equites
PROPERTY FUND

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2022

HIGHLIGHTS

162.99 CENTS
DISTRIBUTION PER SHARE

13.7 YEARS
WEIGHTED AVERAGE LEASE EXPIRY

31.5%
LOAN-TO-VALUE

EQUITES IS THE ONLY SPECIALIST LOGISTICS REIT LISTED ON THE JSE. IT HAS EXECUTED ITS VISION OF BECOMING A GLOBALLY RELEVANT REIT AND CURRENTLY HAS A FOOTPRINT IN SA AND THE UK.

FRONT COVER: PLUMBAGO CAMPUS, GAUTENG
IFC: EQUITES PARK – MEADOWVIEW, GAUTENG

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COMMENTARY

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

1 THE YEAR IN REVIEW

Equites Property Fund Limited ("Equites" or "the Company" or "the Group") continues to benefit from a resilient logistics property market in SA and the UK, supported by robust demand in the underlying tenant and investment markets.

Equites' performance over the financial year was further supported by the strength of its tenant base, impeccable property fundamentals, a sound investment philosophy, and prudent financial risk management policies.

FINANCIAL HIGHLIGHTS FOR THE FINANCIAL YEAR INCLUDE:

- **DELIVERED A TOTAL RETURN (DIVIDENDS AND CHANGE IN NAV PER SHARE) OF 17.3%, ACHIEVING ITS TARGETED DOUBLE-DIGIT TOTAL RETURN.**
- **NET ASSET VALUE ("NAV") PER SHARE INCREASED BY 7.9% OVER THE FINANCIAL YEAR FROM R17.25 TO R18.61.**
- **GREW DISTRIBUTION PER SHARE ("DPS") BY 5.2% TO 162.99 CENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2022, IN LINE WITH MARKET GUIDANCE.**
- **LOAN-TO-VALUE ("LTV") RATIO OF 31.5%, DEMONSTRATING A CONSERVATIVE CAPITAL STRUCTURE.**
- **CASH AND UNDRAWN FACILITIES OF R1.8 BILLION AT YEAR-END.**
- **LIKE-FOR-LIKE ("LFL") PORTFOLIO VALUATIONS RELATIVELY FLAT IN SA AND INCREASED BY 13% IN THE UK, IN STERLING.**
- **AS OF MAY 2022, THE SA PORTFOLIO OF 1.2 MILLION M^2 IS FULLY OCCUPIED.**

SUMMARY OF THE 12-MONTH PERIOD

Demand for prime logistics space showed no signs of abating, resulting in the year ended 28 February 2022 ("FY22") being the most active year in Equites' history. The past twelve months were marred by supply chain disruptions and pandemic-related troubles which continued to compel the evolution of resilient supply chains. At the same time, the fierce competition in the online retail market bolstered tenant demand for warehousing space. These two global trends underpin the strong results of the Group and are ultimately the drivers of the Group's robust growth in DPS and NAV per share.

Equites continued to maintain a conservative capital structure; R2.7 billion in equity capital was raised in FY22 and assisted with funding investment opportunities of R4.3 billion in line with the capital structure, resulting in the LTV ratio being fairly unchanged at 31.5% (FY21: 31.2%). The Group refinanced over R2.5 billion of debt facilities during the period and raised an additional R3.5 billion of new debt facilities, which includes undrawn facilities. Just less than two-thirds of all debt matures in FY25 and beyond, resulting in a weighted average debt maturity of 2.7 years.

The strong performance over the last financial year was underpinned by exceptional property portfolios in SA and the UK, which was enhanced by the attractive development pipeline of logistics properties in the top-end of the UK and SA property markets.

In SA, the portfolio which spans 1.2 million m^2 is fully occupied (as of 1 May 2022). After a period of benign growth, the Group expects a step-up in market rental growth as tenant demand for A-grade warehousing space exceeds the supply of suitable vacant space in the SA property market. Construction inflation is supporting this trend for rental growth, which Equites expects to see coming through in the next twelve months. Equites estimates that the all-in development cost (including land) in SA for a warehouse has increased by between 10% and 15% during the calendar year 2021. The inherent inflation in new developments is driving an increase in starting rentals on all new development leases concluded and has increased the replacement cost of existing distribution centres, delivering upward pressure on renewal rentals.

The Group secured tenants for all three of its speculative developments in SA during FY22, with two let prior to practical completion; further demonstrating the underlying uptick in demand for A-grade warehouse space.

The performance of the LfL UK portfolio (c. £300 million in value) exceeded expectations, increasing by 13% in value during FY22, resulting in a geared total return on equity of 25%, in sterling. The portfolio of ten properties is let to blue-chip tenants including DHL, Tesco, Amazon and Puma, and has predominantly been developed over the last six years, meeting all modern logistics warehousing requirements.

Equites Newlands Group Limited ("ENGL"), the venture with Newlands Property Developments LLP ("Newlands"), has enhanced the core UK portfolio's performance substantially; the combined uplift in property developments was R870 million for the period under review. Furthermore, ENGL has recently secured a new land sale and infrastructure development agreement with a retailer for a scheme in Basingstoke, which is forecast to generate an after-tax profit attributable to Equites of R400 million, subject to planning approval.

2 THE LOGISTICS PROPERTY MARKET

OVERVIEW OF UK LOGISTICS MARKET

The UK logistics market has broken all records in calendar year 2021; including the take-up of warehousing space, market rental growth, record low acquisition yields, the lowest ever-recorded vacancy rate, the highest growth in land values, and the largest transactional volumes.

The key driver of the exceptional performance of the UK logistics property market is the ferocious demand in the occupier market, as take-up reached a new annual record of 55.1 million sq. ft (51 million m^2) in 2021, 7% higher than a strong 2020 and 86% higher than the long-term average (Savills). Although dedicated internet retailers and logistics operators accounted for 50% of the take-up, the other 50% was broad-based, ranging from fashion, food, homeware and manufacturing businesses (Gerald Eve).

The demand has pushed the national average vacancy rate down to 2.9%, the lowest vacancy rate ever recorded. In the East Midlands, a key region where the Newlands pipeline is focused, there are only eight available units over 100 000 sq. ft (9 300 m^2) with a combined GLA of 2.03 million sq. ft (185 000 m^2), which equates to a vacancy rate of just 1.7% or 0.19 years' worth of supply.

Construction inflation is currently being passed on to tenants through higher rentals, as demand continues to outstrip supply. Market rental growth is expected to grow by 12% in 2022 on a national level (Gerald Eve), which bodes well for Equites' UK property valuations over the next financial year.

OVERVIEW OF SA LOGISTICS MARKET

Despite structural weaknesses embedded in the economy, the SA logistics property market continued to be one of the top-performing property sectors in South Africa, as numerous occupiers increased their focus on supply chain optimisation.

For the first time in two years, Equites is experiencing an uptick in market rental growth, supported by an increase in construction cost inflation and a lack of suitable vacant A-grade warehousing space in key logistics nodes across South Africa. Equites is currently marketing properties at rentals that are between 15% and 30% higher compared to rentals marketed in 2021, which will create evidence of market rental growth once lease agreements are finalised with prospective tenants.

Equites remains of the view that supply chain optimisation, which includes a focus on resilient supply chain networks, is the key factor driving demand for warehousing space in South Africa. The growth in e-commerce does not generally appear to influence real estate decisions yet, but remains a long-term tailwind for the sector.

3 EQUITES FINANCIAL PERFORMANCE

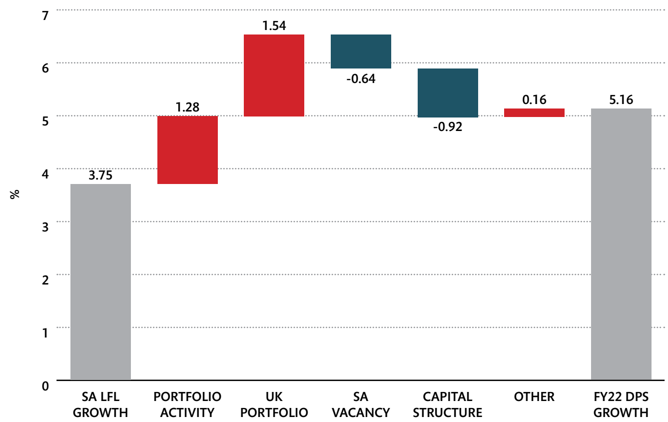
Equites' financial performance demonstrates another year of robust property performance and efficient capital management which has translated into sustainable income growth and capital appreciation over the financial period. This was complemented by optimising the cost of capital and an increased focus on effective property and asset management.

DISTRIBUTION PER SHARE

DPS GREW BY 5.2% TO 162.99 CENTS (FY21: 155.00 CENTS), MAINLY ON THE BACK OF STRONG GROWTH IN LFL NET RENTAL INCOME. CURRENT YEAR GROWTH IN DPS WAS IMPACTED BY THE FOLLOWING KEY ITEMS:

- LfL net rental growth in the SA portfolio of 6.2% contributed 3.75% to DPS growth, a function of the robust in-force contractual lease escalation rate.
- SA developments and acquisitions contributed 1.28% to DPS growth.
- The UK portfolio contributed 1.54% to DPS growth.
- A temporary vacancy in the SA portfolio detracted growth by 0.64%. The property has subsequently been let to a national tenant on a five-year lease.
- Equity capital was raised at a slightly higher yield compared to the reinvestment rate during the period, detracting 0.92% DPS growth.

FY22 DPS BRIDGE

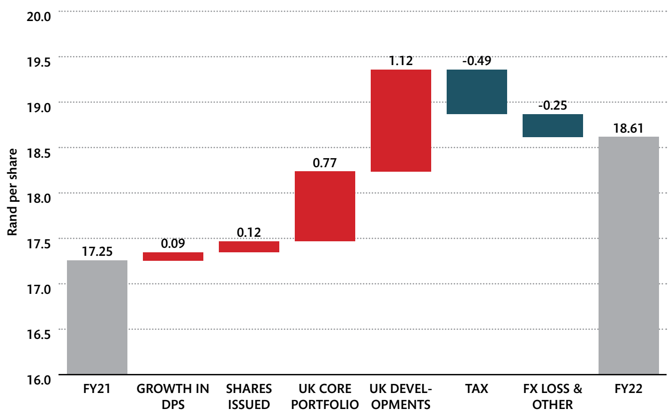


NET ASSET VALUE PER SHARE

EQUITES' NAV PER SHARE INCREASED BY 7.9% FROM R17.25 ON 28 FEBRUARY 2021 TO R18.61 AT 28 FEBRUARY 2022. THE UK AND SA PORTFOLIOS WERE VALUED INDEPENDENTLY. THE FOLLOWING KEY ITEMS IMPACTED NAV PER SHARE:

- The UK portfolio's value increased by 13% on a LfL basis, in sterling. The increase in value was a combination of an increase in market rentals as well as a compression of prime distribution yields.
- UK developments contributed to 6.4% growth in NAV per share. 100% of the growth was driven by the completion of the Amazon facility in Peterborough, progress on the Hermes development as well as a fair value adjustment on land in Milton Keynes.
- Tax expenses relating to the fair value uplift on the UK portfolio as well as UK developments amounted to R383 million, reducing NAV per share growth by 2.8%.

