145**	**14 517 138**
Improvements and extensions	22 754	–	3 041	**25 796**
Construction and development costs	377 932	–	224 986	**602 917**
Transfers	(25 721)	–	–	**(25 721)**
Letting commission capitalised	877	–	1 065	**1 942**
Letting commission amortised	(484)	–	(371)	**(855)**
Lease incentives capitalised	1 250	–	–	**1 250**
Lease incentives amortised	(124)	–	–	**(124)**
Fair value adjustment	(134 237)	–	53 743	**(80 494)**
Foreign exchange movements	–	–	784 538	**784 538**
Balance as at 31 August 2020	**8 420 052**	**111 189**	**7 295 147**	**15 826 387**
Acquisitions	3 609 939	–	542 222	**4 152 161**
Improvements and extensions	9 189	(511)	10 954	**19 631**
Construction and development costs	493 499	–	314 828	**808 327**
Government grants received	–	–	(62 252)	**(62 252)**
Transfers	90 703	(111 189)	(341 345)	**(361 831)**
Letting commission capitalised	1 841	–	1 028	**2 870**
Letting commission amortised	(1 041)	–	(445)	**(1 486)**
Lease incentives capitalised	(122)	–	–	**(122)**
Lease incentives amortised	2 472	–	–	**2 472**
Fair value adjustment	(296 852)	511	152 511	**(143 830)**
Disposals	–	–	(863 638)	**(863 638)**
Foreign exchange movements	–	–	(500 405)	**(500 405)**
Balance as at 28 February 2021	**12 329 681**	**–**	**6 548 604**	**18 878 285**
Acquisitions	41 004	–	359 668	**400 672**
Improvements and extensions	55 044	1 072	45 640	**101 756**
Construction and development costs	238 092	–	973 366	**1 211 458**
Transfers	(273 018)	39 904	(204 393)	**(437 508)**
Letting commission capitalised	2 308	–	–	**2 308**
Letting commission amortised	(1 164)	(10)	(417)	**(1 591)**
Lease incentives amortised	(124)	–	–	**(124)**
Fair value adjustment	12 779	(17 457)	586 287	**581 608**
Foreign exchange movements	–	–	(319 729)	**(319 729)**
Balance as at 31 August 2021	**12 404 602**	**23 509**	**7 989 025**	**20 417 136**

4.2 Reconciliation of investment property held-for-sale

R'000	
Balance as at 29 February 2020	**40 455**
Transferred from investment property	30 768
Fair value adjustment	(2 992)
Balance as at 31 August 2020	**68 231**
Transferred from investment property	15 440
Fair value adjustment	2 441
Balance as at 28 February 2021	**86 112**
Transferred from investment property	273 018
Transferred to investment property	(39 904)
Fair value adjustment	(12 117)
Disposals	(21 982)
Balance as at 31 August 2021	**285 127**

	Unaudited 6 months ended 31 August 2021 R'000	Unaudited 6 months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
5. Loans and borrowings			
Reconciliation of movement in loans and borrowings			
Opening balance	**6 828 343**	**4 796 043**	**4 796 043**
Non-current borrowings	5 843 785	4 686 043	4 686 043
Current borrowings	984 558	110 000	110 000
Proceeds from borrowings	2 021 856	708 851	4 446 720
Repayment of borrowings	(2 219 102)	(611 265)	(2 522 089)
Loan fee amortisation	5 942	4 520	(8 975)
Foreign exchange movement	(130 544)	322 451	116 645
Closing balance	**6 506 495**	**5 220 600**	**6 828 343**
Non-current borrowings	6 206 460	4 932 843	5 843 785
Current borrowings	300 035	287 757	984 558
6. Other net operating gains or losses			
Income from foreign exchange derivative instruments	80 067	74 805	138 845
Fair value adjustment on foreign exchange derivative instruments	100 140	(294 592)	(35 922)
Insurance recoveries	121	12	12
Profit on sale of subsidiary companies	(423)	–	31 913
Foreign exchange (loss)/gain	33 036	(13 589)	(9 280)
Sundry income	4 276	190	1 379
Sundry income – capital in nature (non-distributable)	217	384	394
Other net operating gains or losses	**217 434**	**(232 790)**	**127 341**

