equites
PROPERTY FUND

Integrated Report **2020**

Equites is the only specialised logistics REIT listed on the JSE. It has executed its vision of becoming a globally relevant REIT and it currently has a footprint in SA and the UK.

About this report

Report scope and boundary

The board of directors (the "board") of Equites Property Fund Limited ("Equites", or the "group", or the "company") are pleased to present the sixth Integrated Report for the year ended 29 February 2020. The report has been compiled in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act of South Africa, 2008 as amended (the "Companies Act"), the JSE Listings Requirements, and the King Report on Corporate Governance for South Africa ("King IV"). This report covers financial and non-financial performance of the group and provides an overview of the group's performance, strategy, risks and governance. The report focuses on both the group's operations in South Africa ("SA") and in the United Kingdom ("UK").

Materiality

Equites identifies the concept of materiality to represent any item that could substantively affect the group's ability to create value and influence the decisions of stakeholders. All items identified as being material by the board have been disclosed in this report.

Report approval and independent assurance

The board has approved this Integrated Report and believes that it has been prepared in accordance with best practice and addresses all material aspects of the group. Independent assurance has been provided over all financial and certain non-financial information presented in this report. PricewaterhouseCoopers Inc., as our external auditors, have issued an unqualified audit opinion on our consolidated annual financial statements.

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Instilling sound corporate governance
Relationships deeply rooted in trust
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As referenced in the King IV report

Refer to report within this Integrated Report

About Equites

Who we are

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

The group has curated a high-quality logistics portfolio across SA and the UK, with a focus on assets that are modern, well-located, and tenanted by A-grade[1] users on long-dated leases. The group benefits from being a market leader in this class of specialisation, where the group is the only listed property entity on the JSE to provide shareholders with pure exposure to prime logistics assets. In the past year, specific focus has been based on ensuring that each acquisition and development meets the group's strict investment criteria. We have successfully deployed capital and increased the portfolio by R2.9 billion (24.4%) since February 2019. Since listing, the compounded annual growth rate in Equites' share price and market capitalisation has exceeded 10% and 48% respectively.

Our team

Equites had a staff compliment of 3 people on listing with a single head office in Cape Town managing 20 properties exclusively located in the Western Cape. Today, Equites has a largely transformed workforce of 29 employees located in the Western Cape and Gauteng managing 62 income-producing properties and 8 ongoing developments located in the Western Cape, Gauteng, KwaZulu-Natal ("KZN") and the UK.

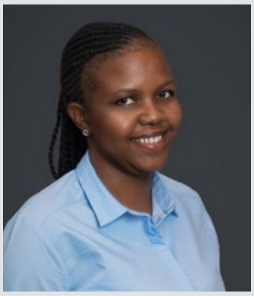

Akua Koranteng


Andiswa Mahlaba


Jaun Knoesen


Lloyd Zacharias


Laila Razack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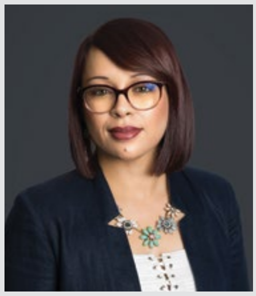
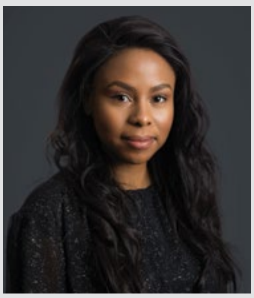

Melanie Brown


Olivia Velem


Riaan Gous


Sharon Daka


Steven Piha


Tanyette Chetty

1 A-grade: Large nationals, large listeds and government

Our portfolio

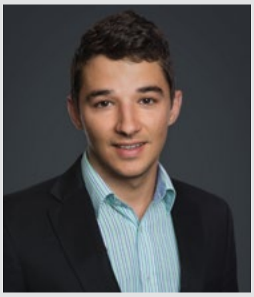
The growth strategy in SA is to focus on single asset acquisitions, high-quality portfolio acquisitions, and the development of prime logistics facilities on the tracts of land we control. This in-house development expertise and the ability to unlock key nodes have been instrumental to the group's success and will continue to play a role in the group's ongoing profitability and long-term value creation.

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

In the financial year ended 29 February 2020, we completed seven developments with a capital value of R1.3 billion acquired an asset to the value of £30.7 million and commenced the development of eight, state-of-the-art logistics facilities with a capital value of R1.1 billion on completion.

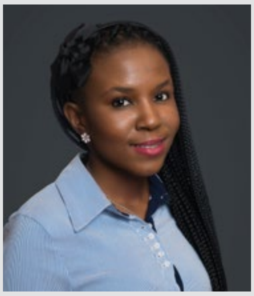

Andrea Taverna-Turisan


Belinda Ortman-Lebona

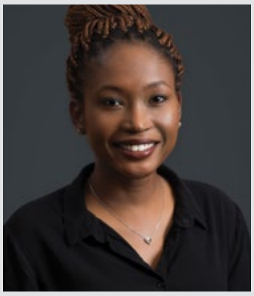

Chris Guattari-Stafford


Gustav Fichardt


Hilda Janse van Rensburg


Mmatebogo Magopane


Monique Karating

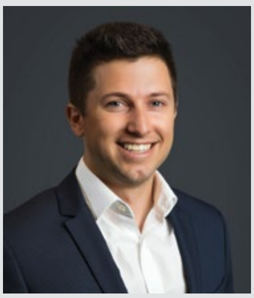

Mpilo Ntuli


Mpumelelo Ayirebi


Nasreen Mukuddem


Tembisa Bangani


Thasmika Vather


Wouter Hanekom


Zantelli Krueger


Ziyanda Mkhwane

Organisational highlights

SA Portfolio[1]

Gauteng key nodes

The group's strategy in SA is focused on acquiring large, single assets or portfolios which meet strict investment criteria and developing world class distribution centres for blue chip tenants. The group acknowledges that the Durban-Gauteng freight corridor is a backbone of the SA freight transport network. 40% of the group's portfolio value is situated along this corridor.

1	2	3	4	5
Meadowview	Longmeadow	Meadowview	Pinetown	Lord's View
DSV	Nestlé	Röhlig-Grindrod	Pick n Pay	TFG

6	7	8	9	10
Atlantic Hills	Parow	Midrand	Midrand	Parow, Germiston
Puma	Imperial Logistics	Medtronic	Cummins	Simba

7.7%
Weighted average SA lease escalation

7.2
WALE[2] of SA portfolio (in years to expiry)

R8.6bn
SA portfolio value

1 Tenants listed above are a subset of the group's portfolio.
2 Weighted average lease expiry

UK Portfolio[1]

Supply chain productivity

The group's strategy in the UK is to focus on the development and acquisition of big-box logistics assets and last-mile fulfilment centres close to major conurbations. Equites is acutely aware of the impact of e-commerce on the retail landscape and acknowledges the impact this will have on the demand for logistics warehouses, which it is well positioned to meet. Through the group's strategic venture with Newlands, it will look to unlock significant value through developments in prime locations.

1 Hinckley – TESCO

2 Burgess Hill, Swansea – dpd

3 Stoke-on-Trent, Peterborough – DSV

4 Peterborough – Coloplast

5 Reading, Leeds – DHL

6 Coventry – KUEHNE+NAGEL

7 Stoke-on-Trent – amazon

8 Burgess Hill – Roche

5.3%
Average UK acquisition yield

14.1
WALE of UK portfolio (in years to expiry)

£310m
UK portfolio value

[1] Tenants listed above are a subset of the group's portfolio.

Chairman's report

As has been the case every year since listing in June 2014, Equites has once again delivered an excellent set of financial results. The company managed to grow distribution per share ("DPS") by 9.4% compared to the previous financial period and increased the value of its property portfolio of quality assets by 24% to R14.9 billion.

Leon Campher, *Chairman*

Financial results

The growth in distribution and property value has been delivered in combination with an increase in net asset value ("NAV") per share which has grown from R16.92 on 28 February 2019 to R17.55 at 29 February 2020. While NAV growth has come off slightly, the overarching principle of creating long-term shareholder value rather than a pursuit of short-term transient gains remains a core focus in our business and we continue to make investment decisions in line with this principle. The demand for our equity has also remained strong, with the company successfully raising R1.6 billion through two over-subscribed accelerated bookbuilds.

The results presented in this report were achieved as a result of the company having, and continuously pursuing, a clearly defined vision and strategy, an excellent alignment of interest between the company, its board and shareholders (with a total absence of conflicts of interest) and the ability of the executive directors ("executives") to continuously conclude significant transactions, which meet the company's exacting investment criteria.

Current economic environment

The impressive FY20 financial results will unfortunately be overshadowed by the devastating impact of COVID-19 on SA and almost every other country in the world.

Equites fully supports the decisions made by President Ramaphosa to curtail the spread of the COVID-19 pandemic in our country. We appreciate that these steps will have a detrimental impact on our business and the economy but were necessary to ensure that the fewest-possible number of people in SA lose their lives.

Due to the uncertainty of the current situation, it is not yet possible to quantify with any degree of certainty, the magnitude, duration and full impact that this pandemic will have on our business, the economy of SA and the world. We are, however, confident that as a country we can overcome this crisis, provided that we all contribute in a constructive manner in the areas of our influence.

This is unchartered territory. We can, however, assure you that, as a business and as a responsible landlord, we will be doing everything possible to ensure the continued effective, proactive and sustainable management of Equites, while at the same time focusing on the health and well-being of our employees; and as a responsible SA corporate citizen, we will be assisting those of our tenants who require assistance in their efforts to safeguard their businesses in these extremely trying times.

Notwithstanding these unprecedented circumstances, our business is well equipped to withstand the continued turbulence and survive even worsening economic conditions. Globally, the logistics sector has certainly shown its resilience as compared with other sectors and has grown in importance during this period. The impeccable fundamentals of our property portfolio (especially the quality of our warehouses, the diversity and strength of our tenant base and our long WALE profile), our strong balance sheet, healthy cash flows and low overhead structure will ensure a stable foundation for us to manage through this difficult and uncertain period.

Chairman's report continued

Governance

With the continued economic uncertainties in the SA and global markets and against the background of recent corporate governance failures, we continued to focus our efforts on further enhancing our corporate governance practices. We focused on the following critical areas:

- The appointment of two additional independent non-executive directors;
- Refining our delegation-of-authority policy, setting out the general principles governing the delegation of the board's powers and authority to the executive;
- Reviewing and updating of charters for the board and sub-committees, ensuring that they are in line with leading practice;
- Splitting the Audit and risk committee into two separate sub-committees of the board. This will, amongst others, allow more focused, robust and comprehensive discussions regarding risk exposure and risk management across the group;
- Developing an Enterprise Risk Management Framework to ensure a holistic, focused and integrated approach to risk management across the group. For Equites we believe that effective corporate governance is grounded in a clear view of what matters most to the business, the full range of risks facing the organisation, and how these risks relate to the business and its strategic priorities;
- Reviewing, critically evaluating and updating standard operating procedures with respect to the core functions across the group to ensure these are in line with leading industry practice; and
- Developing a Combined Assurance Framework to provide guidance on how the group and its board manages its response to risk and alignment of the assurance providers in a more integrated manner.

We believe that our actions demonstrate our continuous commitment to implementing effective corporate governance practices across the group to enable us to achieve our long-term strategic goals.

In closing

I wish to thank our board and our management team for their important contribution over this past year. The year ahead will pose unprecedented challenges. I am, however, confident that our business is robust and that we will continue to deliver value to shareholders.

Leon Campher
Chairman

Five-year financial review

	February 2020 R'000	February 2019 R'000	February 2018 R'000	February 2017 R'000	February 2016 R'000
Statement of financial position					
Assets					
Investment property	14 874 624	11 957 597	8 099 049	6 225 775	4 111 159
Other non-current assets	181 495	117 988	172 899	143 818	1 786
Current assets	146 706	163 182	212 447	149 173	113 422
Total assets	**15 202 824**	**12 238 767**	**8 484 395**	**6 518 765**	**4 226 367**
Equity and liabilities					
Capital and reserves	9 729 590	8 519 793	6 298 774	4 947 355	3 620 839
Non-controlling interest	40 434	149 919	109 410	93 535	–
Total equity	**9 770 024**	**8 669 712**	**6 408 186**	**5 040 890**	**3 620 839**
Non-current liabilities	4 864 462	3 257 432	1 906 272	1 097 305	433 645
Current liabilities	568 338	311 623	169 939	380 570	171 883
Total equity and liabilities	**15 202 824**	**12 238 767**	**8 484 395**	**6 518 765**	**4 226 367**
Statement of comprehensive income					
Profit and loss					
Gross property revenue	993 699	766 158	573 698	502 431	335 679
Other net (losses) / gains	(20 162)	(81 959)	208 343	175 442	1 248
Property and administrative costs	(169 010)	(149 797)	(121 012)	(105 134)	(59 428)
Fair value adjustments – investment property	21 764	220 212	239 546	309 138	138 529
Operating profit before financing activities	**826 292**	**754 614**	**900 575**	**881 877**	**416 028**
Finance costs	(218 529)	(70 731)	(68 765)	(79 106)	(40 074)
Finance income	6 494	3 223	24 990	3 292	3 667
Net profit before tax	**614 257**	**687 106**	**856 800**	**806 063**	**379 621**
Tax expense	76 996	28 854	34 313	–	–
Net profit for the year	**691 252**	**715 960**	**891 113**	**806 063**	**379 621**
Other comprehensive income					
Translation of foreign operations	262 239	293 062	(139 049)	(173 374)	–
Total comprehensive income	**953 491**	**1 009 022**	**752 064**	**632 689**	**379 621**
Total comprehensive income attributable to:					
Owners of the parent	944 431	962 918	731 139	611 372	379 621
Non-controlling interest	9 085	46 104	20 925	21 317	–
Other information					
Distribution per share (cents)	151.39	138.43	123.86	110.37	96.60
Headline earnings per share (cents)	125.93	109.36	164.67	165.26	147.35
Net asset value per share (Rands)	17.55	16.92	15.36	14.12	12.94
Closing share price (Rands)	17.27	20.08	19.99	16.10	12.02
Market capitalisation (R'000)	9 575 200	10 108 609	8 195 365	5 642 487	3 363 948
Loan-to-value ("LTV") (%)	26.1	26.9	23.5	21.2	12.5
Non-financial information					
Number of income-producing properties	62	54	50	52	38
Total gross lettable area ("GLA") (m^2)	700 149	643 965	444 175	407 688	286 258
Weighted average lease expiry (years)	7.2	8.8	7.9	7.1	5.3
Vacancy (%)	3.4	3.9	2.0	0.1	0.6

Value creation

Chief executive officer's report

Delivering shareholder value

In an undeniably tough local and global environment, I am very pleased that Equites has maintained its operational and financial performance and for the sixth consecutive year, delivered excellent financial and operating results for the year ended 29 February 2020.

Andrea Taverna-Turisan, *Chief Executive Officer ("CEO")*

The main highlights of the year under review include:

- The acquisition of a 24 340 m^2 distribution centre situated in Glasshoughton, UK for a purchase consideration of £30.7 million, let to Puma UK Ltd on a 15-year lease.
- The completion of seven developments (44 077m^2 in total size) with a capital value of R1.3 billion, a WALE of 18 years and let to large A-grade tenants including Digistics and DRIV in SA and DPD, Coloplast and Roche in the UK.
- Eight ongoing developments (97 716m^2 in size) with a capital value of R1.2 billion, a WALE of 8 years and let to blue- chip tenants including Digistics, Altron, Sandvik and Imperial in SA and DHL in the UK.
- Successful issue of R500 million in senior unsecured listed notes under the new R2 billion DMTN[1] programme and raising R1.6 billion in equity capital through two over-subscribed accelerated bookbuilds.
- BBBEE[2] contributor level 4 with certified black ownership of 54%.

[1] Domestic medium-term note
[2] Broad-Based Black Economic Empowerment

The aforementioned highlights translated into an excellent set of financial and operational results, viz.: growth in distributable income of 20.4% and distribution growth per share of 9.4% coupled with NAV per share growth of 3.7% increasing our NAV per share to R17.55 at year-end.

We have continued to focus on strengthening our balance sheet and optimising the capital structure. Our LTV is a conservative 26.1% at year-end (taking into account the proceeds of the capital raise), well within our target range of 25% – 35% while our all-in effective fixed cost of funding reduced from 6.71% to 5.94% over the period. We have undrawn facilities of R1.4 billion and unencumbered assets comprising R2.9 billion, which have positioned the balance sheet for continued growth with ample head room for acquisitions and the strong development pipeline, at a favorable cost of capital.

COVID-19

The emergence of COVID-19 has, understandably, overshadowed our performance in FY20 with all our attention now firmly focused on safeguarding our business and adapting to the changing landscape. We are continuously monitoring the impact thereof, firstly on the global economy, secondly on the SA and UK economies, thirdly on the logistics sector and then fourthly the impact of this scourge on our business, our value proposition and, importantly, how we need to position Equites and whether there is a need for changes to our way of doing business.

Global impact

The COVID-19 pandemic has caused an unprecedented health and human crisis and the measures required to contain the virus have triggered a global economic downturn. There is currently great uncertainty about the severity and duration of this downturn. A recent Global Financial Stability Report indicated that the financial system has already felt a dramatic impact, and a further intensification of the crisis could affect global financial stability. We are hopeful that the unprecedented response from central banks around the world will ensure that the possible recession does not turn into a global depression.

Impact on the UK

Although there is likely to be a sharp downturn in the UK economy in the short term, the large direct fiscal stimulus announced by the UK treasury should soften the blow from the lockdown for businesses. There is also an expectation that the increased budget deficit created to combat the effects of the virus will be reversed from 2021 as the UK recovers from the crisis. I expect a V-shape recovery instead of a U-shape recovery of the economy in the UK, which will be important as we expect our business to grow significantly in the UK over the next five years.

Impact on SA

COVID-19 has unfortunately hit SA at the worst possible time. Our economy was already on the ropes from the debilitating effects of state capture and the inability of our government to adopt long-overdue structural changes to our economy. The recent credit downgrade by Moody's has added to our woes.

We fortunately have, in President Cyril Ramaphosa, a credible and very capable leader and his decision-making and leadership has been sound during this period. It is particularly encouraging to see the comprehensive national rescue efforts to save lives threatened by COVID-19, while attempting to preserve and reconfigure the economy, that is unfolding on a scale unprecedented in democratic SA. Current predictions by South African Reserve Bank ("SARB") are that the SA gross domestic product ("GDP") will contract by 6.1 % while Business South Africa expect a GDP decrease of between 8% – 10% and the loss of one million jobs.

Considering the above and given that there is no certainty regarding the exact impact and duration of the pandemic, the next six to nine months will be extremely challenging for most businesses around the globe. In light thereof, we have been conservative and based our forward planning on a scenario in SA where the lockdown is protracted, the GDP decline is significant, and business only returns to anything resembling normal in early 2021.

Impact on logistics sector

It has been encouraging to note from the reactions to the impact of the pandemic that the logistics sector may be one of very few beneficiaries, with the following early trends being observed:

- Supply chain models will change with more emphasis being placed on in-country production security, which will increase in-country production at the expense of a fully outsourced production model which have, in recent times, been the norm. The on-shoring of some production capacity will be a feature of the new global order to mitigate risk.
- The stockouts and consequential loss of revenue will lead to businesses reassessing their current inventory practices, which could lead to larger inventory levels that will require a consequential increase in warehouse storage capacity. Prologis Inc. ("Prologis") is predicting that a 5% increase in inventory will require approximately 40 million m^2 of additional space in USA alone.
- The continued adoption of e-commerce which grew 16.7% globally in 2019 will benefit from the increased usage of the platform during the COVID-19 pandemic period and the resulting first-time users of online shopping may become habitual users going forward.

It has been noticeable in SA that the pandemic has shown up the inadequate infrastructure of SA businesses to benefit from e-commerce. This crisis will, in all likelihood, trigger the fast-tracking of investments into these systems and infrastructure, which will drive demand for logistics facilities.

Chief executive officer's report continued

Impact on Equites

In evaluating the significance of the impact of COVID-19 on our business, it is important to consider the nature of the businesses – and financial strength – of our tenants.

Equites has a total of 62 properties in its portfolio. 80% of our revenue derived in SA properties is derived from businesses who have remained operational (some partially so) during Level 5 lockdown. These are also by and large A-grade tenants.

The remainder of the SA portfolio was not operational during the same period and these tenants have therefore been severely impacted by the lockdown. Fortunately, amongst our tenants who operate in the non-essential services segment, the majority are well established A-grade tenants.

Our 11 completed properties in the UK generate 25.5% of our annual rental. The UK portfolio is made up of tenants (DHL, DSV, DPD, Tesco, Roche, Kuehne + Nagel, Puma, Coloplast) which are all A-grade and either major listed entities or large multinationals. Rentals in the UK are generally payable on a quarterly basis which meant that the payments received at the end of March (all rentals were duly paid) will be in respect of the period until the end of June which should see us through the worst of the crisis.

From the above it is clear that the part of our portfolio that requires careful attention is the one made up of SA tenants operating in non-essential services. The executives have personally handled all the discussions with these tenants since the outbreak of the pandemic.

Although we have researched and understand our legal position, we have made the decision that for the moment it would not be advisable in these extraordinary circumstances to become litigious and enter into conflict with our tenants. We have therefore adopted a strategy of supporting and working with our tenants during this crisis. This approach is informed by an understanding that our interests are aligned and our future success is dependent on the businesses of most of our tenants in this segment surviving this difficult period.

We have also performed a detailed analysis of our SA and UK tenants to assess where there are default and business failure risks. Our approach is to deal with all requests for rental relief and other concerns on a case-by-case basis. Our focus has been to reach agreements with tenants in need on the basis that all rent deferrals or reductions will be recovered over a period of time; this will assist tenants to navigate through the next couple of months, with them being able to be fully operational again in as short as possible a period after the lockdown expires. Our defensive portfolio is built for turbulent conditions. I am confident that the strength of our property portfolio is what will see us through this difficult period, with 94% of our income generated by A-grade tenants.

The great majority of our tenants have expressed their appreciation for the constructive way in which we have approach these extraordinary circumstances.

Cashflow

We have a strong balance sheet with a conservative LTV at 26.1%. Managing our cash flow and liquidity in these uncertain times is of the utmost importance.

Over the past two years, we have focused our efforts on diversifying our debt sources which included the conclusion of a gilt-linked loan with Aviva in the UK and entering the debt capital markets by launching our own DMTN programme.

We have also reduced our exposure to any one particular bank and now have strong banking relationships with ABSA, Standard Bank, RMB, Investec and Nedbank in SA and HSBC and Aviva in the UK. We are continuously engaging with all of the banks to understand their appetite to further advance debt in these circumstances, the current climate we operate in and to determine the liquidity in the debt markets in general.

10% of our total outstanding debt comprises listed notes, with the first of these only expiring in June 2022. In addition to our listed notes, we have one unlisted note of R100 million due to expire in the coming financial year.

Except for the aforementioned R100 million note, we have no other outstanding SA debt expiring in FY21, which greatly reduces any liquidity risk in this period of uncertainty.

We have three loan facilities in the UK, two with HSBC and one with Aviva. These mature in June 2022 and July 2026 respectively.

To further solidify the ongoing liquidity of the business, we have taken a defensive stance and placed R1 billion on short-term deposit to ensure that we have sufficient liquidity to execute our development pipeline, to fund our dividend and to continue to pay ongoing operating and administrative expenses for a significant period. This move was primarily necessitated by the need to continue to operate as a business without being impeded by potential banking liquidity problems that may play out in the months ahead.

We have also reviewed all our capital commitments over the next 24 months and decided, inter alia, not to proceed with the transaction with Pepkor Holdings Limited ("Pepkor") which envisaged the development of a large logistics warehouse facility on land situated in Hammarsdale, KwaZulu-Natal ("the development") at an indicative total cost of development of R1.3 billion. This was a difficult decision, but due to the market disruption resulting from COVID-19 pandemic, the board of Equites decided that it would not be prudent at this stage to proceed with the development on the originally envisaged commercial terms. Equites has nevertheless indicated to Pepkor that it would like to continue its constructive engagement with Pepkor with a view to possibly concluding a transaction once market conditions are more conducive.

Equites strategy of building best-in-class facilities for A-grade clients may result in a slowdown in the development pipeline for the period immediately after lockdown but will, in time, benefit from the demand drivers mentioned above. We see logistics being well positioned to weather the storm as demand returns to the sector. The sector will benefit from the low interest rate environment which may result in increased capital allocation to real estate sector by capital markets. The nature of the long-dated income in the logistics real estate market will smooth out the short-term volatility, which will attract said capital flows. This will particularly favour core assets in good locations let to quality covenants in which Equites is particularly well positioned, with its current portfolio and its development ability and capacity.

Our value proposition

Equites remains the only property fund listed on the JSE that offers shareholders pure exposure to modern logistics assets, combined with a proven in-house development expertise. The group exclusively focuses on high quality logistics assets, let to A-grade tenants on long-dated leases and in key logistics nodes.

Our property fundamentals have improved markedly, with our WALE increasing to 10.2 years and the vacancy rate on our industrial portfolio falling to 0.2% since year-end. We have successfully renewed the one substantial lease that was expiring in February 2020 and have negotiated a 7% increase on our exit rent. We have very few leases coming up for renewal in the next 36 months and the management team is engaging with all our tenants well in advance of expiry to either extend or offer alternative space to clients who may have outgrown their current space. This proactive approach has benefited Equites with significant repeat new business as well as client retention in existing buildings. Some 94% of the group's revenue is now received from A-grade tenants, reducing default risk.

The broad retail trends including changing consumer behaviour, which has been accelerated by the COVID-19 pandemic, technological innovation and increased inventory standards will continue to have a disruptive effect on real estate to the benefit of the logistics asset class.

Retailers that have been using instore picking to cost-save on their e-commerce platforms have been found out. It would be reasonable to assume that an increased focus on increasing consumer demand for convenience and faster delivery off the e-commerce platform will necessitate a supply chain that affords a competitive advantage to retain consumers, rather than a mechanism that panders to a fad that may dissipate over time.

This ultimately translates into retailers reducing investment in retail sites and redirecting this to logistics real estate, to support both e-fulfilment and to shorten lead-times.

Warehouses and distribution centres are increasingly important components of the supply chain as they perform valuable functions that support a company's primary end. Storing goods, processing products, breaking down vehicle loads, fine-picking and assembling shipments are all vital activities commonly performed in these facilities. The quality and quantity of data that is becoming available to retailers and service providers are making the process of identifying optimal locations and sizes of distribution centres easier to extrapolate and implement. Companies like Amazon and Okado, among others, have seen a surge in first-time users of their platforms during this period and will benefit from savings from the increased economies of scale which will also, in turn, feed the quality of data available to make better decisions, thereby helping their implementation process.

A study published by Prologis in 2019 has highlighted the fact that the biggest cost to supply chains is the distance that the goods need to travel to get to the consumer. The cost of energy and the vehicles to move goods around is therefore the biggest component in supply chain cost. With rent comprising a small portion of the total supply chain costs, location is becoming the primary driver of decision making, followed by labour costs and proximity to primary road and rail networks.

To meet the increasing expectations of consumers, retailers are demanding higher specifications for distribution centres. The value created by these logistics facilities is driving the re-pricing of logistics space, both in SA and globally. Tenants are becoming increasingly willing to pay higher rentals because of the proximity to other key networks or because the product creates more value in the supply chain, which ultimately results in both cost savings and efficiencies. In addition, the disruptive and growing impact of e-commerce is creating profound structural tailwinds which makes this market increasingly desirable.

In SA, prolonged tough business conditions have necessitated innovation from SA companies, with a focus on supply chains, e-commerce and labour efficiency in order to maintain margins. We have seen many large corporates consolidating multiple facilities in one geographic location, into larger single sites. This has allowed for technology supply chain catch-up, improved location and reduced labour costs.

In the UK, the growth in online sales has been far more rapid and is now over 20% of total retail sales. It is accepted that well-located, efficient distribution centres will be essential in maintaining and growing market share in this segment.

The focus of Equites in this fast-emerging asset sub class, is its in-house development IP[1] and capacity, coupled with its strategic landholdings in key locations both in SA and UK. Equites is well positioned to afford its clients new builds, which meet the exacting standards of the new order in supply chain and warehousing. Globally, the logistics sector continues to set record after record in terms of demand, rental growth, historically low vacancies and capital allocations from investors which are driving yield compression.

The COVID-19 pandemic may result in some of the said decision-making being delayed, as economies look to find their feet and the winners and losers emerge from this economic fallout. As the global recovery gets underway, demand is set to increase for the foreseeable future, which Equites is well positioned to benefit from.

1 Intellectual property

Chief executive officer's report continued

Our SA portfolio

Our SA portfolio now consists of 51 warehouse facilities, 25 of which were built by the company or one of the founding shareholders. These facilities still meet our exacting standards and will continue to be relevant to tenants requiring logistics space in the future.

Our growth in SA will be driven by our development pipeline and opportunities that may present themselves from major retailers wanting to improve their balance sheets by selling their strategic logistics property holdings to focused organisations like Equites, whilst securing their strategic use with very long leases coupled with multiple options to renew. The Shoprite transaction is an example of such an opportunity which has been successfully negotiated and, subject to the last few conditions precedent, may close in the first half of FY21. The benefits of such transactions to Equites include improving our WALE to 11.7 years, improving our ability to source debt from the capital markets and the banks at more favourable terms – as our total balance sheet is strengthened and our organisation is seen as a quasi-bond safe haven for investors, affording both income and capital growth in line with our unquestionable property fundamentals.

We see the development of high-quality logistics assets, pre-let to A-grade tenants on long-dated leases and in key logistics nodes as the main driver of our growth strategy in SA. We have instituted a very high standard of environmental criteria to these developments as par for the course. We believe this is essential to build a portfolio of relevant properties for the future. We have strict energy and water efficiency protocols in both the execution of the build as well as during the operational phase. In doing this we future proof our properties whilst also affording our clients the benefit of the resulting ecological positive impact which is in line with a new world order. Equites is having all these new builds rated by both the Green Building Council in South Africa ("GBCSA") as well as Edge Certification from the US. The said certification will afford Equites the opportunity to undertake a green bond, which in turn will have a financial benefit accruing to Equites.

We do believe that a controlled programme of speculative buildings has a place in our growth strategy. It will, however, always be tactical and will remain a small percentage of the total portfolio value. Our knowledge of best-in-class product will facilitate Equites' ability to develop generic product which will meet a significant portion of the requirements needed to be efficient in the modern world of supply chain.

In line with this focus on pre-let developments, Equites is currently developing approximately 20 hectares of its 100-hectare land holding in SA. We have several other developments in the final stages of decision making potentially contributing to a further increased utilization of our land holdings, whilst also affording the opportunity to grow the portfolio with yield-enhancing developments.

Our UK portfolio

We entered the UK market in June 2016 and our strategy has evolved over the past four years, from acquiring best-in-class product to forward funding developments with established UK developers; and now have come full circle by entering a joint venture with the Newlands development team. The demand that has been placed on the asset class in the UK by both in-country institutional property investors and leading global property investors, together with the scarcity of investment-grade product in which Equites has always invested, has compressed yields to a level that makes it difficult for Equites to compete for product. This scarcity has been exacerbated as a consequence of several investment houses having teamed up with the leading development companies in the UK. Equites' decision to partner with a best-in-class development team in Newlands will afford Equites the opportunity to unlock value on its controlled land holdings in the UK in the coming years, thereby ensuring institutional grade product for our portfolio at a discount to market value.

In the four years that we have been active in the UK market, we have concluded 11 transactions. On completion of the DHL facility in Leeds and including our two strategic land holdings in Basingstoke and Peterborough, as well as the several land options we currently control on land, our portfolio will be worth approximately R6.5 billion in the UK. We have an excellent base portfolio and, coupled with the Newlands execution ability on our strategic land, we expect to grow our UK portfolio substantially in the coming years with best-in-class property, let to quality covenants, on long-dated leases. We will also benefit from Newlands execution ability on our strategic land which will afford opportunities which may not meet Equites' investment criteria, but will certainly find an investor in the open marketplace. This will allow Equites to recycle capital and profit on these opportunities to the benefit of our shareholders.

Prospects

Equites has certainly established itself as the premier logistics warehouse property company in SA. The current pipeline of properties being developed for various companies in SA is testament to a combination of know-how, balance sheet strength and sound reputation. The work of the first six years of our organisation has afforded us this status, the very ethos of our organisation hinges around this pretext as our very reason for being. We will look to continue in this vein, not resting on our laurels, in a new world after the COVID-19 virus is brought under control.

Equites' track-record has afforded a degree of resilience in the market with our share price holding up well under the circumstance of current market realignment during the COVID-19 crisis. We will require additional equity capital as our development pipeline continues to grow and new product is made available to us. We have historically raised this equity through traditional accelerated book builds, which have been well subscribed and priced very well for our shareholders. The new world we enter post COVID-19 may result in this equity no longer being available in the traditional way. We are currently looking at alternative sources of obtaining this equity and are confident that sufficient equity will be made available to us to ensure that we meet our growth targets.

In looking at the next financial year, the group is not in a position to give guidance on our expected distribution per share at this time as the consequences and duration of the COVID-19 crisis are still unknown. We believe that our portfolio will be largely resilient to the effects of the crisis but will undoubtedly be affected in some way or form. We have reached out to our tenants who required assistance to help them through these tough times and have assisted as best we could. We are confident that most of our clients will still be strong going concerns after the worst of the COVID-19 crisis is behind us and we will be able to continue to build on a strong foundation and a continued strong sub-sector in the logistics real estate sector.

Transformation

As a responsible corporate citizen, Equites understands its obligation to embrace the philosophies and principles of transformation and BBBEE as articulated in our constitution. We have, from inception, implemented a variety of initiatives that have culminated in a largely transformed workforce, a fully implemented learnership programme, a successful enterprise and supplier and development programme and significant investments into under-resourced areas. In addition, Equites has a certified black ownership of 54%, all of which have contributed to a level 4 contributor rating under the amended property sector code as at 29 February 2020.

Our people

All the phenomenal successes of Equites over the past six years are the result of the work of an exceptional team of people. We have an entrepreneurial culture and have tried to remain nimble and responsive. We have also been fortunate that we have had almost non-existent staff turn-over, until we recently lost our Chief Financial Officer ("CFO") when Bram Goossens resigned in December 2019. I would like to thank Bram for his invaluable contribution to the company over a period of more than five years. We immediately started a process of identifying and appointing a replacement. We were very fortunate in having built up a very strong finance team at Equites and have benefitted from having Laila Razack step up from finance executive into the role of CFO and after an extensive search, we are very pleased to have appointed Laila on a permanent basis. We have undertaken the year-end audit and continued to implement our financial protocol seamlessly with our team, which is testimony to the leadership of Laila and the strength of human capital at Equites.

To my fellow executive, Riaan, thank you very much for your support and invaluable contributions during this journey. I feel truly blessed to know I have someone of your integrity, intellect and passion with me. I would also like to thank Laila for accepting the challenge to step out of her comfort zone and take on the role on a temporary basis. She is a critical member of the team and a potential future leader of the organisation.

I would also like to thank every one of our employees for all their efforts.

Acknowledgements

In closing, I want to take this opportunity to express my gratitude to the chairman and the board for their support, guidance and advice during this period.

Finally, a big thank you once again to all our business partners for their support.