FY22 NAV BRIDGE

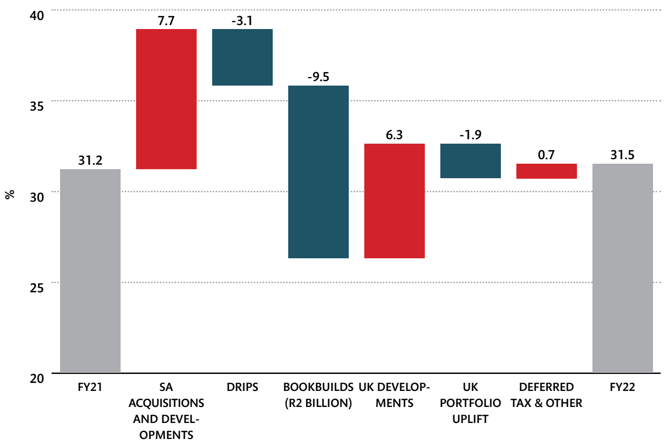


LOAN-TO-VALUE RATIO

THE LTV RATIO INCREASED BY ONLY 0.3% TO 31.5% AT 28 FEBRUARY 2022. THE KEY FACTORS IMPACTING THE LTV RATIO DURING THE PERIOD UNDER REVIEW WERE:

- R4.3 billion investment in the development and acquisition pipelines in SA and the UK, which had a 14% increase in the LTV ratio.
- The retention of capital from two dividend reinvestment programmes (R700 million) decreased the LTV ratio by 3.1%.
- Raising R2 billion in capital through two accelerated bookbuilds, which was well supported by institutional investors, resulting in both capital raises being oversubscribed. As a consequence, the LTV ratio decreased by 9.5%.

FY22 LTV RATIO BRIDGE



4 PIPELINE OF INVESTMENT OPPORTUNITIES

Equites customers operate in diverse sectors across both SA and the UK, with many of their businesses being driven by technology and major shifts in the consumer landscape. Equites' ethos is embedded in delivering high-quality spaces to its customers to enable them to implement their vision for success.

Through high-quality acquisitions and developments in both its SA and UK portfolios, Equites has increased the value of its portfolio to R25.7 billion at 28 February 2022. The largest transaction in the financial year was the acquisition of the DSV Campus in Gauteng for R2.05 billion, in partnership with Eskom Pension and Provident Fund ("EPPF"). This acquisition presented a compelling investment case in one of the preeminent logistics nodes in SA and the partnership unlocked an alternative source of equity for further expansion.

Equites further enhanced the quality of the portfolio through developments; it completed a state-of-the-art logistics campus let to Sandvik Mining RSA (Pty) Ltd in Gauteng on a 10-year lease with a capital value of R317 million. Ongoing developments include a flagship warehouse for Cargo Compass (South Africa) (Pty) Ltd (R259 million), a new facility for Nioro Plastics (Pty) Ltd (R88 million), an extension to the Premier FMCG (Pty) Ltd facility in Lords View (R97 million) and an extension to TFG's facility in Lords View (R190 million), which will all be completed during FY23.

In the UK, ENGL completed its first development; a last-mile logistics facility tenanted by Amazon UK Services Ltd on a 15-year lease with a capital value of R1 billion. ENGL is currently in the final stages of completing its second development, a super-hub distribution facility let to Evri (Hermes), significantly adding to the scale of the UK portfolio. The property's expected capital value is c. R2 billion and is let to Evri (Hermes) on a 20-year lease.

PIPELINE IN SOUTH AFRICA

The potential pipeline of development opportunities has increased substantially, as demand starts returning to the SA landscape. Numerous large multinational and national tenants are expanding their distribution footprint across SA, with consolidation and resilient supply chains driving the decision making.

Over and above the extension of a TFG facility in Lords View, Equites has recently reached an agreement with the retailer to develop a new 50 000 m² world-class distribution facility in Witfontein, with the potential to expand this facility to over 90 000 m² over the medium term. The Group has agreed terms (post period-end) with a national retailer to develop an 85 000 m^2 modern logistics warehouse on the remainder of the site, with a total capital value of R1 billion. The developments are being executed on land which Equites controls and will unlock the value embedded in these parcels.

In addition to the development agreements outlined above, Equites is currently in the final stages of negotiating the terms and conditions in respect of five new developments across SA, which are estimated to add a further 160 000 m² of prime logistics space to the portfolio over the next two years, with a combined capital expenditure in excess of R1.8 billion.

4 PIPELINE OF INVESTMENT OPPORTUNITIES CONTINUED

PIPELINE IN THE UK – UPDATE ON ENGL

The investment landscape in the UK logistics property market continues to be frenzied, as the weight of capital chasing investment opportunities compressed initial yields to record levels. Consequently, it is currently not feasible for Equites to acquire properties in the open market, as the expected total return does not exceed the 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, thereby meeting the required hurdle rates.

Equites estimates that the value of the total potential pipeline of opportunities through the Newlands venture will be in excess of £1 billion (R20 billion) over the next five years. New development opportunities will focus on large-scale, world-class distribution facilities in the UK let to multinational tenants with strong covenants on long-term leases.

From a risk management perspective, Newlands will only undertake pre-let developments and will not embark on any speculative developments, on behalf of Equites, until the portfolio has reached significant scale. Land is mostly controlled through options until outline planning has been granted (often led by a tenant-driven planning application), which will then trigger the acquisition of land parcels by Equites.

Equites has embarked on a hybrid strategy of concluding pre-let development agreements, which Equites will retain as long-term investments, as well as turnkey development agreements for third parties (including land sale agreements), which will crystalise profits, support growth in NAV per share and generate capital internally for further investments.

To this end, the ENGL group entered a sale of land agreement and a development funding agreement, whereby ENGL will develop two distribution facilities for Promontoria on Plot 2, Barnsley. The expected profit attributable to Equites is c. £5.0 million (R100 million), on a post-tax basis. ENGL has recently concluded a land sale and infrastructure development agreement, whereby ENGL will sell serviced land in Basingstoke to a retailer, subject to planning approval. The transaction is expected to generate a post-tax profit of R400 million to Equites. Furthermore, ENGL is in the advanced stages of finalising a further turnkey development with Promontoria on the remainder of the Basingstoke site, which will result in post-tax profit of c. R212 million. These proceeds will be reinvested in the attractive UK pipeline of investment opportunities.

EQUITES PIPELINE AMOUNT IN R MILLION	EQUITES OUTLAY	CASHFLOWS OUSTANDING	GLA SQ M	EST. YIELD ON COST	EST. FAIR VALUE YIELD	EST. COMPLETION DATE
SA DEVELOPMENTS	**2 732**	**1 757**	**248 742**			
Waterfall – Cotton on (50%)	99	6	10 398	8% – 9%	8% – 9%	03/22
Meadowview – Site 12	76	4	7 527	8% – 9%	8% – 9%	03/22
Lords View – Viking	130	5	12 220	8% – 9%	8% – 9%	03/22
Jet Park – Cargo Compass SA	259	120	29 188	8% – 9%	8% – 9%	06/22
Saxdowne Park – Nioro Plastics	88	44	11 537	8% – 9%	8% – 9%	08/22
Lords View – TFG Expansion	190	130	16 155	8% – 9%	8% – 9%	09/22
Lords View – Premier Foods	97	37	9 123	8% – 9%	8% – 9%	11/22
Parow – Garret Street	204	137	17 586	8% – 9%	8% – 9%	03/23
Witfontein – TFG	551	442	50 008	8% – 9%	8% – 9%	06/23
Witfontein – National retailer (agreed terms)	1 038	833	85 000	c. 8%	c. 8%	06/23
UK DEVELOPMENTS – EQUITES HOLD	**1 447**	**171**	**31 587**	**5.30%**	**3.50 – 3.75%**	
Evri (Hermes) – Hoyland Plot 1	1 447	171	31 587	5.30%	3.50 – 3.75%	05/22
GRAND TOTAL OF PIPELINE	**4 179**	**1 928**	**280 329**			

EQUITES PIPELINE	EQUITES POST-TAX PROFIT (R'M)	EST. COMPLETION DATE
UK DEVELOPMENTS – TURNKEY AND LAND DISPOSALS		
Hoyland – Plot 2	100	4Q22
Basingstoke – Plot 1	416	4Q22
Basingstoke – Plot 2 & 3 (agreed terms)	212	4Q22
TOTAL PROFIT FROM TURNKEYS AND LAND DISPOSALS (RM)	**728**	

5 CAPITAL COMMITMENTS

The total capital commitments as at 28 February 2022 was R1.4 billion (includes authorised and contracted as well as authorised but not yet contracted capital commitments). The majority of these capital commitments relate to turnkey developments in the UK (R450 million) and developments for TFG (R233 million outstanding) and Cargo Compass (R130 million outstanding) in SA. The developments will be funded from cash on hand and undrawn debt facilities.

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

R'M	28 FEBRUARY 2022	28 FEBRUARY 2021
SA ACQUISITIONS AND DEVELOPMENTS	**811**	**317**
■ Acquisition of investment property	–	294
■ Development of investment property	811	23
UK ACQUISITIONS AND DEVELOPMENTS	**595**	**1 854**
TOTAL CAPITAL COMMITMENTS	**1 406**	**2 171**

6 PORTFOLIO VALUATIONS

The fair value of the property portfolio has increased by 33% from R19.3 billion at 28 February 2021 to R25.7 billion at 28 February 2022. This growth is attributable to the conclusion of the DSV transaction, continued upliftment in the UK portfolio, as well as completed developments in both SA and the UK. UK valuation yields remain low, supported by strong demand for logistics assets.

100% of income-producing properties have been externally valued at 28 February 2022. Previously external valuations were performed on income-producing properties every 18 months. Equites used a panel of six external valuation specialists to conduct these valuations at the reporting date. It is the intention for each property to be externally valued on an annual basis, with interim valuations being performed by the specialist panel on a desktop basis.