Notes continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

		Unaudited 6 months ended 31 August 2021 R'000	Unaudited 6 months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
7.	**Finance costs**			
	Interest expense on borrowings	147 661	118 316	245 182
	Interest on lease liabilities	1 065	1 199	2 364
	Finance costs relating to interest rate derivatives	31 644	19 893	68 378
	Fair value movement on interest rate derivatives	(22 784)	193 524	194 079
	Interest on utility accounts and other	318	60	133
	Loan fees	6 291	–	–
	Borrowing costs capitalised to investment property	(137 833)	(100 740)	(223 128)
	Finance costs	**26 362**	**232 252**	**287 008**
	The capitalisation rate applied during the 6-month period was 6.9% (Aug 2020: 8.4%; Feb 2021: 7.6%) in relation to general borrowings and 2.6% (Aug 2020: 2.6%; Feb 2021: 2.7%) in relation to specific borrowings.			
	Reconciliation of finance costs expense to finance costs paid			
	Interest accrued opening balance	23 930	29 457	29 457
	Finance costs	26 362	232 252	287 008
	Derivative settlement	5 210	4 207	5 394
	Fair value movement on interest rate derivatives	22 784	(193 524)	(194 079)
	Interest on lease liabilities	(1 065)	–	(2 364)
	Interest amortisation	(5 942)	(4 520)	(8 975)
	Interest accrued closing balance	(30 575)	(42 011)	(5 980)
	Finance costs paid during the year	**40 704**	**25 861**	**110 461**
8.	**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	39 080	75 943	134 013
	Fees paid to BTKM (Pty) Ltd (of which Nazeem Khan is a director)	687	684	955
	Fees paid to Automotion (Pty) Ltd (of which Kevin Dreyer is a director)	106	1	9
		39 873	**76 628**	**134 977**

9. Subsequent events

The directors are not aware of any events that have occurred since the end of the reporting period which have material impact on the results and disclosures presented.

Appendix 1 – Distributable earnings

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

Reconciliation between earnings and distributable earnings

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

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

As distributable earnings is a measure of core earnings, the Company has adjusted for the following key items in the determination of this metric:
- certain non-cash and accounting adjustments;
- gains or losses on the disposal of assets and the associated tax treatment;
- certain foreign exchange and hedging items;
- antecedent earnings adjustment.

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

Distributable earnings

	Unaudited 6 months ended 31 August 2021 R'000	Unaudited 6 months ended 31 August 2020 R'000	Unaudited Year ended 28 February 2021 R'000
Profit or loss for the period (attributable to owners of the parent)	1 170 689	(121 763)	407 499
Adjusted for:			
Fair value adjustments to investment properties	(569 492)	80 296	224 874
Less: Fair value adjustment to investment properties (NCI)[1]	34 636	(4 613)	9 553
Loss/(profit) on sale of non-current assets	423		(31 913)
Headline earnings	**636 256**	**(46 080)**	**610 013**
Adjusted for:			
Straight-lining of leases adjustment	(103 872)	(15 773)	(48 044)
Less: Straight-lining of leases adjustment (NCI)[1]	40 837	1 646	26 632
Fair value adjustments to derivative financial assets and liabilities	(122 924)	488 115	230 001
Equity-settled share-based payment reserve	5 827	5 833	11 752
Capital items non-distributable	(31 606)	18 364	15 341
Deferred taxation	89 677	(1 397)	108 160
Antecedent dividend[2]	42 055	6 863	20 618
Distributable earnings	**556 250**	**457 572**	**974 473**

[1] Non-controlling interest

[2] 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 7 July 2021 and the dividend reinvestment programme in May 2021 which gave rise to antecedent earnings included above.

Appendix 1 – Distributable earnings continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

	31 August 2021	31 August 2020	28 February 2021
The following inputs impacted the antecedent earnings adjustment:			
Opening balance – shares in issue	628 715 573	554 441 246	554 441 236
Asset for share transaction	9 310 756	–	–
Dividend reinvestment programme	15 459 175	16 682 158	27 300 638
Increase in shares in issue as a result of accelerated bookbuild	55 555 555	42 780 748	42 780 748
Shares issued in terms of conditional share plan	655 324	813 821	813 821
Share issue in respect of property acquisition	–	–	3 379 130
Closing balance – shares in issue	**709 696 383**	**614 717 973**	**628 715 573**

Dividends declared and distribution per share

Total distribution for the year – 2022	**Cents per share**	**R'000**
Interim dividend declared on 30 September 2021 (Dividend number 16)	**78.38**	**556 250**