Andrea Taverna-Turisan
Chief Executive Officer

How we create value

The Equites journey to value creation

Inputs

Financial capital
- Optimal debt and equity mix
- Diversified sources of finance
- Strong liquidity
- Phased debt maturity profile

Manufactured capital
- High-quality logistics facilities
- State-of-the-art pre-let developments
- Healthy development pipeline
- Planned portfolio acquisitions

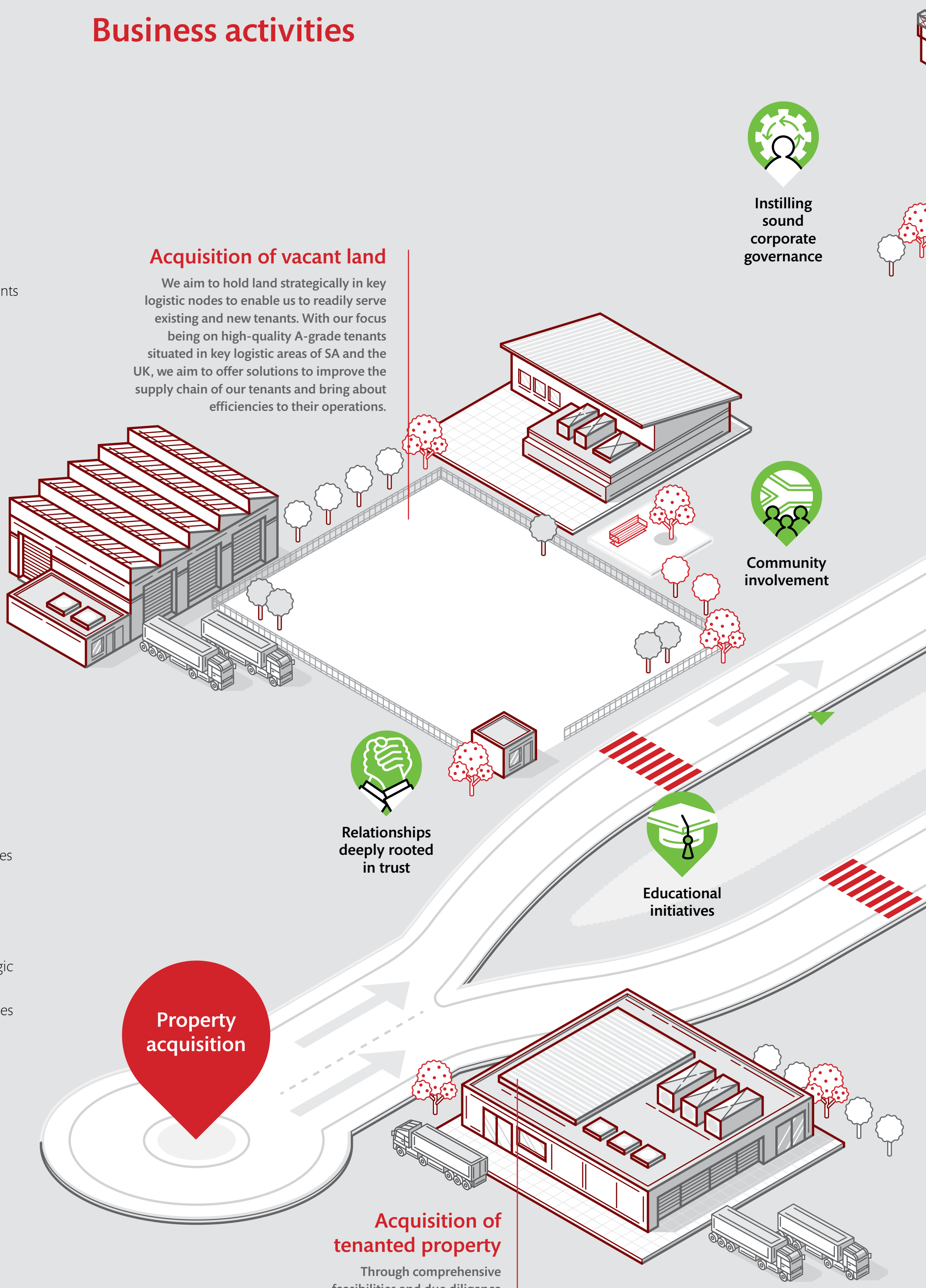
Human capital
- Wealth of experience in logistics
- Established property skill sets
- Strong analytical ability
- Focused and collaborative team morale

Social and Relationship capital
- Stakeholder engagements
- Deep-rooted trust
- Reputation as an industry leader
- Be a socially responsible corporate citizen

Intellectual capital
- Robust culture of corporate governance
- Strong ethical foundation and values
- Information technology solutions

Natural capital
- Land under management in strategic locations
- Alternative water and energy sources
- Responsible waste recycling

Business activities



Acquisition of vacant land

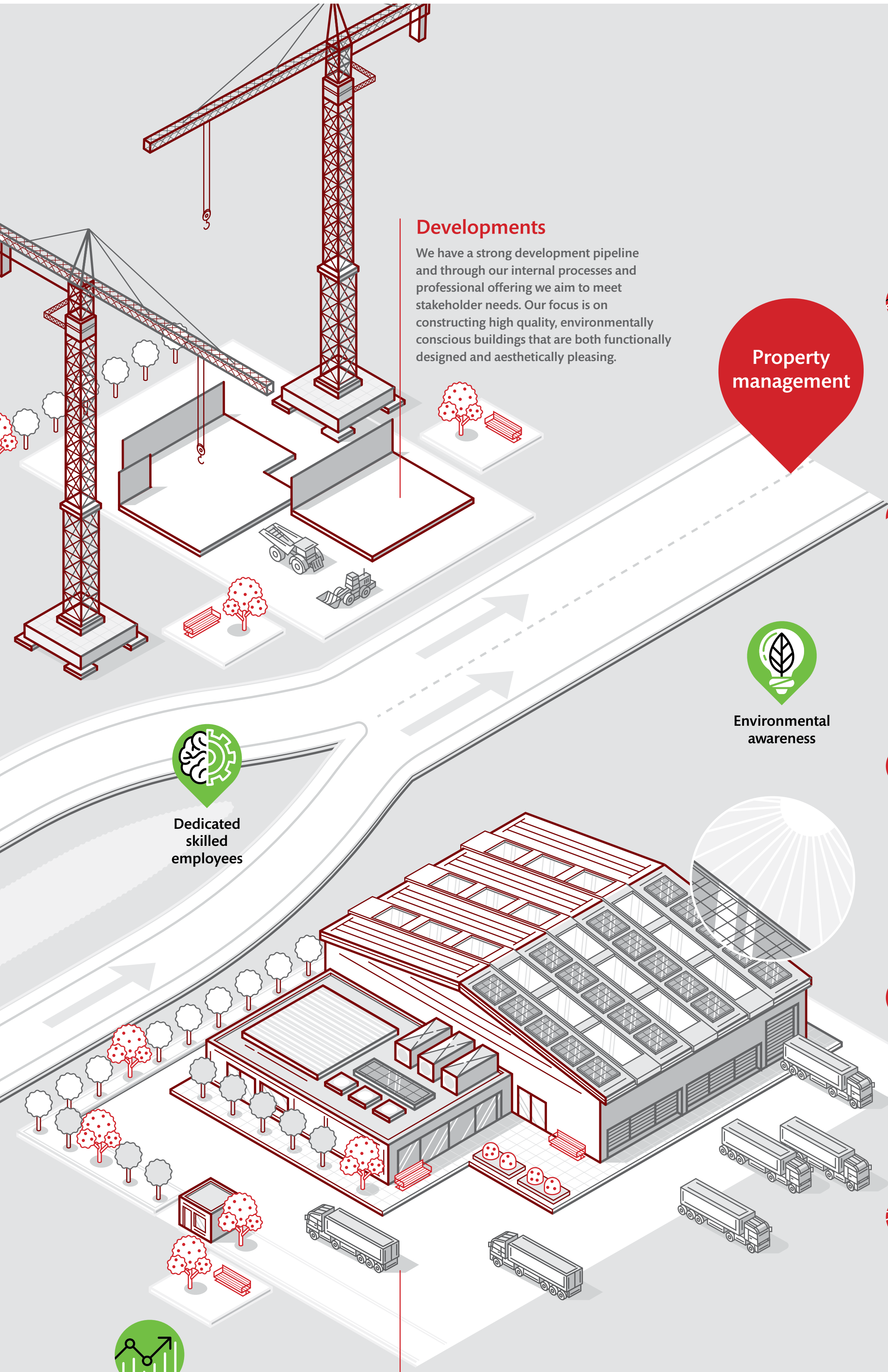
We aim to hold land strategically in key logistic nodes to enable us to readily serve existing and new tenants. With our focus being on high-quality A-grade tenants situated in key logistic areas of SA and the UK, we aim to offer solutions to improve the supply chain of our tenants and bring about efficiencies to their operations.

Acquisition of tenanted property

Through comprehensive feasibilities and due diligence procedures, we identify strategic acquisition opportunities and partnerships to add to our world-class portfolio.

Developments

We have a strong development pipeline and through our internal processes and professional offering we aim to meet stakeholder needs. Our focus is on constructing high quality, environmentally conscious buildings that are both functionally designed and aesthetically pleasing.



Property management

Through our constant tenant engagement, we seek ways to improve the premises to enable them to optimise use of the property to meet their business needs. We walk alongside our tenants in their journey, thereby building trusted-longstanding relationships with them.

Outcomes

Financial capital

- NAV grew by 3.7% in FY20 compared to FY19
- DPS growth for the year was 9.4%
- Our cash and available facilities remains substantial at R1.5 billion
- All-in cost of debt fell by 77 basis points to 5.94%

Manufactured capital

- Our portfolio value increased to R14.9 billion, up 24.4%
- Completed seven developments in total across SA and the UK in the past 12 months
- 1.4% vacancy rate in the group's logistic portfolio
- The WALE across our portfolio increased to 10.2 years

Human capital

- Continued development through training and education
- We hired a further seven skilled people to our organisation
- There is an extremely low staff turnover across all functions
- We continue to encourage gender diversity with 66% female employees

Social and Relationship capital

- Marked increase in brand recognition during the year
- Sustained investor confidence
- Well regarded in industry as being leaders in logistics
- Job creation in local communities

Intellectual capital

- Increased information technology solutions
- Easier access to information
- Strong corporate governance principles
- Drive towards paperless operations

Natural capital

- Increased promotion of water saving techniques in our builds
- Obtained our first 4 star "as-built" green rated building
- World-class baseline specifications implemented

Financial capital

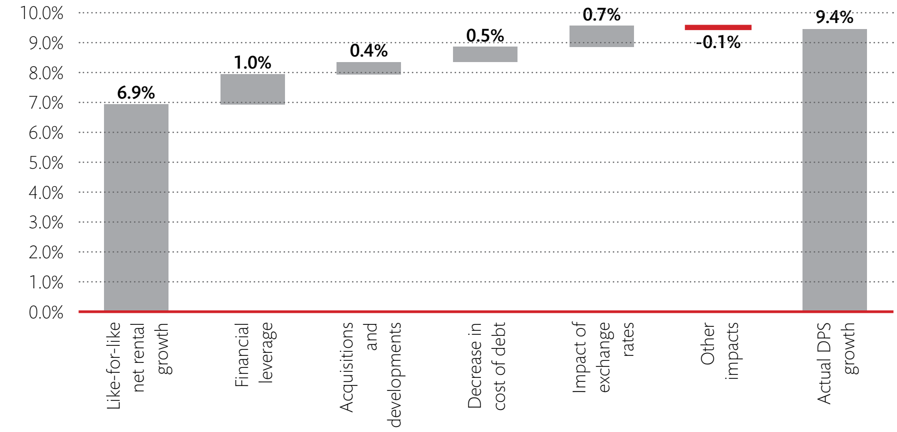
Equites has continued to employ conservative financial risk management policies by diversifying its sources of funding, maintaining strong liquidity, and phasing the maturity of its debt profile. Equites' financial performance for the current year demonstrates that the group has continued to efficiently allocate capital to create sustainable income growth while focusing on long-term capital appreciation as a result of sound investment decisions, optimising the cost of capital and through effective property and asset management.

Highlights

- Achieved growth in DPS of 9.4%
- 3.7% growth in NAV per share
- LTV at 29 February 2020 at 26.1% (including equity capital raise)
- R1.5 billion of cash and available facilities at 29 February 2020 (including equity capital raise)
- All-in cost of debt fell from 6.7% to 5.9% at 29 February 2020

Distribution per share

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

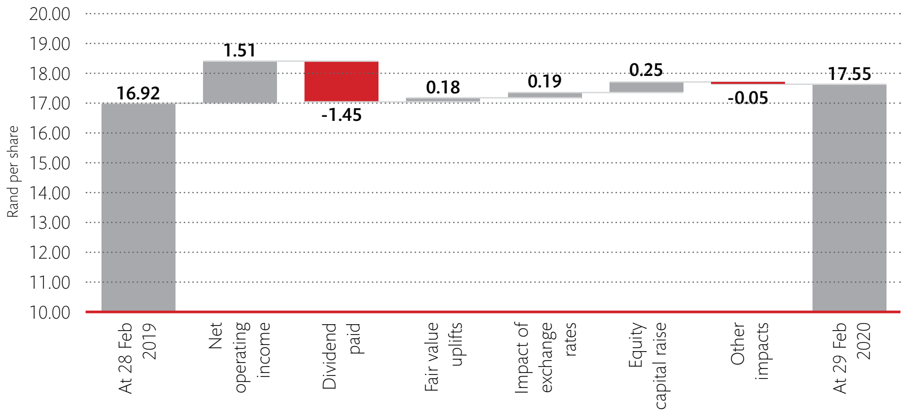


The group has achieved DPS growth of 9.4% for the current financial year which was underpinned by:

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

Net asset value per share

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

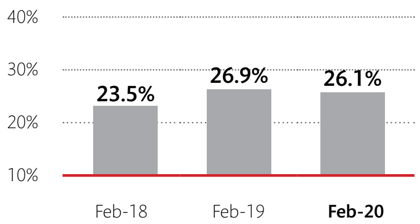


In conjunction with distribution growth, NAV per share plays an important role in demonstrating long-term shareholder value creation. NAV per share grew by 3.7% during the year under review with the following main contributors:

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

Loan-to-value

Paramount to the group's financial stability is its LTV. A conservative LTV provides the group with the necessary flexibility required to facilitate a strong development pipeline and to take advantage of future growth opportunities.

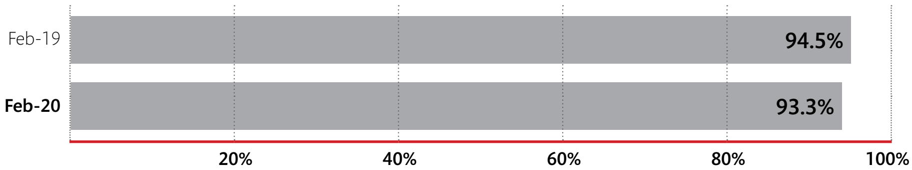


The LTV at 29 February 2020 was 26.1% (including the equity capital raise) which is well within the group's target range of 25% to 35%.

The group had available undrawn facilities of R1.4 billion at 29 February 2020 and R2.9 billion of the group's properties were unencumbered at 29 February 2020, providing significant flexibility for the 2021 financial year.

Interest rate hedging

The all-in cost of debt has fallen by 77 basis points to 5.94%, partially as a result of falling global interest rates but also due to the attractive spreads that the group has been able to secure on additional debt funding. The group has continued to use a combination of natural hedges and derivative financial instruments to hedge exposure to interest rate risk. Furthermore, it has also sought to negotiate fixed all-in interest rates where preferential rates are available.



At 29 February 2020, 93.3% of the existing term loan balances were hedged for approximately four years, thereby providing income certainty over the medium term.

Exchange rate hedging

Hedging net investment in foreign operation

The group's treasury policy restricts the utilisation of cross currency interest rate swaps ("CCIRS") to 45% of foreign denominated income-producing assets over time. This is achieved by continually monitoring its exposure to foreign exchange rates as a result of the investment into the UK. In the current financial year, the group has continued to effectively reduce its hedge cover over the investment into the UK and thereby increased exposure of the group's net investment into the UK to foreign currency fluctuations. At 29 February 2020, the utilisation of CCIRS had fallen to 29.0%, down from 36.3% at 28 February 2019.

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

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

Hedging distributable earnings and cash flow risk

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

In line with the exceptional hedging level policy, the group has hedged net income to be received over the next 24 months as follows:

Six-month period ended	Effective hedging level	Blended participation floor	Blended participation cap
31 August 2020	90.0%	R20.07/£	R20.51/£
28 February 2021	85.0%	R20.36/£	R20.94/£
31 August 2021	70.0%	R20.63/£	R20.98/£
28 February 2022	60.0%	R22.04/£	R22.04/£

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

Manufactured capital

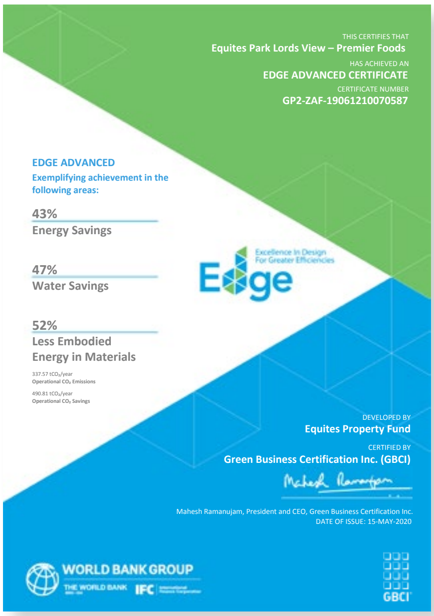
Equites has curated a high-quality logistics portfolio across SA and the UK, with a focus on assets that are modern, well-located, and tenanted by A-grade users on long-dated leases. The group benefits from being a market leader in this class of specialisation, where the company is still the only listed property company on the JSE to provide shareholders with pure exposure to prime logistics.

Highlights

- Increase in WALE from 8.8 years to 10.2 years
- 8.7% growth in income-producing GLA to 700 149m^2
- 24.4% increase in portfolio value to R14.9 billion

Our ability to create value stems from the acquisition of well-positioned land, which is suitable for development, the procurement of tenants through development leases and managing the construction process through the entire lifecycle.

Our development team in SA continues to innovate and push the boundaries to create a unique product offering which is unmatched in the SA context. We apply a strict baseline specification which is inspired from global best practice and this therefore remains one of our competitive advantages. When it comes to implementation, the baseline specification is enforced diligently, and the highest quality materials are sourced to ensure low maintenance and to enhance longevity of every item. Equites has successfully achieved its first Edge Advanced Certificate for the Equites Park Lords View facility let to Premier Foods; and have since implemented this accreditation standards across all new developments.



Edge Advanced Certificate for the Equites Park Lords View facility

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

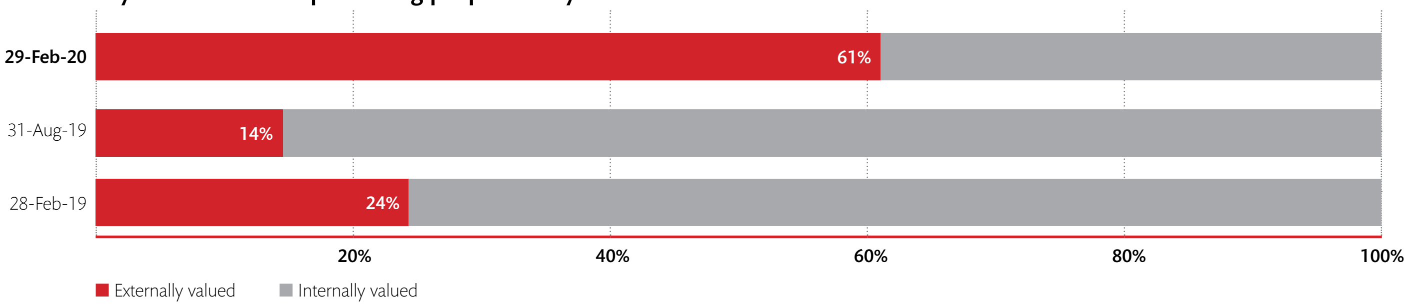
Portfolio valuations

All properties are valued by the board at every reporting period primarily using the discounted cash flow ("DCF") method. Other valuation techniques, such as the income capitalisation method, are considered to ensure the reasonability of values. The assumptions used in the DCF valuations are derived from external observable evidence, including, inter alia, SAPOA and MSCI published guidelines in SA and the Gerald Eve Prime Logistics reports in the UK.

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

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

Externally valued income-producing properties by GLA

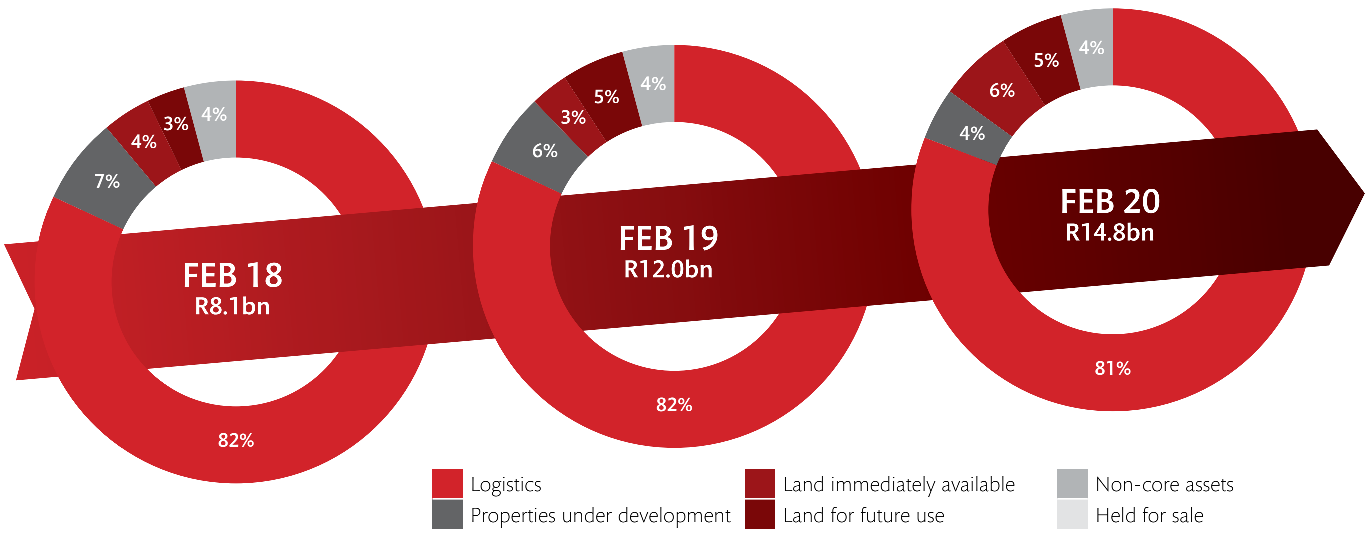


We consider the reasonability of our valuations based on the type of property and the associated characteristics. These are summarised below:

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

Portfolio movements

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



Manufactured capital continued

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

In the UK, Equites concluded two acquisitions of land and entered into options over four other land parcels as part of our strategic venture with Newlands. The first transaction related to the acquisition of 12 hectares of land in Basingstoke for a consideration £14.2 million. While planning approvals are only expected later in 2020, the land has already been marketed to interested users and we expect a deal to be imminent. The second transaction relates to the acquisition of a 6.7 hectare plot in the Peterborough Gateway logistics park for a price of £7.3 million. All the requisite approvals are in place on this land parcel and the negotiations for a pre-let development are underway with a large e-commerce logistics user.

Portfolio developments and acquisitions

* Expected completion dates of ongoing developments is based on indicative assessments.

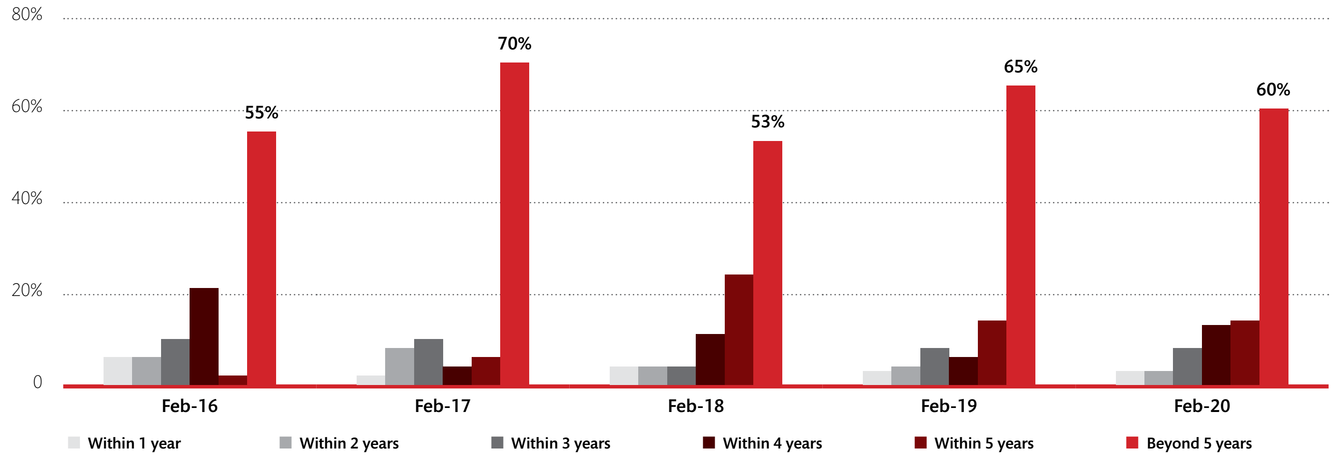
Property fundamentals

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

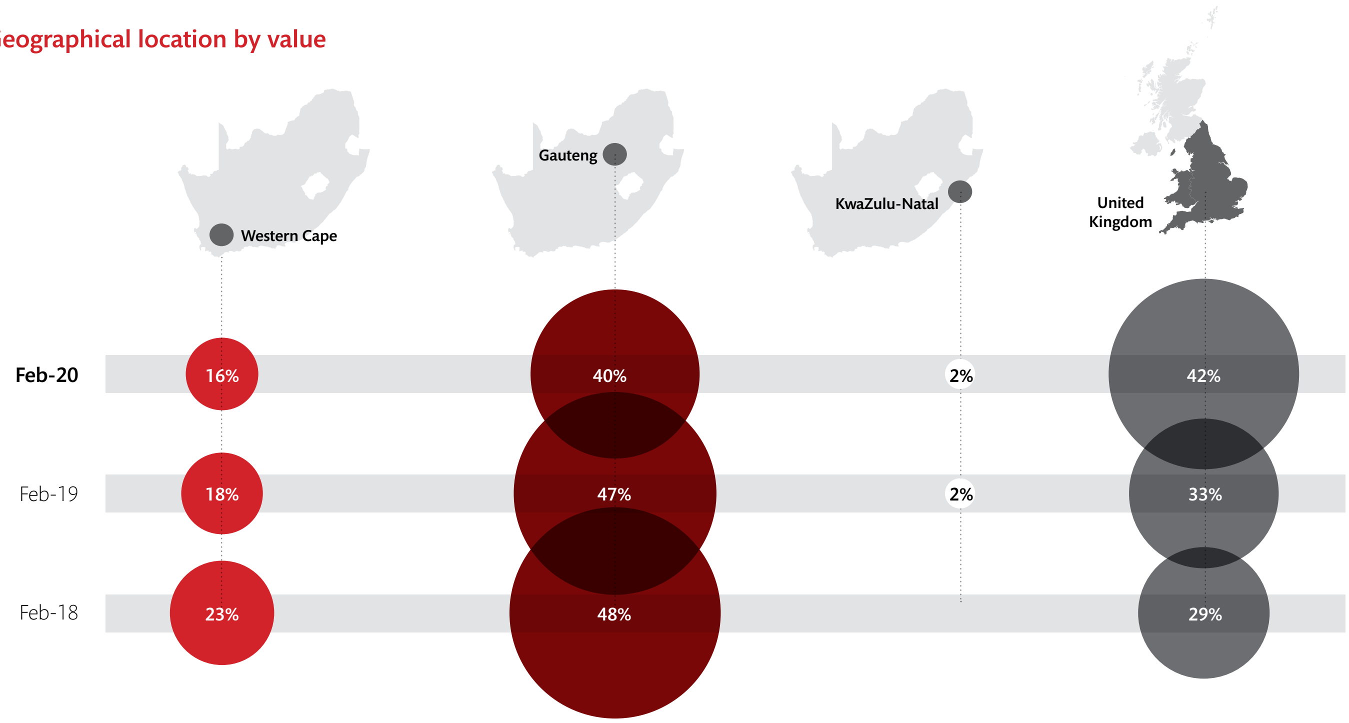
Our WALE of 10.2 years and proportion of A-grade tenants of 94% remain sector-leading. We invest in locations that evidence strong potential for capital and rental growth and which serve as proven nodes given their proximity to road networks, densely populated areas and accessibility to a large labour force. This suggests a high level of income predictability and a low risk of default. Less than 14% of our leases (based on contractual revenue) expire in the next three years.

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

Lease expiry by revenue



Geographical location by value



Human capital

Highlights

- Improved racial and gender diversity within our workforce
- Seven new hires
- Low staff turnover

Human capital refers to the knowledge, skills, training and experiences held by individuals within our organisation. Our human capital is undoubtedly one of the key drivers of the group's exceptional financial performance. We continuously engage with our people to improve employee motivation, reduce staff turnover and create an environment that is conducive to our people maximising their potential.

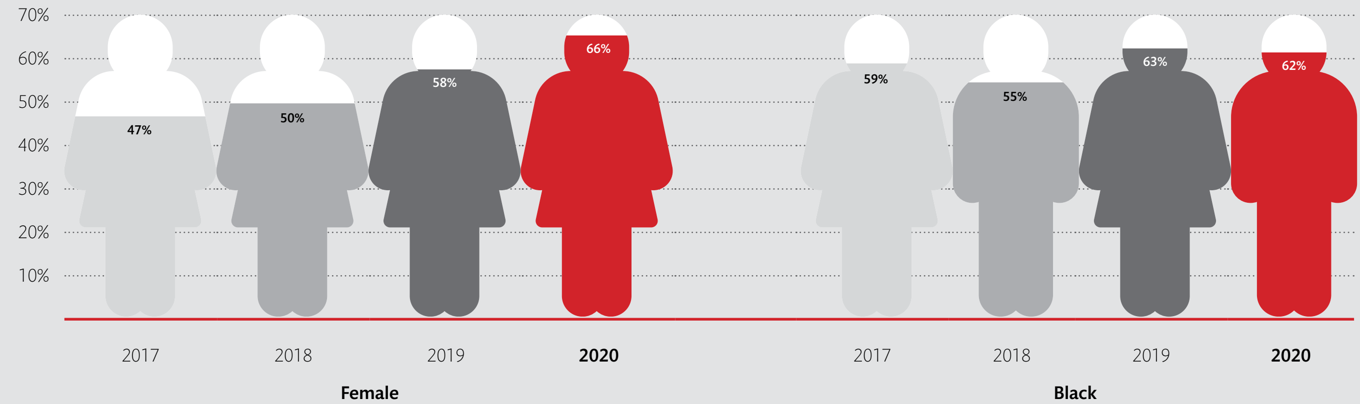
Equites is committed to hiring competent staff and retaining these talents with an inclusive work ethic and continuous training and development. Our ability to create this environment is evidenced by our growing work force combined with low staff turnover. Equites prides itself on being able to promote from within.

Employment equity remains a key priority in the recruitment process. We are proud of our diversity and inclusivity – this is evidenced by the growth in female staff members as well as black[1] staff members compared to the prior years.

Education is a key driver to maximising our people's potential and to encourage individual growth. The group has an in-house training programme to enhance employees' knowledge of the industry, understand key trends in the sector, transfer basic accounting and legal skills to non-specialists, and to enhance the use of software to provide more efficient business solutions. The training sessions are facilitated by individuals within the group and are based on topics driven by the collective workforce. In addition, the group encourages its staff to further their education and provides funding and support services to employees who wish to further their education.

Employees are regularly asked to recommend topics which they would like to receive training for, and soft skills training was a common response. During the current year, Equites initiated Emotional Intelligence training for all staff members, hosted by an independent third-party. Refer to Sustainability report for further detail on pages 32 to 41.

Employee composition



[1] Black as defined in the BBBEE Act

Social and relationship capital

Social and relationship capital refers to our relationship with all stakeholders. This includes human capital, our tenants, financial institutions, investors, suppliers, communities in which we operate and broker networks. Our engagement with stakeholders is paramount to achieving success.

Tenants

Our tenants continue to prefer the high-quality A-grade logistics facilities that we develop in key logistics nodes in SA and the UK. Our ability to work productively with our tenants to provide the logistics facilities that they require forms the linchpin of our long-term success. We strive to make our facilities the destination of choice for our tenants. We regularly interact with tenants to ensure that their logistic needs are being met and any queries are timeously resolved. During the current year, we were given the go ahead to extend an existing facility and develop two new facilities for a single tenant.

Financial institutions

Banks and other financial institutions are regularly engaged to provide timely access to financial capital at competitive rates which enhances the long-term value that we are able to generate for all our stakeholders. Our open lines of communication and our deep-rooted trustworthiness enables us to successfully exceed other's expectations. We are able to leverage our relationship to structure deals in the best interest of our investors.

Investors

Investors provide us with the ability to create value and deliver strong income growth from a portfolio of high-quality logistics assets through the investment of financial capital. We continuously engage with both existing and potential investors to understand their needs and concerns as we strive to enhance our symbiotic relationship. We regularly engage with investors through investor presentations, road shows and direct contact with key investors.

Suppliers

Suppliers play a pivotal role in enabling us to deliver an unrivalled portfolio of truly distinctive A-grade logistics facilities to our tenants, as well as to ensure the efficient operation of these properties. We are able to enhance occupier demand for our facilities largely as a result of the high standards that our suppliers adhere to both in the day-to-day operations and in the construction of major developments. Our dedicated operations managers and our development team regularly engage with suppliers to ensure an ongoing mutually beneficial relationship. During the COVID-19 lockdown, Equites provided property management and development vendors with donations to ensure these vendors are in a position to continue to pay their staff.

Communities

The communities surrounding our SA logistics nodes are an important consideration for the development team when conducting their activities. Through an assessment of the community needs we are able to create jobs and promote skills development, consequently improving the social economic environment of those living in these areas. Our drive towards community upliftment enables us to focus our efforts not only on our development activities but also on the betterment of those affected by our operations.

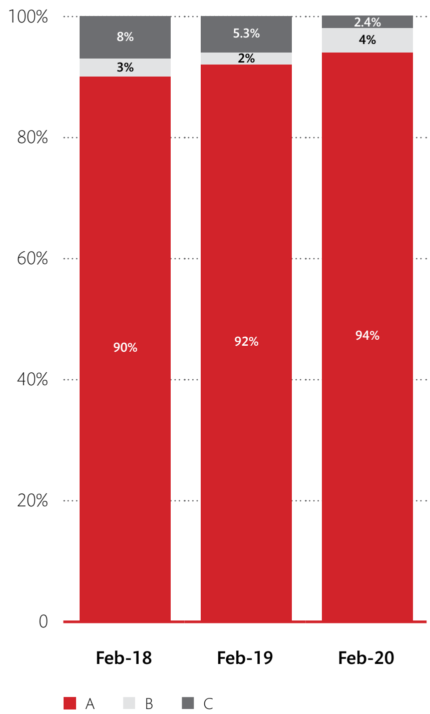
Broker network

Our professional broker network acts as an intermediary between us and prospective tenants in relation to fulfilling vacancies and new development opportunities. Our relationship with our professional broker network is therefore critical to us ensuring that we are able to secure investment grade tenants on long dated, fully repairing and insuring leases which is the cornerstone of our logistics portfolio. Our dedicated business development team is responsible for creating and enhancing our broker network.

Highlights

- Sustained investor confidence
- Marked increase in brand recognition
- Well regarded in industry as being leaders in logistics
- New development opportunities resulting from tenant relationships
- Job creation and social upliftment

Tenant profile by revenue



Intellectual capital

Highlights

- Strong corporate governance principles
- Increased efficiency through information technology solutions
- Information is accessible from anywhere
- In line with sustainability initiatives, move towards being fully paperless

Intellectual capital is defined as the organisation-wide knowledge such as policies and procedures, organisational culture and information technology. Equites strives to continuously enhance its policies and procedures to provide an all-inclusive, fair and transparent work environment. We invest in information systems which assist in streamlining our processes, provide an efficient work environment and facilitates the seamless sharing of information.

Policies and procedures

Equites' policies and procedures have been implemented to ensure a safe and fair environment for all stakeholders. These are aligned with our governance framework which is essential for achieving our long-term strategic goals. We facilitate regular interactions with our staff to maximise the effectiveness of these policies and procedures and to determine ways in which these can be continuously improved upon.