VALUATIONS OF INCOME-PRODUCING PROPERTIES BY GROSS LETTABLE AREA	28 FEBRUARY 2022	31 AUGUST 2021	29 FEBRUARY 2021
Externally valued	100.0%	74.0%	55.7%
Internally valued	0.0%	26.0%	44.3%
TOTAL	**100.0%**	**100.0%**	**100.0%**

The shift in valuation policy during the current year is a significant step towards an increasingly robust and transparent valuation process, providing further certainty and assurance to stakeholders.

The Group considers the reasonability of the valuations based on the type of property and the associated characteristics, as summarised below:

PROPERTY TYPE	DESCRIPTION
MODERN DISTRIBUTION CENTRE	Well located properties with high specification levels including ultra-flat floors, large volumetric capacity, deep yards, and advanced fire protection. Site coverage typically averages 50%.
LOGISTICS CAMPUS	Properties that include both a modern distribution centre and the tenant's head office (national or international). Given the number of head office staff, these properties typically have a larger number of parking bays and other value adding elements. The office components are exclusively A- and P-grade, which increases the average value significantly.
CROSS DOCKING/ULTRA-LOW COVERAGE	Properties that are designed to meet the needs of a 3PL or last-mile fulfilment company and necessarily have a site coverage of below 35%. This category includes cross-docking facilities and city distribution units where the value of the yard increases the comparable value on a GLA basis.
OTHER	All properties that are not classified in the above categories. This category includes a jet hangar, bakery and mobile cell towers.

COMMENTARY CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

6 PORTFOLIO VALUATIONS CONTINUED

The information presented below is a summary of the significant inputs and resultant values assigned to all properties valued using the discounted cash flow ("DCF") methodology in SA and the income capitalisation methodology in the UK:

REGION	TYPE OF PROPERTY	% OF INCOME-PRODUCING PORTFOLIO	AVERAGE VALUE (R/M²)	DISCOUNT RATE	EXIT CAP RATE (SA)/YIELD (UK)
SOUTH AFRICA	Modern-distribution centre	68.6%	R10 844	12.5%	7.8%
	Logistics campus	20.0%	R16 013	13.3%	8.4%
	Cross-docking/Ultra-low coverage	9.6%	R12 226	12.9%	7.9%
	Other	1.8%	R15 948	13.4%	8.4%
SA TOTAL:		**100.0%**	**R11 041**	**12.9%**	**8.0%**
UNITED KINGDOM	Modern distribution centre	61.7%	R39 963		3.7%
	Cross-docking/Ultra-low coverage	38.3%	R62 150		3.4%
UK TOTAL:		**100.0%**	**R46 301**		**3.6%**

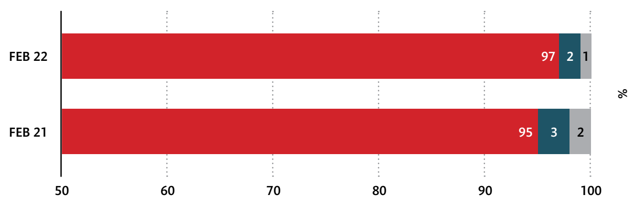
7 MANAGING THE PROPERTY PORTFOLIO

The proactive and effective management of the property portfolio is one of Equites' core proficiencies. Equites is selective when appraising its tenants and renders a personalised service to each tenant to ensure the highest levels of tenant satisfaction. By constantly assessing the portfolio and managing individual sites, the Group strengthens its competitive position, attracts and retains quality tenants, maintains the integrity of the buildings, and consequently, supports underlying property valuations.

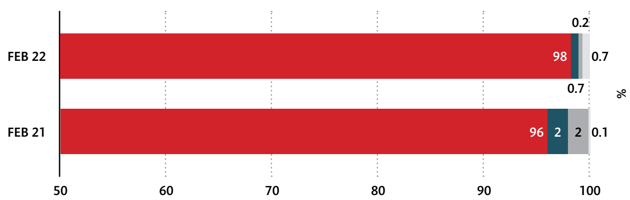
The weighted average lease expiry ("WALE") of A-grade tenants of 97.2% is unrivalled in the sector. The Group invests in locations that evidence strong potential for capital and rental growth and which serve as proven nodes given their proximity to road networks, densely populated areas, and accessibility to a large labour force. The Group has properties in several key nodes in central Gauteng that are being developed with an aim to become parks providing enhanced security to tenants and with environmentally sustainable features available to tenants and throughout the parks.

7.1 THE QUALITY OF TENANTS

TENANT PROFILE BY REVENUE



TENANT PROFILE BY GLA



A: LARGE NATIONALS, LARGE LISTED AND GOVERNMENT
B: SMALLER INTERNATIONAL AND NATIONAL TENANTS
C : OTHER LOCAL TENANTS AND SOLE PROPRIETORS
D : VACANT

Equites favours long-dated triple-net leases with low-risk tenants, which is reflected in the fact that 97.2% of its revenue is derived from A-grade tenants. This, in conjunction with its long WALE, results in a high level of income predictability and a low risk of tenant default.

7.2 LEASE LONGEVITY

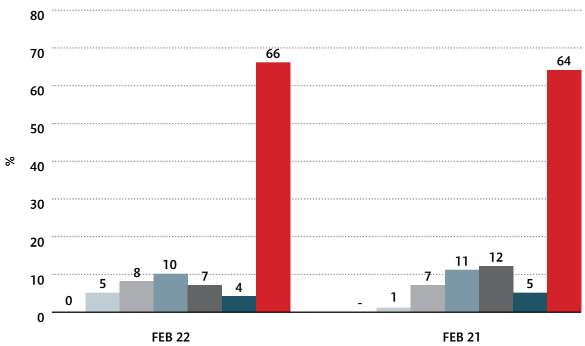
WEIGHTED AVERAGE LEASE EXPIRY BY REVENUE (YEARS)	28 FEBRUARY 2022	28 FEBRUARY 2021
South Africa – Logistics	13.8	15.6
South Africa – Industrial	10.7	4.1
	13.7	**15.5**
United Kingdom – Industrial	13.6	15.1
Weighted average lease expiry	**13.7**	**15.4**

Equites' WALE remains sector-leading, particularly in SA with a WALE of 13.7 years. This is underpinned by the Shoprite portfolio consisting of three properties with an initial lease period of twenty years.

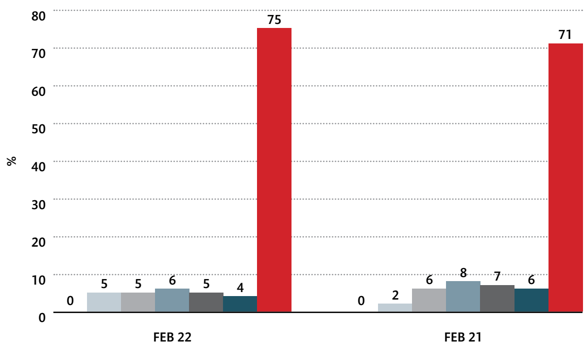
WEIGHTED AVERAGE LEASE ESCALATION (%)	28 FEBRUARY 2022	28 FEBRUARY 2021
South Africa – Logistics	6.6	6.4
South Africa – Industrial	6.0	8.0
Weighted average lease escalation	**6.6**	**6.4**

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

LEASE EXPIRY BY REVENUE



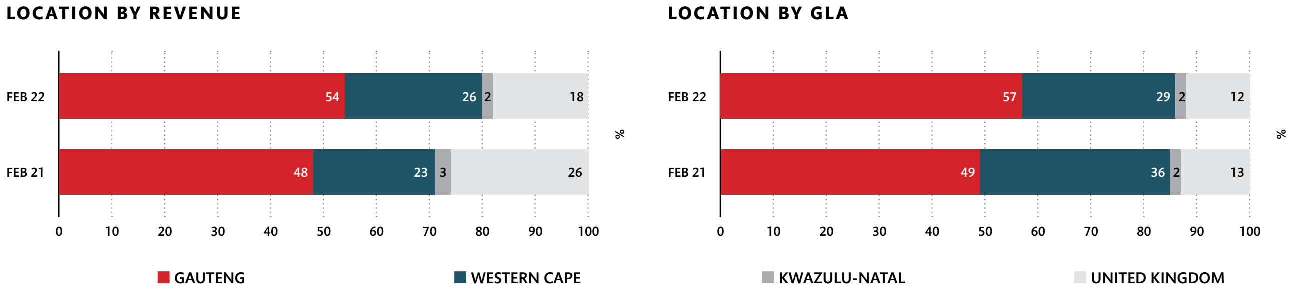
LEASE EXPIRY BY GLA



23.1% of all rentals expire within three years, by revenue. Seven leases (5.4% of rent) expire within the next year and Equites is in final negotiations to renew these leases. Equites actively engages with all tenants within 18 and 24 months prior to the expiry date of the lease to maximise the probability of retaining the tenant.

7 MANAGING THE PROPERTY PORTFOLIO CONTINUED

7.3 TENANT LOCATION



The Group continues to grow the SA portfolio though both acquisitions and developments, concentrated from a geographical perspective in Gauteng, with 57.0% of its lettable area currently situated in the region. Equites views this region as the hub of SA logistics, supported by the Group's continuous research and analysis, and continues to focus its growth efforts there.

7.4 VACANCIES

VACANCY PROFILE BY RENTABLE AREA	28 FEBRUARY 2022	28 FEBRUARY 2021
Industrial	0.7%	0.1%
	0.7%	**0.1%**

There is one vacancy in the SA logistics portfolio as at 28 February 2022, which has been let with occupation commencing 1 May 2022. The only remaining vacancy in the portfolio relates to a single ancillary unit of 1 401 m² located in the UK.

8 TREASURY FINANCIAL MANAGEMENT

8.1 AN UPDATE ON FINANCIAL MARKETS

The world has seen a fundamental shift over the last twelve months. From pandemic-related uncertainty and lockdown-induced supply chain constraints, to grappling with whether inflation is transitory or permanent, and most recently to extreme energy and commodity price shocks and supply chain disruptions caused by armed conflict in Ukraine.

Central banks have grappled with the timing and extent of tightening monetary policy, whilst those countries with low growth have the additional concern of stagflation. In such an economic and financial environment, it is prudent to manage all financial risks – funding, liquidity and market – with a detailed analysis of future potential shocks and/or disruptions to financial markets and access to capital.

Whilst other property sectors continue to recover gradually, the impact of supply chain constraints the world over has led to unprecedented investment in logistics, including associated real estate. Improving fundamentals have thus seen the Group favoured in capital markets, and the Group has used the past twelve months to further augment the capital base in both the equity and debt capital markets ("DCMs").