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**

Appendix 2 – SA REIT disclosure

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

	Unaudited 31 August 2021 R'000	Unaudited 31 August 2020 R'000	Unaudited 28 February 2021 R'000
SA REIT Funds from Operations (SA REIT FFO) per share			
Profit/(loss) for the period (attributable to owners of the parent)	**1 170 689**	**(121 763)**	**407 499**
Adjusted for:			
Accounting/specific adjustments:	(582 040)	64 029	286 858
Fair value adjustments to:			
Investment property	(569 492)	80 296	224 874
Depreciation and amortisation of intangible assets	1 647	903	1 868
Deferred tax movement recognised in profit or loss	89 677	(1 397)	108 160
Straight-lining operating lease adjustment	(103 872)	(15 773)	(48 044)
Adjustments arising from investing activities:	423	–	(31 913)
Gains or losses on disposal of:			
Subsidiaries	423	–	(31 913)
Foreign exchange and hedging items:	(155 960)	501 705	239 281
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	(122 924)	488 116	230 001
Foreign exchange gains or losses relating to capital items – realised and unrealised	(33 036)	13 589	9 280
Other adjustments:	117 528	3 896	56 803
Non-controlling interests in respect of the above adjustments	75 473	(2 967)	36 185
Antecedent earnings adjustment	42 055	6 863	20 618
SA REIT FFO:	**550 640**	**447 867**	**958 527**
Number of shares outstanding at end of period (net of treasury shares)	709 696 383	614 717 973	628 715 573
SA REIT FFO per share (cents):	**77.59**	**72.86**	**152.46**
Company-specific adjustments per share (cents)	0.79	1.58	2.54
Payroll costs incurred of a capital nature	–	0.69	0.68
Equity settled share based payment charge	0.82	0.95	1.87
Sundry income of a capital nature	(0.03)	(0.06)	(0.01)
Distributable earnings per share (cents)	**78.38**	**74.44**	**155.00**
SA REIT Net Asset Value (SA REIT NAV)			
Reported NAV attributable to the parent	**12 514 041**	**10 723 750**	**10 843 183**
Adjustments:			
Fair value adjustment of investment property if assets are measured on cost model		–	–
Dividend to be declared	(513 991)	(457 572)	(516 901)
Fair value of certain derivative financial instruments	160 330	328 093	202 721
Goodwill and intangible assets		–	–
Deferred tax	31 574	(181 973)	(60 643)
SA REIT NAV:	**12 191 954**	**10 412 298**	**10 468 360**
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)	709 696 383	614 717 973	628 715 573
Effect of dilutive instruments (options, convertibles and equity interests)	–	3 379 130	9 803 834
Dilutive number of shares in issue	**709 696 383**	**618 097 103**	**638 519 407**
SA REIT NAV per share (Rand):	**17.18**	**16.85**	**16.39**

Appendix 2 – SA REIT disclosure continued

Equites Property Fund Limited and its subsidiaries for the period ended 31 August 2021

	Unaudited 31 August 2021 R'000	Unaudited 31 August 2020 R'000	Unaudited 28 February 2021 R'000
SA REIT cost-to-income ratio			
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	105 439	69 358	163 098
Administrative expenses per IFRS income statement	41 937	34 043	56 897
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(1 647)	(903)	(1 868)
Operating costs	**145 729**	**102 498**	**218 127**
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	588 532	433 835	970 404
Utility and operating recoveries per IFRS income statement	92 540	60 774	166 932
Gross rental income	**681 072**	**494 609**	**1 137 336**
SA REIT cost-to-income ratio	**21.4%**	**20.7%**	**19.2%**
SA REIT administrative cost-to-income ratio			
Expenses			
Administrative expenses as per IFRS income statement	41 937	34 043	56 897
Administrative costs	**41 937**	**34 043**	**56 897**
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	588 532	433 835	970 404
Utility and operating recoveries per IFRS income statement	92 540	60 774	166 932
Gross rental income	**681 072**	**494 609**	**1 137 335**
SA REIT administrative cost-to-income ratio	**6.2%**	**6.9%**	**5.0%**
SA REIT GLA vacancy rate			
Gross lettable area of vacant space	11 133	27 022	1 401
Gross lettable area of total property portfolio	1 171 620	707 769	1 146 354
SA REIT GLA vacancy rate	**1.0%**	**3.8%**	**0.1%**