Organisational culture

Our culture is constantly evolving in order to create an inclusive environment in which employees feel heard, appreciated and encouraged to perform at their optimal levels. The board sets the tone at the top and a unified message is conveyed to all employees and stakeholders throughout the organisation. Employees are regularly surveyed on their understanding of the culture and workshops are held to brainstorm methods and means of improving this culture with a view of continuous improvements.

Technology

The majority of information technology solutions employed by the group are cloud-based. This enables staff to access information from any location and from any device, allowing them to be closer to information and increasing efficiency.

Technology is incorporated at every step of our value creation process. During the development phase of a property, software has been designed to enable contractors to interact directly with the development team, from the initial design phase of a development all the way through to completion. This ensures that all members of the development and construction team are in constant communication and promotes effective collaboration.

During the current year, Equites has introduced AI[1] technology to automate data capturing processes and to assist the group in its efforts of going paperless, streamlining processes and improving efficiencies.

Intellectual capital during the COVID-19 lockdown

On 23 March 2020, President Cyril Ramaphosa announced the nationwide lockdown effective at midnight on 26 March 2020. Many organisations were not in a position to accommodate their staff to work from home once the lockdown took effect and last-minute arrangements and changes had to be made for this to happen. Equites was in a fortunate position that with the intellectual capital employed, the transition to work from home was seamless.

Each employee has a company-provided laptop and additional arrangements were made to provide those individuals, with no internet access at home, with mobile internet devices to ensure accessibility.

All operating systems, software employed and document storage solutions are cloud-based and accessible from anywhere.

The majority of Equites' processes became paperless during the last year. This allowed for processes to continue to operate under lockdown with minimal change.

Open communication amongst all levels of staff has been emphasised to ensure Equites operates effectively during this period.

[1] Artificial intelligence

Natural capital

Equites views our natural capital as renewable and non-renewable naturally occurring resources on our planet. As inhabitants of our planet, in each stage of our developments and/or property management operations we continually assess the impact on our environment when making decisions and how these natural resources can be used effectively with minimal disruption and damage. In these impact assessments, we consider the preservation and continuity of our natural commodities and aim to minimise wastage wherever possible.

Land

As a key component of our business relates to property development, land is essential to the growth of our portfolio. Equites strives to acquire land in key logistics nodes with well-developed infrastructure and access to services, but also pays significant attention to the environmental impact of developments to ensure that our activities have minimal impacts on the surrounding flora and fauna.

Instead of importing materials to fill a site or exporting excess material to dump sites, we either sustainably source materials locally from nearby sites or re-use and repurpose materials excavated during the groundworks phase of a development. We also try to repurpose land for optimal use within that development or investigate ways that it could potentially be used for other development sites within the group. Materials would include sand to fill a site, topsoil which is re-used for planting purposes, vegetation which is replanted and rocks that can be used as part of landscaping features.

The group aims to use resource efficient materials in its development with a large focus on recycled content in the steel structures and reinforcement of concrete, without compromising quality. Where sites are demolished, Equites aims to recycle materials by crushing it and incorporating it into the new development.

On an on-going basis, Equites plants and maintains the landscapes at all parks. Landscapes are designed to minimise irrigation to ensure water conservation. We also contribute towards the upkeep and maintenance of natural habitats surrounding our parks.

Water

The water crisis that prevailed in various parts of SA over the past few years has been an eye-opener to many in terms of the scarcity of, what most people see as, an abundant natural resource. This prompted Equites to implement proactive water saving methods and equip properties with access to alternative water sources. As a result, it not only necessitates preservation of our existing water reserves but also enables continuity of our client's operations in the event that a similar crisis resurfaces.

The majority of our industrial parks in SA have access to boreholes which provides additional non-potable water to the surrounding properties. Most of our properties make use of rain harvesting to increase their water capacity and newer developments include a water reserve tank which ensures that the property has access to municipal water when supply is cut. There are also a few instances of properties that have well points installed. Equites continues to increase water reserve capacity at selected properties depending on clients' needs.

Storm water systems at newer developments are designed to eliminate excess grease, oil, sediment and litter before draining to onsite retention ponds to alleviate stress on the system and pollution.

Energy (sun, coal and diesel)

Similar to the solar energy generation system installed in Premier FMCG, our 4-star "as built" green star rated building in Equites Park – Lords View, Equites plans to incorporate solar systems in future developments of the same nature. This system provides energy to the building on which it installed as well as current and future neighbouring buildings in the park, thereby reducing demand on the local grid and decreasing our greenhouse gas emissions associated with energy generation.

All new developments are built with energy efficient lighting and full LED[1] fittings. On existing buildings, Equites recommends that clients replace old fixtures with LED's to reduce electricity consumption and increase longevity of the fixtures.

Currently, the majority of properties have diesel reliant back-up generators installed to minimise the impact of load-shedding and to ensure business continuity in the case of power outages.

Monitoring

Equites is in the process of rolling out smart meter reading devices to its properties which will be continually monitored by outsourced meter reading companies. Any abnormal usage will be detected timeously and any leaks and/or disruptions can be addressed efficiently to avoid unnecessary wastage.

Refer to the Sustainability report on pages 32 to 41 for further information on how natural capital is employed within the organisation.

Highlights

- World-class baseline line specifications applied to builds
- Efficient and effective use of materials to ensure longevity and low on-going maintenance
- Obtained first 4 star "as-built" green rated building

1 Light Emitting Diode

Sustainability

Sustainability report

The 2020 financial year was marked by a challenging economic environment with many challenges such as load shedding, rising unemployment rates, muted GDP, COVID-19 and dampened consumer confidence. Despite these challenges, Equites has managed to grow its portfolio and achieve positive financial results for shareholders. This cannot be said, however, without mentioning our impact on other stakeholders and our drive not only towards our bottom line but also towards creating sustainable value.

When we started six years ago as a niche REIT focused on logistics, we concentrated on building a reputable brand with a high-quality portfolio. However, we also recognise that without consideration of the environment, our employees, tenants, the communities in which we operate and our suppliers, we cannot exist. As such, sustainable value creation has become an increasing focus for the group and in these tough economic times, instead of accepting the potential risks presented, we found ourselves capitalising and seeking opportunities to add value to our stakeholders.

To better amalgamate our core business with our sustainability focus, we underwent an internal review of how we can best focus our efforts to create sustainable value and devise a strategy around this. This included consideration around the UN Sustainable Development Goals ("SDG") and through identifying the areas in which we can make a meaningful impact, we have embarked on a journey over the next few years to share focus with not only NAV and profit growth but wider value creation. Whilst we recognise that the impacts of this will not be immediate, we believe that our steady and consistent effort towards stakeholder value creation will yield long term positive results. This will be an iterative process and we will continuously monitor and evolve our sustainability strategy to adapt to our environment.

Material focus for our sustainability strategy

Equites regularly engages and communicates with various stakeholders to proactively maintain long-standing relationships to meet their expectations. We believe that this is key to building trust and by integrating stakeholder engagement into our business practices, we can better align our interests and create mutually beneficial outcomes for those affected.

UN Sustainable Development Goals

Through our engagements we are able to:

1. Improve the effectiveness of our relationships
2. Generate shared value
3. Manage regulatory and compliance risks
4. Protect interests by addressing concerns raised
5. Maintain a good reputation and trusted brand
6. Create strategic partnerships

These engagements also assisted us in focusing on our sustainability efforts. Through our engagements, we underwent a process to identify the impacts our operations may have on stakeholders and we devised key material topics to focus on, based on the potential significance of our activities on our stakeholders and the group.

The following material topics were prioritised in 2020 and will be discussed throughout this report:

Material area of focus	Boundary
Ethics and anti-competitive behaviour	🇿🇦 🇬🇧
Serving our communities	🇿🇦
Customer centricity	🇿🇦 🇬🇧
Transformation	🇿🇦
Our employees	🇿🇦
Financial value	🇿🇦 🇬🇧
Environmental consciousness	🇿🇦 🇬🇧

It was recognised that various stakeholders have differing interests in our group and are impacted in several ways by our business activities. We have summarised the following stakeholders based on the significance of our interrelationship with them throughout our operations:

Stakeholder	Nature of engagement	Areas of interest for the stakeholder	Actions to safeguard stakeholder interests
Customers (tenants)	– One-on-one meetings between tenants and our property managers	– Property management and maintenance – Maintaining trusted customer relationships – Effective communication between tenants and Equites	– Formal visits and regular inspection of buildings – Maintenance plan in place for all properties – Consistent communication and information sharing between Equites and our tenants – Roll out of tenant satisfaction surveys
Employees	– Regular meetings between management and workforce – Open-door policy culture encouraged in organisation – Mandatory performance appraisals	– Create a positive and productive work environment that supports employee well-being and encourages employees to live our values – Employee self-development and empowerment – Appropriate reward and incentives offered	– Employee wellness programs introduced annually – Team building and employee social events are organised – Semi-flexible working hours and working from home policy in place – Training and development are encouraged throughout the organisation
Investors	– Investor presentations road shows – Annual general meetings – Direct contact with key investors	– Yield positive sustainable returns for our investors to meet their financial needs by making sound investment decisions – Engage transparently with our investors and keep them informed of our latest performance and outlook	– Due diligence and governance process are followed prior to making an investment – Only assets that meet our investment criteria are considered in investment decisions – Risk-reward trade-off is considered to target long-term stable returns for our investors – Regular communication of changes in the group either directly with shareholders or via media and SENS announcements
Broker network used to source tenants	– Direct communication between Equites development team and our brokers	– Sourcing of quality tenants with sound financial backing, leading to infrequent vacancies lower risk of non-payment of rentals – Potential negative impacts of short-term leases	– The focus of our lets is on established national/multinational tenants with good credit ratings and acceptable financial fundamentals
Financial institutions	– Constant face-to-face and telephonic communication with financial institutions and other funding sources	– Cost of funding provided to Equites – Equites failing to meet loan covenants – Changes to the risk profile of the group because of debt/equity ratio being suboptimal	– Exploration of diversified sources of funding – Constant monitoring of our loan covenants to ensure we are not in breach of them – Maintenance of optimal debt/equity structure and ensuring that risk is assessed when making capital structure decisions – Group policies regarding funding and hedging requirements are adhered to, resulting in responsible and informed decision making
Suppliers and contractors	– Regular engagement by our operations and development teams with our suppliers and contractors on a one-on-one basis	– Sufficient time and resources made available to meet deadlines – Compliance to service level agreements – Health and safety requirements in place on site	– Regular progress updates with our suppliers and contractors – Any issues with non-compliance are addressed timeously – Health and safety standards are always adhered to during site activities
Communities in which we operate	– Engagement is done through our partnership with Zibula Advisory ("Zibula")	– Minimal disruption to the living conditions and lifestyle of local communities – Community involvement and social upliftment – Communication of the potential impact of Equites' operations in the affected area and transparency from the initial stages to completion	– Involvement and consideration of the impact on communities in areas we develop and let our properties – Creation of job opportunities to encourage community upliftment and skills advancement

Sustainability report continued

Ethics and anti-competitive behaviour

Capitals mapped:

SDG supported:

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Management approach

We understand that underpinning a trusted brand and respectable reputation, our ethical foundation needs to be directed by leadership that cultivates behaviour that promotes the highest ethical standards and conduct. Ensuring that we uphold integrity in the way we conduct our activities is critical to us, and we hold this is high regard throughout the organisation.

Ethics

Our ethical conduct is the keystone of our organisation and we are committed to fair and ethical practices both within the organisation and towards our stakeholders. Through recognising the importance of a sound ethical base, we aim to uphold the highest ethical standards throughout the group and expect this from all levels in the organisation. Being a good corporate citizen is of paramount importance to us and it is prioritised at all times. This is led by the social, ethics and transformation committee who provide direction and guidance around the organisations approach to ethics and maintaining a sound ethical culture, the details of which are outlined in the Social, ethics and transformation report on pages 67 to 69.

Fraud and corruption

We have a "no tolerance" attitude towards fraudulent or illegal activity within the group. Our risk and capital committee oversees our risk management process and regularly reviews the updates to the risk register thereby enabling us to monitor, manage and eliminate areas of risk within the group and combat this through our internal processes and procedures. Despite there being no instances of anti-bribery and corruption nor anti-money laundering within the group, we recognise the need to have formal policies and procedures around potential non-compliance or breaches in these areas. Consequently, we are in the process of formalising group policies to address this. These will be formulated in line with our business strategy and operations and will be regularly reviewed and updated to include any further developments in those areas.

Human rights

At Equites we support and promote the United Nations Universal Declaration of Human Rights where we recognise the need to embrace the dignity and fundamental rights of humankind which we believe will bring about freedom, justice and peace. By proactively being aware of this, we treat all stakeholders fairly, with respect and we consciously do not act in ways that could infringe on anyone such that they feel that they have been unjustly wronged. We take acts of violation of human rights very seriously and if these were to arise, they would be handled as a matter of priority. Our employees, tenants and suppliers are encouraged to report any acts of known or suspected violations to human rights through the anonymous channels available to them via our organisation. We ensure that our stakeholders are aware of, and comply with, the relevant laws and regulations around the protection of human rights and conduct themselves in accordance with these regulations, prior to engaging with them. Through our whistle-blower programs, all stakeholders are encouraged to report any unethical or suspicious activity, on any level and in any area of the organisation.

Metrics for the period

There were no instances of unethical practices, fraudulent or corrupt activities nor human rights violations reported for the current and prior period.

Plans for next future

We are in the process of introducing an employee handbook that staff will receive training on to ensure that each employee is aware of, and is compliant with, the ethical code of the organisation. This will be updated continuously as our organisation evolves and new employees will be trained on this at the start of their employment with us. Furthermore, we will monitor our stakeholders to confirm that there are no issues of non-compliance, violations or unethical practices conducted by them and for all new engagements we will assess the conduct of those stakeholders prior to pursuing a professional relationship with them.

Serving our community

Capital mapped:

SDGs supported:

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Management approach

Our strategy is to create a lasting impact on society with the long-term view of sustainably developing the skills set of people in our country which we believe will have a positive contribution to our economy through self-development and empowerment. As such, our drive for the year has been identifying areas where we can positively impact the local communities in which we develop our sites and providing education opportunities for individuals in our country.

Community involvement

We understand that throughout our operations we have an opportunity to positively influence surrounding communities and we are committed to enriching the lives of people within these areas through self-empowerment. This commitment is structured and enforced through our development professional team who aim to employ the services of experienced community-based companies within the built environment sector. Where experience is lacking in that area an apprenticeship initiative provides a platform for much needed skills enhancement within the built environment profession. We have regular engagements with local community businesses and individuals to establish ways that they can source opportunities from Equites.

A key component of our commitment to empowering surrounding communities in the current year stems from our successful partnership with Zibula. Equites engages Zibula to assess the social impact and to integrate a feasible community engagement strategy around our development nodes. This engagement allows for an understanding of the socio-economic dynamics of these communities and by performing a strategic mapping of the available local businesses in the built environment sector, we can identify or grow skills in the area. Resultantly, when the opportunity arises, members of the local community can readily and effectively participate in trades created by Equites.

In doing this we can invest in certain areas of the community through job creation and effectively engage with individuals to minimise disruption to their lifestyle and working conditions.

Educational initiatives

We firmly support the view that education plays a pivotal role in society and creates a lifelong foundation for individuals to advance from. Advocating initiatives around this is one of our key priority areas that is managed through our partnership with The Michel Lanfranchi Foundation (NPC) (the "Foundation"). Our ambition and focus are on enriching the lives of people in our country who are passionate about what we do, by providing education to those enrolled in property studies at the University of Cape Town. Furthermore, we engage in a learnership programme that focuses on empowering previous disadvantaged individuals by teaching them valuable practical skills that can be applied in the work environment thereby creating a steppingstone into the corporate sphere.

Metrics

Community involvement

Through the developments undertaken in SA for the current year we were able to create 64 jobs across 11 trades. Additionally, infrastructure such as roads, water and sanitation, electrical and other improvements were the concomitant benefit of our developments that can be utilised by surrounding areas.

Educational initiatives

The table indicates the bursaries and learnerships offered:

	2020	2019
Number of bursaries offered	2	4
Value of bursaries offered	R193 860	R323 805
Number of learnerships in progress	9	9
Number of learnerships completed during the year	9	9

In addition to the funding provided to the bursars, these students also receive mentoring and real-world business experience providing them with insight into the corporate world and a practical application of their studies.

Plans for next future

We will continue to engage with local communities and drive initiatives towards community upliftment and development. In light of the recent developments of COVID-19, we are seeking ways to contribute to the health and wellbeing of South Africans. Through the donation by the executives of a third of their salaries to a charity of their choice for three-months, it is a start to enable those charities to reap the immediate benefit of those funds.

Furthermore, we are continuously looking for ways to improve the educational initiatives we are involved in and will continue implementing our education focus around the bursaries and learnerships for the upcoming year.

Customer centricity

Capitals mapped:

SDGs supported:

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Management approach

With our tenants being the main pillar of our business, we recognise the importance of building long-standing relationships as our success relies on us establishing and maintaining trust with them. As such, customer centricity is at the forefront of our efforts and we are continuously seeking opportunities to assist our tenants by walking their business journey with them through effectively enhancing their supply chain. We recognise that not only is growing our portfolio and tenant base important, but post-occupation service is vital in responding to our tenant needs. By following a proactive approach in our communication, we are able to innovatively tailor our offering and continuously monitor their needs, thereby creating predictability and stability in their operations. To do this we focus on the following areas:

- **Determining tenant needs**
- **Devising innovative ways to meet their needs**
- **Delivering on our promise**
- **Continuous monitoring and identifying new improvements**
- **Ensuring health, safety and tenant confidentiality is maintained**

Sustainability report continued

Through our development and property management teams, we validate that our property meets the requirements of the tenant, are in accordance with the development specifications and adhere to health and safety regulations within that jurisdiction. The focus of our offering is on high-quality A-grade tenanted logistic facilities and we believe that by looking after our tenants' needs and our properties, we have created a niche brand that people can rely on. Furthermore, throughout the process, we understand the importance of tenant confidentiality and we safeguard their privacy and data in all transactions we perform. Our strategic partnerships and focused approach have meant that we are able to grow our tenant base in the 2020 financial year, despite the tough economic environment that faced us.

Metrics

Prior to occupation, a full inspection of the property is conducted by Equites and our tenant, and a health and safety check is performed on the property to confirm that the strictest standards are adhered to and the building is safe for occupation. During the year there have been no reported incidents related to health and safety issues on our sites.

Through ongoing monitoring and communication with our tenants we have not been faced with any significant complaints or instances of breaches to customer privacy or loss to customer data.

Information on our successfully completed and occupied developments as well as the on-going developments are outlined in the Manufactured capital report on pages 22 to 25.

Plans for the future:

The focus of our efforts will be on timeously addressing issues raised by our tenants, attracting and retaining new high quality tenants, ensuring compliance with strict health and safety standards, maintaining confidentiality and data protection, enhancing the mechanisms through which tenants can voice their concerns such as surveys and promoting open communication between Equites and our tenants.

Transformation

Capital mapped:

SDGs supported:

Management approach

We recognise that by having our main operations in SA, it is important to be aware of, and aim to address the ramifications of the historical inequalities that continue to exist in our country. This, coupled with the high unemployment rates and income inequality gap in our country, has created an opportunity for us to meaningfully impact future generations. As such, our focus areas have been as follows:

1. **Promoting employment equity and skills development**
2. **Enhancing black ownership in our group**
3. **Improving our procurement practices**
4. **Encouraging enterprise and supplier development ("ESD")**

Employment equity and skills development

Equites is committed to skills development and advancement, both internally for our employees and externally extending to affected communities, suppliers and students, the approach of which has been discussed in the "Serving our community" and "Our employees" sections of this report.

Enhancing black ownership

In our efforts to support BBBEE in SA and promote equitable wealth distribution to groups who were previously disadvantaged and create opportunities for wealth accumulation for future generations and leaders, we have managed to increase black ownership in the group from 53% in 2019 to 54% in 2020. We are mindful, however, that as a publicly listed company, we are subject to fluctuations as shareholdings change and we therefore constantly engage with empowerment partners to further transform our share register in a meaningful way.

Improving our procurement practices

We acknowledge that sustainability is not ringfenced to our operations and to be truly sustainable, we need to be aware of the sustainable consciousnesses of our suppliers and service providers. With Equites' current operations being in SA and the UK, the bulk of our supply chain is in these countries. Our providers consist of builders, professional service providers, contractors and other entities that are used that cover our range of needs from accounting and legal services to repairs, construction and maintenance offerings. Through our vendor application and selection processes, we confirm that our stakeholders act responsibly and uphold good working practices, have sound corporate governance practices as well as abide by the applicable laws, regulations and any other guidance from memberships held with relevant professional bodies. We also assess their competence, industry reputation, quality, certifications held and commitment to BBBEE practices prior to engaging in services with our providers. This enables us to maintain a high-quality product offering whilst promoting good industry practices and standards. Through a revaluation of our procurement processes, we aim to increase focus on this area in the upcoming periods to promote sustainable responsibility throughout our supply chain by encouraging ethical and fair practices in areas such as health and safety, human rights, labour, environment and anti-corruption.

Enterprise and supplier development

We continue to support our development partner, Damon at Sons Construction (Pty) Limited ("DAS"). During the year they managed to perform construction activities to the value of circa R30 million for Equites and were able to create over 20 new jobs. Furthermore, we assisted with the creation of a new enterprise development partner which focuses on maintenance work at the various Equites sites. It is our intention to promote further development of ESD, particularly through property management services with a focus on cleaning, gardening and security services. The programme will include identifying SMME's which are able to provide these services, assisting in any training or development necessary, assisting with administrative support (including obtaining relevant health and safety documents, registration with professional bodies and accounting and statutory assistance) and finally promoting these partners to becoming a registered vendor with Equites. After a long planning period, this programme is being initiated in May 2020.

Metrics

Our latest BBBEE scorecard for the 2020 verification period was as follows:

Component indicator	2020	2019
Ownership	23.19	24.13
Management and Control	5.18	5.18
Employment Equity	3.93	3.65
Skills Development	17.10	18.37
Enterprise and Supplier Development	25.79	26.72
Socio Economic Development	1.19	0.00
Economic Development	5.00	5.00
Total	**81.38**	**83.05**

Despite the slight decrease in our score, we have met our internal target of achieving a level four BBBEE rating for both consecutive years.

Plans for the future

We will continue to embark on initiatives to improve our impact from a transformation perspective with focus in the upcoming year on the four areas identified above where we endeavour to promote and enhance our contribution to improving past injustices through identifying areas where we can meaningfully make a difference.

Our employees

Capitals mapped:

SDGs supported:

Management approach

We recognise that without the valuable team behind us, Equites would not be able to display the growth we have shown over the past six years. Our ability to succeed is complemented by our employees and it is imperative that we look after and grow our people. The strength of our workforce rests on our consistent ability to bring together our unique talents and capabilities in a collaborative environment to formulate innovative and effective solutions.

Talent acquisition and employee profile

Our focused well-rounded team of dedicated individuals are highly motivated to perform at their best. We have a wide representation of skills, gender, experience and diversity in our organisation and through our transformation initiatives, consideration around employee profiles is given when seeking talent to join our team. By promoting an organisational culture where differing views, backgrounds and experiences are embraced and used to engage professionally and constructively, we are able to maximise on the talents of each employee. Despite also having operations in the UK, our employees are based in SA.

Employee wellness and safety

We are not only committed to fostering the best from our people at work but also support a healthy balance by creating an environment whereby our employees feel appreciated and are able to see their contribution to our value creation model. Through our leave policy, wellness assessments and flexible work hours, we aim to ensure that our employees can manage their personal commitments with work and maintain a balanced lifestyle throughout the year. By introducing a medical aid benefit for our employees to subsidise their medical contributions, professional medical help has become less of a financial burden to our staff. Furthermore, through our extensive health and safety processes and procedures, an assessment is performed to determine the safety feasibility of projects from an occupational health perspective, prior to any project being undertaken. Projects will not be pursued if it presents health and safety risks to our staff.

Training, development and employee retention

Management are committed to developing and promoting employees by investing in their professional growth. Through on-the-job training and mentoring, scope to transfer job-specific skills is created which also enhances employee development and promotes continuity of our operations. Furthermore, we encourage and advocate employee advancement by identifying areas of improvement and enrolling our employees in external training and development courses where beneficial.

Through our annual performance reviews, we align our employees' functions to our group strategic objectives and we are able to effectively monitor and address any developmental areas through this process. This process also allows for employees to perform a critical self-evaluation, where a self-assessment against key performance areas is performed which has proven to be an effective mechanism for identifying areas of growth and self-development.

Recognition and reward

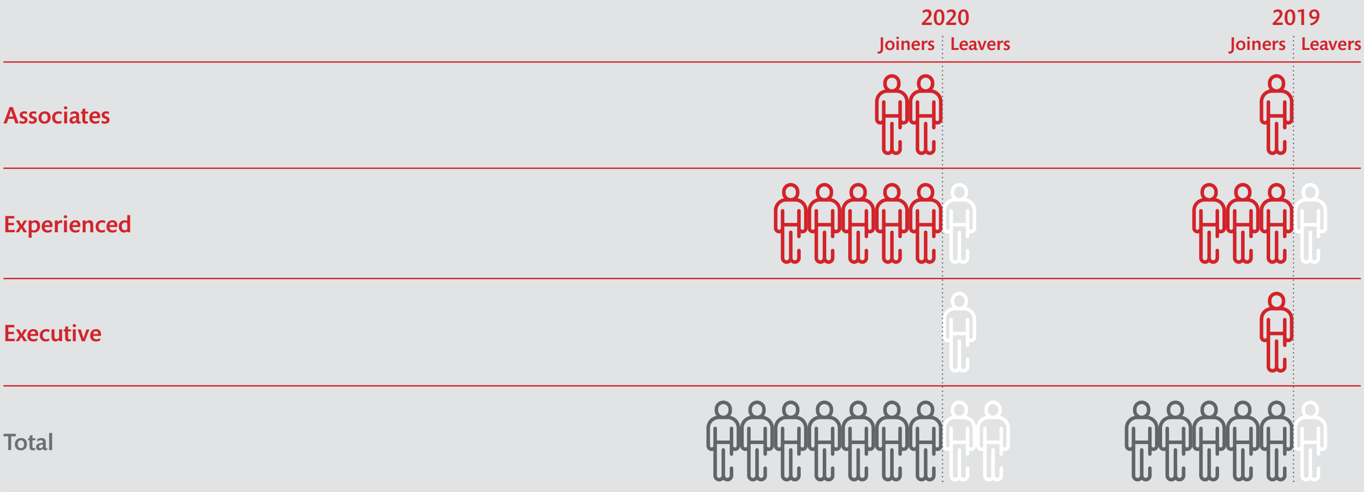
The group follows a compensation mix of fixed pay, benefits, performance-linked variable pay and a conditional share scheme. Individual pay is determined by both group and individual performance. There is no prejudice in the remuneration of our employees against gender, race, ethnicity, religion, sexual orientation or social identity. For further information on remuneration of directors refer to the Remuneration report on pages 56 to 65.

Sustainability report continued

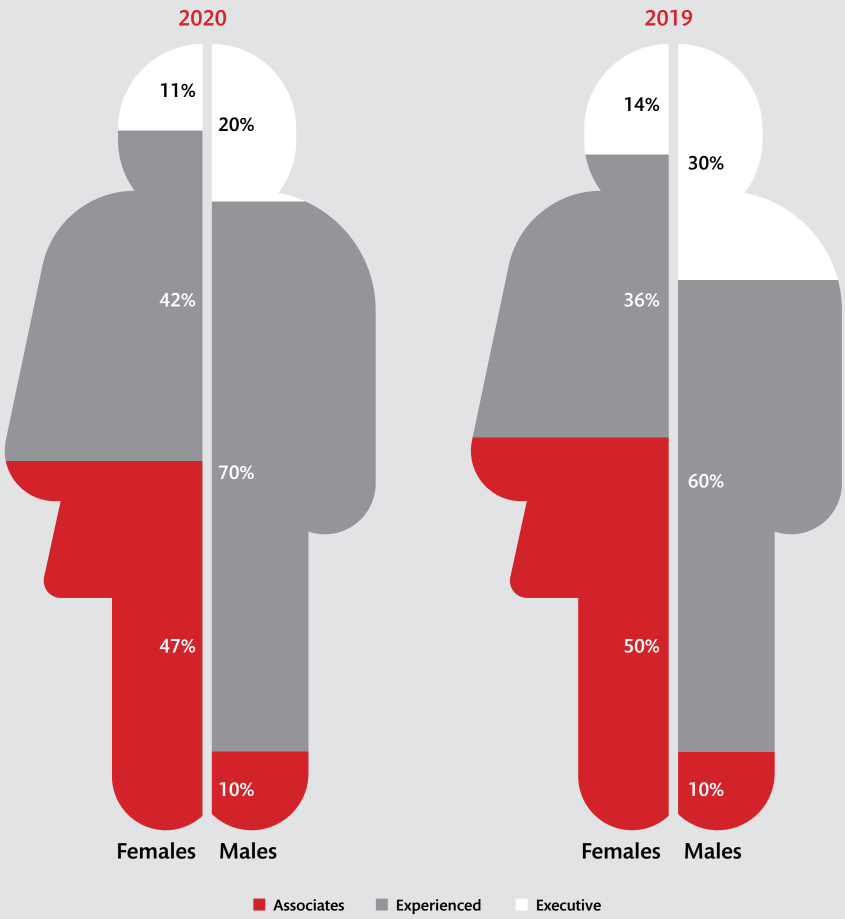
Metrics

Talent acquisition and employee profile

Due to the nature of our operations and the high-performing culture of the organisation, we are committed to sourcing the best talent and focus on hiring high-calibre individuals. We aim for quality over quantity and our total workforce for 2020 is 29 employees (2019: 24). During the year we employed seven new employees and two employees left the group. The nature of the joiners and leavers were as follows:



Workforce demographic



Employee wellness and safety

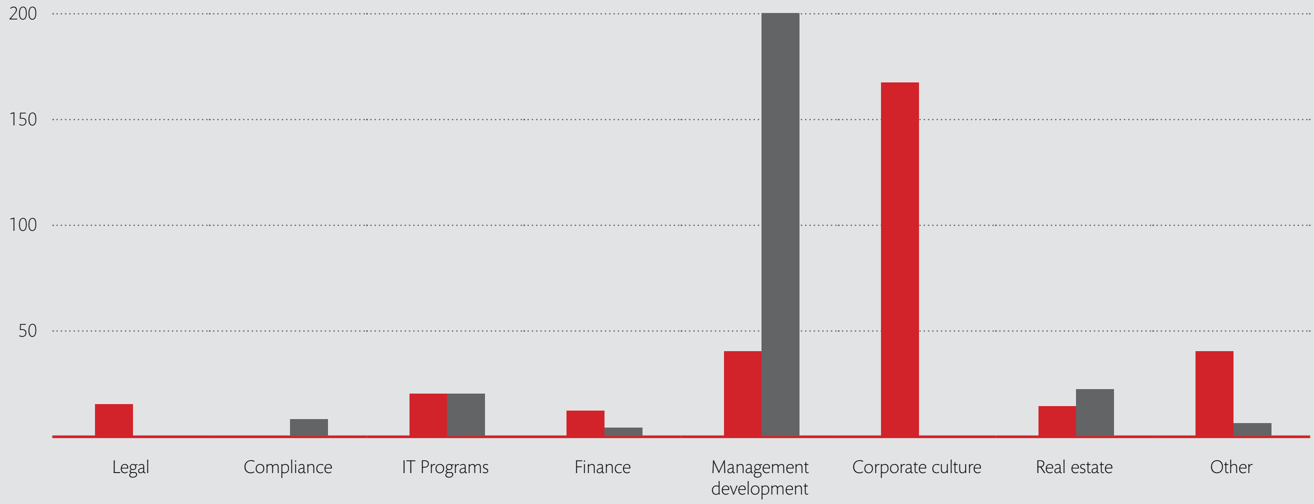
Through our developments and operational teams, we consciously identify, monitor and respond to any health and safety issues that arise. During the year there were no work related injuries reported or fatalities, consistent with 2019 and in line with our target. Of the available sick leave days that our staff were entitled to during the year, 13% was taken by employees during 2020.

Training, development and employee retention

We are dedicated to investing in the development of our employees. Through internal mentorship and on-the-job training as well as through external training, we have seen an increase in the time spent on training and development. The training was focused on developing skills within the workplace, related to the roles of that individual.
A summary for the year is as follows:

	2020	2019
Total training spend	R677 019	R780 967
Total training hours	308 hours	260 hours
Average training spend per employee	R23 345	R32 540
Black employees as a % of total spend	45%	40%
Black females as a % of total spend	45%	40%

Training hours per topic



	Legal	Compliance	IT Programs	Finance	Management development	Corporate culture	Real estate	Other
2020	15	–	20	12	40	167	14	40
2019	–	8	20	4	200	–	22	6

Recognition and reward

We aim to sufficiently remunerate our employee's in accordance with market expectations having regard to the individual's skills, role and performance within the organisation. Through our annual performance cycle, we are able to highlight areas of development and reward excellence. Furthermore, through regular engagement with our staff, we aim to understand their needs and assist them on their journey to optimise performance and self-development. The graph alongside depicts the gender split for pay in the current year.

Remuneration gender split

	Males % total pay	Females % total pay
Remuneration: non-black employees	51%	9%
Remuneration: black employees	4%	36%

Sustainability report continued

Plans for the future

We will continue to prioritise the health and safety of our employees to ensure that their wellbeing is at the forefront of our operations. Through our continued investment in employee development and learning, we endeavour to maintain a high performing work culture, that encourages self-advancement and in turn enhances the group's performance. Both through our talent acquisition and talent management function, we will continue to align our future and existing hires to the strategic objectives of the group and ensure remuneration is commensurate to the role and responsibilities of the individual.

Financial Value

Capital mapped:

SDG supported:

The consequential benefit of driving sustainable value throughout the organisation is that it enables us to report on financial information that not only benefits shareholders but stakeholders throughout our value chain. We aim to constantly communicate to our investors our strategy, targets and plans for upcoming periods, to ensure that they are informed and aligned with our operations. Whilst we cannot control the market factors impacting us, this does aid our share price in reflecting value investors can expect from Equites. Through our effective balance sheet management and debt-equity focus, we have maintained consistent, stable returns for our shareholders. Despite the adverse conditions that prevailed in FY20, especially during the second half of our financial year, we were still able to generate a healthy distribution. More information around the distribution to shareholders, the key ratios of the group and pertinent financial metrics are presented in the Financial capital report on pages 20 to 21.

Environmental consciousness

Capitals mapped:

SDGs supported:

Management approach

The environment, its resources and the management thereof are considered to be essential to the way we conduct our activities. We recognise that the continuity of our business and the utilisation of shared resources weighs heavily, not only from a short-term perspective but also taking a longer-term view, on preserving our natural capital. Our professional team and contractors adopt environmentally conscious methods from inception of the project and maintain these on site during the development. This philosophy is carried through to the management of the building by a structured handover and commissioning process.

Metrics

During the current year we obtained a 4-star "as built" green rating. Our current developments in progress are being constructed to a similar standard and we aim to achieve similar green star ratings once construction is complete.

Plans for the future

Through dedicating our efforts to the various facets of property development and management activities, we aim to efficiently deploy our capital in an environmentally responsible manner to bring about positive results both in the short and long-term across stakeholder groups.

Equites Park – Lords View, our 4-star "as built" green rated building

The environmental considerations in the various areas of our operations are outlined as follows:

Investing

Prior to commencing a development, we assess the long-term income generating ability of the building and how to best manage its potential obsolescence. We perform a thorough cost analysis to assess its viability by considering the use of sustainable alternatives and the impact it has on the value created for the group, investors, the occupants of the building, surrounding communities and the environment.

Site

In assessing the site, we consider the interrelationship between the development and surrounding buildings as well as its accessibility to people, industries and the local community. Furthermore, we establish whether the development will lead to loss of green fields land and the bearing it will have on other amenities that may be affected by it. It is our priority to maximise the positive impact to communities and the environment at large and to minimise any possible harmful effects from the development activities.