8.2 HIGHLIGHTS OF THE LAST TWELVE MONTHS

In August 2021, Global Credit Ratings Co ("GCR") upgraded the national scale long- and short-term issuer ratings of Equites 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*" and that "*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 Group continues to pursue in-country funding to support property development in the UK, and the completion of the Amazon Peterborough facility allowed the Group to raise a further £24 million from HSBC. Additionally, increased GBP funding from SA banks was raised, being a new £10 million 1-year loan with RMB and the roll of a £25 million 1-year loan into a £50 million 2-year loan with SBSA. In line with the Group's commitment to raising sustainable finance, Equites issued the first GBP sustainability-linked loan in South Africa (traded with SBSA) and the first Green Loan in the African real estate sector (traded with RMB).

During the year the Group updated its JSE-listed DMTN Programme to bring it in line with current JSE Debt Listing Requirements, and at the same time increased the authorised Programme size to R10 billion to position Equites for future growth in the debt capital market. The Group held its first public debt auction raising R1 billion in the 1-year and 3-year, with the latter being so successful that Equites became the most tightly priced DCM property issuer in the market.

This activity in the debt capital markets and interaction with bilateral lenders has established a sound platform going into FY23. Of most significance is the preliminary approval that Aviva has obtained from its funders to increase the current loan from £77 million to £140 million (an additional R1.3 billion) and to extend the tenor out to ten years at an attractive indicative rate through providing the Evri (Hermes) Hoyland property as security.

8.3 PRINCIPLES OF FINANCIAL MANAGEMENT

A robust and continuously evaluated treasury policy is a cornerstone from which Equites maximises stakeholder value. The Group employs guiding principles to evaluate the appropriateness of any financial decision. The six key principles of the policy are outlined below together with the steps taken in the past year to adhere to these principles:

	PRINCIPLE	APPLICATION
(I)	**MINIMISE THE CURRENT COST OF CAPITAL USING AN OPTIMAL MIX OF DEBT AND EQUITY**	■ Raised an additional R3.5 billion of debt in the current financial year, increasing available debt and banking facilities to R10.2 billion, in order to benefit from favourable credit appetite for the Group.
(II)	**DIVERSIFY THE SOURCES OF FINANCE EMPLOYED TO FUND OPERATIONS**	■ Issued R2.1 billion in unsecured bonds and commercial paper in the current financial year, of which R1.6 billion is outstanding at year-end (excluding R1.0 billion which forms part of bilaterally concluded debt facilities). ■ Seven financial institutions provide SA and UK bank funding on a secured and unsecured basis, and 23 financial institutions are invested in the DMTN Programme.
(III)	**PHASE THE MATURITY OF OUTSTANDING FINANCIAL LIABILITIES**	■ Weighted average term debt maturity profile of 2.7 years at 28 February 2022. ■ Just over 10% of outstanding debt expires in the next financial year. ■ Two-thirds of all debt expires in FY25 or later, and 40% of all debt matures after February 2025.
(IV)	**ENSURE THAT STRONG LIQUIDITY IS MAINTAINED**	■ Increased revolving credit facilities by an additional R0.5 billion. ■ Undrawn facilities and cash available at year-end totalled R1.8 billion. ■ Increase in unencumbered borrowings to R4.3 billion whilst still retaining secured and unsecured borrowings to asset ratios below 35%.
(V)	**APPROPRIATELY MANAGE SIGNIFICANT FINANCIAL RISKS**	■ Maintained interest rate hedging levels above 80% throughout the period under review. ■ Duration of interest rate hedging derivatives of 3.0 years at 28 February 2022. ■ Continued to reduce cross-currency interest rate swap ("CCIRS") utilisation from 25.2% at 28 February 2021 to 20.6% at 28 February 2022. ■ Lowest average floor level across all six-month buckets for hedging of distributable earnings is R20.82/GBP, with participation in ZAR weakness up to a minimum of R22.73/GBP to August 2022 and currently R23.83/GBP to February 2024.
(VI)	**MAINTAIN A ROBUST BALANCE SHEET WHICH OFFERS FLEXIBILITY FOR FUTURE GROWTH OPPORTUNITIES**	■ LTV levels over the past five years have remained below 35%. ■ LTV at 31.5% with an increase in net debt at year-end of R2.2 billion to R8.4 billion.

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

8. TREASURY FINANCIAL MANAGEMENT CONTINUED

8.4 MANAGING CAPITAL STRUCTURE

The Group aims to maintain a strong capital base through the optimal management of capital in order to provide sustainable returns for shareholders. The Group may maintain or adjust the capital structure through various mechanisms, including issuing new shares or selling assets to reduce debt. The Board has decided to declare 100% of distributable earnings as a dividend on a biannual basis for the foreseeable future. As a result of this dividend policy, capital expansion is funded through a combination of bank debt and equity funding. The Group also promotes its dividend reinvestment programme as a tax efficient mechanism to retain a proportion of distributable earnings for future expansion.

The Group's strategy is to maintain a conservative capital structure. The LTV ratio increased marginally from 31.2% at 28 February 2021 to 31.5% at 28 February 2022, with a R2.2 billion increase in net debt and a R6.8 billion increase in property assets.

	28 FEBRUARY 2022	28 FEBRUARY 2021
NET DEBT	**8 430 429**	**6 216 027**
TOTAL ASSETS	**27 740 130**	**20 857 199**
Less: assets related to net debt	(958 621)	(925 436)
FAIR VALUE OF PROPERTY ASSETS	**26 781 509**	**19 931 763**
LTV RATIO	**31.5%**	**31.2%**

8.5 SOURCES OF DEBT FUNDING

Equites has established diversified sources of debt funding both in the UK and in SA and now has debt facilities of R10.2 billion (FY21: R7.3 billion) across term facility agreements and unsecured listed and unlisted notes. R1.2 billion of undrawn facilities and R0.6 billion of cash (FY21: R1.0 billion) are available to fund current acquisitions and developments.

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

EXPIRY PERIOD	FACILITY AMOUNT (R'000)	AMOUNT DRAWN (R'000)	AMOUNT UNDRAWN (R'000)	% OF DRAWN FACILITY
FY23	1 227 041	1 026 304	200 000	11%
FY24	2 585 205	2 334 214	250 000	26%
FY25	2 351 000	2 097 122	250 000	24%
FY26	1 873 143	1 352 508	500 000	15%
Beyond FY26	2 206 980	2 190 425	–	24%
TOTAL	**10 243 368**	**9 000 572**	**1 200 000**	**100%**

The all-in effective cost of debt has increased 34 basis points to 5.59%, driven by a 32bp increase in South Africa following the 50bp increase in the base rate (SARB repo rate) and by 13bp in the UK following a 40bp increase in the bank lending rate (BoE base rate), with the increases primarily attributable to hedging new debt and an increase in the use of SA debt relative to UK debt.

Given the steepness of the yield curve in South Africa that has been prevalent for the past nine months – the curve probably being steeper than expectations of the Group for rate hikes – the Group has supplemented vanilla interest rate swaps with other interest rate derivative instruments. This has allowed the Group to keep the all-in cost of borrowing to levels lower than would have been achieved had only vanilla interest rate swaps been entered into, whilst still providing a high level of protection no matter the extent and timing of central bank tightening of monetary policy. A sensitivity analysis indicates that the South African all-in cost of debt for existing debt will rise by approximately 14-18bp for each 50bp increase in 3-month JIBAR up to 7.00%, and thereafter 21-24bp for each 50bp increase.

COST OF DEBT INCLUDING INTEREST RATE HEDGING AND LOAN RAISING FEES	28 FEBRUARY 2022	28 FEBRUARY 2021
All-in ZAR cost of debt	7.25%	6.93%
All-in GBP cost of debt	2.76%	2.63%
All-in weighted average cost of debt	5.59%	5.25%

8.6 FINANCIAL RISK MANAGEMENT

8.6.1 INTEREST RATE RISK

Equites has continued to use a combination of natural hedges and derivative financial instruments to hedge exposure to interest rate risk. An evaluation of the efficacy of hedge cover at 28 February 2022 has been performed as follows:

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
Interest rate derivatives	6 565 363	4 025 270
Cross currency interest rate swaps	–	600 000
Embedded derivative	75 601	199 344
Fixed interest-bearing borrowings	1 575 726	1 772 453
HEDGE COVER	**8 216 690**	**6 589 067**
TOTAL INTEREST-BEARING BORROWINGS	**9 000 572**	**6 828 343**
HEDGE COVER OF TERM LOAN BALANCES	**91.3%**	**96.5%**
TOTAL INTEREST-BEARING BORROWINGS	**9 000 572**	**6 828 343**
Contracted capital commitments	931 764	1 790 914
TOTAL COMMITTED FUTURE CASH OUTFLOWS	**9 932 336**	**8 619 257**
HEDGE COVER	**8 216 690**	**6 589 067**
Forward-starting interest rate swaps	600 000	1 492 028
TOTAL HEDGE COVER	**8 816 690**	**8 081 095**
TOTAL EFFECTIVE INTEREST RATE RISK EXPOSURE HEDGED	**88.8%**	**93.8%**

At 28 February 2022, the Group had hedged 91.3% and 88.8% of the existing term loan balances and total committed future cash outflows, respectively.

8.6.2 FOREIGN EXCHANGE RATE RISK

Equites continued to implement its foreign exchange risk management policy which defines the strategy towards foreign exchange rate risk.

HEDGING NET INVESTMENT IN FOREIGN OPERATION

The Group treasury policy restricts the utilisation of CCIRS to 45% of foreign assets. This is achieved by continually monitoring the exposure to foreign exchange rates as a result of the investment into the UK. In the current financial year, Equites has continued to effectively reduce its hedge cover over its investment into the UK through increased GBP-denominated funding. At 28 February 2022, the utilisation of CCIRS had fallen to 20.6%, down from 25.2% at 28 February 2021.

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

£'000	28 FEBRUARY 2022	28 FEBRUARY 2021	29 FEBRUARY FEB 2020	28 FEBRUARY FEB2019
Carrying amount of UK assets	521 876	366 322	318 351	213 504
Nominal value of GBPZAR cross-currency swaps	107 500	92 447	92 447	77 447
DERIVATIVE HEDGING OF FOREIGN ASSETS	**20.6%**	**25.2%**	**29.0%**	**36.3%**

HEDGING DISTRIBUTABLE EARNINGS AND CASH FLOW RISK

Where possible, Equites 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 the exposure to this exchange rate.