Cost of debt	31 August 2021 SA	31 August 2021 UK	31 August 2020 SA	31 August 2020 UK	28 February 2021 SA	28 February 2021 UK
Variable interest-rate borrowings						
Floating reference rate plus weighted average margin	5.39%	1.89%	5.14%	1.86%	5.35%	1.87%
Fixed interest-rate borrowings						
Weighted average fixed rate	–	2.64%	–	2.64%	5.32%	2.64%
Pre-adjusted weighted average cost of debt:	**5.39%**	**2.25%**	**5.14%**	2.32%	**5.35%**	**2.35%**
Adjustments:						
Impact of interest rate derivatives	1.69%	0.19%	2.54%	0.34%	2.00%	0.25%
Impact of cross-currency interest rate swaps	(0.33%)	(0.34%)	(0.05%)	–	(0.81%)	(0.71%)
Amortised transaction costs imputed into the effective interest rate	0.06%	0.38%	0.06%	0.10%	–	–
All-in weighted average cost of debt:	**6.81%**	**2.48%**	**7.69%**	2.76%	**6.54%**	**1.89%**

SA REIT loan-to-value (SA REIT LTV)		31 August 2021 R'000	31 August 2020 R'000	28 February 2021 R'000
Gross debt		6 506 495	5 220 600	6 828 343
Less:				
Cash and cash equivalents (and including short-term deposits)		(203 020)	(349 386)	(612 316)
Add/Less:				
Derivative financial instruments		190 162	595 607	274 199
Net debt	A	**6 493 637**	**5 466 821**	**6 490 226**
Total assets – per Statement of Financial Position		22 636 646	16 892 475	20 857 199
Less:				
Cash and cash equivalents (and including short-term deposits)		(203 020)	(349 386)	(612 316)
Derivative financial assets		(54 613)	(11 707)	(27 420)
Goodwill and intangible assets		–	–	–
Trade and other receivables		(328 865)	(107 194)	(285 700)
Carrying amount of property-related assets	B	**22 050 148**	**16 424 187**	**19 931 762**
SA REIT LTV	A/B	**29.4%**	**33.3%**	**32.6%**

Glossary

Attacq	Attacq Waterfall Investment Company
B-BBEE	Broad-Based Black Economic Empowerment
Black	Black as defined in the B-BBEE Act
Board	Equites Property Fund Limited's board of directors
bp	Basis points
c.	circa
CA (SA)	Chartered Accountant (South Africa)
Cargo Compass	Cargo Compass SA Pty Limited
CCIRS	Cross-currency interest rate swap
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Chair	Chairperson
Company	Equites Property Fund Limited
COO	Chief Operating Officer
COVID-19	Coronavirus disease
CPI	Consumer price index
CSDP	Central Securities Depositary Participant
DC(s)	Distribution centre(s)
DCM	Debt capital markets
DMTN	Domestic Medium Term Note
DPS	Dividend per share
DRIP	Dividend reinvestment programme
DTA	Double tax agreement
EDGE	Excellence in Design for Greater Efficiencies
ENGL	Equites Newlands Group Limited
Equites	Equites Property Fund Limited
ESG	Environmental, Social and Governance
Executive Directors	CEO, CFO and COO
FCTR	Foreign currency translation reserve
FFO	Funds from operations
FX	Foreign exchange
FY	Financial year
GBP	Pound sterling
GDP	Gross domestic product
GCR	Global Credit Ratings Co.
GLA	Gross lettable area
Group	Equites Property Fund Limited and its subsidiaries
H1	Half-year
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
LDT	Last date to trade
LfL	Like-for-like
LTV	Loan-to-value
MW	Megawatts
MWh	Megawatt hours
NAV	Net asset value
NCI	Non-controlling interest
Newlands	Newlands Property Developers LLP
PV	Photovoltaic
q/q	Quarter-on-quarter
R	South African Rand
REIT	Real Estate Investment Trust
SA	South Africa
SAICA	South African Institute of Chartered Accountants
Sasria	Sasria SOC Limited
SENS	Stock exchange news services
Shoprite	Shoprite Checkers (Pty) Ltd
TFG	The Forshini Group
UK	United Kingdom
US	United States
WALE	Weighted-average lease expiry
ZAR	South African Rand

Administration

Directors

Non-executive directors[2]

PL Campher[1] (Chairman), RE Benjamin-Swales[1], MA Brey[1], E Cross[1], AJ Gouws, N Khan[1], K Ntuli[1], AD Murray[1], C Hess [1, 3], N Mkhize[1, 3]

[1] Independent

[2] G Lanfranchi and K Dreyer retired at the annual general meeting held on 27 July 2021

[3] Appointed 1 October 2021

Executive directors

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

[4] Italian

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")

Registered office

14th Floor
Portside Tower
4 Bree Street
Cape Town
8001

Contact details

info@equites.co.za

Company secretary

TC Petersen[5]

[5] Appointed 1 October 2021, GR Gous resigned on the same date.

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

Date of Publication

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