Design

Having recently completed our first development built to 4-star “as built” green rating standards, our aim will be to incorporate green building design in our all schemes, to maximise the use of any natural resources and to fully assess the impact on ecological resources. We constantly work to innovate our design and challenge our professional team to optimise their efficiencies and the ultimate sustainability goals set by our stringent design criteria and baseline specifications. This is done to ensure that there is continuous improvement to our efficiencies in design, as well as water, land and energy use.

Construction

We take cognisance of natural water resources which may be impacted by construction activity and the implications it may have on neighbouring properties and people. Materials are considered closely and wherever possible, materials are either reused and repurposed or sourced from sustainable locations within close proximity to the development, without compromising on quality and efficiency. Through our waste management process, we assess the wastage resulting from our construction sites and incorporate specialised disposal techniques, as necessary.

Occupation

The occupant is at the heart of the buildings we develop and we ensure that proper care is taken on the indoor environmental quality of the building, using leading edge technology to maximise comfort, whilst optimising natural ventilation and lighting wherever possible. We incorporate tenant aspirations in the design, construction and implementation of effective environmental and building management systems. Through communication with our tenants, we are able to monitor the ongoing impact of our buildings and find ways to improve our sites. Innovations in sustainable building use include rain harvesting systems to utilise rain water where possible and incorporation of energy efficient fittings to reduce our overall carbon footprint, which also results in lower maintenance and operating costs for the tenant over the duration of the lease. Our greenhouse gas emissions associated with energy generation is further reduced by the inclusion of sustainable and renewable energy sources on all our developments, such as solar PV’s.


HILTI

Governance

Corporate governance report

Equites believes that effective corporate governance and disclosure serve the long-term interests of the company, shareholders and other stakeholders. Effective corporate governance is deemed essential for the group to achieve its long-term strategic goals. The implementation of the governance framework ensures that shareholders can hold directors accountable as their representatives, and in turn, directors can hold management accountable, with each of these constituents contributing to balancing the interests of the company's varied stakeholders.

In addition to fully embracing the principles embodied in the King IV report on corporate governance, during the year under review, Equites embarked on a process to redefine its governance framework. The purpose of this framework, amongst others, is to:

- Provide non-executive directors with a wholistic and comprehensive view of Governance activities across the organisation to enable the effective discharge of fiduciary duties;
- Clearly set out responsibilities across governance activities which enables accountability and transparency; and
- Set the platform for effective leadership from role players, providing clear direction and decision making to ultimately translate into long-term value creation for all stakeholders.

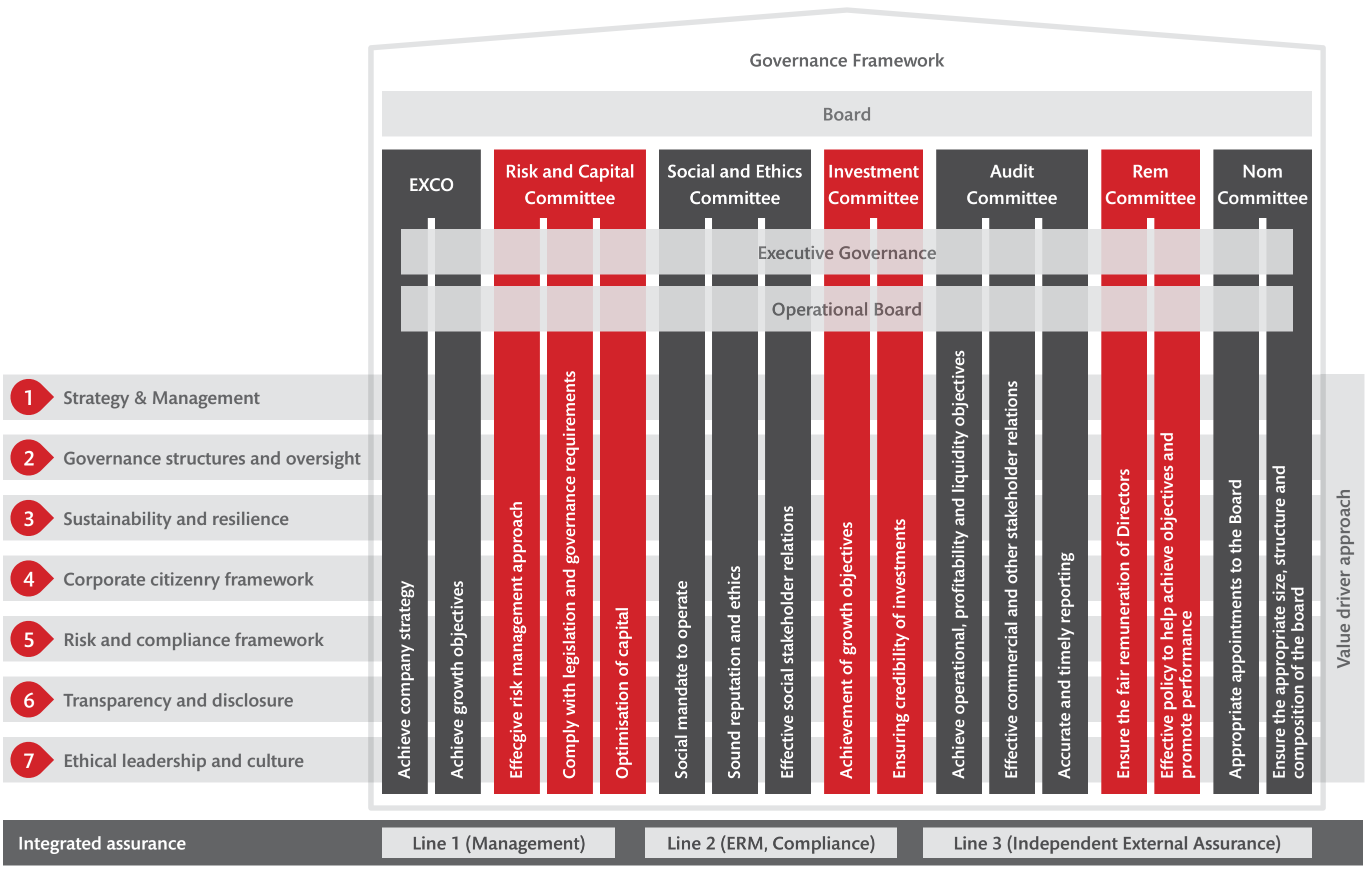
Governance framework model

The seven critical elements of governance were considered when drafting our governance framework. These were further disaggregated into specific and measurable goals, with areas of responsibility assigned to either the board, the subcommittees, or the executives.

Ethics

The group subscribes to high ethical standards of business practise. This is led by the board who leads with integrity, competence, responsibility and accountability, in line with principle 1 of King IV. A set of values is discussed and approved by the board annually. These policies require all employees to adhere to ethical business practises in their relationships with each other, suppliers, investors and all other stakeholders.

The board is responsible for ensuring that the group's ethics policies are appropriate and that they are enforced; this responsibility is discharged through the social, ethics and transformation committee. This committee



monitors the overall ethical culture of the business and ensures that the board and wider organisation are equipped to deliver on the goal of creating an ethical workplace (in line with principle 2 of King IV).

The remuneration and nomination committees are responsible for enforcing ethical standards in recruitment processes, performance evaluation and remuneration of employees and to ensure fair and responsible pay at all levels.

The newly constituted risk and capital committee is responsible for identifying any ethical and other risks which may face the business, the potential consequences thereof and implementing procedures to mitigate the impact of any identified risk.

The group has a "no-tolerance" policy towards fraud in the organisation or with any of the counterparties the group chooses to engage with. The group has implemented a whistle-blower hotline, called "Ethics Defender" where any instances of fraud or other breaches of ethical behaviour may be reported. Any incidents reported are directed to the chairman, audit committee chair, and the risk and capital committee chair and all incidents are investigated appropriately.

Corporate governance policies

The board form the foundation of the corporate governance system and is accountable and responsible for the performance of the group. The policies detailed within this report have been approved by the board, and together with the charters of the board committees, provide the framework for the governance of the group.

The company has remained compliant with the Companies Act, particularly with reference to the incorporation provisions as set out in the Companies Act and has operated in conformity with the company's Memorandum of Incorporation ("MOI") during the year under review. The Board Charter and the terms of reference of Board committees are aligned with relevant provisions of the Companies Act and King IV.

Through the governance structures and processes that are in place, the financial and other controls and the supervisory oversight exercised in the organisation are deemed to be appropriate and adequate.

Board membership criteria and composition

The board seeks members who combine a broad spectrum of business expertise, industry knowledge and financial expertise with a reputation for integrity and objectivity. The board believes that good governance contributes to value creation in the short, medium and long term, and improves the trust and confidence of the company's stakeholders. As the directors set the tone for the organisation's governance initiatives, all the directors on the board demonstrate impeccable ethical standards and lead by example. Furthermore, all members of the board display a high degree of skill and experience in their area of specialisation.

The nomination committee is responsible for recommending candidates to the board, in line with these policies and its charter. This committee monitors the rotation of board members in line with statutory requirements and ensures that the size of the board is optimised in order to facilitate efficiency and interaction between members. The overriding concern of the nomination committee is to ensure that as a collective, the board is knowledgeable, skilled, experienced, diverse, and independent enough to fully discharge its governance role and responsibility as reflected in principle 7 of King IV.

The board should have a majority of non-executive directors, and the majority of these should meet the criteria for independence required by the Companies Act and King IV. Independence is regularly assessed by the board, with an evaluation of the board and its committees being performed on an annual basis by the nomination committee.

During the year under review, Ms Gugu Mtetwa resigned from the board as a result of a permanent appointment which presented a potential conflict of interest and Mr Bram Goossens resigned as the CFO. Considering the need for enhanced corporate governance and accounting expertise following the resignation of the two directors, Ms Keabetswe Ntuli was added to the board in January 2020. Furthermore, the assessment of board skills and composition suggested that the addition of a second legal expert would be valuable to the organisation and Ms Eunice Cross was appointed in January 2020.

Board operations

The board is ultimately responsible for establishing the vision, mission, and values of the company. The board also determines company goals, sets company policies, and monitors actual performance against the company targets.

King IV provides for the board to delegate the implementation and execution of approved strategy, through policy and plans, to management via the CEO (King IV, Principle 10). The board delegates authority to the CEO and other executives, to implement operational activities in line with long term strategic goals. The board establishes monitoring criteria against which to assess the performance of management which are tabled at every board meeting. This includes various financial and operating metrics, in addition to successfully implementing growth, acquisition, sustainability and transformational targets.

The board is expected to meet at least once a quarter. Directors are expected to attend the board meetings and meetings of committees on which they serve, and to meet as frequently as may be necessary to properly discharge their statutory and other responsibilities.

CHAIRMAN

Responsible for leading the board and for ensuring the integrity and effectiveness of the board and its committees. Ensure high standards of corporate governance and ethical beahviour

CEO

Responsible for the effective management and running of the company's business in terms of the strategies and objectives approved by the board. Chairs the company's executive committee, leads and motivates the management team and ensures that the board receives accurate, timely and clear information about the company's performance.

Corporate governance report continued

Board committees

The company's governance structure and delegation framework enhance independent judgement, ensure the execution of strategy, and assigns board members to areas in which they would generate optimal value.

The board delegates authority to its committees, as well as to the CEO, with clearly defined mandates. During the year under review, the board underwent an extensive exercise to redraft the committee mandates to ensure that all statutory requirements were sufficiently covered, and to eliminate any potential duplication of activities.

The board maintains an audit committee, a remuneration committee, a nominations committee, an investment committee, a risk and capital ("R&C") committee and a social, ethics and transformation ("SET") committee. The committees are appropriately constituted, and members are appointed by the board with the exception of the audit committee, whose members are nominated by the board and elected by shareholders at the annual general meeting ("AGM"). These committees were formed to assist the board to discharge its functions (King IV, Principle 8).

After each committee meeting, the relevant chairs report back to the board, which ensures constant communication between all directors and guarantees that all aspects of the board's mandate are addressed. The board is satisfied that the committees are competent to deal with the company's current and emerging risks and opportunities and that they effectively discharged their duties during the 2020 financial year.

Assessing executive directors

The nomination committee conducts regular performance reviews of the executive directors. Based upon evaluations and input received from all non-executive directors, the chair of the nominations committee reports to board on the overall effectiveness of the executive directors.

The board suggests strategic development opportunities for the executive directors. These development opportunities assist the executive directors in achieving their goals and ensuring that the organisation is focused on long term value creation.

The nomination committee periodically reviews succession planning for the board, executive directors and all other key management. Succession planning includes policies and principles for the selection of board members and executive directors, and ongoing planning for circumstances which may require the selection of a new board members and/or executive directors.

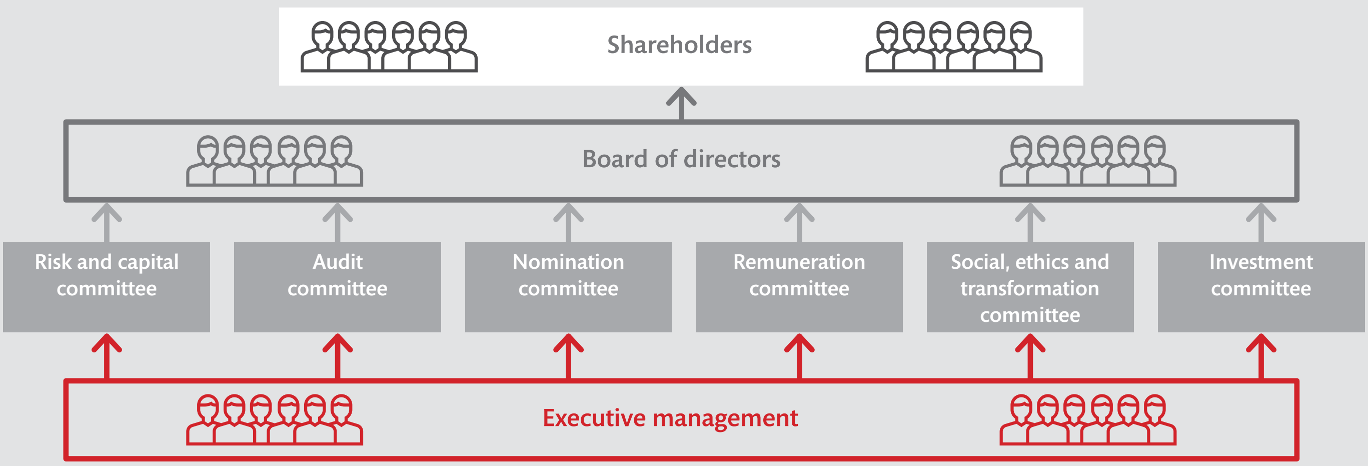
Governance structure

The board retains effective control of the business through a clear governance structure and has established committees to assist it in various elements of the operations. The board recognises that management is an integral part of the risk management and governance structure and to this end, the board relies on regular management reports and updates.

During the year under review, the board revised its delegation of authority framework, in which the board delegated certain defined authorities to the CEO and the executive directors in order to operate the business efficiently, within the appropriate control framework. This framework will be tabled annually the the risk and capital committee for updates and approval.

The company secretary monitors the effective implementation of the delegated authority and has confirmed that, during the 2020 financial year, executive management acted within the authority delegated to them by the board.

While maintaining a focus on corporate governance, the board reviews the group's strategy annually with the aim of ensuring that the strategy is aligned to the core values of the group, risks identified and long-term stakeholder interests.



Composition

The board composition, governance framework, and the roles and responsibilities of the committees are not solely focused on compliance with laws and regulations but also play a vital role in driving outcomes that support the group's ongoing long-term value creation.

The chairman of the board ("chairman") and the CEO exercise important roles in the corporate governance structure of a company. It is best corporate governance practice that the roles of chairperson and CEO are performed by different people, and that the chairperson is an independent non-executive director. This is and has always been the case at Equites.

The role of the chairperson is to provide leadership to the board, to take responsibility for the board's composition and development and to lead the board in forming its strategic vision and setting long-term goals for the future. The chairperson should also set clear expectations concerning the company's culture, values and behaviours and should set the style and tone of board discussions.

The CEO has the responsibility of ensuring that the operations of the company and its performance is in accordance with the strategic goals that the board has determined. The CEO should promote the company's cultures, values and behaviours through his own example and by influencing the day-to-day working environment of the organisation.

Independence

Balance of power

The board consists of 11 directors, of which 9 are non-executive. Of the non-executives, 6 directors are independent. The chairman is an independent non-executive and the responsibilities of the chairman and CEO are clearly defined and separate. A majority of independent non-executive directors encourages independent thinking amongst all board members and enables all directors to exercise objective judgement.

To allow a fair nominations process and to allow the board to rotate should the need arise, one third of the non-executive directors must resign and stand for re-election at each AGM. All board appointments are motivated by the nomination committee in terms of their formal terms of reference and policy on appointments. All appointments are subject to approval by the board as a whole.

Gender and racial diversity

Diversity

The non-executive directors have been selected to reflect diversity in terms of race, gender, areas of experience and tenure. During the year under review, the nominations committee resolved to improve gender and racial diversity and the board now comprises 27% black female directors and a further 18% black male directors.

Effective board self-evaluation process

In the last independent external board evaluation (performed in 2018), the majority of the board indicated that they were confident that the governance of the board and its sub-structures are adequate and functioning correctly. Moreover, the respondents believed that the board was performing according to its agreed standards and expectations. Areas highlighted for improvement involved the continuous development of board members in respect of their knowledge of the business, industry, trends and market. For the year under review, board members underwent training regarding effective governance, detailed financial training, and specific training for subcommittee chairs.

The external board evaluation will once again be performed in 2020 and the findings from the evaluation will be used to devise the actions for the upcoming financial year.

Board committees – composition and duties

The board acknowledges that overall responsibility for managing the group rests with the board as a whole. To assist it in fulfilling its responsibilities, the board has appointed a number of sub-committees.

Audit committee

The Audit committee is constituted as a statutory committee of the company in respect of its statutory duties in terms of section 94(7) of the Companies Act, and a committee of the board in respect of all other duties assigned to it by the board. The audit committee fulfils a critical role in the overall governance framework by overseeing integrated reporting and ensuring the financial integrity of the annual financial statements. All members of the audit committee are independent non-executive directors. The committee is chaired by Ruth Benjamin-Swales who ensures that all statutory duties are upheld in line with the Companies Act, while overseeing the processes which ensure the integrity of the group's financial and integrated reporting. For the year under review, *interalia*, the committee reviewed the external auditor's effectiveness, independence and objectivity; reviewed and approved the audit fee and non-audit services; reviewed and approved the external audit plan; reviewed the interim results and year-end financial statements and made recommendations to the board for their approval.

Members: Ruth Benjamin-Swales (chair), Leon Campher, Nazeem Khan, Mustaq Brey

Corporate governance report continued

Investment committee

The investment committee is essential to the growth and long-term value creation of the group as it reviews capital allocation decisions identified by the executive and makes recommendations to the board in this regard. This committee is chaired by Leon Campher and consists of directors with vast experience in both property and finance. For the year under review, the committee was called to evaluate a funding and development opportunity for large clothing retailer and the acquisition of a large distribution centre package, both in SA. The committee analysed the commercial, financial, and operational impacts of the development and acquisition and deemed both transactions to be viable initially and this was subsequently recommended to the board. In the context of COVID-19, however, the committee re-evaluated the risks associated with a development deal and after much deliberation, decided to withdraw from the transaction.

Members: Leon Campher (chair), Nazeem Khan, Giancarlo Lanfranchi, Andre Gouws, Kevin Dreyer

Remuneration committee

The remuneration committee is appointed by the board in terms of section 72(1) of the Companies Act to ensure that the company remunerates directors and executives fairly and responsibly and that the disclosure of director's and executive's remuneration is accurate, complete and transparent. Furthermore, the committee is responsible for promoting fair, responsible, and ethical employment practices while being mindful of all stakeholders. The remuneration committee is chaired by Nazeem Khan, an independent non-executive director, and ensures that the group adopts a remuneration policy that is fair and transparent and attracts and retains executive talent that contributes to the achievement of the group's objectives. During the year under review, the remuneration committee focused its efforts on ensuring that executive and non-executive pay was benchmarked appropriately, engaged with shareholders to inform its remuneration policies and advanced its efforts in respect of fair and responsible pay across the company.

Members: Nazeem Khan (chair), Leon Campher Ruth Benjamin-Swales, Mustaq Brey

Nomination committee

The role of the nomination committee is to assist the board with the nomination, election and appointment of directors. This committee is chaired by Leon Campher and this committee ensures that the board is selected to ensure optimal diversity, experience, knowledge and skill in the composition of the board. For the year under review, the committee reviewed and evaluated the size, structure and composition of the board and considered how the board needs to evolve to meet business needs going forward. This review resulted in the recruitment and appointment of two new directors, effective from 28 January 2020.

Members: Leon Campher (chair), Nazeem Khan, Ruth Benjamin-Swales, Mustaq Brey

Social, Ethics and Transformation committee

The SET committee is appointed by the Board in terms of section 72(1) and section 72(4) of the Companies Act. The committee is responsible for the oversight of and reporting on organisational ethics, responsible corporate citizenship, sustainable development, and stakeholder relationships and ensuring that the disclosure of the group's social, ethics and transformational values and goals is accurate, complete, and transparent. This committee is chaired by Giancarlo Lanfranchi and focuses on promoting organisational ethics and enhancing the positive footprint which Equites can make in society. The committee focused its efforts on transformation in the year under review; ensuring that the group was compliant with the Broad-Based Black Economic Empowerment Act of 2003 ("BBBEE Act") and the Employment Equity Act. The committee also focuses on the promotion of sustainable business practices and considered sponsorship, donations, and charitable giving with the aim of community upliftment. Refer to the Social, ethics and transformation report on pages 67 to 69 for more detail.

Members: Giancarlo Lanfranchi (chair), Leon Campher, Riaan Gous

Risk and Capital committee

The R&C committee is appointed by the board in terms of section 72(1) of the Companies Act to enable the board to comply with its duties in relation to evaluating and improving the effectiveness of risk management, control and governance processes within the company. In addition to this, the committee will have oversight and input into capital raises, debt funding and treasury policies. This committee is chaired by Mustaq Brey and its purpose is to ensure the effective development and implementation of the capital and risk management policies within the company, to ensure that appropriate procedures are in place to identify, assess and manage risk and to report to the board and shareholders, as necessary. During the year under review, the committee formulated its mandate, updated the company's governance framework, updated the delegation of authority framework, reviewed the enterprise risk management framework and reviewed and updated the risk register.

Members: Mustaq Brey (chair), Leon Campher, Ruth Benjamin Swales, Nazeem Khan

Board committees – meetings and attendance

- ● Attended
- O Absent with apologies
- ⊘ Not a member of this committee
- (blank) Not a board member at the time

Conflict of interest and directors' personal interests

Timeously informing the board of actual or potential conflicts of interest that they may have in relation to particular items of business or other directorships is an essential component of effective governance. Directors are required to declare their personal financial interests and those of related persons in contracts with the group. A comprehensive register in this regard is maintained and reviewed regularly.

In line with the requirements of the Companies Act and corporate governance guidelines, directors are asked to recuse themselves from any discussions and decisions where they have a material financial interest.

Company secretary

Riaan Gous was appointed as the company secretary on 1 December 2014. The board is satisfied with his experience and qualifications to act in this capacity. Following a review undertaken by the board on the duties required of the company secretary during the year under review, the board concluded that the nature of the advice provided by the company secretary and the way the company secretary executed his duties during the year, indicated that he is fit to continue in the role. He is also an executive director of the company and several of the subsidiaries in the group. The board is satisfied that despite this, his relationship with the board is at arm's-length and he maintains good corporate governance on behalf of the company, at all times.

	Leon Campher	Ruth Benjamin-Swales	Eunice Cross#	Nazeem Khan	Mustaq Brey	Keabetswe Ntuli#	Gugu Mtetwa*	Kevin Dreyer	André Gouws	Giancarlo Lanfranchi	Andrea Taverna-Turisan	Riaan Gous	Bram Goossens*
Audit committee													
6 May 2019	●	●		●	●		●	⊘	⊘	⊘	⊘	⊘	⊘
7 October 2019	●	●		●	●			⊘	⊘	⊘	⊘	⊘	⊘
Investment committee													
25 June 2019	●	⊘		●	⊘		⊘	●	O	O	⊘	⊘	⊘
28 February 2020	●	⊘	⊘	●	⊘	⊘	⊘	●	●	●	⊘	⊘	
Nomination committee													
6 May 2019	●	●		●	⊘		●	⊘	⊘	⊘	⊘	⊘	⊘
7 October 2019	●	●		●	⊘			⊘	⊘	⊘	⊘	⊘	⊘
27 November 2019	●	●		●	●			⊘	⊘	⊘	⊘	⊘	⊘
2 December 2019	●	O		●	●			⊘	⊘	⊘	⊘	⊘	⊘
5 December 2019	●	●		●	●			⊘	⊘	⊘	⊘	⊘	⊘
Remuneration committee													
6 May 2019	●	●		●	⊘		⊘	⊘	⊘	⊘	⊘	⊘	⊘
28 January 2020	●	●	⊘	●	●	⊘	⊘	⊘	⊘	⊘	⊘	⊘	
R&C committee													
28 January 2020	●	●	⊘	●	●	⊘	⊘	⊘	⊘	⊘	⊘	⊘	
SET committee													
7 October 2019	●	●		⊘	⊘			⊘	⊘	●	⊘	●	⊘
28 January 2020	●	●	⊘	⊘	⊘	⊘		⊘	⊘	●	⊘	●	

\# Appointed during the year
* Resigned during the year

Board of directors

Back row: Nazeem Khan, Mustaq Brey, Giancarlo Lanfranchi, Andrea Taverna-Turisan, Riaan Gous, Kevin Dreyer, André Gouws
Front row: Laila Razack, Keabetswe Ntuli, Leon Campher, Eunice Cross, Ruth Benjamin-Swales

Independent non-executive directors

Philip Leon Campher
Chairman
Qualification: BEcon

Leon is the CEO of ASISA. He also serves on the boards of Sun International Limited and Brimstone Investment Corporation Limited. He is also Chair of the board of the International Investment Funds Association (IIFA). A global body representing 60 countries with Assets under Management of US$57 trillion.With his vast experience in business and investment management, he is able to direct the board effectively and provide sound guidance to the executive team.

Ruth Benjamin-Swales
Qualification: CA(SA)

Ruth is a senior policy advisor at ASISA, CEO of the ASISA Foundation and trustee of the ASISA Enterprise and Supplier Development entities. She has served on numerous councils and boards including SAICA and IRBA. With her financial and compliance background, she sets the ethical tone for the group and spearheads the functions of the audit committee.

Mustaq Brey
Qualification: BCompt (Hons), CA(SA)

Mustaq is the CEO of Brimstone Investment Corporation Ltd. He also serves as the chairperson of Oceana Group Limited, Life Healthcare Limited and International Frontier Technologies SOC Limited. He is a director of AON Re SA Proprietary Limited and Lion of Africa Insurance Company Ltd. He serves on the boards and committees of various non-profit organisations. With his vast business experience, he brings unique insights and provides sound guidance to the board.

Eunice Cross
Qualification: MLAW (LLB)

Eunice is a founding member and consultant at EC Advisory legal consultancy. She is completing a Doctor of Philosophy at Wits Business School. Her areas of expertise include corporate law, commercial law, banking & finance law, international law and general contract law. She takes extensive interest in gender relations and equality issues which informs her academic studies.

Nazeem Khan
Qualification: BSc (QS), MAQS, PrQS, A.AArb

Nazeem is a director of the national firm Bham Tayob Khan Matunda (BTKM) quantity surveyors. He also serves on the board of Brimstone and is the chairman of the Brimstone audit committee. His experience provides valuable insights into the group's operations, particularly with respect to property acquisitions and developments.

Keabetswe Ntuli
Qualification: BAcc(Hons), CA(SA)

Keabetswe is the founding CEO of Africa Collective Investments (RF) Propreitary Limited. She serves as an independent non-executive director and chairperson of the audit committee for Cloud Atlas Investing (RF) Proprietary Limited.

Non-executive directors

Kevin Dreyer

Kevin runs the development arm of the Cape Town International Airport based consortium and has substantial experience in the Western Cape industrial property sector. He also owns Automotion Airport Parking Proprietary Limited. His experience in this sector provides valuable insights into the group's operations, particularly with respect to property acquisitions and disposals.

André Jacques Gouws
Qualification: B.Com, B.Compt (Hons), CA(SA)

André is the managing director of Intaprop Investments (Pty) Ltd, a property development company. With his financial background and insights into the property sector, he provides valuable insights to the board.

Giancarlo Lanfranchi
Qualification: DipArch

Giancarlo is CEO and Founder of Swish Property Group with 30 years of construction and property development experience. He also holds directorships in Swish Property Income Fund and Mulilo Renewable Energy. His experience provides valuable insights into the group's operations, particularly with respect to property acquisitions and developments

Executive directors

Andrea Taverna-Turisan
Chief Executive Officer
Qualification: BSc (Honours) (Mathematics and Management)

Andrea established his own property development company in 2006 and built up a substantial portfolio of modern logistics assets for his own account over the following 8 years. This became an important component of the Equites portfolio on listing. This development expertise and his previous experience in the UK, are key success factors for Equites.

Riaan Gous
Chief Operating Officer
Qualification: BA (Law) LLB

Riaan was previously a director with of one of the predecessor firms of Cliffe Dekker Hofmeyr Inc. where he gained extensive exposure to real estate transactions. He then spent some 10 years as an executive director of the Arabella Group and was actively involved in the development of their property portfolio. His legal knowledge in the property sector has proven invaluable in the listing process and the many significant transaction Equites has concluded to date.

Laila Razack
*Chief Financial Officer**
Qualification: BBsc (Finance & Accounting), PGDA, CA(SA)

Laila joined Equites in 2015 and has played an integral role in improving internal processes within the group as well as growing the scale and sophistication of the overall finance function. Prior to joining Equites, she worked in PricewaterhouseCoopers Inc.'s Advisory division with a focus on mergers & acquisitions. She has a keen interest for environmental, social and sustainable initiatives and serves as a director of The Michel Lanfranchi Foundation (NPC).

* Appointed, effective 26 May 2020

Risk management report

We believe that our approach to identifying and appropriately managing risks ensures that we continue to generate sustainable value for our stakeholders.

Risk register

Equites recognises that effective risk management is critical to the achievement of strategic objectives and the long-term growth of the business. The approach is all-inclusive and involves the following steps identification of risk; assessment of the likelihood and impact on the group; formulating mitigating responses to the risk and reviewing and revising identified risks on an ongoing basis. The effective application of the risk management process ensures that management understands the risks to which it is exposed and deals with them in an informed, proactive manner.

Risk management framework

Each business area is responsible for identifying and managing risks in their area of responsibility. Executive management is tasked with implementing mitigating actions as soon as they are aware of the identified risk.

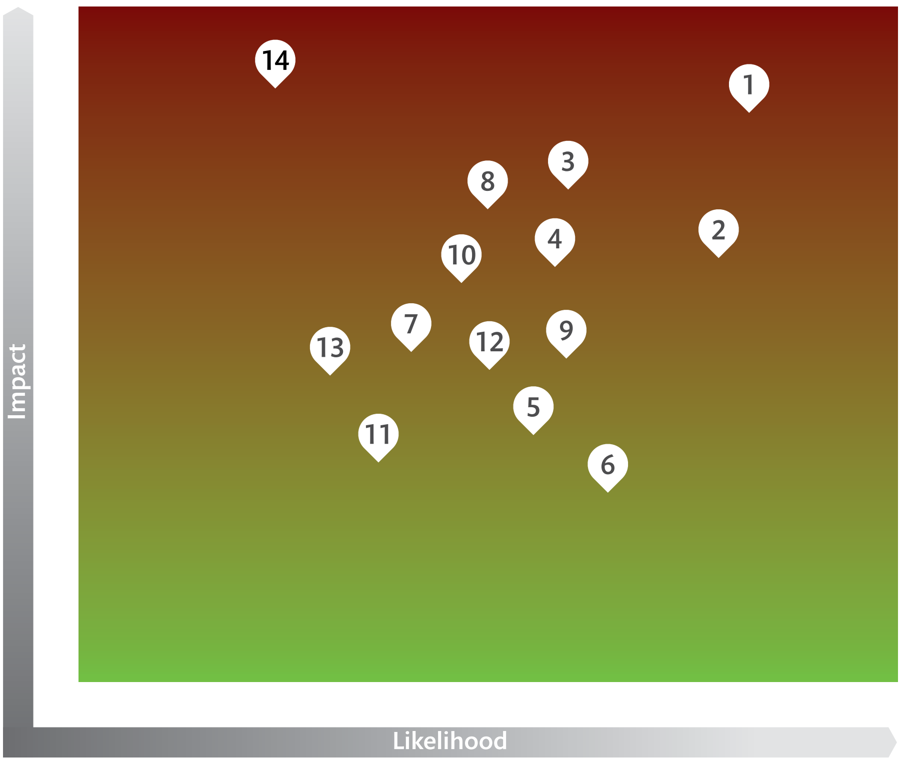
Although the board is responsible for ensuring that the risks facing the business are effectively managed, it has delegated oversight of risk to the R&C committee. The R&C committee reviews significant risks and any mitigating factors at each meeting and reports back to the board based on their findings.

Based on reports from executive management and feedback from the R&C committee, the board confirms that the group's risk management, mitigating activities and monitoring processes are an effective risk response.

Risk assessment matrix

Each risk is identified based on a sound understanding of the business and is assessed based on its likelihood and impact. The risk is assessed after consideration of the status of the risk as well as any mitigating factors which have been employed. Outlined below is the group's risk heatmap followed by its risk assessment matrix which considers the principal risks that it is exposed to.

1 Macroeconomic outlook
2 Political and regulatory outlook
3 Availability and cost of finance
4 Tenant default and occupier demand
5 Foreign exchange rate fluctuations
6 Increase in utility costs and militant labour disruptions
7 Capital structure and finance strategy
8 Investment strategy
9 Property development
10 Land acquisitions
11 Transformation strategy and objectives
12 Retention of key staff and adequate human resourcing
13 Compliance with laws and regulations
14 Disease outbreaks



Risk factor and likelihood	Impact of the risk	How we assess and manage the risk	Change in the year
1 **Macro-economic outlook** **Likelihood:** **HIGH**	The current macro-economic climate including forecasted GDP growth and the expectations of movements in future interest rates creates risks and opportunities for the group and its stakeholders.	The board assesses key macroeconomic indicators including forecasted GDP growth, unemployment rates, interest rates and levels of market volatility as part of its ongoing assessment of the financial stability of both the SA and UK economies. While external risks are inherently difficult to manage, enhancing the group's resilience to economic downturns enables us to mitigate any significant adverse impacts thereof. It therefore aims to secure long-dated leases with blue-chip tenants. The group's WALE increased to 10.2 years in the current year with 94% of the portfolio let to blue-chip tenants.	Current forecasts made by the IMF estimate a 3% contraction in global GDP for 2020, a significant decrease on 2019 global economic growth. In SA, the SARB has estimated a 6.1% contraction in SA GDP for 2020. In the UK, the latest estimates from the Office for Budget Responsibility project the possibility of a double-digit contraction in real GDP for 2020 with a sharp rebound in 2021. These low GDP forecasts are probably now overly optimistic due to the onset of COVID-19 which has caused significant business disruptions.
2 **Political and regulatory outlook** **Likelihood:** **HIGH**	Political instability and uncertainty both in SA and in the UK may result in the inability to access to capital as required through debt and equity markets due to diminished investor confidence. The current uncertainty surrounding the ongoing discussions around securing a trade deal between the UK and the EU continues to pose a risk to the group.	The group maintains a conservative LTV target of 25-35% and maintains adequate banking facilities. The group has diversified its sources of funding by registering a DMTN programme in 2019 and cumulatively issuing R800 million over the past 12 months and by extending the number of financial institutions that funds the group's operations. The group monitors the capital markets closely and gauges appetite for equity through engagement with key market players including corporate sponsors, asset managers and other investors.	While the SA economy continues to be hampered by political and regulatory uncertainty, there have been some positive steps taken over the past 12 months to create a more business-friendly economic environment. Following a general election in December 2019, UK Parliament ratified the withdrawal agreement which resulted in the UK successfully leaving the EU on 31 January 2020. However, the future relationship between the UK and the EU remains an area of uncertainty.
3 **Availability and cost of finance** **Likelihood:** **LOW**	Reduced availability of finance may adversely affect our ability to effectively maintain a low cost of funding and to reduce the refinancing risk when existing debt facilities near expiry.	The group maintains a hedging policy of hedging at least 80% of its interest rate exposure. Currently, the group has hedged interest rate risk relating to 93.3% of term balances. The group has also extending the duration of its outstanding debt to 4.0 years at 28 February 2020, up from 3.6 years at 28 February 2019.	The group's all-in effective average cost of funding has fallen 77 bps from last year which is a product of falling global interest rates but also an increase in the utilisation of UK debt facilities at a lower all-in cost.
4 **Tenant default and occupier demand** **Likelihood:** **MODERATE**	The group's rental growth, sustainable income stream and capital appreciation may be adversely impacted by weaker occupier demand and tenant defaults.	The group focuses on blue chip tenants, with over 94% of the portfolio let to A-grade tenants. As the majority of the group's tenants are large listed, national or international tenants, these tenants are expected to be more resilient in a trying economic climate. Equites has also set an internal threshold that any single tenant which comprises more than 10% of total revenue needs to be an investment grade tenant in order to minimise default risk. Management engages with clients regularly to assess their financial status and to engage on the likelihood of them renewing/remaining at Equites' facilities.	The group has seen occupier demand increase in prime logistics nodes while other areas have remained relatively flat over the year. Tenant default remains virtually zero across the portfolio although the current depressed economic environment coupled with exogenous shocks such as the onset of COVID-19 and the related consequences present a heightened risk.