8 TREASURY FINANCIAL MANAGEMENT CONTINUED

8.6 FINANCIAL RISK MANAGEMENT CONTINUED

8.6.2 FOREIGN EXCHANGE RATE RISK CONTINUED

In line with its income hedging policy, Equites has hedged net income to be received over the next 24 months as outlined in the table below.

SIX-MONTH PERIOD ENDED	EFFECTIVE HEDGING LEVEL	BLENDED PARTICIPATION FLOOR	BLENDED PARTICIPATION CAP
31 August 2022	80.0%	R22.83/GBP	R22.73/GBP
28 February 2023	70.0%	R20.87/GBP	R22.85/GBP
31 August 2023	45.0%	R20.82/GBP	R22.89/GBP
28 February 2024	30.0%	R21.00/GBP	R23.83/GBP

The Group 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.

9 SUSTAINABILITY

The incorporation of environmental, social and corporate governance ("ESG") into all areas of business remains a central focus area for Equites. The Group has appointed a dedicated resource to drive sustainability initiatives, including a sustainability audit and carbon footprint assessment across the portfolio to establish baselines in renewable energy usage and carbon emissions. This will serve as the baseline for internal emission reduction targets and the renewable energy goals to which the Group plans to commit itself, including already-concluded KPIs for the sustainability linked debt facilities.

Equites has adopted the TCFD reporting framework to disclose climate related risks and opportunities, and the FY22 Integrated Annual Report will be the inaugural presentation of these disclosures. The Group has identified and assessed the impact of key metrics that are considered material and set targets and timelines in line with global best practice.

The Group underwent its third annual assessment by global ESG rating firm. Sustainalytics, achieving a very low ESG Risk score and an improvement of 35% year-on-year. The ESG risk management score improved 64% year-on-year and is considered strong. Sustainalytics noted the Group-wide improvement in ESG processes and enhanced ESG disclosures, which have now elevated the Group to the top 3% of companies rated by Sustainalytics globally.

As a leading global logistics specialised REIT, Equites recognises the role it needs to play in South Africa's challenging socio-economic landscape. As such, the Group is committing to the expansion of its community upliftment initiatives through the Equites social transformation vehicle, AmpCore.

As a proponent of thinking global and acting local, the Equites sustainability framework is aligned with the UN Sustainability Development Goals. The following areas of materiality have remained consistent with the long-term goals of the organisation and will continue to be enhanced and improved.

AREAS OF MATERIALITY	DESCRIPTION
ENVIRONMENTAL AWARENESS AND ACTION	Equites aims to be at the forefront of green building initiatives and processes. It incorporates natural resources and environmentally responsible techniques in all developments, through its impact assessment.
ETHICS	Equites has a commitment towards fair and ethical practices both within the organisation and with its stakeholders.
COMMUNITY UPLIFTMENT THROUGH EDUCATION AND ENTERPRISE SUPPLIER DEVELOPMENT	Equites emphasises the focus on educational initiatives and positively impacting the local communities in which it develops its properties though the use of local labour and inclusive supply chain practices.
CUSTOMER CENTRICITY AND SHARED VALUE CREATION	Equites is invested in building long standing relationships with its tenants that are embedded with trust and loyalty and aligning its sustainability objectives with those of its clients.
HUMAN CAPITAL	Maintaining a wide representation of skills, experience and diversity in its team and promoting internal growth and development.
DIVERSITY AND INCLUSION	To maintain a reflective demographic in its business footprint. This includes employees and its supply chain where equality is practiced it its widest sense.

10 TRANSFORMATION AND B-BBEE

Equites fully recognises and acknowledges the importance of adhering to the country's B-BBEE policies in order to promote true transformation within a SA context. Equites is pleased to report that it has achieved a Level 3 B-BBEE rating, with a verified black ownership of 66.1% and notes that it will continue to find meaningful ways in which to maintain its B-BBEE rating and impact on the economy and society.

11 PROSPECTS

The Board expects that the Group will achieve between 4% and 6% distribution growth per share for the next financial year. Management is forecasting positive NAV per share growth for FY23, supported by the development pipeline within the Newlands venture. Equites therefore forecasts a double-digit total return of between 15% and 20% for FY23 (FY22: 17.3%), which is a function of distribution yield on NAV per share as well as the growth in NAV per share.

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

12 SUBSEQUENT EVENTS

12.1 BASINGSTOKE DISPOSAL

Equites, through its subsidiary Equites Newlands (Basingstoke) Limited ("ENBL"), a wholly owned subsidiary of Equites Newlands Group Limited, has concluded a land sale agreement and Infrastructure works agreement in relation to Plot 1, Basingstoke. ENBL will sell the undeveloped land to Lidl for a purchase consideration of £81 000 000 (ZAR 1 555 200 000); and implement certain infrastructure, landscaping and other works on the plot at a total cost of £38 000 000 (ZAR 729 600 000). The land sale is expected to conclude in the last quarter of FY23, subject to the fulfilment of all conditions.

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

13 DECLARATION OF A FINAL CASH DIVIDEND WITH THE ELECTION TO REINVEST THE CASH DIVIDEND IN RETURN FOR EQUITES SHARES ("DIVIDEND REINVESTMENT ALTERNATIVE")

Notice is hereby given of the declaration of the final dividend number 17 of 84.61177 cents per share.

The board has declared a final gross dividend of 84.61177 cents per share on 3 May 2022 further to the interim dividend of 78.38 cents per share. This brings the total distributions for the year ended 28 February 2022 to 162.99 cents per share, which is a 5.2% growth over the prior year total distributions of 155.00 cents per share. The DPS growth is in line with previous guidance of 5% to 6%.

DIVIDENDS DECLARED (CENTS PER SHARE)	% CHANGE	28 FEBRUARY 2022	28 FEBRUARY 2021
Interim dividend		78.37854	74.43601
Final dividend		84.61177	80.55835
TOTAL DISTRIBUTIONS FOR THE YEAR	**5.2%**	**162.99031**	**154.99436**

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 84.61177 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, 17 May 2022.

A circular providing further information in respect of the cash dividend and dividend reinvestment alternative (the "circular") will be posted to shareholders and published on SENS on Wednesday, 4 May 2022. 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.

13 DECLARATION OF A FINAL CASH DIVIDEND WITH THE ELECTION TO REINVEST THE CASH DIVIDEND IN RETURN FOR EQUITES SHARES ("DIVIDEND REINVESTMENT ALTERNATIVE") CONTINUED

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

FRACTIONS

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

SALIENT DATES AND TIMES	2022
Equites results including declaration of a final distribution published on SENS	Wednesday, 4 May
Circular and form of election posted to shareholders	Wednesday, 4 May
Finalisation information including the share ratio and reinvestment price per share published on SENS by 11:00 (SA time)	Tuesday, 17 May
Last day to trade in order to participate in the election to receive shares in terms of the dividend reinvestment alternative or to receive a cash dividend ("LDT")	Tuesday, 24 May
Shares trade ex-dividend	Wednesday, 25 May
Listing of maximum possible number of shares under the dividend reinvestment alternative	Friday, 27 May
Last day to elect to receive shares in terms of the dividend reinvestment alternative or to receive a cash dividend (no late forms of election will be accepted) at 12:00 (SA time)	Friday, 27 May
Record date for the election to receive shares in terms of the dividend reinvestment alternative or to receive a cash dividend ("record date")	Friday, 27 May
Announcement of results of cash dividend and dividend reinvestment alternative released on SENS	Monday, 30 May
Payment of cash dividends to certificated shareholders by electronic funds transfer	Monday, 30 May
Dematerialised shareholders' CSDP or broker accounts credited with the cash dividend payment (if applicable)	Monday, 30 May
Share certificates posted to certificated shareholders on or about	Wednesday, 1 June
Dematerialised shareholders' CSDP or broker accounts credited with the new shares (if applicable)	Wednesday, 1 June
Adjustment to shares listed on or about	Friday, 3 June

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, 25 May 2022 and Friday, 27 May 2022, 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 84.61177 cents per share meets the requirements of a qualifying distribution for the purposes of section 25BB of the Income Tax Act (a "qualifying distribution") with the result that:

- qualifying distributions received by resident Equites shareholders must be included in the gross income of such shareholders (as a non-exempt dividend in terms of section 10(1)(k)(aa) of the Income Tax Act), with the effect that the qualifying distribution is taxable as income in the hands of the Equites shareholder. These qualifying distributions are however exempt from dividends withholding tax, provided that the South African resident shareholders provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:
  - a declaration that the dividend is exempt from dividends tax; and
  - a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.
- qualifying distributions received by non-resident Equites shareholders will not be taxable as income and instead will be treated as ordinary dividends, but which are exempt in terms of the usual dividend exemptions per section 10(1)(k) of the Income Tax Act. Any qualifying distributions are subject to dividends withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder. Assuming dividends withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 67.68942 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 84.61177 cents per share.

Other information

- The issued ordinary share capital of Equites at the date of declaration is 776 573 375 ordinary shares of no par value each before any election to reinvest the cash dividend.
- Income Tax Reference Number of Equites: 9275393180.

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

By order of the board

EQUITES PROPERTY FUND LIMITED

3 MAY 2022

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Equites Property Fund Limited

OPINION

The summary consolidated financial statements of Equites Property Fund Limited, contained in the accompanying preliminary report, which comprise the summary consolidated statement of financial position as at 28 February 2022, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Equites Property Fund Limited for the year ended 28 February 2022.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 3 May 2022. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITOR'S RESPONSIBILITY

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

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
DIRECTOR: P LIEDEMAN
REGISTERED AUDITOR

Cape Town, South Africa
3 May 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Equites Property Fund Limited and its subsidiaries at 28 February 2022

R'000	NOTES	28 FEBRUARY 2022	28 FEBRUARY 2021
ASSETS			
NON-CURRENT ASSETS			
Investment property (excluding straight-lining)	4	24 970 607	18 878 285
Straight-lining lease income accrual	4	547 000	364 746
Deferred tax asset		162 765	120 031
Non-current financial assets		60 637	9 244
Property, plant and equipment		16 086	17 919
		25 757 095	**19 390 225**
CURRENT ASSETS			
Trading properties		878 927	464 670
Trade and other receivables		223 196	285 700
Other current financial assets		104 645	18 176
Cash and cash equivalents		570 143	612 316
		1 776 911	**1 380 862**
Investment property held for sale	4	206 124	86 112
TOTAL ASSETS		**27 740 130**	**20 857 199**
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Stated capital		12 170 853	9 337 288
Accumulated profit		1 880 847	918 422
Foreign currency translation reserve		370 624	391 520
Share-based payment reserve		29 390	195 953
TOTAL ATTRIBUTABLE TO OWNERS		**14 451 714**	**10 843 183**
Non-controlling interest		3 059 872	2 166 757
TOTAL EQUITY AND RESERVES		**17 511 586**	**13 009 940**
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	5	7 974 268	5 843 785
Other non-current financial liabilities		117 200	147 501
Deferred tax liability		441 194	59 388
Other liabilities		8 334	6 473
		8 540 996	**6 057 147**
CURRENT LIABILITIES			
Loans and borrowings	5	1 026 304	984 558
Trade and other payables		572 364	629 404
Other current financial liabilities		88 880	176 150
		1 687 548	**1 790 112**
TOTAL LIABILITIES		**10 228 544**	**7 847 259**
TOTAL EQUITY AND LIABILITIES		**27 740 130**	**20 857 199**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