Risk management report continued

Risk factor and likelihood	Impact of the risk	How we assess and manage the risk	Change in the year
5 **Foreign exchange rate fluctuations** Likelihood: MODERATE	As the UK business grows, Equites International is becoming a larger component of the business. Volatility in exchange rates impact the translation of foreign operations which have a direct impact on the NAV and distribution growth of the group.	The group continually monitors exchange rate exposures in real time and actively hedges against foreign currency exposures. Cross currency interest rate swaps to the value of £92 million have been entered into to hedge the capital exposure. Furthermore, the group has introduced a progressive GBP distributable earnings hedging policy to manage the impact of exchange rate movements on its distribution growth.	The group continues to utilise natural hedges to minimise its exposure to fluctuations in foreign exchange rates on its distributable earnings and capital invested. The group has implemented a progressive hedging policy for GBP distributable earnings expected to be earned from its UK operations in the next 24 months.
6 **Increase in utility costs and militant labour disruptions** Likelihood: HIGH	The rapid increase in municipal rates and electricity tariffs result in additional pressure on tenants for recovered utilities. Furthermore, there have been instances where militant labour has disrupted construction activity at a few of the development sites over the past year.	The group employs renewable energy sources in its new developments and uses energy saving technology to reduce the electricity cost burden to tenants. The group has had minor disruptions to some of our developments as a result of the labour disruptions, but it has been able to resolve these without any material cost by engaging with the respective communities.	The group has continued to utilise solar energy to subsidise electricity costs in new developments in line with its sustainability objectives. Furthermore, the group continues to utilise the services of a community liaison company that is actively managing any potential labour disruptions.
7 **Capital structure and finance strategy** Likelihood: LOW	Failure to appropriately assess the liquidity requirements of the group may result in the inability to pay obligations as they fall due. An increase in the use of leverage, which augments capital returns of the group, may increase the cost of debt and increase the risk that the group might breach financial covenants.	The company currently has a healthy balance sheet, underpinned by properties with strong fundamentals which translate into sustainable cash flows. The LTV of the group is low at 26.1% with circa R1.4 billion undrawn borrowing facilities including the proceeds of its equity raise in March 2020. Furthermore, there have been no breaches in financial covenants to date.	The group's LTV has remained largely unchanged at 26.1% while the undrawn borrowing facilities (together with the proceeds from the equity capital raise in March) has increased from R0.9 billion to R1.4 billion. The group's cash flow forecast suggests that it will comfortably be able to meet existing obligations as they fall due, a view that remains unchanged from last year.
8 **Investment strategy** Likelihood: MODERATE	The group's ability to meet its objectives depends partially on the execution of its investment strategy. Failure to execute the group's investment strategy effectively could adversely impact the financial performance of the group.	The board has constituted an investment committee which is tasked with the specific objective of ensuring that the investment strategy is executed effectively. Individual investment decisions are subject to a thorough due diligence by the investment committee which considers the appropriate risk adjusted hurdle rates to be factored into the investment decision.	While the group's strict investment criteria minimises the risk, the current economic climate creates a heightened risk of incorrect financial modelling. This has necessitated a widening of risk premiums to cater for the additional uncertainty.
9 **Property development** Likelihood: MODERATE	The inherent risk associated with property development is higher than that of income-producing properties that the group owns and acquires. The group's ability to create value therefore depends on the successful development of its properties.	The group undertakes a detailed feasibility and budgeting process incorporating observable data and stressing key assumptions when considering whether to develop on its zoned land and when entering into forward-funding agreements. The group mitigates the risk by ensuring that developments occur on a pre-let basis to an A-grade tenant. Furthermore, the group takes a cautious view on the extent of its speculative development activity and limits it to 5% of the portfolio.	The group has targeted GLA of over 97 716 m^2 under development at year end all of which has commenced on a pre-let basis with A-grade tenants both in SA and the UK.

Risk factor and likelihood	Impact of the risk	How we assess and manage the risk	Change in the year
10 **Strategic land acquisitions** Likelihood: MODERATE	The acquisition of strategic land holdings increases the risk that the group is not able to drive capital appreciation by unlocking value through the development of these land parcels.	The group performs a detailed assessment of the key logistics nodes within the major metropolitan areas in which it operates to understand likely areas of increasing occupier demand. The group includes an assessment of each potential land parcel's key characteristics including the location, price, intended use, environmental and other relevant factors when performing each appraisal. The group also mitigates the risk by limiting the amount of land it holds at any point in time.	During the current financial year, while the group has developed and is developing existing strategic land holdings, it increased its land positions through acquisitions in Cornubia, KZN and in the UK. There have already been a number of proposals drafted and advanced discussions had to develop these land holdings.
11 **Transformation strategy and objectives** Likelihood: MODERATE	Inability to achieve transformation targets may directly impact our ability to attract and retain tenants who require a landlord with a specific rating or ownership level. Furthermore, it may impact our ability to compete on development bids with specific BBBEE criteria.	The board and the SET committee actively monitors transformation in the entity and focuses on initiatives which improve transformation in a meaningful manner. The group has been instrumental in setting up the Foundation which will be the vehicle which houses the corporate social initiatives of the entity. This will aim to positively impact the skills development and social development elements of our scorecard. Management focuses on employment equity in all hiring activities with a preference given to previously disadvantaged candidates.	The group has successfully retained its Level four BBBEE status and remains committed to ensuring that the transformation strategy is executed and the related objectives are achieved.
12 **Retention of key staff and adequate human resourcing** Likelihood: LOW	Loss of key staff or being under resourced will impact the ability to achieve the group's objectives effectively.	The executives constantly assesses the capacity of available staff and closely monitors staffing requirements as the business grows. All staff members are awarded short-term incentive bonuses and belong to the long-term share incentive bonus scheme which aligns the interests of staff members with the performance of the company and assists with the retention of key staff.	During the year, there have been some material changes within its executive directors with the resignation of the financial director. Despite this, the group continues to grow and attract highly-skilled staff while retaining other key staff within the finance team.
13 **Compliance with laws and regulations** Likelihood: LOW	Failure to comply with key laws and regulations of the jurisdictions which the entity operates in may result in fines and penalties, reputational harm or potential loss of REIT status.	The group employs management and staff who are qualified and experienced to deal with the relevant compliance factors. Where additional complexities are encountered, management engage a broad range of specialists to ensure that all relevant avenues are covered. The largest risk factor is jeopardising the REIT status of the business, a risk that is assessed on a regular basis.	The group remains committed to upholding the highest levels of integrity and ethical culture. There continue to be no reported instances on non-compliance with laws and regulations. The group continues to abide by the REIT requirements as outlined in the JSE Listings Requirements.
14 **Disease outbreaks** Likelihood: MODERATE	A sever disease outbreak (most notably COVID-19) may increase the risk of financial loss due to the preventative measures undertaken, the impact on GDP as well as the risk of potential physical harm to key members of staff.	While it is difficult to measure the precise impact of a risk of this nature, the group has a robust sustainability policy which provides guidance in terms of employee welfare while introducing measures to preserve its financial wellbeing, both in the near term and over a longer horizon. Furthermore, the group operates within strict policy guidelines in relation to investment and financial risks which curtails the long-term effects of an outbreak.	The COVID-19 outbreak over the first quarter of this calendar year has been both rapid and severe in many parts of the world. The group remains resilient in the face of this adversity and actively assesses the impact on a daily basis in this dynamic environment.

Remuneration report

This report sets out Equites' remuneration philosophy and policy for executive and non-executive directors and is presented in three parts: the first is the background statement which provides context to the company's remuneration policy and performance; the second is an overview of the forward-looking remuneration policy and the third section provides a description of how the policy has been implemented during the year under review, and discloses payments made to non-executive and executive directors during the year.

Against the backdrop of the King IV and in line with the board's commitment to fair and responsible remuneration, we regularly review our remuneration policies and practices to ensure that they remain fit for purpose and are aligned to long term strategy of the business. We continuously review global best practices on remuneration in both a local and global context and this guides our policy and its implementation.

The remuneration committee remains committed to maintaining a strong and healthy relationship with our stakeholders, which is built on trust and a clear understanding of our remuneration policy and the practices that have been implemented.

Background statement

Rewarding and retaining high-performing employees in this challenging economic environment requires a thoughtful, innovative approach to remuneration practices and policies while remaining aligned with the core values and long-term goals of the business. To ensure that the group's total remuneration packages and pay mix are appropriate within the market in which it operates, the group performs external benchmarking every 3 years. The remuneration committee applies reasonable inflationary adjustments to all categories of pay in the years following the external benchmarking exercise.

A benchmarking exercise was scheduled for completion this year however, in light of the economic impact of COVID-19, the remuneration committee have chosen to defer the benchmarking exercise and any resulting TGP adjustments until the following year.

In the current climate, and in line with institutional investor sentiment our remuneration philosophy remains centred on long-term alignment with shareholders and the importance of taking account of executive compensation within a broader context, particularly in relation to employees' remuneration and the operating context of the business.

The remuneration committee believes that Equites' remuneration policy has continued to work effectively, as evidenced by a clear link between the performance of the company and the reward outcomes generated. Despite a year of economic uncertainty, the group demonstrated strong performance in all of its key measurement elements. The group demonstrated strong growth in the distribution per share (9.4% compared to the SAPY returns of 1.1%), grew the property portfolio with the addition of R2.9 billion high quality assets, further expanded its growth in the UK and positioned its balance sheet for further growth and developments in the upcoming years.

Feedback from 2019 AGM

At the AGM held on 26 July 2019, shareholders gave a positive non-binding advisory vote of 85.4% endorsing the 2019 policy and 87.4% endorsing the implementation report. This vote followed extensive engagement with our key shareholders to discuss and explain the drivers of the remuneration policy, our approach and philosophy towards executive pay and some of the key metrics included in our incentive schemes.

We believe that the engagement undertaken during the year gave effect to King IV's intended outcome of understanding the legitimate and reasonable needs, interests and expectations of our key stakeholders. The remuneration committee values feedback from our stakeholders on the design, implementation and reporting of remuneration in the organisation and will continue to engage with our shareholders during FY21.

Shareholders will be requested to cast a non-binding vote on both the remuneration policy and the 2020 implementation report at the AGM to be held on 23 July 2020. If shareholders do not approve the remuneration policy or the implementation report by more than 75% the board and the committee will:

- Institute a formal engagement process with interested shareholders to assess their views;
- Address legitimate and reasonable objections raised; and
- If required, amend the remuneration policy or clarify and/or adjust the remuneration governance, processes or disclosure.

As far as possible, the remuneration committee will engage with affected shareholders on a one-to-one basis after receiving written submissions of their concerns. The board also encourages shareholders to engage with the company secretary, ahead of the AGM by contacting him at investors@equites.co.za. Below is a summary of the feedback received following our engagement with shareholders during the year:

Concern	Outcome
After the performance period, participants in the long-term incentive scheme are issued a 3-for-1 matching share, which is subject to a service condition only.	The matching shares can never exceed 25% of total vested shares and are based on the performance-adjusted award. In light of the fact that all base awards are now subject to performance conditions, the remuneration committee was satisfied that no further amendment was required.
More transparency on executive incentive awards, including the disclosure of retrospective annual targets.	The remuneration committee enhanced disclosure on long-term incentives and included performance relative to targets for the awards vesting in the reporting year.

Remuneration consultants

The remuneration committee used the services of specialists from PricewaterhouseCoopers Inc. during the year to assist in various aspects of fulfilling their duties and were satisfied that they were independent and objective.

Future areas of focus

1. **Fair and responsible remuneration**
   The remuneration committee intends to place an increased focus on the principle of fair and responsible remuneration in the upcoming financial year, with an emphasis on addressing the internal wage gap.
2. **Alignment of performance metrics to the long-term strategic goals of the company**
   The principle of responsible remuneration ensures that decisions are made in line with approved policies and limits of authority and the results demonstrate alignment with the company's long-term strategic goals. It also ensures that the remuneration is sustainable and is subject to independent oversight and discretionary overlays where and when appropriate. During the last financial year, a significant amount of time was allocated to assessing the executive director's personal performance objectives in line with a balanced scorecard approach and ensuring that these were in line with the long-term strategic goals of the group. Further time and attention will be devoted to tailoring these performance metrics to promote further alignment.

Remuneration policy

Remuneration committee

In line with best practice, the group's remuneration committee is appointed by the board of directors and has delegated authority, in accordance with its terms of reference, to review and make decisions regarding the group's remuneration policies and implementation thereof. The remuneration committee consists of four independent non-executive directors, namely, Nazeem Khan (chair), Ruth Benjamin-Swales, Mustaq Brey and Leon Campher.

The remuneration committee fulfilled the following main duties during the reporting period:

- Reviewed the remuneration policy to ensure it remains appropriate and aligned with strategic objectives
- Reviewed shareholder feedback after the AGM and responded as necessary
- Reviewed and approved the remuneration of the executive directors
- Reviewed and approved the short-term cash incentive ("STI") payments to the executive directors for the 2020 financial period
- The remuneration committee considered the average annual increase for all employees and approved an average 5% increase to all employees including executives
- Reviewed and approved the grant of long-term incentive scheme ("LTI") awards to the executives for the 2020 financial period
- Reviewed and approved the vesting of actual shares in respect of the 2017 LTI award
- Approved executives guaranteed pay, and made the decision not to implement any rebasing in the current economic climate
- Recommended annual increases for non-executive directors to be approved by shareholders
- Oversaw the preparation of the remuneration report and ensured that the remuneration policy and implementation report are put to a non-binding advisory vote at the AGM.

Organisation-wide remuneration policy overview

For the purposes of the remuneration policy, employees have been categorised into three categories: executives, management and other employees. The group's pay mix provides for short-term reward, while incorporating long-term incentives. A three-tier remuneration structure for all employees provides a balance between:

Total guaranteed pay	The total guaranteed pay ("TGP") is the salary for performing the contractual role agreed upon and any benefits accrued during the financial year.
Annual performance-related incentives	The STI is awarded to employees based on the group's financial performance as well as individual performance metrics.
Long-term incentives	The LTI is designed to attract, retain and reward executives through the award of conditional shares. This serves to align the interests of employees with those of shareholders.

In addition to the TGP, all permanent employees receive a component of variable remuneration, dependent on their level and role within the group. Equites is committed to remunerating fairly and responsibly across the company.

Employees are further provided other benefits such as medical aid subsidies and assistance for employees to fund discretionary studies – these have gone a long way in improving the quality of life for the lowest income earners in the organisation.

Fair and responsible remuneration

The principle of fair remuneration is based on practices which are free from prejudice, self-interest and not inherently biased in any way.

The group currently perform detailed annual analyses of income differentials, per the requirements of the Employment Equity Act, as one mechanism of analysing and correcting differentials.

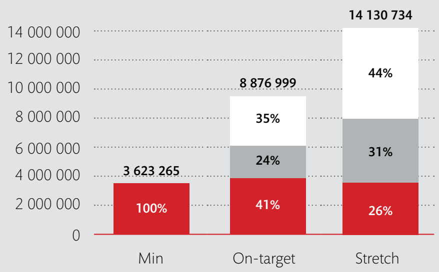
In recognition of the income gap, and as an attempt to start the correction, lower level salaried employees are typically granted a higher salary increase than higher income earners in the group. Lower income earners are also awarded a higher medical aid subsidy from the company, in an attempt to neutralise the impacts of salary differentials. As noted above, an average increase of 5% was awarded to all staff across the board.

Remuneration report continued

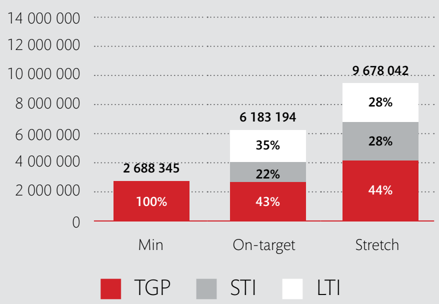
Executive remuneration

The executives' remuneration is balanced between TGP, STI and LTI. To encourage retention and align executive's interests with other shareholders, variable pay is weighted more heavily with respect to LTI with an on-target LTI forming 35% of the remuneration mix as set out below:

CEO



COO



During the year under review, the CFO resigned from the employ of the Company. At the date of finalising this report, there has been no permanent CFO appointed. For this reason, there is no reference to the CFO remuneration above.

On-target variable pay (STI and LTI) comprises more than half of total remuneration. At stretch, the variable pay comprises 74% of the total remuneration for the CEO and 72% of total remuneration for the Chief Operating Officer ("COO"). Amounts received under the executive outperformance scheme ("EOS") have not been included here, as this is not considered to form part of regular annual remuneration.

Total guaranteed pay

TGP comprises cash salary and benefits and is determined by the scope of the role, performance, and experience. Employee remuneration levels are reviewed annually and assessed against business performance, the scope and nature of the role, relevant companies in the property sector and macroeconomic indicators such as inflation, cost-of-living changes and the labour market, to ensure they are fair and reasonable.

As discussed above, a benchmarking exercise was scheduled for completion this year. However, in light of the economic impact of COVID-19, the remuneration committee have chosen to defer the benchmarking exercise and any resulting TGP adjustments until the following year. Inflationary increases of, on average, 5% have been applied to all employees.

Short term incentive

The group has adopted a multiplier based STI plan which incorporates both financial and individual modifiers. The performance-related incentive target for each executive is agreed with the individual annually and is based on targets that are verifiable and aligned to the business's operations and strategy. STIs are payable annually after being approved by the remuneration committee and release of the audited financial statements. Any annual performance-related incentive pay-outs received under the plan are paid in cash. The remuneration committee may apply judgement to make appropriate adjustments to an individual's annual performance-related incentive.

The following formula is applied to incorporate the multiplier model:

STI	=	On-Target Incentive %	X	Financial Modifier	X	Individual Modifier
CEO		60% of TGP		0% – 200%		0% – 150%
COO		50% of TGP		0% – 200%		0% – 150%

Financial modifier

The multiplicative approach results in zero bonuses if the Financial Modifier is 0%.

Growth in DPS measured against a peer group benchmark was used as the financial performance modifier for the current and upcoming financial year with the following performance levels:

	Threshold	Target	Stretch
DPS growth goal	SAPY Benchmark[1]	SAPY Benchmark[1] +10%	SAPY Benchmark[1] +20%
Financial modifier achieved	**0%**	**100%**	**200%**

Linear apportionment is used between the specific levels tabulated above.

Personal modifier

The remuneration committee agreed personal objectives with each executive director with equal weighting at the beginning of the financial year. Personal objectives are assessed at the end of the year and result in a multiplier from 0-150%. The maximum STI payable to an individual director is, however, limited to the stretch financial modifier percentage, i.e. the bonus payable can never exceed 120% and 100% of TGP for the CEO and COO respectively.

The personal performance indicators comprise of targets relating to business growth, operational metrics, financial metrics, leadership, stakeholder management, innovation and transformation. Details of the individual personal performance conditions are included in the implementation section of this report, along with the assigned weightings and outcomes of the current year assessment. The performance conditions used in FY20 will remain consistent for FY21.

[1] This benchmark has been set as SA REITs that are constituents of the SAPY, weighted by market capitalisation

Long-term incentive

Long-term incentive awards are granted annually in the form of conditional shares in Equites Property Fund Limited ("performance shares"). The remuneration committee believes that using this type of award aligns the interests of the executive and shareholder and allows the executive the opportunity to share in the success of Equites over the long-term. The total quantum of shares (at face value) awarded for the year was set as 85% of TGP for the CEO and 80% of TGP for the COO based on the 30-day volume weighted average price ("VWAP") on the date of the award.

All awards are subject to performance conditions and require the participant to be employed by the group until 31 May following the end of the 3-year performance period. The performance conditions are weighted equally between the growth in distribution per share for each of the 3 financial years and net asset value per share growth over the three-year performance period. The growth in distribution per share is measured against a peer group benchmark.

The performance conditions for all awards from 2016 onwards are as follows:

Performance condition	Weighting	Threshold	Target	Stretch
Growth in DPS for FY+1	25%	SAPY Benchmark*	SAPY Benchmark* +10%	SAPY Benchmark* +20%
Growth in DPS for FY+2	25%	SAPY Benchmark*	SAPY Benchmark* +10%	SAPY Benchmark* +20%
Growth in DPS for FY+3	25%	SAPY Benchmark*	SAPY Benchmark* +10%	SAPY Benchmark* +20%
Growth in NAV per share from FY to FY+3 (CAGR)[2]	25%	2%	4%	8%
Total LTI vesting				

* The remuneration committee can at its discretion remove companies from the benchmark where outliers distort the result.

After the initial 3-year performance period, the number of shares awarded to the participant is adjusted in line with the performance conditions, as assessed and approved by the remuneration committee. The remuneration committee also obtained independent verification of all computations in the STI and LTI awards actually awarded in the current year.

If the participant remains employed by the company after this initial performance period, the award is increased on a 3-for-1 basis (i.e. by 33.3%, which increases the allocation by 25%) ("matching shares"). The only further vesting condition for the matching shares is for the participant to remain in the company's employment for a further 24 months. Where a participant remains employed by the company, vesting occurs at the end of this additional 24-month period. Where a participant's employment is terminated after the initial performance period, but before the end of the additional 24-month period, vesting of the performance shares is accelerated to the termination date and the participant forfeits the matching shares.

Share usage limit

The scheme rules limit the allocation of shares in terms of the long-term incentive scheme to 20 million shares in aggregate and 4 million shares per participant, representing 3% and 0.7% of the current shares in issue respectively. The current usage level is set out in the implementation report.

2 Compound annual growth rate

Executive outperformance scheme

The board introduced an EOS in 2018 to identify key members of the executive and staff who have been instrumental in building the success of the company, and to incentivise these members to remain with the company. The scheme was introduced on 31 August 2018 and is effective for 5 years from this date.

The performance conditions applicable to the EOS are linked to market capitalisation and distribution per share growth and are on an "all-or-nothing" basis to reward specific outperformance.

The EOS is not intended to be awarded on a regular basis and following this first award, no further awards have been issued, or are contemplated under the EOS. The scheme is cash settled and linked to a notional number of shares on grant.

Details of the awards granted, and associated performance conditions and targets are set out in the implementation report on page 60.

Executive service contracts and termination arrangements

Executives have permanent employment contracts with six-month notice periods. On termination, directors are entitled to their TGP for the period of service and any accrued leave balances owing to them. Termination does not trigger any accelerated vesting conditions relating to the LTI or balloon payments. STI amounts are only payable to employees that are employed at the end of May following the end of the financial year to which the STI relates. Employees who resign or are dismissed will forfeit all unvested awards, however, this remains at the discretion of the remuneration committee. Employees who leave for injury, ill-health, disability, retrenchment or any other reason determined by the remuneration committee will receive a pro-rata vesting of any unvested awards based on performance achieved and length of service.

Remuneration report continued

Non-executive remuneration

Non-executive directors do not have employment contracts and do not receive any benefits associated with permanent employment. Their fees as directors are determined as a base fee and attendance fee based on their board and committee obligations. In line with best practice recommendations, the chairman receives a fixed annual fee that is inclusive of all board and committee attendances as well as all other tasks performed on behalf of the group. Equites pays for all travelling and accommodation expenses in respect of board meetings. Details of all non-executive fees are included in the implementation report below.

Implementation

The remuneration committee confirms that the company has complied with all aspects of the remuneration policy for the year under review. Where necessary, the remuneration committee have exercised their discretion in line with their mandate – this is detailed below.

Single figure of remuneration

	Short-term remuneration			Long-term remuneration		
	Guaranteed pay		Variable	Variable		
	Salary R'000	Benefits R'000	Performance bonus R'000	Value of equity settled share based payment R'000	Dividend equivalent on EOS R'000	Total remuneration R'000
2020						
Executive directors						
Andrea Taverna-Turisan	3 450	28	4 151	7 364	1 230	16 223
Gerhard Riaan Gous	2 560	29	2 569	5 142	912	11 212
Bram Goossens#	4 256	17	2 560	9 460	912	17 205
	10 266	**74**	**9 280**	**21 966**	**3 054**	**44 640**
2019						
Executive directors						
Andrea Taverna-Turisan*	3 286	1 264	3 943	7 742	579	16 814
Gerhard Riaan Gous	2 438	35	2 438	5 783	429	11 123
Bram Goossens#	2 438	25	2 438	5 783	429	11 113
	8 162	**1 324**	**8 819**	**19 308**	**1 437**	**39 050**

* The benefits include a once-off study benefit granted to the CEO, this benefit is available to all executive directors

\# Bram Goossens resigned from the group effective 31 December 2019, the "salary" line item includes notice pay and leave encashment which was due to him. A settlement of R8.6 million in respect of his long-term incentive scheme was paid out in cash, with a further R0.7 million awarded in shares.

Short-term incentive

The table below illustrates the STI individual financial modifier targets and outcomes:

	Performance target	Financial modifier achievable	Total STI (R)	Actual performance in FY20	Actual pool available for distribution FY20
Threshold	SAPY Benchmark	0%	Nil		
On-target	SAPY Benchmark +10%	100%	3 360 030		
Stretch	SAPY Benchmark +20%	200%	6 720 060	Benchmark +388%	6 720 060

The financial modifier is 0% on achieving the threshold performance and 100% on achieving the on-target performance, with linear apportionment if the actual result falls between these points. In the financial year to February 2020, the company's distribution growth exceeded that of the benchmark by 388% and the financial modifier was capped at 200% resulting in an aggregate bonus of R6 720 060 being available before applying the personal modifier.

The outcome of the remuneration committee's evaluation of the 2020 personal performance conditions was as follows:

	Andrea Taverna-Turisan Maximum %	Andrea Taverna-Turisan Result	Gerhard Riaan Gous Maximum %	Gerhard Riaan Gous Result	CFO Maximum %	Comment
Business growth						
– Grow income generating asset base – Grow gross revenue	**30.0%**	30.0%	**30.0%**	30.0%	**30.0%**	– Increased property portfolio value from R12 billion to R14.9 billion from Feb-19 to Feb-20 – Gross revenue increased by 29.7% from Feb-19 to Feb-20 – The growth in portfolio size and gross revenue base was achieved in combination with growth in NAV over this period
Operational metrics						
– Property expense ratio – Operating expense ratio – Vacancy ratio – Arrears management	**30.0%**	20.0%	**30.0%**	20.0%	**30.0%**	– Property and operating expense ratios have decreased from Feb-19 to Feb-20 – Vacancy ratio has remained below 5% – No significant arrears at Feb-20
Leadership cohesion, staff management and company culture						
– Ensuring fully committed and motivated team – Maintain minimal staff turnover – Living the agreed Equites values	**30.0%**	15.0%	**30.0%**	15.0%	**30.0%**	– Staff are well motivated as indicated by staff engagement and interactions – Lost only two staff members during the current year – Continued to promote from within with 4 further internal promotions during the year
Additional operational metrics						
– Focus on letting vacant space – Tenant retention ratio	**N/A**	N/A	**10.0%**	8.0%	**N/A**	– 100% tenant retention ratio for FY20 – 0.2% vacancy rate over industrial space after the reporting date, and 100% over commercial property
Financial management						
– Maintain LTV within target range – Manage debt expiry profile – Implement currency hedging strategy – Maintain existing credit rating	**N/A**	N/A	**N/A**	N/A	**30.0%**	– LTV at 26.1%, within target range – Extended debt maturity profile – Hedging policy fully implemented for currency and interest rate risk – Improved on GCR credit rating
Stakeholder management						
– Effective and efficient functioning of the board – Managing major shareholder interactions – Media engagement	**30.0%**	25.0%	**N/A**	N/A	**N/A**	– High level of engagement with shareholders – Successful equity capital raise in capital starved environment – Successful board engagement – Financial results and major transactions enjoyed positive media coverage
Engagement with debt holders						
– Ongoing negotiations with third party lenders – Diversify sources of funding and minimising funding costs	**N/A**	N/A	**N/A**	N/A	**20.0%**	– Successful banking relationships with all major banks
Implementation of acquisitions						
– Leading due diligence on all material transactions – Overseeing and implementing all acquisitions seamlessly	**N/A**	N/A	**30.0%**	25%	**N/A**	– Conducted extensive due diligences on all major transactions – Successful implementation of large acquisitions in SA and the UK, with 16 transaction concluded and/or implemented at a value of R3.8 billion

Remuneration report continued

	Andrea Taverna-Turisan		Gerhard Riaan Gous		CFO	
	Maximum %	Result	Maximum %	Result	Maximum %	Comment
Innovation						
– Cementing Equites position of excellence in logistics market – Involvement with education and brand awareness	**20.0%**	15%	**N/A**	N/A	**N/A**	– Clear market leader in logistics development in SA – Developed new sustainability standards for all new developments – Developed new town planning characteristic for new parks – Developing broad based social media brand awareness campaign.
Transformation						
– Promoting employment equity practices – Focus on ownership transformation – Maintain industry leading BBBEE score	**10.0%**	6.0%	**10.0%**	6.0%	**10.0%**	– Maintained level 4 BBBEE rating – Improved verified black ownership – Amongst the top performing property counters in terms of transformation – Provided financial support for low income workers during COVID-19
Company secretarial						
– Ensure compliance with laws and regulations	**N/A**	N/A	**10%**	8%	**N/A**	– Satisfied that all laws and regulations are adhered to – Developed new governance framework
Aggregate result	**150%**	**111%**	**150%**	**112%**	**150%**	

* There are no performance outcomes recorded for the CFO, as his resignation occurred prior to the performance ratings for the period. The KPI's detailed above will apply to the CFO position once permanently appointed, which at the time of reporting, was not filled in a permanent capacity.

Short-term incentives relating to the 2020 financial year, are as follows:

Name	On-target incentive %	Financial modifier	Personal modifier*	Resulting award level as % of TGP	Total STI as per single figure table (R'000)
Andrea Taverna-Turisan	60%	200%	100%	120%	4 151
Gerhard Riaan Gous	50%	200%	100%	100%	2 569

* The personal modifier is capped at 100%

Long-term incentive

The performance conditions attached to the 2017 awards for which the performance period ended on 29 February 2020 are set out below:

Performance condition	Weighting	Threshold (30% vesting)	Target (100% vesting)	Stretch (200% vesting)	Actual performance	Actual vesting (% of performance shares)
Growth in DPS for FY+1	25%	SAPY Benchmark	SAPY Benchmark +10%	SAPY Benchmark +20%	SAPY Benchmark +35.8%	50.0%
Growth in DPS for FY+2	25%	SAPY Benchmark	SAPY Benchmark +10%	SAPY Benchmark +20%	SAPY Benchmark +113.7%	50.0%
Growth in DPS for FY+3	25%	SAPY Benchmark	SAPY Benchmark +10%	SAPY Benchmark +20%	SAPY Benchmark +387.7%	50.0%
Growth in NAV per share from FY to FY+3 (CAGR)	25%	2%	4%	8%	7.51%	46.9%
Total LTI vesting						**196.9%**

All shares applicable to the 2017 award together with the matching shares will be issued in June 2020. These remain restricted until 31 May 2022.

The amount included in the single figure remuneration table above is set out below:

Director	Award	Number of shares under award	Percentage performance factor	Performance adjusted number of shares	Share price	Value of shares included in single figure table
Andrea Taverna-Turisan	2017 award	164 997	196.9%	324 879	17.27	
	2017 award – matching share			108 293	17.27	
	2017 – lapsed			(6 789)	17.27	
	Total			**426 383**		**7 363 634**
Gerhard Riaan Gous	2017 award	115 216	196.9%	226 860	17.27	
	2017 award – matching share			75 620	17.27	
	2017 – lapsed			(4 740)	17.27	
	Total			**297 740**		**5 141 970**

The table below summarises the unvested shares awarded to directors:

Date of Award	Vesting date	Number of instruments awarded: On target grant	Maximum additional performance	Maximum matching share	Total maximum shares	Issue Price	Number of instruments lapsed	Closing number of unvested instruments	Indicative value	Cash value of awards settled in the year	Dividends paid during the year
Andrea Taverna-Turisan											
2014/10/29	2019/05/31	110 404	66 242	58 882	235 529	10.65	8 057	227 472	3 352 282	4 592 660	–
2015/07/15	2020/05/31	139 480	83 688	74 389	297 557	11.92	–	297 557	4 365 182	–	450 055
2016/02/29	2021/05/31	144 580	144 580	96 387	385 547	12.38	–	385 545	5 346 828	–	583 139
2017/02/20	2022/05/31	164 997	164 997	109 998	439 992	15.97	6 789	433 203	6 241 402	–	–
2018/02/19	2023/05/31	137 253	137 253	91 502	366 008	20.35	–	366 008	2 190 804	–	–
2019/02/20	2024/05/31	144 187	144 187	96 124	384 498	20.34	–	384 498	2 301 475	–	–
2020/02/20	2025/05/31	161 753	161 753	107 835	431 341	17.27	–	431 341	2 430 127	–	–
					2 540 471						
Riaan Gous											
2014/10/29	2019/05/31	66 911	40 146	35 686	142 743	10.65	5 267	137 475	2 031 655	2 775 614	–
2015/07/15	2020/05/31	104 027	62 416	55 481	221 924	11.92	–	221 924	3 255 639	–	335 660
2016/02/29	2021/05/31	108 003	108 003	72 002	288 007	12.38	–	288 007	3 994 140	–	435 610
2017/02/20	2022/05/31	115 216	115 216	76 811	307 243	15.97	4 740	302 503	4 358 322	–	–
2018/02/19	2023/05/31	95 843	95 843	63 895	255 581	20.35	–	255 581	1 529 821	–	–
2019/02/20	2024/05/31	100 684	100 684	67 123	268 492	20.34	–	268 492	1 607 102	–	–
2020/02/20	2025/05/31	112 956	112 956	75 304	301 215	17.27	–	301 215	1 697 012	–	–
					1 785 204						

In determining an indicative value the company followed the guidance set out in: "A guide to the application of King IV: Governance of remuneration". The following assumptions have been taken into account:

1. The share price at year end was based on a 30-day VWAP of R19.04
2. Expected volatility has been based on an evaluation of the historical volatility of Equites' share price since listing.
3. The expected forfeiture rate has been based on historical experience.

Remuneration report continued

Executive outperformance scheme

The EOS was implemented as a cash-settled conditional share plan, whereby the executives were granted notional shares in the company on 31 August 2018. As this scheme aims to reward specific outperformance, they vest on an "all-or-nothing" basis on 31 August 2023 based on achieving the following performance conditions:

Strategic objective	Measure	Target
Growth in market capitalisation to achieve scale	Equites market capitalisation measured using a 30-day VWAP up to and including 31 August 2023	Market capitalisation of R14 billion (represents a 54% growth on the market capitalisation at grant of R9 081 million)
Sustainable above market growth in distributable earnings	Distribution per share growth over the 5-year vesting period as measured on a CAGR basis	DPS growth exceeds the SAPY benchmark by 10% on a CAGR basis over the 5-year vesting period

The settlement of the awards is also subject to the company meeting the solvency and liquidity test as set out in section 4 of the Companies Act immediately prior to settling the awards.

Participants are entitled to dividend equivalents as cash amounts, equal in value to the dividends that they would have earned if they were a shareholder holding shares equal in number to the number of notional shares comprising the award from the award date to the vesting date, and payable as and when dividends are declared to shareholders.

The notional shares awarded were determined with reference to 5 times the executive's TGP at the award date. The remuneration committee determined the award level by considering the performance period of 5 years and the high hurdle of achieving both the performance conditions.

Details of awards made under the EOS on 31 August 2018, along with the dividend paid during FY20 are set out below. During FY20, dividends of R3.06 million were paid in respect of the EOS as it relates to executive directors:

Name	TGP R'000	Allocation (5x) R'000	30-day VWAP	Notional number of shares	Dividend equivalent paid in current year R'000
Andrea Taverna-Turisan	3 286	16 430	R19.34	849 612	1 230
Gerhard Riaan Gous	2 438	12 190	R19.34	630 357	912
Bram Goossens	2 438	12 190	R19.34	630 357	912

The dividend equivalent paid in the current year is included in the single-figure remuneration table above.

Share usage limit

The current share usage level is set out below.

	Number of shares available	Percentage of shares available as percentage of current shares in issue	Number of shares utilised as at year end	Percentage of shares utilised as percentage of current shares in issue
Aggregate limit	10 000 000	2%	4 746 406	0.79%

Termination of employment

In the current year, the group CFO, Bram Goossens, resigned from the company. Due to the length of service and the valuable contribution which Mr Goossens made to the group, the remuneration committee decided to award him the full benefit of his STI in addition to the TGP and leave pay due to him. The total value of STI which was awarded to Mr Goossens amounted to R2 559 900.

In addition, the board deemed it appropriate to treat Mr Goossens as a "good leaver" in terms of the LTI scheme, which triggered accelerated vesting of the value of his LTI awards, which were pro-rated for time and performance. The total value of the LTI benefit included a cash settlement of R8 626 003 and 36 001 unrestricted shares.

As a result of the resignation, the future benefit in respect of the EOS was terminated.

Non-executive fees

The table below indicates the fees for the upcoming year, to be approved by the shareholders at the AGM to be held on 23 July 2020, being an aggregate 5% increase on the fees approved at the previous AGM:

Role	Base fee	Attendance fee per meeting
Chairperson of the board	R584 325	–
Board member	R93 492	R23 373
Chairperson of the audit and risk committee		R46 746
Member of the audit and risk committee		R29 216
Chairperson of other sub-committees		R29 216
Member of other sub-committees		R17 530

The actual fees paid to non-executive directors during the current financial year are set out below:

	2020 R'000	2019 R'000
Non-executive directors		
Leon Campher	545	518
Nazeem Khan	398	342
Ruth Eleanor Benjamin-Swales	394	305
Giancarlo Lanfranchi	225	214
Kevin Dreyer	207	181
André Gouws	191	160
Mustaq Brey	296	217
Gugu Mtetwa	106	180
Eunice Cross	30	–
Keabetswe Ntuli	30	–
	2 424	2 117

Outlook

The remuneration committee will continue to focus on achieving fair and responsible remuneration in the context of the operating business, while keeping executives and management incentivised. This journey is by no means an overnight endeavour and will remain a priority focus of the remuneration committee, considering the interests of all stakeholders involved.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Social, ethics and transformation report

The Companies Act requires that the board of directors of all listed public companies, state owned enterprises and companies with significant public interest should have a social and ethics sub-committee. This emphasizes that companies have a significant social impact on the societies in which they operate and therefore must be responsible corporate citizens.

The SET committee is responsible for:

i. the oversight of and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships
ii. ensuring that the disclosure of the company's social, ethics and transformational values and goals is accurate, complete and transparent.

The majority of the SET committee comprise non-executive directors who collectively possess a vast amount of knowledge and experience in this area. The SET committee is led by Giancarlo Lanfranchi (chair, non-executive) and also comprises Leon Campher (non-executive), Ruth Benjamin Swales (non-executive) and Riaan Gous (COO).

As the group is an integral part of society it has corporate citizen status, which confers on the group rights, obligations and responsibilities towards society and the natural environment on which society depends which the group must take into account when striving to achieve economic and social benefits.

King IV guidelines on social and ethics committee

King IV advocates a stakeholder-inclusive approach, in which the governing body takes account of the legitimate and reasonable needs, interests and expectations of all material stakeholders in the execution of its duties in the best interest of the organisation over time. By following this approach, instead of prioritising the interests of providers of financial capital, the board gives parity to all sources of value creation, including among others, social and relationship capital as embodied by stakeholders.

King IV refers in this regard to the "triple context" that organisations need to consider, namely the "combined context of the economy, society and environment in which the organisation operates".

Equites considers its impact on both internal and external stakeholders, in the context of the following broad categories:

Firstly, the group should consider, and be accountable for, its impact on the economy in which it operates. This implies the group should ensure that it promotes fair competition, does not harm local economic development, and contributes positively to the overall marketplace.

The group should consider its impact on the workplace. This implies that the group should take care of the health, safety, and development of its employees. This extends to physical, mental and emotional health and well being of all its employees. The organisation should promote a culture of collaboration and one where all employees feel heard, understood and welcome.

Thirdly, the group needs to consider its impact on the social environment; in other words, the people and communities affected by its operations. This includes the effects of its products and services on the safety, health and quality of life of its tenants and the communities in which it operates.

Lastly, the group needs to consider how its activities impact on the natural environment. This involves dealing with items such as pollution, waste management and the responsible use of natural resources. This is dealt with extensively in our Sustainability report on pages 32 to 41.

Specific duties

The functions of the SET committee shall be to assist the board and to make certain recommendations to the board, including:

- Monitoring the group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, in particular:
  - The 10 principles set out in the United Nations Global Compact Principles
  - The Organisation of Economic Co-operation and Development ("OECD") recommendations regarding corruption (refer to Sustainability report on pages 32 to 41 for detailed application of the principles)
  - BBBEE Act
  - The Employment Equity Act

Social, ethics and transformation report continued

- Promoting good corporate citizenship through policies and procedures, including the group's:
  - Promoting of equality and the prevention of discrimination
  - Eradication of corruption
  - Record of sponsorship, donations and charitable giving
  - Environmental, health and public safety impacts
  - Managing tenant relationships
  - Compliance with consumer protection laws and
  - Labour and employment policies
  - The group's employment relationships, and its contribution towards the educational development of its employees

Key outcomes

The BBBEE Act

The group has identified transformation as a critical success factor in the landscape which we currently operate. Equites has, once again, achieved a Level four BBBEE score and has improved the verified black ownership to 54%. This is discussed in further detail in the transformation section of this report.

Employment equity act

The group considers its workforce, which consists of a total of 29 employees as at 29 February 2020 to be its most important asset. A diverse workforce is a key element of the group being able to approach its strategic goals in a holistic and collaborative manner, with a variety of different approaches formed by our diverse backgrounds.

The group is pleased to report that at 29 February 2020, 47% of our workforce are females and 40% of the total workforce are females from previously disadvantaged backgrounds. While our workforce remains small, the group continues to table ongoing measures to improve the diversity amongst its workforce in terms of race and gender and continues to promote transformation in all of its employment practices.

UN Global Compact Principles and the OECD recommendations regarding corruption

The group supports and respects the principles as set out in the UN Global Compact Code, OECD's recommendation on the prevention of corruption and the International Labour Organisation's directive on decent work and working conditions.

Initiatives

Transformation

SA has some of the highest levels of inequality, unemployment and poverty in the world. Given the need to promote greater economic inclusion in the country, the SA government has highlighted its commitment to implement BBBEE. Equites aligns all its BBBEE reporting to the Property Sector Transformation Charter. This year the group achieved a level four rating on the amended Property Sector scorecard, with verified black ownership of 54%.

In the current year, Equites scored particularly well in the following areas; ownership, skills development, enterprise and supplier development and economic development. These elements reflect our focus on the elements of the scorecard which we believe reflect true empowerment to previously disadvantaged groups and will continue to be priority elements for the group while we build on the remaining elements in the upcoming financial year.

Ownership

The group has verified black ownership of 54% as at the last verification date (2019). This represents a marginal increase from 53% at the previous reporting date. The group continues to engage with its large empowerment investors and is in the process of investigating additional partners to ensure sustained transformation

Skills development

The group believes that education is the key to changing the economic landscape in a sustainable manner and for this reason, chooses to focus the majority of its corporate social spend on educational initiatives. For the year under review, the group continued its bursary program through the Foundation and entered the fourth year of the Equites Learnership Programme, which has registered an additional ten students for the upcoming year. This brings the total number of learners who have passed through the learnership programme to 37 over the three years since inception.

Management are committed to developing and promoting employees by investing in their professional growth. Through on-the-job training and mentoring, scope to transfer job-specific skills is created which also enhances employee development and promotes continuity of our operations. Furthermore, we encourage and advocate employee advancement by identifying areas of improvement and enrolling our employees in external training and development courses where beneficial.

Enterprise and supplier development

One of the group's greatest achievements to date is the development of its enterprise development partner DAS, a locally-based, black-family owned construction firm.

Through its ongoing financial support and mentorship to DAS, Equites has helped the business and its staff base to grow exponentially. DAS currently employs over 20 permanent staff and at least 60 casual labourers, all of them being previously disadvantaged South Africans. To date, DAS has developed three large warehouses for Equites, and has worked on several smaller refurbishments across the Equites portfolio.

It is our intention to promote further development of ESD, particularly through property management services with a focus on cleaning, gardening and security services. The programme will include identifying SMME's which are able to provide these services, assisting in any training or development necessary, assisting with administrative support (including obtaining relevant health and safety documents, registration with professional bodies and accounting and statutory assistance) and finally promoting these partners to becoming a registered vendor with Equites. After a long planning period, this programme is being initiated in May 2020.

Our people

The group's efforts in delivering on its overall business strategy, together with navigating the challenging business environment in which it operates, places increased attention on its people policies and initiatives as it is essential to nurture and retain key talent.

Equites' employment policies are consistent with SA labour law, the UN Universal Declaration of Human Rights and the International Labour Organization's core conventions. We are fully committed to preventing unfair discrimination through the full, fair and objective application of our disciplinary policy, ensuring equal treatment of all employees.

The group's people strategy is focused on ensuring that the group has created an environment in which staff are involved, engaged and are valued as active contributors of value creation. The group engages in detailed staff engagement surveys to ascertain whether employees are satisfied with overall working conditions and attempts to resolve any material concerns swiftly and effectively. The group rewards all staff members with fair and responsible base pay, and all staff members form part of its conditional share plan, aligning the interests of the staff and the business.

Staff turnover

Social development

Equites believes that education is the cornerstone to true transformation. Through the Foundation, Equites continues to run its bursary programme, which has had three recipients to date. The bursary program consists of financial aid but more importantly, a robust mentoring component throughout the duration of their degree to prepare them for a career in their chosen field of study.

Equites continues to engage with LEAP Science and Maths Schools ("LEAP") for the construction of a new school just outside Equites Park – Meadowview. Equites understands the importance of developing the science and maths skills of high-school learners as well as developing learners to be self-aware, resilient individuals who are well placed to enter tertiary studies, and these are the precise values to which LEAP ascribes. The LEAP 3 project at Meadowview aims to provide learners from the neighbouring Alexandria Township with a safe and stable environment in which to hone these very skills and Equites is proud to be associated with this venture.

Ethics

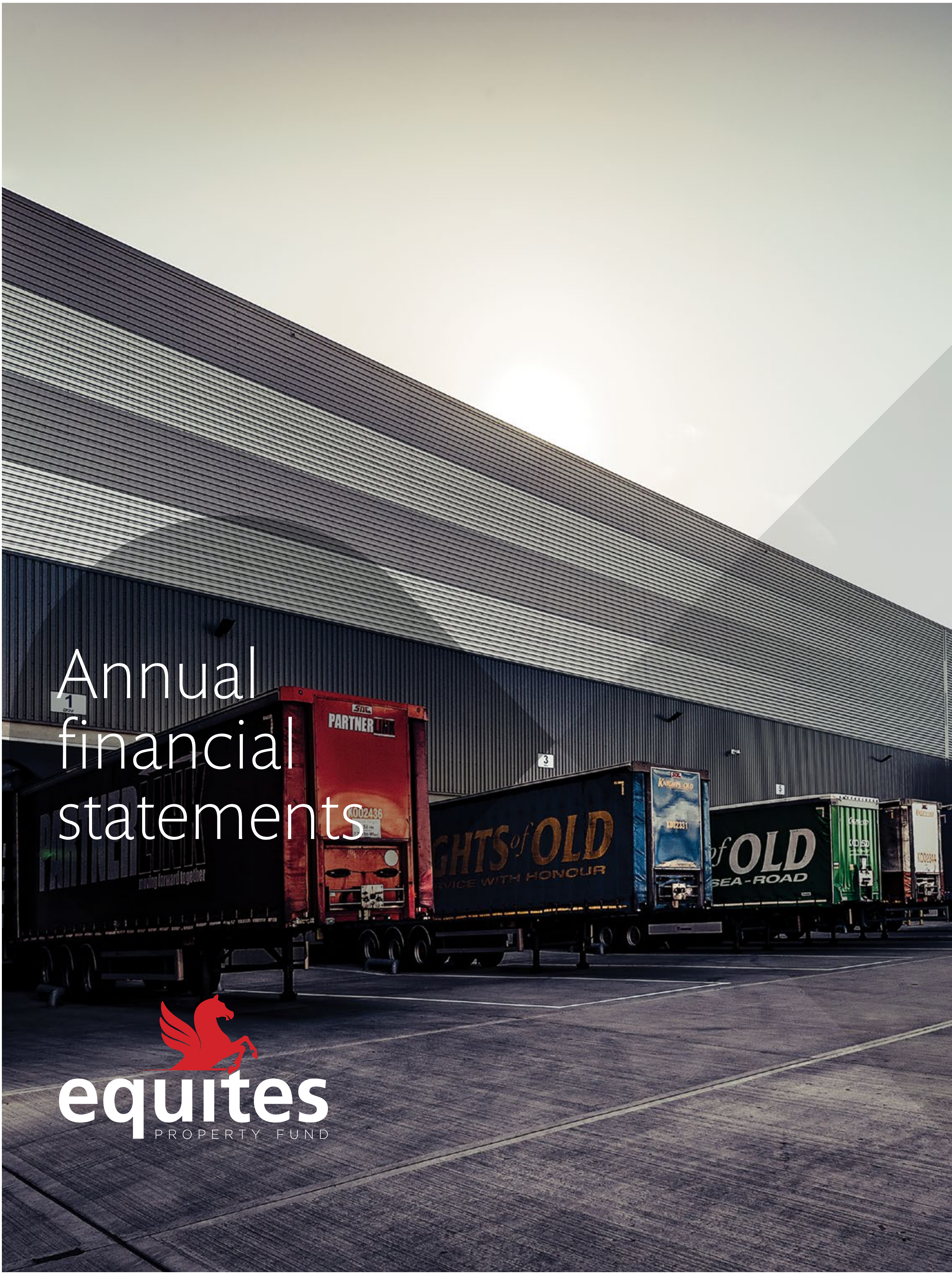
The reputation of our business and value of the Equites brand is built on the group's standing commitment to be a responsible, transparent and ethical business, and to maintain the trust of all of our stakeholders.

The King IV principles set out the ethical commitments and performance requirements that lay the foundation for a socially responsible and truly profitable business.

The overarching ethical guidelines and policies are embodied in our adopted code of conduct, which applies uniformly to all employees and directors. The group has a zero-tolerance approach to unethical behaviour and remains committed to ensuring that the group and its employees uphold the group's reputation as a responsible and caring corporate citizen.

All ethical policies and adherence thereto are overseen by the SET committee, whose main role in this regard is to ensure implementation and compliance with the group's ethos of remaining true to its values. The SET committee endeavours to promote a culture of openness and transparency throughout the group and, as such, employees and other stakeholders are encouraged to report unethical conduct and other transgressions which they may become aware of.

Through its endeavours to promote a culture of openness and transparency throughout the group, employees and other stakeholders are encouraged to report unethical conduct and other transgressions that they may become aware of to an anonymous, independently monitored whistle-blower hotline. All incidents logged with the hotline will be reported directly to the Chairman of the Board, audit committee chair and R&C committee chair who will be responsible for investigating any claims and resolving it swiftly and effectively. For the period under review, there have been no reports logged with this hotline.



Annual financial statements

Contents

The consolidated annual financial statements for the year ended 29 February 2020 have been audited by PricewaterhouseCoopers Inc., in compliance with the applicable requirements of the Companies Act, 2008. The consolidated audited annual financial statements were prepared under the supervision of Ms L Razack, CA(SA).

Directors' responsibility for the annual financial statements and declaration by the company secretary

The company's directors are responsible for the preparation and fair presentation of the consolidated annual financial statements, comprising the statements of financial position at 29 February 2020, and the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the requirements of the South African Companies Act of 2008 ("Companies Act").

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The consolidated annual financial statements of Equites Property Fund Limited were approved by the board of directors on 4 May 2020 and are signed on its behalf by:

Leon Campher
Chairman

Andrea Taverna-Turisan
Chief Executive Officer

Declaration by company secretary

In terms of section 88(2)(e) and in my capacity as company secretary, I hereby confirm, in terms of the Companies Act that, for the year ended 29 February 2020, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Riaan Gous
Company Secretary

Audit committee report

The Audit Committee ("the committee") takes pleasure in presenting its report for the financial year ended 29 February 2020

Terms of reference

The committee has adopted written terms of reference which governs their roles and responsibilities. These terms of reference include the statutory requirements of the Companies Act as amended, the King IV Report on Corporate Governance for South Africa ("King IV") as well as certain responsibilities delegated by the board.

The terms of reference require an annual evaluation of the performance of the committee and its members, as well as confirmation of the members' independence in terms of King IV and the Companies Act. The outcome of this evaluation and confirmation, respectively was satisfactory.

The committee is mainly responsible for ongoing oversight and review of the following areas:

- Effectiveness of the internal financial controls and compliance with laws and regulations
- Annual financial statements and any other financial information presented to shareholders and ensuring compliance with IFRS
- Integrated reporting and consideration of the factors and risks that could impact on the integrity of the integrated report
- Appointment and assessment of the independence of the external auditor and external audit reports
- Non-audit services provided by the external auditors
- Going concern assessment

The committee confirms that it has fulfilled all its statutory obligations, as well as its responsibilities under its terms of reference for the period under review.

External auditors

The committee is satisfied that the external auditor, PricewaterhouseCoopers Inc., is independent of the group and can conduct their audit functions without any influence from the group. The committee further noted Anton Wentzel as the designated auditor and confirmed that both he and PricewaterhouseCoopers Inc. are accredited with the JSE Limited as required and that their appointment is in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements. The committee approved the auditor's terms, audit plan and proposed fee for the external audit for the year ended 29 February 2020.

The committee adopted a formal framework for the pre-approval of allowable non-audit services above certain pre-determined thresholds.

The committee recommends for approval by the shareholders the reappointment of PricewaterhouseCoopers Inc. as external auditor.

Significant matters

The significant reporting matter the committee considered during the year is the valuation of investment property.

Valuation of investment property

The major risk relating to investment property is the valuation of the investment property. Valuation of investment property has been highlighted as an area of critical judgements and estimates in note 4 of the annual financial statements. The group targets externally valuing each property every eighteen months. Where an external valuation is not obtained, the directors determine the fair value of each property using the discounted cash flow method of valuation. Where the discounted cash flow method is not practical, the income capitalisation method of valuation is used or a combination of these two techniques.

Through discussion with the executive directors, the committee is satisfied with the valuation methodology and the critical inputs. A number of non-executive board members have extensive experience in the property industry and the board as a whole reviews and approves internal valuations. The committee also monitors differences between internal and independent external valuations and is satisfied overall that the fair value of investment properties is not materially misstated.

Internal audit

The committee continues to assess the requirement for an internal audit function as the group grows. Currently, the committee is satisfied that the size and complexity of the group does not warrant an internal audit function.

Proactive monitoring

The committee confirms that it has considered the findings contained in the JSE's 2019 Proactive Monitoring report when preparing the annual financial statements for the year ended 29 February 2020.

Financial director

Bram Goossens resigned as financial director effective 31 December 2019. Laila Razack has been appointed as interim Chief Financial Officer until such time as the position is permanently filled.

In terms of JSE Listings Requirement paragraph 3.84(g)(i), the committee has considered the expertise and experience of the interim Chief Financial Officer, Laila Razack, and are satisfied that these are appropriate for her role.

Internal financial controls

The committee continually monitors the efficiency of internal financial controls. The committee is satisfied that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities and that this addresses all significant risk facing the company. The committee confirms that no material breakdown of internal financial controls was identified during the current financial year.

In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the committee further confirms that the company has established appropriate financial reporting procedures and that those procedures are operating effectively.

Approval of annual financial statements

The committee confirms that it formally recommended the adoption of the consolidated annual financial statements to the board of directors.

Ruth Benjamin-Swales
Chairperson of the audit committee

Cape Town
30 April 2020

Director's report

For the year ended 29 February 2020

Nature of business

Equites Property Fund Limited ("Equites" or the "company") is listed on the Johannesburg Stock Exchange ("JSE") as a Real Estate Investment Trust ("REIT") and its main business is the investment in and development of modern logistic facilities. The company is incorporated and domiciled in South Africa with its registered address being 14th Floor Portside Tower, 4 Bree Street, Cape Town, South Africa, 8001.

The company carries on its business directly and through a number of subsidiaries, (collectively referred to as the "group"). During the current year, the group made the following changes to its investment property portfolio:

- Acquired one distribution centre in the United Kingdom;
- Completed three developments in South Africa and four in United Kingdom;
- Commenced seven developments in South Africa and commenced one development in the United Kingdom; and
- Entered a strategic venture with Newlands Property Developments LLP to unlock strategic land parcels in the United Kingdom

Income producing properties are currently situated in Western Cape, Gauteng, KwaZulu-Natal and the United Kingdom.

Financial results

The detailed financial results are fully set out in the annual financial statements.

Borrowings

Equites has unlimited borrowing powers in terms of the Memorandum of Incorporation, but the group has maintained its debt levels below 60% of its gross asset value due to JSE requirements for REITs. The group is also subject to certain financial covenants with the strictest being a 50% loan-to-value covenant on its bank borrowings. The group's overall borrowings were R4 796 million (2019: R3 311 million) at the reporting date as detailed in note 5 to the annual financial statements.

Stated capital

The authorised share capital of the company remained unchanged at 2 000 000 000 (two billion) ordinary shares of no par value.

The issued share capital at year end is 554 441 246 (2019: 503 416 786) ordinary shares of no par value. 8 016 (2019: 8 016) ordinary shares are held as treasury shares. All movements in issued shares are detailed in note 9 to the annual financial statements.

Distribution to shareholders

The total distribution for the year ended 29 February 2020 of 151.39 (2019:138.43) cents per share is 9.4% higher than the comparative period and in line with distribution growth guidance previously provided. This is made up of the interim dividend declared on 7 October 2019 (dividend number 12) of 74.43 cents per share and the final dividend declared on 4 May 2020 (dividend number 13) of 76.96 cents per share.

Dividend declared

Dividend number 13 for 76.95693 cents per share was declared on 4 May 2020:
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 (the "dividend reinvestment alternative"). 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 11:00 on Tuesday, 12 May 2020.

A circular providing further information in respect of the cash dividend and dividend reinvestment alternative will be posted/electronically delivered to shareholders on Tuesday, 5 May 2020.

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

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

The board confirms the use of distribution per listed securities as the relevant measure of financial results for the purposes of trading statements.

Going concern

The annual financial statements of the group were prepared on a going concern basis. The board is satisfied that the group has adequate resources to continue trading for the foreseeable future based on a formal review of the results, forecasts and assessing available resources.

Subsidiaries

The company has the following subsidiaries all of which are property investment companies:

– Applemint Properties 93 (Pty) Ltd		
– Dormell Properties 711 (Pty) Ltd		
– EA Waterfall Logistics JV (Pty) Ltd		
– Equites DTMC (Pty) Ltd		
– Equites Atlantic Hills (Pty) Ltd		
– Equites International Ltd*		
– Equites Investments 1 (Pty) Ltd	– Chamber Lane Properties 3 (Pty) Ltd	
– Equites Newlands Group Ltd+ (60%)	– Equites UK SPV 16 Ltd+	– Equites UK SPV 13 Ltd+ – Equites UK SPV 14 Ltd+ – Equites UK SPV 15 Ltd+ – Equites UK SPV 17 Ltd+ – Equites UK SPV 18 Ltd+ – Equites UK SPV 19 Ltd+ – Equites UK SPV 20 Ltd+ – Equites UK SPV 21 Ltd+
– Galt Property One (Pty) Ltd		
– Galt Property Two (Pty) Ltd		
– Kovacs Investments 715 (Pty) Ltd		
– Logistics Investment Platform (Pty) Ltd	– Retail Logistics Property Fund (Pty) Ltd	
– Nascispan (Pty) Ltd		
– Prop For List (Pty) Ltd		
– Swish Property Seven (Pty) Ltd		

* Incorporated in Isle of Man
\+ Incorporated in the United Kingdom

The group assisted in the incorporation of The Michel Lanfranchi Foundation NPC which houses all the corporate social responsibility initiatives of the group. In line with IFRS 10, the following companies are consolidated as structured entities:

– The Michel Lanfranchi Foundation NPC	– Ilanga Lakusasa (Pty) Ltd

Directors

The directors of the company as at the date of this report are:

R.E. Benjamin-Swales
M.A. Brey
P.L. Campher (Chairman)
E. Cross*
K. Dreyer
G.R. Gous (Chief Operating Officer)
A. J. Gouws
N. Khan
G. Lanfranchi (Vice-chairman)
K. Ntuli*
A. Taverna-Turisan (Chief Executive Officer)

* Directors appointed on 28 January 2020

N.V. Mtetwa resigned effective 31 August 2019 and B. Goossens (Chief Financial Officer) resigned effective 31 December 2019.

In terms of the MOI, a third of the non-executive directors will retire at the next annual general meeting and are eligible for re-election.

Director's report continued

For the year ended 29 February 2020

Directors' interest in ordinary shares

Directors' interest as at 29 February 2020

	Beneficially held					
Directors	Directly	Indirectly	Associates	Total	%	Pledged
R.E. Benjamin-Swales	34 352	–	5 724	40 076	–	–
M.A. Brey	–	112 500	10 000	122 500	–	–
P.L. Campher	–	–	–	–	–	–
E. Cross	–	–	–	–	–	–
K. Dreyer	–	5 738 007	–	5 738 007	1.0%	4 288 035
G.R. Gous	726 596	1 924 000	300 000	2 950 596	0.5%	–
A. J. Gouws	2 062	7 020 512	–	7 022 574	1.3%	–
N. Khan	114 513	–	–	114 513	–	–
G. Lanfranchi	–	19 809 481	–	19 809 481	3.6%	10 035 297
K. Ntuli	–	–	–	–	–	–
A. Taverna-Turisan	683 102	13 684 000	–	14 367 102	2.6%	3 800 000
Total	**1 560 625**	**48 288 500**	**315 724**	**50 164 849**	**9.0%**	**18 123 332**

Directors' interest as at 28 February 2019

	Beneficially held					
Directors	Directly	Indirectly	Associates	Total	%	Pledged
R.E. Benjamin-Swales	31 996	–	83 500	115 496	–	–
M.A. Brey	–	910 628	10 000	920 628	0.2%	–
P.L. Campher	–	–	–	–	–	–
K. Dreyer	–	5 100 826	–	5 100 826	1.0%	4 288 035
B. Goossens	328 560	1 504 000	–	1 832 560	0.4%	–
G.R. Gous	576 064	1 924 000	300 000	2 800 064	0.6%	–
A. J. Gouws	2 062	7 020 512	–	7 022 574	1.4%	–
N. Khan	106 656	–	–	106 656	–	–
G. Lanfranchi	–	19 809 481	–	19 809 481	3.9%	15 977 119
N.V. Mtetwa	5 663	–	–	5 663	–	–
A. Taverna-Turisan	525 029	14 184 000	–	14 709 029	2.9%	4 300 000
Total	**1 576 030**	**50 453 447**	**393 500**	**52 422 977**	**10.4%**	**24 565 154**

The conditional shares awarded, but not yet issued, to the executive directors during the year, as set out in note 10 to the annual financial statements, have not been included in the table above.

K. Dreyer acquired 2 208 752 indirectly held shares on 9 March 2020.There have been no other changes to the directors' interest in the company's shares between the end of the financial year on 29 February 2020 and the approval of the financial statements.

Company secretary

Gerhard Riaan Gous continued to act as company secretary during the year under review.

Auditors

PricewaterhouseCoopers Inc. continued as external auditors in accordance with Section 90 (1) of the Companies Act. A resolution for their reappointment will be proposed at the upcoming annual general meeting.

Litigation

The directors are not aware of any legal or arbitration proceedings, that have commenced, are pending or have been threatened, that have or may have a material impact on the results of the group.

Subsequent events

Refer to note 23 of the annual financial statements for a list of material events which have occurred between the end of the reporting date and the date of this report.

Holding company

Equites has no holding company and the main shareholders are detailed in Appendix 2 to the annual financial statements.

Independent auditor's report

To the Shareholders of Equites Property Fund Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Equites Property Fund Limited and its subsidiaries (together the Group) as at 29 February 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements (IFRS) of the Companies Act of South Africa.

What we have audited

Equites Property Fund Limited's consolidated financial statements set out on pages 82 to 131 comprise:
- the consolidated statement of financial position as at 29 February 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

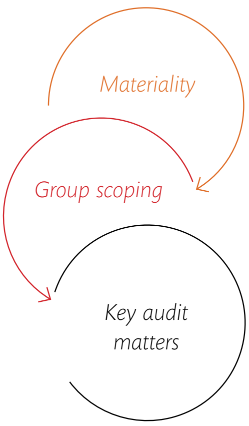
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview



Overall group materiality
R97,700,000, which represents 1% of consolidated net assets.

Group audit scope
The Group consists of 38 property-owning companies in both South Africa and the United Kingdom (UK). We performed full scope audits at three of the South African companies. On a sample basis, we performed an audit of the investment property related balances at a group level, which resulted in testing at another 29 UK and South African companies. In addition, we performed analytical procedures over the remaining companies.

Key audit matters
Valuation of investment properties.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditor's report continued

To the Shareholders of Equites Property Fund Limited

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R97,700,000.
How we determined it	1% of consolidated net assets.
Rationale for the materiality benchmark applied	We chose consolidated net assets as the benchmark because, in our view, the net asset value is the key benchmark considered by users of the consolidated financial statements. We chose 1% which is consistent with quantitative materiality thresholds used for funds in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The Group consists of 38 property-owning companies, which includes industrial properties and commercial properties in South Africa and the UK. The majority of the property portfolio consists of single tenant industrial or logistical properties. The consolidated financial statements are a consolidation of all the companies in the Group.

Based on the financial significance and audit risk, we performed full scope audits at three of the South African companies, namely Equites Property Fund Limited, EA Waterfall Logistics JV Proprietary Limited and Chamber Lane Properties 3 Proprietary Limited. On a sample basis, we performed an audit of investment property related balances at a group level, which resulted in testing at another 29 UK and South African companies. In addition, we performed analytical procedures over the remaining companies in the Group.

This, together with additional procedures performed at the group level, including testing of consolidation journals and intercompany eliminations, gave us sufficient appropriate audit evidence regarding the financial information of the Group. All of the work was performed by the group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The Group's investment property portfolio is split between South Africa and the UK, with a total valuation, including the straight-lining lease adjustment, in the consolidated statement of financial position of R14,9 billion. The fair value gain recorded for the year amounts to R22 million. Refer to note 4 to the consolidated financial statements for details on the valuation of investment properties, note 23 for subsequent events and note 25.1 for the property analysis schedule. The investment properties are stated at their fair values based on directors' valuations and external valuations as deemed appropriate. The fair values of investment properties at year end were determined using the discounted cash flow, income capitalisation and top-slice income capitalisation methods of valuation. The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the forecasted future net cash flows and residual value for that particular property. In determining a property's valuation, the directors and the valuers take into account property-specific information. They apply yields and exit capitalisation rates which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. Investment property under development and vacant land are measured at fair value at year end. The Group capitalises borrowing costs on new developments that are deemed to be qualifying assets based on management's judgement in line with IFRS requirements.	We obtained an understanding of the approach followed by management for the valuation of the Group's investment property portfolio. We inspected a sample of valuation reports for the properties valued externally in the current year and assessed whether the valuation approach for each and the approach followed by management were in accordance with IFRS and suitable for use in determining the fair value for the purpose of the financial statements. We evaluated the valuers' qualifications and expertise and evaluated whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work through direct communication with the valuer, and inspection of their credentials. We also considered fee arrangements between the valuers and the Group as well as other engagements which might exist between the Group and the valuers. We did not note any aspect in this regard requiring further consideration. Our work, as detailed in the procedures below, focused on the largest properties in the portfolio and those properties where the assumptions used and/or year-on-year capital value movement suggested a possible outlier versus market data for the relevant sector. We tested the accuracy, reliability and completeness of data inputs in the directors' valuations, as well as in the valuations prepared by the valuers. We focused on the data inputs underpinning the investment property valuations for a selection of investment properties, including rental income, tenancy schedules, expenditure details and square meter details, and agreed these to appropriate documentation. We found no material deviations. We evaluated the forecasted future net cash flows by comparing them to lease agreements, and noted no material deviations. We evaluated the significant assumptions, including discount rates, capitalisation rates, exit capitalisation rates, vacancy rates, market rental growth rates and any adjustment factors by comparing it to historic and market benchmarks in order to assess whether they were in a reasonable range for the respective market, sector and asset. Our audit procedures on the above did not identify any material differences. Using our valuation expertise, we assessed, on an individual asset basis, the impact of COVID-19 on the forward rentals and capitalisation rates, adjusted for risk factors present such as the quality of the building and associated reletting prospects in the UK property portfolio. We evaluated comparable market evidence in assessing the fair value of UK properties. No material differences were found.