R'000	NOTES	28 FEBRUARY 2022	28 FEBRUARY 2021
Property revenue and tenant recoveries		1 505 103	1 137 336
Straight-lining of leases adjustment		182 468	48 044
GROSS PROPERTY REVENUE		**1 687 571**	**1 185 380**
Net development profit		576	–
Property operating and management expenses		(240 418)	(163 098)
Other net gains	6	155 207	127 341
Administrative expenses		(78 039)	(56 897)
Fair value adjustments – investment property		1 168 317	(224 874)
OPERATING PROFIT BEFORE FINANCING ACTIVITIES		**2 693 214**	**867 852**
Finance costs	7	31 994	(287 008)
Finance income		14 021	17 367
NET PROFIT BEFORE TAX		**2 739 229**	**598 211**
Tax expense		(382 809)	(108 160)
PROFIT FOR THE PERIOD		**2 356 420**	**490 051**
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified to profit or loss:			
Translation of foreign operations		(19 147)	208 507
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2 337 273**	**698 558**
PROFIT ATTRIBUTABLE TO:			
Owners of the parent		2 032 661	407 499
Non-controlling interest		323 759	82 552
		2 356 420	**490 051**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		2 011 765	615 996
Non-controlling interest		325 508	82 562
		2 337 273	**698 558**
Basic earnings per share (cents)	2	295.3	66.4
Diluted earnings per share (cents)	2	293.1	65.4

CONSOLIDATED STATEMENT OF CASH FLOWS

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

R'000	28 FEBRUARY 2022	RESTATED[1] 28 FEBRUARY 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	944 849	939 460
Finance costs paid	(99 807)	(110 461)
Finance income received	4 908	17 086
Tax paid	(50 032)	(5 286)
Dividends paid	(1 228 043)	(919 690)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**(428 125)**	**(78 891)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment properties	(2 209 150)	(1 934 463)
Development of investment properties[1]	(2 184 606)	(1 233 545)
Finance costs paid capitalised to investment properties[1]	(260 259)	(223 128)
Proceeds from government grants	61 726	–
Proceeds from disposal of investment property and subsidiaires (net of disposal costs)	104 663	526 071
Purchases of current financial assets[2]	(1 823 000)	(1 614 000)
Proceeds on divestment of current financial assets[2]	1 823 000	1 629 992
Proceeds from disposal of property, plant and equipment	4	–
Purchase and development of property, plant and equipment	(1 555)	(2 412)
NET CASH FLOWS UTILISED BY INVESTING ACTIVITIES	**(4 489 177)**	**(2 851 485)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue (net of costs)	1 987 559	794 124
Proceeds from share issue relating to dividend reinvestment programme	653 736	427 414
Repayment of lease liability	(7 816)	(4 225)
Proceeds from borrowings (net of loan raising fees paid)	4 782 461	4 446 720
Repayment of borrowings	(2 563 648)	(2 133 893)
NET CASH FLOWS RAISED FROM FINANCING ACTIVITIES	**4 852 292**	**3 530 140**
Net increase in cash and cash equivalents	(65 010)	599 764
Effect of exchange rate movements on cash and cash equivalents	22 837	(41 172)
Cash and cash equivalents at the beginning of the year	612 316	53 724
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**570 143**	**612 316**

1 "Finance costs paid capitalised to investment properties" was previously included in "Development of investment properties".

2 This primarily consists of investments in and divestments of surplus cash held in money market funds.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

R'000	NOTES	STATED CAPITAL	ACCUMULATED PROFIT	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASED PAYMENT RESERVE	TOTAL ATTRIBUTABLE TO PARENT	NON-CONTROLLING INTEREST	TOTAL
Balance at 1 March 2020		8 046 457	1 370 734	242 903	69 496	9 729 590	40 434	9 770 024
Profit for the year		–	407 499	–	–	407 499	82 552	490 051
Other comprehensive income		–	–	208 496	–	208 496	11	208 507
Reclassification of FCTR on disposal of subisidiary companies		–	59 879	(59 879)	–	–	–	–
Acquisition of subsidiary with non-controlling interests		–	–	–	–	–	2 043 760	2 043 760
Shares issued for cash		800 000	–	–	–	800 000	–	800 000
Share issue in terms of dividend reinvestment programme		427 414	–	–	–	427 414	–	427 414
Shares issued in terms of conditional share plan		12 997	–	–	(12 997)	–	–	–
Movements in respect of share-based payment transactions		56 296	–	–	123 704	180 000	–	180 000
Equity-settled share-based payment charge		–	–	–	15 750	15 750	–	15 750
Dividends distributed to shareholders		–	(919 690)	–	–	(919 690)	–	(919 690)
Share issue costs		(5 876)	–	–	–	(5 876)	–	(5 876)
BALANCE AT 28 FEBRUARY 2021		**9 337 288**	**918 422**	**391 520**	**195 953**	**10 843 183**	**2 166 757**	**13 009 940**
Balance at 1 March 2021		9 337 288	918 422	391 520	195 953	10 843 183	2 166 757	13 009 940
Profit for the year		–	2 032 661	–	–	2 032 661	323 759	2 356 420
Other comprehensive income		–	–	(20 896)	–	(20 896)	1 749	(19 147)
Acquisition of subsidiary with non-controlling interests		–	–	–	–	–	703 150	703 150
Transactions with non-controlling interest		–	–	–	–	–	22 264	22 264
Shares issued for cash		2 000 000	–	–	–	2 000 000	–	2 000 000
Share issue in terms of dividend reinvestment programme		653 736	–	–	–	653 736	–	653 736
Shares issued in terms of conditional share plan		12 270	–	–	(12 270)	–	–	–
Shares issued in terms of share-based payment transactions		180 000	–	–	(180 000)	–	–	–
Equity-settled share-based payment charge		–	–	–	25 707	25 707	–	25 707
Dividends distributed to shareholders		–	(1 070 236)	–	–	(1 070 236)	(157 807)	(1 228 043)
Share issue costs		(12 441)	–	–	–	(12 441)	–	(12 441)
BALANCE AT 28 FEBRUARY 2022		**12 170 853**	**1 880 847**	**370 624**	**29 390**	**14 451 714**	**3 059 872**	**17 511 586**

SUMMARISED OPERATING SEGMENT INFORMATION

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

The segment information for the Group for the year ended 28 February 2022 is set out below:

R'000	OPERATING SEGMENTS SA INDUSTRIAL	UK INDUSTRIAL	UK DEVELOPER[1]	OTHER	TOTAL
STATEMENT OF COMPREHENSIVE INCOME					
Property revenue	1 215 823	263 235	–	26 045	**1 505 103**
Fair value adjustments – investment property	(356 859)	1 546 128	–	(20 952)	**1 168 317**
Straight-lining of leases adjustment	169 626	14 220	–	(1 378)	**182 468**
Operating profit before financing activities	796 817	1 878 841	(2 445)	20 001	**2 693 214**
Finance income	14 057	41	–	(77)	**14 021**
Finance costs	72 657	(40 598)	–	(65)	**31 994**
STATEMENT OF FINANCIAL POSITION					
Investment property (excluding straight-lining)	14 929 254	10 041 353	–	–	**24 970 607**
Straight-lining lease income accrual	504 528	42 472	–	–	**547 000**
Investment property held for sale	–	–	–	206 124	**206 124**
Trading properties	20 754	–	858 173	–	**878 927**
Loans and borrowings	6 496 875	2 503 697	–	–	**9 000 572**
Total assets	15 952 283	10 681 885	891 391	214 571	**27 740 130**
Total liabilities	6 726 324	3 241 662	257 556	3 002	**10 228 544**

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

R'000	OPERATING SEGMENTS SA INDUSTRIAL	RESTATED UK INDUSTRIAL	RESTATED 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)	**(224 875)**
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					
Investment property (excluding straight-lining)	12 181 056	6 577 069	–	120 160	**18 878 285**
Straight-lining lease income accrual	336 280	28 466	–	–	**364 746**
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. The comparative has been amended to reflect this change.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

1 BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited ("JSE") for Listing Requirements for preliminary reports, summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

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

These summary consolidated annual financial statements for the year ended 28 February 2022 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated annual financial statements were derived.

The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office and on the company's website.

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

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

2 EARNINGS PER SHARE

This note provides the obligatory information in terms of IAS 33 *Earnings per share and SAICA Circular 1/2021* for the Group and should be read in conjunction with Appendix 1, where earnings are reconciled to distributable earnings. Distributable earnings determine the dividend declared to shareholders, which is a meaningful metric for a shareholder in a REIT.

2.1 BASIC EARNINGS PER SHARE

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
BASIC EARNINGS		
Earnings (profit attributable to owners of the parent)	**2 032 661**	**407 499**
NUMBER OF SHARES		
SHARES IN ISSUE		
Number of shares in issue	776 573 375	628 715 573
Weighted average number of shares in issue	688 221 003	613 629 280
Add: weighted potential dilutive impact of conditional shares	5 376 814	9 803 834
Diluted weighted average number of shares in issues	693 597 817	623 433 114
CENTS		
BASIC EARNINGS PER SHARE		
Basic earnings per share	295.3	66.4
Diluted earnings per share	293.1	65.4

2 EARNINGS PER SHARE CONTINUED
2.2 HEADLINE EARNINGS PER SHARE

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
RECONCILIATION BETWEEN BASIC EARNINGS AND HEADLINE EARNINGS:		
Earnings (profit attributable to owners of the parent)	2 032 661	407 499
Adjusted for:		
Fair value adjustments to investment properties	(1 147 365)	225 425
Less: Fair value adjustment to investment properties (NCI)	8 221	9 553
Fair value adjustment of non-current assets held for sale	(20 952)	(551)
Loss on sale of non-current assets held for sale	237	–
Net loss / (profit) on sale of non-current assets	15 706	(31 913)
HEADLINE EARNINGS	**888 508**	**610 013**
CENTS		
HEADLINE EARNINGS PER SHARE		
Headline earnings per share	129.1	99.4
Diluted headline earnings per share	128.1	97.8

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).
Derivative financial instruments are measured with reference to observable market inputs (interest rates, yield curves, FX rates) based on mid-market levels.