Independent auditor's report continued

To the Shareholders of Equites Property Fund Limited

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties continued The impact of COVID-19 has been assessed to be a non-adjusting subsequent event for the South African operations, but an adjusting subsequent event for the UK operations. The Group has considered the impact of COVID-19 on the valuation of investment properties for the UK operations. In making this assessment, the directors and valuers have considered the impact of the actions taken to curtail the spread of the virus on the valuation of its investment property on an individual asset basis. We consider the valuation of investment properties to be a matter of most significance to the current year audit because of the significance of the estimates and judgements involved in its determination.	For properties under development, we agreed the development costs incurred to relevant underlying documentation and assessed the eligibility of capitalising these costs. In respect of vacant land, we recalculated the value of the land based on comparable market data, and comparable listed sales prices. Our audit procedures on the above did not identify any material differences. In addition we attended meetings with the South African and UK valuers, at which the valuations and the key assumptions therein were discussed. We compared the valuation yields used by the directors or valuers with an estimated range of expected yields, determined via reference to published benchmarks. We also evaluated year-on-year movements in capital value with reference to published benchmarks. We found no material differences. On a sample basis, we recalculated and assessed, with reference to the contracts and the IFRS requirements, the appropriateness of the borrowing costs capitalised and also assessed management judgment in assessing when an asset becomes a qualifying asset. No material exceptions were noted. We further evaluated the appropriateness of the disclosures in the financial statements concerning the key assumptions to which the valuations are most sensitive, and the inter-relationship between the assumptions and the valuation amounts.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Equites Property Fund Consolidated annual financial statements for the year ended 29 February 2020" and the document titled "Equites Property Fund Annual financial statements for the year ended 29 February 2020, which include the Declaration by the company secretary, Audit committee report and Directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report and the other sections of the document titled "Equites Property Fund Integrated Report 2020", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Equites Property Fund Limited for 4 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Anton Wentzel
Registered Auditor

Cape Town
4 May 2020

Statement of financial position

Equites Property Fund Limited and its subsidiaries at 29 February 2020

		Group	
	Notes	29 February 2020 R'000	28 February 2019 R'000
Assets			
Non-current assets			
Fair value of investment property (excluding straight-lining)	4.1	14 517 138	11 721 087
Straight-lining lease income accrual	4.3	317 030	236 510
Deferred tax asset	11	159 870	68 930
Non-current financial assets	5.1	6 226	38 692
Property, plant and equipment	13	15 399	10 366
		15 015 663	**12 075 585**
Current assets			
Trade and other receivables	8	76 191	110 640
Other current financial assets	5.1	16 791	16 263
Cash and cash equivalents	6	53 724	36 279
		146 706	**163 182**
Investment property held-for-sale	4.2	40 455	–
Total assets		**15 202 824**	**12 238 767**
Equity and liabilities			
Equity and reserves			
Stated capital	9	8 046 457	7 026 680
Accumulated profit		1 370 734	1 442 632
Foreign currency translation reserve		242 903	(19 361)
Share-based payment reserve	10	69 496	69 842
Total attributable to owners		**9 729 590**	**8 519 793**
Non-controlling interest	7	40 434	149 919
Total equity and reserves		**9 770 024**	**8 669 712**
Liabilities			
Non-current liabilities			
Loans and borrowings	5.3	4 686 043	3 232 837
Other non-current financial liabilities	5.2	173 957	22 355
Other liabilities		4 462	2 240
		4 864 462	**3 257 432**
Current liabilities			
Trade and other payables	12	389 496	200 108
Loans and borrowings	5.3	110 000	77 687
Other current financial liabilities	5.2	67 514	33 099
Current tax liability		1 328	729
		568 338	**311 623**
Total liabilities		**5 432 800**	**3 569 055**
Total equity and liabilities		**15 202 824**	**12 238 767**

Statement of comprehensive income

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

	Notes	Group 29 February 2020 R'000	Group 28 February 2019 R'000
Property revenue and tenant recoveries	14	913 279	701 000
Straight-lining of leases adjustment	4.3	80 420	65 158
Gross property revenue		**993 699**	**766 158**
Property operating and management expenses	16	(115 893)	(107 384)
Other net gains or losses	15	(20 162)	(81 959)
Administrative expenses	16	(53 117)	(42 413)
Fair value adjustments – investment property	4	21 764	220 212
Operating profit before financing activities		**826 291**	**754 614**
Finance costs	17	(218 529)	(70 731)
Finance income	18	6 494	3 223
Net profit before tax		**614 256**	**687 106**
Tax expense	19	76 996	28 854
Profit for the period		**691 252**	**715 960**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Translation of foreign operations		262 239	293 062
Total comprehensive income for the period		**953 491**	**1 009 022**
Profit attributable to:			
Owners of the parent		682 167	669 856
Non-controlling interest	7	9 085	46 104
		691 252	**715 960**
Total comprehensive income attributable to:			
Owners of the parent		944 431	962 918
Non-controlling interest	7	9 060	46 104
		953 491	**1 009 022**
Basic earnings per share (cents)	2	128.8	149.6
Diluted earnings per share (cents)	2	128.3	148.8

Statement of cash flows

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

		Group	
	Notes	29 February 2020 R'000	28 February 2019 R'000
Cash flows from operating activities			
Cash generated from operations*	20.1	879 623	677 214
Finance costs paid	17	(98 434)	(51 243)
Finance income received	18	6 494	1 846
Tax paid		(1 969)	(734)
Dividends paid	20.2	(760 236)	(572 665)
Net cash flows generated from operating activities		**25 478**	**54 418**
Cash flows from investing activities			
Acquisition of investment properties	20.3	(1 409 323)	(1 589 514)
Development of investment properties		(806 109)	(1 447 590)
Proceeds from disposal of investment properties		–	91 771
Purchases of current financial assets[a]		(928 000)	(210 000)
Proceeds on divestment of current financial assets[a]		929 629	210 000
Purchase and development of property, plant and equipment		(338)	(5 482)
Net cash flows utilised by investing activities		**(2 214 141)**	**(2 950 815)**
Cash flows from financing activities			
Proceeds from share issue (net of costs)	9.3	742 442	1 497 705
Proceeds from share issue relating to dividend reinvestment programme	9.3	270 633	125 145
Repurchase of share capital		–	(114)
Acquisition of non-controlling interest	7.1	(101 351)	–
Settlement of share-based payment transaction		(15 818)	–
Repayment of lease liability		(3 570)	–
Proceeds from borrowings	5.3	4 575 403	3 732 162
Repayment of borrowings	5.3	(3 263 278)	(2 442 146)
Net cash flows raised from financing activities		**2 204 461**	**2 912 752**
Net increase in cash and cash equivalents		15 798	16 355
Effect of exchange rate movements on cash and cash equivalents		1 647	2 111
Cash and cash equivalents at the beginning of the year		36 279	17 813
Cash and cash equivalents at the end of the year		**53 724**	**36 279**

* The group has changed the presentation of the statement of cash flows by providing a note detailing the reconciliation of the profit before tax to cash generated from operations for both the current and prior years.

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

Statement of changes in equity

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

		Group						
	Note	Stated capital R'000	Accumulated profit R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Total attributable to parent R'000	Non-controlling interest R'000	Total R'000
Balance at 1 March 2018		5 203 773	1 339 846	(312 423)	67 578	6 298 774	109 410	6 408 184
Profit for the year		–	669 856	–	–	669 856	46 104	715 960
Other comprehensive income		–	–	293 062	–	293 062	–	293 062
Shares issued for cash	9	1 511 441	–	–	–	1 511 441	–	1 511 441
Shares issued in terms of conditional share plan	10	5 518	–	–	(5 518)	–	–	–
Equity-settled share based payment for the acquisition of land	9	194 653	–	–	–	194 653	–	194 653
Equity-settled share-based payment charge	10	–	–	–	7 782	7 782	–	7 782
Dividends distributed to shareholders	20	–	(567 070)	–	–	(567 070)	(5 595)	(572 665)
Share issue in terms of dividend reinvestment programme		125 145	–	–	–	125 145	–	125 145
Treasury shares acquired	9	(114)	–	–	–	(114)	–	(114)
Share issue costs	9	(13 736)	–	–	–	(13 736)	–	(13 736)
Balance at 28 February 2019		**7 026 680**	**1 442 632**	**(19 361)**	**69 842**	**8 519 793**	**149 919**	**8 669 712**
Balance at 1 March 2019		7 026 680	1 442 632	(19 361)	69 842	8 519 793	149 919	8 669 712
Profit for the year		–	682 167	–	–	682 167	9 085	691 252
Other comprehensive income		–	–	262 264	–	262 264	(25)	262 239
Acquisition of subsidiary with non-controlling interests	7	–	–	–	–	–	1	1
Transaction with non-controlling interests	7	–	17 195	–	–	17 195	(118 546)	(101 351)
Shares issued for cash	9	750 000	–	–	–	750 000	–	750 000
Share issue in terms of dividend reinvestment programme		270 633	–	–	–	270 633	–	270 633
Shares issued in terms of conditional share plan	10	6 702	–	–	(6 702)	–	–	–
Settlement of share-based payment transaction		–	(11 024)	–	(4 794)	(15 818)	–	(15 818)
Equity-settled share-based payment charge	10	–	–	–	11 150	11 150	–	11 150
Dividends distributed to shareholders	20	–	(760 236)	–	–	(760 236)	–	(760 236)
Share issue costs	9	(7 558)	–	–	–	(7 558)	–	(7 558)
Balance at 29 February 2020		**8 046 457**	**1 370 734**	**242 903**	**69 496**	**9 729 590**	**40 434**	**9 770 024**

Notes to the annual financial statements

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

1 Preparation of financial statements

The principal accounting policies applied in the preparation of the consolidated financial statements are set out in the notes to the annual financial statements and are consistent with those applied in the previous year, unless otherwise stated. The consolidated annual financial statements were authorised for issue by the board of directors on 4 May 2020.

1.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with IFRS, IFRIC Interpretations, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act.

1.2 Functional Currency

All items in the financial statements of the group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated annual financial statements are presented in South African Rand, which is Equites' functional and the group's presentation currency.

Foreign currency transactions are translated into the functional currency using the average exchange rates for the relevant period. These average exchange rates approximate the spot rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates, are recognised in the statement of comprehensive income.

The results and the financial position of all subsidiaries that have a functional currency that is different from the presentation currency of the group are translated into the presentation currency as follows:
- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenditure for each statement of comprehensive income presented are translated at the average exchange rates for the period; and
- All resulting translation differences are recognised in other comprehensive income and presented as a separate component of equity in the foreign currency translation reserve ("FCTR").

On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations are also taken to the FCTR. The group's net investment in a foreign operation is equal to the equity investment plus all monetary items that are receivable from or payable to the foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future.

1.3 Consolidation

Subsidiaries

Subsidiaries are entities (including structured entities) over which the group has control. Control exists when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to govern the financial and operating policies thereof. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method is used to account for business combinations. The consideration transferred is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred over the fair value of the group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration transferred is less than the group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

For acquisition of subsidiaries not meeting the definition of a business, the group allocates the cost between the individual identifiable assets and liabilities in the group on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Treatment of intra-group transactions

All intra-group transactions, balances and unrealised gains and losses on transactions between entities of the group have been eliminated. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

1.4 Standards, amendments and interpretations effective for the first time at 29 February 2020

The standards, amendments and interpretations effective for the first time in the current financial year have been summarised below. The impact of the adoption of these standards and amendments have been considered.

	Effective date (periods beginning on or after)
Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.	1 January 2019
IFRS 16 – Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual improvements cycle 2015 – 2017	1 January 2019

1.4.1 IFRS16

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

Lessor accounting

The group acts as a lessor over all its leases over its Investment Property. These leases are classified as operating leases at lease inception. The group recognises lease payments received under an operating lease as income on a straight-line basis over the lease term as part of Gross Property Revenue

The group did not need to make any adjustment to the accounting for assets held under operating leases as a result of the adoption of IFRS 16.

Lessee accounting

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at the initial amount of the lease liability adjusted for any lease payments made in advance, plus any initial direct costs incurred less any lease incentives received. A right-of-use asset in relation to leased land is recognised as Investment Property and a right-of-use asset in relation to leased office space is recognised as Property, Plant and Equipment.

The right-of-use asset recognised as Property, Plant and Equipment is subsequently depreciated using the straight-line method from the commencement date of the lease to the earlier of the end of the useful life of the asset or the end of the lease term. Right-of-use asset recognised as Investment Property is subsequently measured at fair value.

The lease liability is initially measured at the present value of the future lease payments discounted using the group's incremental borrowing rate and recognised in Trade and Other Payables. Lease payments included in the measurement of the finance lease liability comprise:
- fixed payments; and
- variable lease payments dependent on an index or a rate, initially measured using the index or rate as at the lease commencement date.

The lease liability is subsequently measured at amortised cost using the effective interest method.

A remeasurement occurs when there is a change in the future lease cash flows arising from a change in the group's assessment of whether it will exercise an extension or termination option or where variable payments become fixed. Where the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the underlying right-of-use asset.

Transition

On adoption of IFRS 16, the group recognises lease liabilities in relation to the leases which had been previously classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 March 2019. The incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 8.8%.

The group has used the following practical expedients permitted by the standard:
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review; and
- for contracts entered into before the transition date, the group relied on its assessment made applying IAS 17 and IFRIC 4.

Notes to the annual financial statements continued

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

1.4.1 IFRS16 continued

Measurement of lease liability	R'000
Operating lease commitments as at 28 February 2019	39 405
Discounted at the incremental borrowing rate	30 169
Lease liability recognised as at 1 March 2019	**30 169**
Current	3 552
Non-current	26 617
	30 169

Measurement of right-of-use assets
The associated right-of-use assets were measured at an amount equal to the lease liability as at 1 March 2019.

Adjustment recognised in the Statement of Financial Position on 1 March 2019

R'000	28 February 2019 As reported	Movement	1 March 2019 As stated
Assets			
Non-current Assets			
Investment property	11 721 087	23 624	11 744 711
Property, plant and equipment	10 366	6 545	16 911
Non-current assets	**12 075 586**	**30 169**	**12 105 755**
Total assets	**12 238 767**	**30 169**	**12 268 936**
Liabilities			
Non-current liabilities			
Other non-current financial liabilities	(22 355)	(26 617)	(48 972)
Non-current liabilities	**(3 257 432)**	**(26 617)**	**(3 284 049)**
Current liabilities			
Trade and other payables	(200 108)	(3 552)	(203 660)
Current liabilities	**(311 623)**	**(3 552)**	**(315 175)**
Total liabilities	**(3 569 055)**	**(30 169)**	**(3 599 224)**

1.5 Standards, amendments and interpretations issued but not yet effective at 29 February 2020

The table below summarises the standards, amendments and interpretations that have been published, but that are not yet effective in the current financial year and are relevant to the group. None of these standards, amendments and interpretations are expected to have a material impact on the results of the group.

International Financial Reporting Standards, interpretations and amendments issued but not effective for 29 February 2020 year-end	Effective date (periods beginning on or after)
Amendment to IFRS 3, 'Business combinations' – Definition of a business	1 January 2020
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	1 January 2020
Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform	1 January 2020

2 Earnings per share

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

Accounting Policy

Earnings and headline earnings per share are calculated by dividing the net profit attributable to owners of the parent and headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year.

Diluted earnings and diluted headline earnings per share are determined by adjusting for the impact on earnings and the weighted average number ordinary shares of all known dilutive potential ordinary shares.

Headline earnings per share is calculated in terms of the requirements set out in Circular 1/2019 issued by SAICA.

2.1 Basic earnings per share

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

2.2 Headline earnings per share

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

Notes to the annual financial statements continued

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

3 Segment information

Accounting Policy

The group identifies and presents operating segments based on the information that is provided internally to the chief operating decision maker ("CODM") which comprises the executive directors. The CODM allocates resources and assesses the performance of the operating segments of the group.

The group has assessed its operations and determines its segments as follows:
South African Industrial: this part of the business incorporates all the SA industrial and logistics assets. At year end, this comprises 50 completed properties split between prime logistics nodes in Western Cape, Gauteng and KwaZulu-Natal.
United Kingdom Industrial: this part of the business incorporates all completed buildings and development sites in the UK. At year end, this comprises 11 completed properties and 1 development in progress.
Other: all treasury functions, corporate costs and the one remaining office building are included in this segment.

Equites generates the majority of revenue from properties in SA, while the remainder of revenue is generated through properties situated in the UK. The geographic analysis of revenue is based on the country where the building is situated, and therefore where the rental income is derived. The SA and UK markets differ in terms of market risk, political risk and the processes for the purchase and letting of assets. For this reason, the CODM analyses the assets in these market separately and allocates resources according to this analysis.

The CODM primarily uses a measure of revenue and operating profits to assess the performance of the operating segment. The CODM also receives information regarding revenue and assets on a monthly basis.

Based on the nature of the business and the factors discussed above, the following segments are presented:
- SA industrial assets
- UK industrial assets
- Other

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

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

The segment information for the group for the year ended 28 February 2019 is set out below:

	Operating segments			
R'000	**SA Industrial**	**UK Industrial**	**Other**	**Total**
Statement of profit or loss and other comprehensive income				
Property revenue	532 142	153 232	15 626	**701 000**
Fair value adjustments – investment property	193 992	25 469	751	**220 212**
Operating profit before financing activities	559 042	189 099	6 473	**754 614**
Finance income	3 209	14	–	**3 223**
Finance costs	(52 454)	(18 277)	–	**(70 731)**
Statement of financial position				
Investment property	7 877 204	3 915 865	164 527	**11 957 597**
Interest bearing borrowings	2 093 005	1 217 518	–	**3 310 523**
Total assets	8 075 299	3 987 185	176 283	**12 238 767**
Total liabilities	2 262 521	1 260 549	45 985	**3 569 055**

		29 February 2020 R'000	**28 February 2019 R'000**
4	**Investment property**		
	Investment property (excluding straight-lining) (note 4.1)	12 250 065	10 028 625
	Investment property under development (note 4.1)	578 526	738 300
	Freehold land available for development (note 4.1)	1 667 045	954 162
	Right of use asset (note 4.1)	21 502	–
	Investment property held for sale (note 4.2)	40 455	–
	Straight-lining lease income accrual (note 4.3)	317 030	236 510
		14 874 623	**11 957 597**

Accounting Policy

Investment Property

Investment property is made up of the following:

- properties held for rental income and capital appreciation (not occupied by the group)
- properties under development for the purpose of earning rental income and capital appreciation
- vacant land held for the purpose of developing properties to earn rental income and capital appreciation

Investment property is initially measured at cost, including all related transaction costs. Subsequently, investment property is carried at fair value and all movements in fair value are recognised in profit or loss. The changes in the fair value is excluded from the calculation of distributable earnings.

The directors determine the fair value of investment property at each reporting period. The group targets externally valuing each income-producing property at least once every eighteen months, by a registered valuer. Adjustments to the fair value of investment properties are computed net of the impact of accounting for lease income on a straight-line basis over the term of lease. The directors confirm that there has been no material changes to the information and assumptions applied by the registered valuers.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are expensed as incurred.

Notes to the annual financial statements continued

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

4 Investment property continued

Accounting Policy continued

Investment Property continued

Lease commission expenditure is capitalised to the cost of the investment property and are amortised over the lease term.

Investment properties are derecognised either when they have been disposed of or where an individual property is permanently destroyed or its value permanently reduced as no future economic benefit is expected from it. A gain or loss arising on disposal of investment property is recognised in profit or loss. The gain or loss is measured as the difference between the proceeds and carrying amount.

Future costs or capital commitments are not included in the fair value of investment property.

Investment property under development and vacant land

Investment property under development and vacant land are measured at fair value at each reporting period.

Investment property held for sale

The following conditions must be met for an asset to be classified as held for sale:
- Management is committed to a plan to sell
- The asset is available for immediate sale
- An active programme to locate a buyer is initiated
- The sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions)
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- Actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn

Once all the above conditions have been met, investment property is classified as held for sale. A property can be available for immediate sale even though it still has a tenant occupying it. The lease will then be transferred to the new owners. Sales are initiated either directly with Equites or through a broker.

Borrowing and overhead costs capitalised

Borrowing costs comprise interest on borrowings and amortisation of capitalised loan arrangement fees.

Borrowing costs that are directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Specific borrowings: actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment income from surplus funds derived from those borrowings; and
- General borrowings: weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset(s).

Borrowing costs capitalised cannot exceed borrowing costs incurred.

A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. An asset that normally takes more than a year to be ready for use will usually be a qualifying asset. Once management chooses the criteria and types of assets, it applies this consistently to those types of asset. The group classifies the following as qualifying assets:
- Buildings under development;
- Buildings under major refurbishment; and
- Land acquired for the purpose of development.

The group commences the capitalisation of borrowing costs once finance costs are incurred and activities are undertaken that are necessary to prepare the asset for its intended use. This occurs as follows:
- Properties under development and refurbishments: once costs have been incurred; and
- Land: once land has been acquired and is in the process of being developed, i.e. when town planning, zoning, earthworks, etc commences with a view to utilising this in development.

The group ceases capitalising borrowing costs on each qualifying asset on the date on which practical completion is issued. On this date, substantially all the activities necessary to prepare the qualifying asset for its intended use are considered to be complete.

Accounting Policy continued

Leases

The group is a party to leasehold land in respect of properties located in Waterfall, Gauteng and Epping, Western Cape.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at the initial amount of the lease liability adjusted for any lease payments made in advance, plus any initial direct costs incurred less any lease incentives received. A right-of-use asset in relation to leased land is recognised as Investment Property.

There is a remeasurement when there is a change in the future lease cash flows arising from a change in the group's assessment of whether it will exercise an extension or termination option or where variable payments become fixed. Where the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the underlying right-of-use asset.

The group has used the following practical expedients permitted by the standard:
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Critical estimates and judgements – valuation of investment property

The group's investment property is based in SA and the UK and while the impact of COVID-19 is a non-adjusting event for the SA operations, it is an adjusting event for the UK operations. The disclosure requirements of IAS10 with respect to the group's SA operations are outlined in note 23.

The UK operations are separately disclosed in the movement schedule below and included within the "UK Industrial" reportable segment (as defined in IFRS 8) in note 3. The recent outbreak of COVID-19 and the related actions to curtail the spread has had a material impact on the UK economy. The group has considered the impact of the actions taken to curtail the spread on the valuation of its investment property on an individual asset basis. In particular, it has considered, inter alia:
(i) Tenant industry sectors – 64% of the group's UK tenants operate within the logistics and distribution sector while 18% manufacture and supply medical goods, both of which are largely unaffected. Furthermore, 9% of its UK tenants are national food retailers which also remain unaffected. The remaining 9% is let to a clothing retailer which is still operational;
(ii) Changes in credit risk profile of covenant – the credit risk is determined with reference to the financial strength of the covenant as well as the financial strength of any guarantor that guarantees the obligations in terms of the lease. Over 60% of the group's UK leases are guaranteed by a multinational parent company;
(iii) Recent transactions entered into since February 2020 – from recent data, it is apparent that bid levels have continued to demonstrate a strong resilience despite a drop in economic activity;
(iv) Current research performed in relation to COVID-19 – the group has considered the current research performed by major research houses in the UK outlining their views on the expected impact of COVID-19 and the sectors most exposed to the curtailment measures announced by the UK government; and
(v) Measures taken by the Bank of England's Monetary Policy Committee in responding to the reduced economic activity – the reduction in the base rate and the increase in quantitative easing has had a material impact in creating further liquidity in the market and stimulating demand.

It remains difficult to accurately quantify the impact of COVID-19 on the valuation of investment property. However, indicative information suggests that the impact on the valuation of investment property will be more closely stratified based on the quality of the property – prime assets will likely hold their value while secondary and tertiary assets are likely to see yield softening. In this regard, the group's strict investment criteria has guided it towards the acquisition of prime logistics assets which remain highly desirable.

The sensitivity analysis in note 4.4 below provides more detailed information on the changes in inputs on the valuation of investment property.

The board has used the best available evidence to determine the fair value of investment properties. This includes current market prices for properties with similar characteristics, leases and cash flow projections. As available information is not directly comparable, the amounts are determined within a reasonable range of fair value.

Notes to the annual financial statements continued

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

4 Investment property continued

Critical estimates and judgements – valuation of investment property continued

Measurement of fair values

Valuation technique

Discounted cash flow method

The fair value of each property is determined by calculating its net present value by discounting forecasted future net cash flows and a residual value at the end of the cash flow projection period by the discount rate of each property. The residual value is calculated using an appropriate exit capitalisation rate. The discount rate applied used to determine the fair value of each property is assessed with reference to observable inputs. The capitalisation rate is dependent on a number of factors, including location, asset class, market conditions, lease covenants and the risks inherent in the property.

This is the preferred method applied to our internal valuations and by the SA independent valuers for our logistics and industrial properties in the current year. The valuation method was changed from the previous year because the current valuation method provides a more representative value of fair value.

Income capitalisation method

The forward rental is based on the contractual rental income as per the lease agreement with a tenant. Where there is no tenant, or a lease is expected to expire within a 12-month period, a market related rental is assumed on the property. The capitalisation rate is based on a market related capitalisation rate, adjusted for risk factors such as the quality and the location of the building, length of lease, lease covenant and any other idiosyncratic property risks. This was considered to be the appropriate method to apply to our only commercial property in the current year.

The external valuations in the UK were performed by capitalising the current income stream by targeting a net initial yield as well as taking into account the nominal equivalent yield, as the properties are reversionary. This consideration for the length of secure income for the property, the covenant strength of the tenant, the quality of the building and associated reletting prospects. Additionally, comparable market evidence is evaluated in determining the fair value.

The fair value of properties under development is calculated by determining the expected fair value on completion, using the income capitalisation method, and deducting the expected cost to complete the development (after including an appropriate risk premium).

Top-slice income capitalisation method

Certain properties are valued using the top-slice method, which is a combination of the aforementioned two valuation techniques. Fair value is calculated by firstly capitalising net rentals by an appropriate capitalisation rate. Thereafter, a top-slice value is determined by discounting the incremental net rentals that are above-market or below-market back using an appropriate discount rate.

Significant unobservable inputs

- Expected market rental growth
- Average capitalisation yield of 8.5% (2019: 8.3%) in SA and 4.8% (2019: 4.8%) in the UK
- Discount rates applied in discounted cash flow model

Inter-relationship between unobservable inputs and fair value measurement

The overall valuations are sensitive to all three assumptions listed above. The impact of vacancy is deemed to be immaterial on the valuations as the majority of the group's leases are long dated, with no view of material vacancies in the portfolio in the near future. Management deems that the range of possible alternative assumptions is greatest for the valuation yields. The impact of changing valuation yields on the asset values is detailed in note 4.4.

Critical estimates and judgements – acquisition of property subsidiaries

Where the group obtains control of entities that own investment properties, or when the group acquires properties or a group of properties collectively, an evaluation is performed as to whether such acquisitions should be accounted for as business combinations or acquisitions in terms of IAS 40 Investment Properties. An acquisition is not considered to be a business combination if at the date of the acquisition of the entity the integrated activities deemed necessary to generate a business are not present. The group concluded that all acquisitions of properties in the current financial year were of this nature. Therefore these were accounted for in terms of IAS 40 Investment Properties.

Critical estimates and judgements – lease term

Where the group recognises a lease liability and corresponding right-of-use asset, consideration is given around the extension options of the lease, in terms of IFRS 16. An evaluation of the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option on the remaining lease term, is performed. These include an assessment of the likelihood of renewal by the tenant situated on the leasehold land, the potential business disruption by not extending and the unrecoverable costs or penalties incurred to extend or terminate the contract. The group concluded that all lease liabilities and right-of-use assets are appropriately accounted for based on the lease term and that any significant changes or circumstances in the current year to this assessment have been accounted for.

4.1 Reconciliation of investment property

	South Africa							United Kingdom			
R'000	**Logistics**	**Industrial**	**Commercial**	**Properties under development**	**Zoned industrial land#**	**Strategic land holdings#**	**Right-of-use asset**	**Logistics**	**Properties under development**	**Strategic land holdings#**	**Total**
Balance as at 28 February 2018	4 439 187	251 266	117 019	233 500	260 957	256 640	–	2 040 515	300 613	–	**7 899 697**
Acquisitions	1 112 388	–	112 000	–	347 653	120 000	–	–		92 126	**1 784 167**
Improvements and extensions	29 194	5 780	520	–	–	–	–	2 130	–	–	**37 624**
Construction and development costs	1 154	–	–	295 675	64 813	28 239	–	–	1 077 275	–	**1 467 156**
Transfers*	411 787	–	–	(206 571)	(111 321)	(93 895)	–	1 165 464	(1 073 338)	(92 126)	**–**
Letting commission capitalised	3 449	–	–	–	–	–	–	2 516	1 656	–	**7 621**
Letting commission amortised	(238)	–	–	–	–	–	–	–	–	–	**(238)**
Fair value adjustment	109 988	3 739	751	(811)	26 024	55 052	–	(3 001)	28 470	–	**220 212**
Disposals	–	–	(68 717)	–	–	–	–	–	–	–	**(68 717)**
Foreign exchange movements	–	–	–	–	–	–	–	291 734	81 831	–	**373 565**
Balance as at 28 February 2019	**6 106 909**	**260 785**	**161 573**	**321 793**	**588 126**	**366 036**	**–**	**3 499 358**	**416 507**	**–**	**11 721 087**
Change in accounting policy	–	–	–	–	–	–	23 624	–	–	–	**23 624**

Notes to the annual financial statements continued

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

4 Investment property continued

4.1 Reconciliation of investment property continued

R'000	South Africa							United Kingdom			
	Logistics	Industrial	Commercial	Properties under development	Zoned industrial land#	Strategic land holdings#	Right-of-use asset	Logistics	Properties under development	Strategic land holdings#	Total
Balance as at 1 March 2019	**6 106 909**	**260 785**	**161 573**	**321 793**	**588 126**	**366 036**	**23 624**	**3 499 358**	**416 507**	**–**	**11 744 711**
Acquisitions	–	–	–	–	80 600	–	–	797 468	86 264	479 183	**1 443 515**
Improvements and extensions	49 904	5	23	–	–	–	–	6 355	–	–	**56 287**
Construction and development costs	–	–	–	248 914	97 460	18 650	–	–	424 613	63 858	**853 495**
Transfers*	(35 140)	203 251	(40 455)	(105 188)	126 321	(189 244)	–	828 692	(832 674)	3 982	**(40 455)**
Letting commission capitalised	3 298	–	–	6 775	–	–	–	3 305	–	–	**13 378**
Letting commission amortised	(661)	–	–	–	–	–	–	(700)	–	–	**(1 361)**
Lease incentives capitalised	1 650	–	–	–	–	–	–	–	–	–	**1 650**
Lease incentives amortised	(103)	–	–	–	–	–	–	–	–	–	**(103)**
Remeasurements	–	–	–	–	–	–	451	–	–	–	**451**
Fair value adjustment	2 581	2 214	(9 952)	11 446	(5 590)	(4 490)	(2 573)	28 127	–	–	**21 764**
Foreign exchange movements	–	–	–	–	–	–	–	381 579	76	42 152	**423 807**
Balance as at 29 February 2020	**6 128 438**	**466 255**	**111 189**	**483 740**	**886 917**	**190 952**	**21 502**	**5 544 184**	**94 786**	**589 175**	**14 517 138**

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

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

	Group 29 February 2020 R'000	Group 28 February 2019 R'000
4.2 Investment property held for sale		
Opening balance	–	28 000
Transferred from investment property	40 455	–
Disposed during the year	–	(28 000)
Fair value of investment properties held for sale	**40 455**	**–**
4.3 Straight-lining lease income accrual		
Contractual lease receivables are as follows:		
Within one year	606 624	544 073
Within two years	639 677	566 887
Within three years	607 113	552 106
Within four years	491 477	489 236
Within five years	424 598	392 375
Beyond five years	1 481 912	1 219 514
	4 251 401	**3 764 191**
Less: lease revenue on straight-line basis	(3 934 371)	(3 527 681)
Straight-lining lease income accrual	**317 030**	**236 510**

We have assessed the impact of expected credit losses on the straight-lining lease income accrual. We deem the impact to be immaterial and any negative movements in the covenant would be reflected in the fair value of investment property.

External property valuations were obtained from the following independent valuers:
- Knight Frank (Pty) Ltd, Mills Fitchet Magnus Penny and Sterling Valuation Specialists in SA
- Cushman & Wakefield and Jones Lang LaSalle Ltd in the UK

R7.1 billion (2019: R2.3 billion) of the total portfolio was independently valued.

Investment properties to the value of R12.0 billion (2019: R9.7 billion) are encumbered as security against the group's loan facilities (note 5).

Capitalisation rates varied between 7.5% and 9.0% (2019: 7.0% and 13.1%) for SA properties and between 4.5% and 5.9% (2019: 4.3% and 5.3%) for UK properties.

The majority of our leases are fully repairing and insuring with the average lease expiring after 10.2 years (2019: 8.8 years). SA leases contain contractual escalations over the lease where UK leases contain rent reviews after every 5 years.

4.4 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 performed 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 performed by reference to inputs other than quoted prices that are included in level 1.
These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).
Level 3: measurements are performed by reference to inputs that are not based on observable market data.

	Group	
	29 February 2020 R'000	**28 February 2019 R'000**
Assets at fair value		
Level 1		
None	–	–
Level 2		
Financial assets at fair value (excluding derivative financial assets) (note 5)	648	2 278
Derivative financial assets (note 5)	22 370	52 677
Derivative financial liabilities (note 5)	(218 204)	(55 454)
Level 3		
Non-financial assets at fair value – investment properties	14 874 623	11 957 597

Refer to the segment report in note 3 for a breakdown per asset class, distinguished by market risk.

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

The table below illustrates the sensitivity to key inputs in determining the valuation of investment property:

	29 February 2020 R'000	28 February 2019 R'000
Sensitivity analysis to capitalisation rates		
Increase in fair value if capitalisation rates are decreased by 0.1%	199 158	73 542
Decrease in fair value if capitalisation rates are increased by 0.1%	(192 507)	(71 682)
Sensitivity analysis to market rentals		
Increase in fair value if market rentals are increased by 5%	448 531	61 450
Decrease in fair value if market rentals are decreased by 5%	(448 531)	(61 450)
Sensitivity analysis to discount rates		
Increase in fair value if discount rates are decreased by 0.1%	50 151	11 830
Decrease in fair value if discount rates are increased by 0.1%	(49 889)	(11 511)

Notes to the annual financial statements continued

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

4 Investment property continued

4.4 Fair value measurement continued

During the current year the above sensitivities are spilt between the reportable segments as follows:	Group 29 February 2020 SA Industrial	 UK Industrial	 R'000
Sensitivity analysis to capitalisation rates			
Increase in fair value if capitalisation rates are decreased by 0.1%*	82 281	116 877	**199 158**
Decrease in fair value if capitalisation rates are increased by 0.1%*	(80 365)	(112 142)	**(192 507)**
Sensitivity analysis to market rentals			
Increase in fair value if market rentals are increased by 5%	228 788	219 743	**448 531**
Decrease in fair value if market rentals are decreased by 5%	(228 788)	(219 743)	**(448 531)**
Sensitivity analysis to discount rates			
Increase in fair value if discount rates are decreased by 0.1%	26 141	24 010	**50 151**
Decrease in fair value if discount rates are increased by 0.1%	(26 010)	(23 879)	**(49 889)**
Sensitivity analysis to exit capitalisation rates			
Increase in fair value if exit capitalisation rates are decreased by 0.1%**	58 185	90 270	**148 455**
Decrease in fair value if exit capitalisation rates are increased by 0.1%**	(56 742)	(86 708)	**(143 450)**

* These sensitivities were calculated based on the implied initial yields in the current year.

** This is applicable to 2020 as the discounted cashflow method was the valuation method for non-commercial properties in the completed portfolio in the current year. This is a change to the previous financial year where the income capitalisation method was primarily used for internal valuations and the discounted cashflow method used for external valuations.

5 Financial assets and liabilities

Accounting Policy

Financial Liabilities

Borrowings are initially recognised at fair value (net of any transaction costs) and subsequently at amortised cost. Borrowings are generally long-term in nature and are classified as non-current liabilities, except to the extent that amounts are contractually unavoidable in the 12 months from the reporting date.

Borrowings and trade and other payables are classified as financial liabilities and are measured at amortised cost using the effective interest rate method.

Financial Assets

Financial assets at fair value through profit or loss are investments which were acquired principally for the purpose of selling in the short-term. These financial assets therefore are not classified either at amortised cost or fair value through other comprehensive income. Such assets are classified as current or non-current based on their expected maturity.

Derivative financial instruments

The group's derivative financial instruments comprise of interest rate and foreign exchange rate instruments and are either assets or liabilities and are classified as current or non-current based on the termination date of the instrument. Purchases and settlements of derivative financial instruments are initially recognised on the trade date at fair value and are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of derivative financial instruments are included as fair value adjustments in profit and loss together with the related interest and/or other income. Realised gains and losses in respect of interest rate derivatives are presented in finance costs. Income accrued on currency derivative instruments are presented within other net gains or losses.

The group does not apply hedge accounting and does not enter into derivative contracts for trading or speculative purposes.