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

	28 FEBRUARY 2022			
R'000	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS				
Non-financial assets at fair value – investment properties	25 517 606	–	–	25 517 606
Derivative financial assets	165 282	–	165 283	–
	25 682 888	**–**	**165 283**	**25 517 606**
LIABILITIES				
Derivative financial liabilities	173 207	–	173 207	–
	173 207	**–**	**173 207**	**–**

	28 FEBRUARY 2021			
R'000	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS				
Non-financial assets at fair value – investment properties	19 308 326	–	–	19 308 326
Derivative financial assets	27 420	–	27 420	–
	19 335 746	**–**	**27 420**	**19 308 326**
LIABILITIES				
Derivative financial liabilities	301 619	–	301 619	–
	301 619	**–**	**301 619**	**–**

DETAILS OF VALUATION TECHNIQUES

INVESTMENT PROPERTY

The fair value of investment properties is updated at each reporting period by way of external valuations. Previously the Group externally valued each income-producing property every 18 months. At 28 February 2022, the Group externally valued 100% of its income producing properties. 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.

SENSITIVITY OF FAIR VALUES

Sensitivity analysis of income producing investment property fair values (excluding investment properties held for sale) to the following:

	28 FEBRUARY 2022							
R'000	**EXIT CAPITALISATION RATES**		**DISCOUNT RATES**		**MARKET RENTALS**		**INCOME CAPITALISATION YIELDS[1]**	
	-0.1% Increase fair value	+0.1% Decrease fair value	-0.1% Increase fair value	+0.1% Decrease fair value	+5% Increase fair value	-5% Decrease fair value	-0.5% Increase fair value	0.5% Decrease fair value
SA Industrial	71 509	(91 269)	70 170	(94 470)	351 732	(356 771)	–	–
UK Industrial	–	–	–	–	–	–	1 184 399	(886 817)
TOTAL	**71 509**	**(91 269)**	**70 170**	**(94 470)**	**351 732**	**(356 771)**	**1 184 399**	**(886 817)**

	28 FEBRUARY 2021							
R'000	**EXIT CAPITALISATION RATES**		**DISCOUNT RATES**		**MARKET RENTALS**		**INCOME CAPITALISATION YIELDS[1]**	
	-0.1% Increase fair value	+0.1% Decrease fair value	-0.1% Increase fair value	+0.1% Decrease fair value	+5% Increase fair value	-5% Decrease fair value	-0.5% Increase fair value	0.5% Decrease fair value
SA Industrial	89 327	(87 097)	40 162	(39 961)	348 932	(348 932)	–	–
UK Industrial	51 316	(49 170)	13 047	(12 975)	117 583	(117 583)	345 221	(280 333)
TOTAL	**140 643**	**(136 267)**	**53 209**	**(52 936)**	**466 515**	**(466 515)**	**345 221**	**(280 333)**

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

Due to significant yield compression in the UK logistics market over the last twelve months, the Company deems it reasonable to use a 50 bps range on the sensitivity analysis.

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

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
4 INVESTMENT PROPERTY		
Income-producing investment property (note 4.1)	20 045 118	15 720 743
Investment property under development (note 4.1)	2 681 934	1 119 669
Freehold land available for development (note 4.1)	2 213 175	2 017 056
Right-of-use asset (note 4.1)	30 380	20 817
Investment property (excluding straight-lining)	24 970 607	18 878 285
Investment property held for sale (note 4.2)	206 124	86 112
Straight-lining lease income accrual (note 4.3)	547 000	364 746
Fair value of investment property	**25 723 731**	**19 329 143**

4.1 RECONCILIATION OF INVESTMENT PROPERTY

	SA							UK				
R'000	LOGISTICS	INDUSTRIAL	OFFICE	PROPERTIES UNDER DEVELOP-MENT	ZONED INDUSTRIAL LAND[2]	STRATEGIC LAND HOLDINGS[2]	RIGHT OF USE ASSET	LOGISTICS	PROPERTIES UNDER DEVELOP-MENT	ZONED INDUSTRIAL LAND[2]	STRATEGIC LAND HOLDINGS[2]	TOTAL
BALANCE AS AT 1 MARCH 2020	**6 128 438**	**466 255**	**111 189**	**483 740**	**886 917**	**190 952**	**21 502**	**5 544 184**	**94 786**	**–**	**589 175**	**14 517 138**
Acquisitions	3 295 498	–	–	–	54 441	260 000	–	–	–	361 822	180 400	4 152 161
Improvements and extensions	31 431	1	–	–	–	–	–	13 995	–	–	–	45 427
Construction and development costs[4]	–	–	–	750 597	88 889	31 945	–	–	434 187	39 019	66 607	1 411 245
Government grants received	–	–	–	–	–	–	–	–	(62 252)	–	–	(62 252)
Transfers[1]	841 601	(46 208)	(111 189)	(720 004)	(10 408)	–	–	279 319	122 926	(239 178)	(504 411)	(387 552)
Letting commission capitalised	2 718	–	–	–	–	–	–	2 093	–	–	–	4 811
Letting commission amortised	(1 524)	–	–	–	–	–	–	(817)	–	–	–	(2 341)
Lease incentives capitalised	1 250	–	–	–	–	–	–	–	–	–	–	1 250
Lease incentives amortised	(246)	–	–	–	–	–	–	–	–	–	–	(246)
Remeasurements	–	–	–	–	–	–	2 472	–	–	–	–	2 472
Fair value adjustment	(337 919)	(99 669)	–	970	9 199	–	(3 157)	206 254	–	–	–	(224 323)
Disposals	–	–	–	–	–	–	–	(863 638)	–	–	–	(863 638)
Foreign exchange movements	–	–	–	–	–	–	–	257 727	14 719	4 142	7 545	284 134
BALANCE AS AT 28 FEBRUARY 2021	**9 961 247**	**320 379**	**–**	**515 303**	**1 029 038**	**482 897**	**20 817**	**5 439 117**	**604 366**	**165 805**	**339 316**	**18 878 285**
Acquisitions	2 478 107	–	–	33 521	41 004	–	15 948	–	–	–	359 668	2 928 248
Improvements and extensions	84 407	–	–	–	–	–	–	43 730	–	–	–	128 137
Construction and development costs[4]	–	–	–	432 730	96 972	54 631	–	–	1 526 082	–	235 122	2 345 537
Transfers[1]	319 014	48 077	–	(83 005)	(246 724)	(219 835)	–	893 926	(893 926)	(165 805)	(27 753)	(376 031)
Letting commission capitalised	3 794	–	–	–	–	–	–	–	–	–	–	3 794
Letting commission amortised	(2 400)	–	–	–	–	–	–	(838)	–	–	–	(3 238)
Lease incentives amortised	(397)	–	–	–	–	–	–	–	–	–	–	(397)
Remeasurements	–	–	–	–	–	–	951	–	–	–	–	951
Fair value adjustment[5]	(329 365)	(4 700)	–	–	(16 229)	770	(7 336)	844 365	523 863	–	177 901[3]	1 189 269
Disposals	–	–	–	–	(100 363)	–	–	–	–	–	–	(100 363)
Foreign exchange movements	–	–	–	–	–	–	–	(53 345)	23 000	–	6 760	(23 585)
BALANCE AS AT 28 FEBRUARY 2022	**12 514 407**	**363 756**	**–**	**898 549**	**803 698**	**318 463**	**30 380**	**7 166 955**	**1 783 385**	**–**	**1 091 014**	**24 970 607**

1 Transfers relates to the following:
i) Land which has been zoned and service and available for a development to commence;
ii) Land where a development has commenced;
iii) Investment properties under development which have been completed;
iv) Properties that are being refurbished;
v) Properties that have been recognised as held for sale (note 4.2); and
vi) Land and developments which are held as trading property.

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

3 The fair value uplift reflected on land in the UK relates to the Newport Pagnell land which was externally valued at 28 February 2022.

4 Includes borrowing costs capitalised of R260m (2021: R223m).

5 The fair value adjustments exclude the movement in straight-lining lease income accruals.

R'000		28 FEBRUARY 2022	28 FEBRUARY 2021
4.2	**INVESTMENT PROPERTY HELD FOR SALE**		
	Opening balance	86 112	40 455
	Transferred from investment property	161 718	46 208
	Improvements	1 228	–
	Fair value adjustment	(20 952)	(551)
	Disposal	(21 982)	–
	INVESTMENT PROPERTY HELD FOR SALE	**206 124**	**86 112**

Investment property held for sale includes properties , which are considered non-core assets comprising of an office in Gauteng and six smaller logistics and industrial assets in the Western Cape. The Group has concluded sale agreements on all of these properties and transfer is yet to occur. Transfer of these properties are expected to take place within six months after year end.

R'000		28 FEBRUARY 2022	28 FEBRUARY 2021
4.3	**STRAIGHT-LINING LEASE INCOME ACCRUAL**		
	Contractual lease receivables are as follows:		
	Within one year	1 455 626	1 161 829
	Within two years	1 425 203	1 159 357
	Within three years	1 353 081	1 102 143
	Within four years	1 291 417	1 007 873
	Within five years	1 244 443	911 112
	Beyond five years	10 639 337	9 185 004
		17 409 107	**14 527 318**
	Less: lease revenue on straight-line basis	(16 862 107)	(14 162 572)
	STRAIGHT-LINING LEASE INCOME ACCRUAL	**547 000**	**364 746**
5	**LOANS AND BORROWINGS**		
	OPENING BALANCE	**6 828 343**	**4 796 043**
	Non-current borrowings	5 843 785	4 686 043
	Current borrowings	984 558	110 000
	Proceeds from borrowings	4 782 461	4 446 720
	Repayment of borrowings	(2 563 648)	(2 522 089)
	Loan fees paid and amortisation	(1 591)	(8 975)
	Foreign exchange (gain)/loss	(44 993)	116 645
	CLOSING BALANCE	**9 000 572**	**6 828 343**
	Non-current borrowings	7 974 268	5 843 785
	Current borrowings	1 026 304	984 558
6	**OTHER NET GAINS OR LOSSES**		
	Income from foreign exchange derivative instruments	158 124	138 845
	Fair value adjustment on foreign exchange derivative instruments	43 491	(35 922)
	Insurance recoveries	121	12
	(Loss)/profit on sale of subsidiary companies	(237)	31 913
	Loss on sale of investment property	(15 710)	–
	Profit on sale of property, plant and equipment	4	–
	Foreign exchange loss	(36 647)	(9 280)
	Sundry income	6 061	1 379
	Sundry income – capital in nature (non-distributable)	–	394
		155 207	**127 341**

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
7 FINANCE COSTS		
Interest expense on borrowings	324 743	245 182
Interest on lease liabilities	2 279	2 364
Finance costs relating to interest rate derivatives	94 192	68 378
Fair value movement on interest rate derivatives	(145 888)	194 079
Interest on utility accounts and other	389	133
Borrowing costs capitalised to investment property[1]	(307 709)	(223 128)
	(31 994)	**287 008**

[1] The capitalisation rate applied during the year was 7.0% (2021: 7.6%) in relation to general borrowings and 2.5% (2021: 2.7%) in relation to specific borrowings.

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
8 CAPITAL COMMITMENTS		
Authorised and contracted for acquisition or construction of new industrial properties	931 764	1 790 914
Authorised but not contracted	474 489	380 024
	1 406 253	**2 170 938**

9 RELATED PARTIES

Related party relationships exist between the Company, its subsidiaries, directors, and key management of the group.

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

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
Dividend paid to related party shareholders	52 013	134 013
Insurance premiums paid to Commsure Financial Solutions (indirectly owned by Cindy Hess' spouse)	13 011	9 415
Fees paid to BTKM (Pty) Ltd (in which Nazeem Khan is a director)	1 945	955
Fees paid to Automotion (Pty) Ltd (in which Kevin Dreyer is a director)[2]	13	9
	66 982	**144 392**

[2] Kevin Dreyer retired as a director, effective 27 July 2021, and therefore Automotion ceased to be a related party during the year. The amount disclosed for the current year relates to charges prior to his retirement.

APPENDIX 1

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

DISTRIBUTABLE EARNINGS

DISTRIBUTABLE EARNINGS POLICY

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

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

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

- certain non-cash and accounting adjustments;
- gains or losses on the disposal of assets and the associated tax treatment;
- certain foreign exchange and hedging items;
- net profit arising from land sale and turnkey developments;
- 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

	GROUP	
R'000	UNAUDITED 28 FEBRUARY 2022	UNAUDITED 28 FEBRUARY 2021
PROFIT OR LOSS FOR THE PERIOD (ATTRIBUTABLE TO OWNERS OF THE PARENT)	2 032 661	407 499
Adjusted for:		
Fair value adjustments to investment properties	(1 168 317)	224 874
Less: Fair value adjustment to investment properties (NCI)	8 221	9 553
Profit or loss on sale of non-current assets	15 943	(31 913)
HEADLINE EARNINGS	**888 508**	**610 013**
Adjusted for:		
Straight-lining of leases adjustment	(182 468)	(48 044)
Fair value adjustments to derivative financial assets and liabilities	(189 379)	230 001
Share-based payment expense	27 568	11 752
Capital items (non-distributable)	40 035	15 341
Deferred taxation	332 777	108 160
Net development profit (non-distributable)	51 382	–
Non-controlling interest	157 755	26 632
Antecedent dividend[1]	139 561	20 618
DISTRIBUTABLE EARNINGS	**1 265 739**	**974 473**

[1] **Antecedent dividend**
In the determination of distributable earnings, an adjustment is made where equity capital is raised during the financial year to avoid diluting the returns of existing shareholders prior to the share issue. During the reporting period, the Group issued the majority of the shares pursuant to the accelerated bookbuilds on 7 July 2021 and 17 February 2022 and the two dividend reinvestment programmes in May and October 2021 which gave rise to antecedent earnings included above.

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

DISTRIBUTABLE EARNINGS CONTINUED

	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
THE FOLLOWING INPUTS IMPACTED THE ANTECEDENT EARNINGS ADJUSTMENT:	**NUMBER OF SHARES**	**NUMBER OF SHARES**
Opening balance – shares in issue	628 715 573	554 441 236
Increase in shares in issue as a result of accelerated bookbuild	103 517 195	42 780 748
Dividend reinvestment programmes	34 374 527	27 300 638
Shares issued in terms of conditional share plan	655 324	813 821
Share issue in respect of property acquisition	9 310 756	3 379 130
CLOSING BALANCE – SHARES IN ISSUE	**776 573 375**	**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
Final dividend declared on 3 May 2022 (Dividend number 17)	84.61	709 489
TOTAL DISTRIBUTION FOR THE YEAR ENDED 28 FEBRUARY 2022	**162.99**	**1 265 739**

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

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

SA REIT BPR

R'000	GROUP UNAUDITED 28 FEBRUARY 2022	GROUP UNAUDITED 28 FEBRUARY 2021
SA REIT FUNDS FROM OPERATIONS (SA REIT FFO) PER SHARE		
PROFIT FOR THE YEAR (ATTRIBUTABLE TO OWNERS OF THE PARENT)	**2 032 661**	**407 499**
Adjusted for:		
Accounting/specific adjustments:	(1 014 620)	286 858
Fair value adjustments to:		
▪ Investment property	(1 168 317)	224 874
▪ Debt and equity instruments held at fair value through profit or loss		
Depreciation and amortisation	3 388	1 868
Deferred tax movement recognised in profit or loss	332 777	108 160
Straight-lining operating lease adjustment	(182 468)	(48 044)
Adjustments arising from investing activities:	15 943	(31 913)
Loss/(gain) on disposal of:		
▪ Investment property and property, plant and equipment	15 706	–
▪ Subsidiaries	237	(31 913)
Foreign exchange and hedging items:	(152 732)	239 281
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	(189 379)	230 001
Foreign exchange losses relating to capital items – realised and unrealised	36 647	9 280
Other adjustments:	305 537	56 803
Non-controlling interests in respect of the above adjustments	165 976	36 185
Antecedent earnings adjustment	139 561	20 618
SA REIT FFO:	**1 186 789**	**958 528**
Number of shares outstanding at end of period (net of treasury shares)	776 573 375	628 715 573
SA REIT FFO PER SHARE (CENTS):	**152.82**	**152.46**
Company-specific adjustments per share (cents)	10.17	2.54
Payroll costs incurred of a capital nature	–	0.68
Equity settled share based payment charge	3.55	1.87
Net development profit (non-distributable)	6.62	–
Sundry income of a capital nature	–	(0.01)
DISTRIBUTABLE EARNINGS PER SHARE (CENTS)	**162.99**	**155.00**
SA REIT NET ASSET VALUE (SA REIT NAV)		
Reported NAV attributable to the parent	**14 451 714**	**10 843 183**
Adjustments:		
Dividend to be declared	(709 489)	(516 901)
Fair value of certain derivative financial instruments	21 898	202 721
Deferred tax	278 429	(60 643)
SA REIT NAV:	**14 042 552**	**10 468 360**
SHARES OUTSTANDING		
Number of shares in issue at period end (net of treasury shares)	776 573 375	628 715 573
Effect of dilutive instruments	5 376 814	9 803 834
DILUTIVE NUMBER OF SHARES IN ISSUE	**781 950 189**	**638 519 407**
SA REIT NAV PER SHARE (RAND):	**17.96**	**16.39**

APPENDIX 2 CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

SA REIT BPR CONTINUED

R'000	GROUP UNAUDITED 28 FEBRUARY 2022	GROUP UNAUDITED 28 FEBRUARY 2021
SA REIT COST-TO-INCOME RATIO		
EXPENSES		
Operating expenses per IFRS income statement (includes municipal expenses)	240 418	163 098
Administrative expenses per IFRS income statement	78 039	56 897
EXCLUDE:		
Depreciation expense in relation to property, plant and equipment	(3 388)	(1 868)
OPERATING COSTS	**315 069**	**218 127**
RENTAL INCOME		
Contractual rental income per IFRS income statement (excluding straight-lining)	1 241 912	970 404
Utility and operating recoveries per IFRS income statement	263 191	166 932
GROSS RENTAL INCOME	**1 505 103**	**1 137 336**
SA REIT COST-TO-INCOME RATIO	**20.9%**	**19.2%**
SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO		
EXPENSES		
Administrative expenses as per IFRS income statement	78 039	56 897
ADMINISTRATIVE COSTS	**78 039**	**56 897**
RENTAL INCOME		
Contractual rental income per IFRS income statement (excluding straight-lining)	1 241 912	970 404
Utility and operating recoveries per IFRS income statement	263 191	166 932
GROSS RENTAL INCOME	**1 505 103**	**1 137 336**
SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO	**5.2%**	**5.0%**
SA REIT GLA VACANCY RATE		
Gross lettable area of vacant space	9 490	1 401
Gross lettable area of total property portfolio	1 363 900	1 146 354
SA REIT GLA VACANCY RATE	**0.7%**	**0.1%**

COST OF DEBT	**SA**	**UK**
VARIABLE INTEREST-RATE BORROWINGS		
Floating reference rate plus weighted average margin	5.85%	2.45%
FIXED INTEREST-RATE BORROWINGS		
Weighted average fixed rate	5.83%	2.65%
PRE-ADJUSTED WEIGHTED AVERAGE COST OF DEBT	**5.85%**	**2.53%**
Adjustments:		
Impact of interest rate derivatives	1.33%	0.18%
Impact of cross-currency interest rate swaps	0.00%	0.00%
Amortised transaction costs imputed into the effective interest rate	0.06%	0.08%
ALL-IN WEIGHTED AVERAGE COST OF DEBT	**7.24%**	**2.79%**

All rates are nominal annual compounded quarterly (nacq)

R'000		GROUP UNAUDITED 28 FEBRUARY 2022	GROUP UNAUDITED 28 FEBRUARY 2021
SA REIT LOAN-TO-VALUE			
Gross debt		9 000 572	6 828 343
Less:			
Cash and cash equivalents (and including short-term deposits)		(570 143)	(612 316)
Add/Less:			
Derivative financial instruments		7 925	274 199
NET DEBT	A	**8 438 354**	**6 490 226**
Total assets – per Statement of Financial Position		27 740 130	20 857 199
Less:			
Cash and cash equivalents (and including short-term deposits)		(570 143)	(612 316)
Derivative financial assets		(165 283)	(27 420)
Goodwill and intangible assets		–	–
Trade and other receivables		(223 196)	(285 700)
CARRYING AMOUNT OF PROPERTY-RELATED ASSETS	B	**26 781 508**	**19 931 763**
SA REIT LOAN-TO-VALUE ("SA REIT LTV")	A/B	**31.5%**	**32.6%**

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

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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

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