		Group	
		29 February 2020 R'000	28 February 2019 R'000
5.1	**Financial assets**		
	Derivatives not specifically designated as hedging instruments	22 370	52 677
	Financial assets at fair value through profit or loss	648	2 278
	Total financial assets at fair value	**23 018**	**54 955**
	Debt instruments at amortised cost		
	Trade and other receivables	48 048	55 755
	Total financial assets (other than cash and cash equivalents)	**71 066**	**110 710**
	Total current	64 840	72 018
	Total non-current	6 226	38 692
5.2	**Financial liabilities**		
	Interest-bearing loans and borrowings		
	Secured bank borrowings		
	Non-current		
	Nedbank	1 168 546	1 198 084
	Aviva Commercial Finance	1 524 269	653 427
	Standard Bank of South Africa	314 374	220 193
	Royal Bank of Scotland	–	198 780
	ABSA Bank	123 493	172 992
	HSBC Bank	597 103	331 204
	Rand Merchant Bank	121 102	121 102
	Sanlam	38 000	38 000
		3 886 887	**2 933 782**
	Current		
	Royal Bank of Scotland	–	18 684
		–	**18 684**
	Unsecured bank borrowings		
	Current		
	Investec Bank	10 164	59 003
		10 164	**59 003**
	Unsecured bonds and commercial paper		
	Non-current		
	EQT01U	–	299 055
	EQT02U	300 000	–
	EQT002	99 799	–
	EQT003	199 698	–
	EQT004	199 659	–
		799 156	**299 055**
	Current		
	EQU0075	99 836	–
		99 836	**–**
	Total interest-bearing loans and borrowings	**4 796 043**	**3 310 524**

Notes to the annual financial statements continued

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

5 Financial assets and liabilities continued

5.2 Financial liabilities continued

Prime linked, ZAR denominated loans, bear interest at an average rate of prime less 2.05% (2019: 1.60%) while JIBAR linked, ZAR denominated loans, bear interest at an average rate of JIBAR plus 1.70% (2019: 1.81%). LIBOR linked, GBP denominated loans, bear interest at an average rate of LIBOR plus 2.00% (2019: 2.08%). Fixed, GBP denominated loans bear fixed interest which was locked in at a weighted average rate of 2.64%.

Interest is calculated daily and is payable either monthly or quarterly. The outstanding capital is repayable on the maturity dates shown in the maturity analysis below.

The group's loan agreements are subject to certain financial covenants, specifically with regards to maximum LTV and minimum interest cover ratios. The group is well within the strictest of these covenants which is 50% LTV and 2.00 times interest cover.

The group has GBP LIBOR-linked loans. For the IBOR reform, GBP LIBOR is to be replaced by SONIA by the end of 2021. The group is assessing the impact of this change on its LIBOR-linked contracts for future financial periods.

	Group	
	29 February 2020 R'000	**28 February 2019 R'000**
Other financial liabilities		
Derivatives not specifically designated as hedging instruments	218 204	55 454
Total financial liabilities at fair value	**218 204**	**55 454**
Other financial liabilities at amortised cost (other than interest-bearing loans and borrowings)		
Lease liabilities	27 049	–
Trade and other payables	304 380	179 891
Total other financial liabilities	**549 633**	**235 345**
Total current	375 676	212 990
Total non-current	173 957	22 355

5.3 Reconciliation of interest-bearing loans and borrowings

	29 February 2020 R'000	28 February 2019 R'000
Opening balance	**3 310 524**	**1 942 669**
Non-current borrowings	3 232 837	1 887 730
Current borrowings	77 687	54 939
Proceeds from borrowings	4 575 403	3 732 162
Repayment of borrowings	(3 263 278)	(2 442 146)
Interest amortisation	6 368	638
Interest accrual	–	12 304
Interest accrual reclassified to other payables	–	(18 089)
Foreign exchange on borrowings	167 026	82 985
Closing balance	**4 796 043**	**3 310 524**
Non-current borrowings	4 686 043	3 232 837
Current borrowings	110 000	77 687

5.4 Financial risk management

The group holds financial instruments mainly to finance its operations, to finance corporate transactions such as dividends, for the temporary investment of short-term funds, and to manage currency and interest rate risks. In addition, various financial instruments, for example trade receivables and payables arise directly from operations and create financial risks which are an inevitable concomitant of the group's operations. The use of debt and equity finance creates financial risks which are required to be managed to minimise the cost of capital and thereby maximise stakeholder returns. The group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), liquidity risk and credit risk.

Market risk

Market risk is the possibility that the group will experience losses due to factors that affect the overall performance of the financial markets in which it is involved. Market risk, also called systematic risk, cannot be eliminated through diversification, though it can be hedged against. From the group's perspective, the main market risks at present pertain to interest rates (both in South Africa and the United Kingdom) and foreign exchange (principally the GBP/ZAR exchange rate). In relation to interest rate risk, where an unhedged interest rate increases, ceteris paribus, the cost of funding increases, which in turn reduces the group's overall financial performance. Similarly, where a foreign currency depreciates, and the group has a net investment in that foreign currency, to the extent that it relates to an unhedged exposure, this would, ceteris paribus, result in a financial loss to the group. The group's response to market risks that it is exposed to is elucidated below.

Hedging of market risks

The group employs interest rate and foreign exchange rate derivative financial instruments to hedge some of its exposure to market risks.

	Group	
	29 February 2020 R'000	28 February 2019 R'000
Interest rate derivative instruments	(108 276)	(21 241)
Foreign exchange rate derivative instruments	(87 558)	18 464
	(195 834)	(2 777)

Interest rate risk

The group is exposed to interest rate risk on interest-bearing borrowings, cash and cash equivalents and other short-term interest-bearing investments.

An increase in the interest rate will, ceteris paribus, increase the interest cost associated with the utilisation of variable rate interest-bearing borrowings. To minimise this potential impact, the group has both natural and derivative hedging arrangements.

The group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt caused by movements in market interest rates. Furthermore, the group uses natural hedges which are embedded within lease agreements, to offset any adverse effects of an increase in interest rates with an increase in contractual rental income.

The interest rate swaps held by the group are structured to achieve the specific objective of mitigating interest rate risk. These derivative hedging instruments are structured to pay a fixed interest rate which is locked in for a defined period and to receive a floating interest rate which is linked to a market interest rate. Therefore, if the market interest rate increases during a period under which the group has outstanding interest rate swaps, both the interest cost on floating interest rate debt and the interest received under the swap will increase which creates an offsetting effect.

The group has a policy to hedge at least 80% and 70% of its exposure to floating interest rates on term loan balances and on committed future financing balances respectively on an ongoing basis. Furthermore, given the group's current strategic growth plan, exposure to future interest rate risk is also considered where a capital commitment has been made. Therefore, an assessment is regularly performed on both metrics as shown below. The group's hedge cover has been determined initially with regards to term loan balances. However, the impact of contracted capital commitments has been assessed against the current total hedge cover in line with the group's policy.

Notes to the annual financial statements continued

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

5 Financial assets and liabilities continued

5.4 Financial risk management continued

Interest rate derivative instruments

The group has the following outstanding instruments to hedge interest rate risks it is exposed to in relation to floating rate debt borrowings:

	2020		2019		Group 29 February 2020 R'000	Group 28 February 2019 R'000
Nominal amount (R'000)	**Weighted average maturity**	**Weighted effective interest rate**	**Weighted average maturity**	**Weighted effective interest rate**		
JIBAR-linked interest rate swaps	Jul-23	7.29%	Jan-22	7.66%	1 560 000	860 000
JIBAR-linked zero-cost interest rate collar	Feb-24	7.15% (floor) – 8.15% (cap)	Feb-24	7.15% (floor) – 8.15% (cap)	200 000	200 000
LIBOR-linked interest rate swaps	Jun-22	1.00%	Mar-22	1.00%	360 113	554 124
					2 120 113	**1 614 124**

Interest rate swap embedded in lease agreements

		Group 29 February 2020 R'000	Group 28 February 2019 R'000
The group has embedded interest rate hedges into some of its lease agreements as follows:			
Effective equivalent hedged value		229 627	260 567
Average maturity	31 August 2022		
Effective interest rate	9.00%		
Total nominal value of interest rate hedges		**2 349 740**	**1 874 691**
The group regularly assesses the adequacy of its interest rate cover by analysing the effective interest hedging cover on total committed future financing cash outflows as follows:			
Total nominal value of interest rate hedges		2 349 740	1 874 691
Fixed-for-floating cross currency swap		600 000	600 000
Fixed interest-bearing borrowings		1 524 243	653 427
Hedge cover		**4 473 983**	**3 128 118**
Interest-bearing borrowings		**4 796 043**	**3 310 524**
Effective hedging cover on loan balances		**93.3%**	**94.5%**
Interest-bearing borrowings		4 796 043	3 310 524
Add: contracted capital commitments (including accruals)		2 109 118	378 640
Less: equity capital raise in March 2020		(800 000)	–
Total committed future cash outflows		**6 105 162**	**3 689 164**
Hedge cover		4 473 983	3 128 118
Forward-starting interest rate swaps*		1 370 514	–
Total hedge cover		**5 844 497**	**3 128 118**
Effective interest hedging cover on total committed future floating financing cash outflows		**95.7%**	**84.8%**

* The group concluded forward-starting interest rate swaps to mitigate both GBP LIBOR and 3m JIBAR interest rate risks in line with the maturity profile of the underlying lease agreements concluded in the UK and in relation to contracted capital commitments in SA. The GBP LIBOR swaps have a notional amount of £70 million, a weighted average maturity of October 2025 and a weighted average fixed rate of 1.27% while the 3m JIBAR swaps have a notional amount of R625 million, a weighted average maturity of July 2024 and a weighted average fixed rate of 6.37%.

A significant component of the group's contracted capital commitments pertains to a future acquisition which is expected to complete in the coming months. It has therefore entered into forward-starting interest rate swaps at favourable fixed interest rates to partially mitigate the interest rate risk that arises in respect of this transaction.

The table below reflects the currency and interest rate profile of the group's loans and borrowings after the impact of interest rate hedging.

	29 February 2020			28 February 2019		
	Fixed rate interest (R'000)	**Floating rate interest (R'000)**	**Total (R'000)**	**Fixed rate interest (R'000)**	**Floating rate interest (R'000)**	**Total (R'000)**
South African Rand	2 593 163	81 508	2 674 671	1 926 022	182 406	2 108 428
Pound Sterling	1 880 819	240 553	2 121 372	1 202 096	–	1 202 096
Total	**4 473 982**	**322 061**	**4 796 043**	**3 128 118**	**182 406**	**3 310 524**
Ratio of fixed to floating	**93.3%**	**6.7%**	**100.0%**	**94.5%**	**5.5%**	**100%**
All-in ZAR effective fixed interest rate	8.55%			8.90%		
All-in GBP effective fixed interest rate	2.70%			2.89%		
All-in effective average fixed interest rate	5.94%			6.71%		
Marginal ZAR effective interest rate	8.14%			8.76%		
Marginal GBP effective interest rate	2.65%			2.83%		

Interest rate yield curve

The all-in cost of debt of the group's secured and unsecured borrowings has been outlined below:

	29 February 2020		28 February 2019	
Year	**ZAR all-in effective rate %**	**GBP all-in effective rate* %**	**ZAR all-in effective rate %**	**GBP all-in effective rate %**
FY20	7.88%	n/a	8.35%	n/a*
FY21	8.41%	n/a	8.88%	n/a*
FY22	8.52%	2.86%	9.05%	2.76%
FY23	8.84%	n/a	9.10%	3.10%
FY24 and beyond	8.88%	2.64%	9.15%	2.96%

* At 29 February 2020, the group had no facility agreements in the UK that expire before FY22.

Sensitivity analysis to interest rates

The group has calculated the sensitivity of changes in interest rates on net profit for the year assuming a reasonably likely scenario where the swap yield curve is vertically translated 50 basis points in either direction at each maturity based on current levels. As the main component of the movement in net profit for the year would arise from an accounting mismatch whereby interest rate and cross currency swaps are fair valued and the related financial liabilities are not, the group has also outlined the impact of changes in interest rates on distributable earnings which it considers to be more appropriate. The sensitivity analysis includes the impact of interest rate hedging and it assumes that other macroeconomic factors remain unchanged.

	2020		2019	
R'000	**50 bps higher during the year**	**50 bps lower during the year**	**50 bps higher during the year**	**50 bps lower during the year**
Distributable earnings	(2 758)	2 758	(1 178)	1 178
Net profit	72 407	(76 862)	61 428	(63 609)

Notes to the annual financial statements continued

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

5 Financial assets and liabilities continued

5.4 Financial risk management continued

Currency risk

Most of the group's external revenue and costs arise within SA and are denominated in South African Rand. Where the group's foreign operations trade and are funded in their functional currency, this limits their exposure to foreign exchange volatility. Therefore, the group's policy is, wherever possible, that funding should be secured in a currency to match the currency of the underlying rental cashflows to minimise foreign exchange volatility through natural hedges. Where this is not possible at competitive rates, the group enters into cross currency interest rate swaps and other derivative instruments to hedge foreign currency, capital purchases, purchase and sale commitments, interest expense and foreign currency investments. The group currently partially finances the UK expansion through a combination of SA debt and equity and therefore has foreign exchange exposure on its capital investment in the UK. The group has continued to expand into the UK during the year under review. As such, the group is exposed to currency risk, predominantly that relating to the South African Rand and the Pound Sterling.

Foreign exchange rate derivative instruments

						29 February 2020	28 February 2019
Description	**Purpose of instrument**	**Nature of the risk**	**Economic hedge effectiveness considerations**	**Weighted average maturity date**	**Weighted average fixed exchange rate**	**Nominal Amount (£'000)**	**Nominal Amount (£'000)**
GBP/ZAR cross currency interest rate swaps	Hedge net investment in group's UK operations	Foreign exchange currency risk – capital invested	The translated ZAR value of the net investment into the UK will diminish as the GBP/ZAR exchange rate falls. This will be offset (to the extent hedged) by an increase in the ZAR value of the GBP/ZAR cross currency interest rate swap	February 2021 (2019: May 2020)	R19.09/£ (2019: R18.00/£)	92 447	77 447
GBP/ZAR average rate zero-cost collars	Hedge GBP-denominated distributable income translated into ZAR	Foreign exchange currency risk – income generated	The GBP distributable earnings generated from the group's investment into the UK will be translated into a lower ZAR equivalent where the ZAR appreciates relative to the GBP. The income generated on open average rate zero-cost collars and forward exchange contracts on expiry will offset (to the extent hedged) the impact of a lower ZAR equivalent of the GBP distributable earnings	November 2020 (2019: January 2020)	R20.03/£ – R21.27/£ (2019: R19.09/£ – R20.66/£)	6 773	5 400
GBP/ZAR average rate forward exchange contracts				February 2021 (2019: March 2020)	R20.43/£ (2019: R20.77/£)	10 671	3 750

Hedging of capital investment

The table below shows the carrying amounts of the group's foreign currency denominated assets and liabilities and the percentage of foreign denominated net assets which are currently hedged:

	Group	
	29 February 2020 £'000	**28 February 2019 £'000**
Foreign denominated assets	318 351	213 504
Foreign denominated liabilities	(118 142)	(67 467)
Foreign denominated net assets	**200 208**	**146 037**
Nominal value of currency hedging instruments	92 447	77 447
Effective currency hedge cover – % of foreign-denominated net assets	**46.2%**	**53.0%**
Effective currency hedge cover – % of foreign-denominated assets	**29.0%**	**36.3%**

The group's treasury policy restricts the utilisation of cross currency interest rate swaps to 45% of foreign denominated assets over time. The group achieves this by continually monitoring its exposure to foreign exchange rates as a result of its investment into the UK. In the current financial year, it has effectively reduced its hedge cover over its net investment into the UK.

Hedging of cashflow

Equites' cashflow from its operations in the UK are exposed to movements in the GBP/ZAR exchange rate. To manage the impact of currency volatility, the group has adopted a policy of hedging at least 80% of its 12 month projected forward net cashflow and 40% of its 12-24 month projected forward net cashflow derived in foreign currency. The UK expansion plan has necessitated that all surplus net operating rental cashflows are reinvested into future developments. The future developments are therefore expected to utilise all surplus free cashflow generated in the UK over the next 24 months.

Hedging of distributable earnings

As explained above, where possible, the group continues to utilise natural hedges to minimise its exposure of fluctuations in foreign exchange rates on its distributable earnings. To this end, the group settles Pound-based interest on the open cross currency interest rate swaps which partially hedges its foreign exchange rate exposure. In relation to the residual exchange rate risk, the group assesses the likely impact on the funds to be received from its foreign operations of reasonably possible changes in the GBP/ZAR exchange rate using financial modelling and hedges its exposure to this exchange rate. The group has implemented a base hedging level for funds expected to be earned from its UK operations in the next 24 months in line with the following policy:

Period	**Base hedging level**	**Enhanced hedging level**	**Exceptional hedging level**
Months 1-6	80.0%	85.0%	90.0%
Months 7-12	70.0%	80.0%	85.0%
Months 13-18	45.0%	60.0%	70.0%
Months 19-24	30.0%	47.5%	60.0%

Notes to the annual financial statements continued

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

5 Financial assets and liabilities continued

5.4 Financial risk management continued

Hedging of distributable earnings continued

The average 12-month minimum hedging level is therefore 75% while this level tapers off with later maturities to provide the group with further upside in relation to the GBP/ZAR exchange rate. In line with the exceptional hedging level policy, the group has hedged net income to be received over the next 24 months as follows:

Six-month period ended*	Effective hedging level	Blended participation floor	Blended participation cap
31 August 2020	90.0%	R20.07/£	R20.51/£
28 February 2021	85.0%	R20.36/£	R20.94/£
31 August 2021	70.0%	R20.63/£	R20.98/£
28 February 2022	60.0%	R22.04/£	R22.04/£

*Including the impact of subsequent events

As time elapses, each maturity will move closer towards the initial period and therefore the group's minimum level of hedging will increase in line with the above policy.

Sensitivity analysis to exchange rates

The impact on net profit is principally due to the impact of the change in the exchange rate on the mark-to-market of the group's financial derivative contracts. Therefore, an analysis of the sensitivity of changes in exchange rates has been performed in relation to net profit, total equity and distributable earnings.

The likely scenario applied in this sensitivity analysis reflects two standard deviations above and below the GBP/ZAR 200-day simple moving average exchange rate. This therefore captures 95% of all price points over that period. The sensitivity analysis includes the impact of currency hedging and assumes that other macroeconomic factors remain unchanged.

	2020		2019	
R'000	4% ZAR depreciation against the GBP	16% ZAR appreciation against the GBP	4% ZAR depreciation against the GBP	14% ZAR appreciation against the GBP
Distributable earnings	688	(1 421)	1 107	(3 868)
Net profit	(90 485)	331 995	(53 798)	201 594
Total equity	86 445	(301 422)	51 370	(188 405)

Fair value measurement

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.

Liquidity risk

Liquidity risk is defined as the risk that the group would not be able to settle or meet its obligations on time or at a reasonable price. The group monitors its net liquidity position on a continuous basis on the basis of expected cash flows. The group seeks to minimise its exposure to liquidity risk by reducing its exposure to interest rate risk through its hedging strategy. The group also reduces refinancing risk through regularly reviewing the maturity profile of its financial liabilities and utilising facilities with differing maturities to reduce maturity concentration.

The table below analyses the group's financial liabilities based on their contractual maturities. The amounts shown represent the contractual undiscounted amounts.

Financial liabilities	Group 29 February 2020 R'000	Group 28 February 2019 R'000
Repayable within one year and on demand		
Borrowings	110 000	77 686
Lease liabilities	3 821	–
Interest repayments	275 032	223 075
Derivatives repayments	30 833	39 351
– Inflow	(1 205 374)	(794 901)
– Outflow	1 236 207	834 252
Trade and other payables	304 380	179 891
	724 066	**520 004**
Between two and seven years		
Borrowings	4 718 044	3 251 400
Lease liabilities	23 228	–
Interest repayments	723 387	426 736
Derivatives repayments	126 919	16 609
– Inflow	(646 208)	–
– Outflow	773 127	16 609
Trade and other payables	–	–
	5 591 578	**3 694 745**

The maturity profile of the group's total and undrawn borrowing facilities are shown below:

R'000	2020		2019	
Maturity	**Total borrowing facilities**	**Undrawn borrowing facilities**	**Total borrowing facilities**	**Undrawn borrowing facilities**
Within one year	500 000	390 000	418 684	340 997
Between one and three years	2 002 102	200 863	2 507 954	554 536
Beyond three years	2 945 529	28 724	1 297 982	–
Total	**5 447 631**	**619 587**	**4 224 620**	**895 533**

Financial liabilities	Group 29 February 2020 R'000	Group 28 February 2019 R'000
Available cash facilities		
Undrawn borrowing facilities	619 587	895 533
Equity capital raise in March 2020	800 000	–
Total	**1 419 587**	**895 533**

Notes to the annual financial statements continued

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

5 Financial assets and liabilities continued

5.4 Financial risk management continued

Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and reducing the cost of capital.

As a REIT, the group is required to declare at least 75% of its distributable profit as a dividend.

As a result of the group's dividend policy, capital expansion is funded through a combination of bank debt and equity funding. The group targets a LTV of between 25% and 35% over time. LTV is determined based on the ratio of net debt to the fair value of property assets as follows:

	Group	
	29 February 2020 R'000	28 February 2019 R'000
LTV ratio		
Net debt (excluding derivative financial instruments)	**4 741 671**	**3 271 967**
Less: equity capital raise	(800 000)	–
Net debt (including equity capital raise)	**3 941 671**	**3 271 967**
Total assets	15 202 824	12 238 767
Less: assets related to net debt	(76 742)	(91 235)
Fair value of property assets	**15 126 082**	**12 147 532**
LTV ratio	**31.3%**	**26.9%**
LTV ratio (including equity capital raise)	**26.1%**	**26.9%**

Credit risk

Credit risk is the risk of default on a financial obligation that may arise from a borrower failing to make payments when due. The group is exposed to operational credit risk where trade receivable balances fall due and payable in accordance with the applicable lease agreement. Credit risk also arises from the group's cash balances and derivative financial instruments (where these are in an asset position) held with financial institutions.

Trade and other receivables

The group has credit vetting procedures in place before entering into leases with new tenants. The group's tenants are predominantly blue-chip companies and there were no significant concentrations of credit risk at year end.

The group's exposure to credit risk arising from trade and other receivables is set out in note 8.

Financial asset held at fair value

At the end of the current financial year, the group is exposed to credit risk of R0.6 million (2019: R2.3 million) relating to its investment in a Nedbank Limited unit trust. The investment is reflected at its estimated recoverable value.

Derivative financial instruments

The group is exposed to credit risk in relation to its currency derivative instruments which were entered into to hedge foreign exchange rate risk and interest rate risk. The counterparties to these derivative financial instruments are included in note 6.

6 Cash and cash equivalents

Accounting Policy
Cash comprises cash on hand and positive bank balances. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and not subject to a significant risk of a change in value.

	Group 29 February 2020 R'000	Group 28 February 2019 R'000
6.1. Composition of cash and cash equivalents		
Current accounts	53 637	20 144
Cash on call	87	16 099
Petty cash	–	36
	53 724	**36 279**

6.2. Credit exposure of cash and cash equivalents

Credit risk in cash and cash equivalents and derivative financial assets
All cash and cash equivalents and derivative financial assets are held with reputable financial institutions. Cash balances are only retained for working capital requirements.

Credit ratings of counterparties	Moody's short-term	Moody's long-term
Nedbank Limited	P-3	Baa3
Standard Bank of South Africa	P-3	Baa3
Investec Bank Limited	P-3	Baa3
Royal Bank of Scotland International Limited	P-2	Baa1
Royal Bank of Scotland UK	P-1	A1
HSBC Bank	P-1	Aa3

Amounts in current accounts and on call are invested with reputable institutions as follows:	29 February 2020 R'000	28 February 2019 R'000
Nedbank Limited	6 813	21 712
Investec Bank Limited	956	–
Royal Bank of Scotland International Limited	–	7 875
Royal Bank of Scotland UK	29 294	765
HSBC Bank	16 661	5 891
	53 724	**36 243**

Cash and cash equivalents comprise amounts which are immediately available and the carrying amounts are equivalent to the fair values.

Notes to the annual financial statements continued

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

7 Non-controlling interests

Critical estimates and judgements – Consolidation of structured entity

The group assisted in the incorporation of the Michel Lanfranchi Foundation NPC ("the Foundation" or "MLF") which houses all the corporate social responsibility projects and initiatives of the group. The main objective of the Foundation is to contribute to educational infrastructure at primary, secondary and tertiary education level, as well as to facilitate bursaries and scholarships to deserving individuals. Equites was instrumental in the formation of the Foundation, however, following formation, the Foundation will have an independent board and operate independently of Equites. Refer to the social and ethics committee report for further details on the Foundation.

The group has applied judgement in determining the treatment of the relationship with the Foundation. An IFRS 10 assessment has been performed to determine if the group controls the MLF and its subsidiaries. While the group does not have influence over the board's decision making or operations of MLF, the assessment concluded that the group should consolidate MLF and its subsidiaries.

Pursuant to the original intention in incorporating the MLF, the group donates funds to the Foundation to achieve its purpose. There are no contractual arrangements between MLF and Equites which require Equites to donate funds to the Foundation in its discretion. The group currently has no contractual obligation to support the MLF but remains committed to ensuring that the objectives of the Foundation are met.

	Group	
	29 February 2020 R'000	**28 February 2019 R'000**
The non-controlling interest (NCI) represents the following: – 100% of the net asset value of The Michel Lanfranchi Foundation NPC, and its subsidiary – 40% of the net asset value of Equites Newlands Group Ltd, and its subsidiaries. Equites Newlands Group Ltd became part of the group in the current year – 20% of the net asset value of EA Waterfall Logistics JV (Pty) Ltd. The 20% NCI share was acquired by the group during the current year		
Non-controlling interest reconciliation		
Opening balance	149 919	109 410
Acquired interest at net asset value	1	–
Transactions with non-controlling interest	(118 546)	–
Share of profit for the year (note 7.1)	9 085	46 104
Share of other comprehensive income for the year	(25)	–
Dividend declared	–	(5 595)
Closing balance	**40 434**	**149 919**
7.1. Share of profit for the year includes the following:		
Fair value adjustment – investment property	6 664	33 825
Fair value adjustment – derivative financial assets and liabilities	–	520
Straight-lining of leases adjustment	3 809	7 616

	Group	
	29 February 2020 R'000	28 February 2019 R'000
	100%	100%*
7.2. Summarised statement of financial position		
Non-current assets	181 848	1 132 284
Current assets	2 927	20 613
Total assets	**184 775**	**1 152 897**
Non-current liabilities	149 269	522 856
Current liabilities	5 514	16 737
Total equity and liabilities	**154 783**	**539 593**
Net assets	**29 992**	**613 304**
Accumulated non-controlling interest	**40 434**	**149 919**
Summarised statement of profit and loss		
Gross property revenue	14 452	124 969
Profit for the year	**9 421**	**143 229**
Profit allocated to non-controlling interest	**9 085**	**46 104**
Dividend paid to non-controlling interest	**–**	**5 595**

* Prior year includes the financial results of EA Waterfall Logistics JV (Pty) Ltd. The 20% NCI share was acquired during the current year

8 Trade and other receivables

Accounting Policy

Trade and other receivables

Trade and other receivables are recognised at trade date at fair value and subsequently at amortised cost. Trade receivables are amounts due from tenants for contractual lease charges and recoveries and are classified as current assets unless recovery is expected more than 12 months from the reporting date.

Impairment of financial assets at amortised cost

The group recognises a loss allowance for expected credit losses on trade and other receivables which are financial assets. The amount of expected credit losses is updated at each reporting date. The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECLs), which represents the expected credit losses that will result from all possible default events over the expected life of the financial asset.

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date. The loss allowance is calculated on a collective basis for trade and other receivables in totality. Details of the provision matrix are presented below.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in the credit loss allowance.

Notes to the annual financial statements continued

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

		Group	
		29 February 2020 R'000	28 February 2019 R'000
8	**Trade and other receivables** continued		
	Trade receivables (tenants)	8 268	6 981
	Municipal deposits	12 821	9 289
	Supplier development loan (note 8.4)	14 345	17 260
	VAT receivable	21 229	52 025
	Prepaid expenses	6 914	2 860
	Sundry debtors	2 290	11 320
	Accrued income and other	10 325	10 905
		76 191	**110 640**
	Classification of trade and other receivables		
	The group's trade and other receivables have been classified as follows:		
	Financial instruments at amortised cost	48 048	55 755
	Non-financial instruments	28 143	54 885
		76 191	**110 640**
	The fair value of trade and other receivables approximates the carrying amounts.		
8.1	**Credit quality of trade receivables**		
	The credit quality of trade receivables is evaluated with reference to available financial information and history with the group and can be categorised into the following groups:		
	A – Large multinational companies, large listed companies and government organisations	8 022	5 590
	B – Smaller multinational and national tenants	–	15
	C – Other local tenants and sole proprietors	246	1 376
		8 268	**6 981**
	The maximum exposure to credit risk for trade and other receivables are the carrying values.		
8.2	**Ageing of trade receivables**		
	The ageing of trade receivables as at year end was follows:		
	Current	6 408	5 942
	1 – 30 days past due	947	356
	31 – 60 days past due	828	88
	61 – 90 days past due	–	590
	91 days past due or more	85	5
	Total	**8 268**	**6 981**

8.3 Expected credit loss allowance

The group's historical credit loss experience does not show significantly different loss patterns within the group's operating segments. The provision for credit losses is therefore predominantly based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2020		2019	
	Expected credit loss rate	Loss allowance (R'000)	Expected credit loss rate	Loss allowance (R'000)
Current	0.62%	154	0.07%	22
1 – 30 days past due	8.48%	80	7.83%	28
31 – 60 days past due	8.84%	73	8.15%	7
61 – 90 days past due	20.45%	–	19.56%	115
91 days past due or more	21.06%	18	20.10%	1
Total		**326**		**173**

	Group	
	29 February 2020 R'000	28 February 2019 R'000
Reconciliation of loss allowance		
The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:		
Opening balance	173	–
Provision raised	4 503	171
Remeasurement of loss allowance	204	–
Provisions reversed	(292)	–
Amounts written off	(4 263)	–
Foreign exchange	1	2
Closing balance	**326**	**173**

Trade receivables to the extent of R4.3m (2019: R170k) have been written off during the year.

8.4 Supplier development loan

Damon at Sons Construction (Pty) Ltd	14 345	17 260

These amounts were advanced to one of our suppliers as part of our supplier development programme and are unsecured, do not bear interest and have no fixed terms of repayment.

Notes to the annual financial statements continued

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

9 Stated capital

Accounting Policy
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

		Group	
		29 February 2020 R'000	28 February 2019 R'000
9.1	**Authorised shares**		
	2 000 000 000 (two billion) ordinary shares, of the same class and no par value.		
9.2	**Issued shares**		
	554 441 246 (2019: 503 416 786) ordinary shares, of the same class and no par value.	8 046 457	7 026 680
	The unissued shares are under the control of the directors (subject to limitations set by shareholders' resolutions) until the next annual general meeting.		
9.3	**Reconciliation of issued shares – value**		
	Opening balance	7 026 680	5 203 773
	Shares issued in respect of conditional share plan	6 702	5 518
	Shares issued for cash in accelerated book build *	750 000	1 511 441
	Shares issued for acquisition of land	–	194 653
	Shares issued in terms of dividend reinvestment programme	270 633	125 145
	Treasury shares acquired	–	(114)
	Share issue costs	(7 558)	(13 736)
	Closing balance	**8 046 457**	**7 026 680**

		Number of shares	Number of shares
9.4	**Reconciliation of issued shares – number**		
	Opening balance	503 416 786	409 973 331
	Shares issued in respect of conditional share plan	541 399	786 818
	Shares issued for cash in accelerated book build*	37 091 989	76 950 771
	Shares issued for acquisition of land	–	9 449 184
	Shares issued in terms of dividend reinvestment programme	13 391 072	6 256 682
	Closing balance	554 441 246	503 416 786

* 37,091,989 shares issued at R20.22 per share under the general authority to issue shares for cash on 12 August 2019. (2019: 40 997 333 and 35 953 438 shares issued at R19.50 and R19.80, respectively, under the general authority to issue shares for cash).

	Group	
	29 February 2020 R'000	28 February 2019 R'000
10 Share-based payment reserve		
Conditional share plan (note 10.1)	13 200	13 546
Acquisition of land (note 10.2)	56 296	56 296
	69 496	**69 842**

Accounting policy

For equity-settled share-based payment transactions, the group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the group cannot estimate reliably the fair value of the goods or services received, the group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The group operates a conditional share plan, which is classified as an equity-settled share-based payment plan, under which it receives services from employees as consideration for equity instruments of the group. The beneficiaries under the scheme are executive directors and management. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense on a straight-line basis over the vesting period, with a corresponding adjustment to the share-based payment reserve.

The total amount expensed to profit or loss is determined by reference to the fair value rights to equity instruments granted, including any market performance conditions and excluding the impact of any non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions regarding the number of shares granted that are expected to vest. At the end of each reporting period, the group revises its estimates of the number of shares granted that are expected to vest and recognises the impact of any changes in profit or loss with a corresponding adjustment to equity.

The effect of all conditional shares granted is taken into account when calculating diluted earnings and diluted headline earnings per share.

10.1 Conditional share plan

In terms of its conditional share plan ("CSP"), the group has granted conditional shares to executive directors and staff. The full details of the scheme are included in the remuneration report.

The CSP awards have been recognised as equity-settled share-based payments as a separate category within equity. The fair value of the conditional share plan charge has been measured using the Black-Scholes formula. The following assumptions were incorporated in the valuation:

Assumptions	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7
Closing number of unvested instruments – Directors	741 405	961 560	1 054 477	877 169	921 481	732 556
Closing number of unvested instruments – Other	37 394	66 648	78 116	136 929	157 381	354 562
Grant date	15 July 2015	29 February 2016	20 February 2017	21 February 2018	21 February 2019	20 February 2020
Vesting date	31 May 2020	31 May 2021	31 May 2022	31 May 2023	31 May 2024	31 May 2025
Issue price (30 day VWAP)	R11.92	R12.38	R15.97	R20.35	R20.34	R19.04
Forfeiture rate	2.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Dividend yield	8.2%	8.0%	7.5%	7.0%	7.5%	9.5%
Performance condition factor	161.2%	137.3%	117.3%	120.0%	100.0%	196.9%

Notes to the annual financial statements continued

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

10 Share-based payment reserve continued

10.1 Conditional share plan continued

Expected volatility has been based on an evaluation of the historical volatility of the group's share price since listing. The expected forfeiture rate has been based on historical experience and general employee behaviour. On an annual basis, assumptions are adjusted with the availability of objective evidence. Where these result in changes in the non-market conditions of the scheme, the cumulative impact is charged to profit and loss in the year the adjustment is made.

After 3 years from grant date the participant may elect to defer the vesting of the applicable tranche of shares by a further 24 months. This election will result in the award being increased on a 3-for-1 basis (i.e. by 33.3%). The only further vesting condition will be for the participant to remain in the group's employment for these 24 months. Should the employee leave within the 24 month period, the shares vest immediately, however, the employee forfeits the matching shares.

	Group	
	29 February 2020 R'000	**28 February 2019 R'000**
Opening balance	13 546	11 282
Expense recognised in profit or loss	11 150	7 782
Shares issued and repurchased during current year*	(11 496)	(5 518)
Closing balance	**13 200**	**13 546**

* Issued shares are subject to a 2 year restriction as detailed above. Refer to remuneration report in the Integrated Report for further detail

10.2 Acquisition of land

During FY2018, land was acquired from the Lord Trust, for a purchase consideration which was settled partly in cash and partly in a fixed value of the company's shares to be issued at a future date. The fair value of the land was determined based on open market value at the date of the transaction.

Vesting will occur on the earlier of 1 August 2020 or the commencement date of a lease between the company and a third party lessee.

	Group	
	29 February 2020 R'000	**28 February 2019 R'000**
11 Deferred tax asset		
Capital allowances	130 919	59 475
Tax losses	28 951	9 455
	159 870	**68 930**
Reconciliation of deferred tax asset		
Opening balance	68 930	32 639
Capital allowances recognised	65 315	24 125
Capital allowances utilised	(3 255)	(535)
Tax losses recognised	17 412	7 595
Tax losses utilised	–	(998)
Foreign exchange movement	11 469	6 106
Closing balance	**159 870**	**68 930**
Assessed losses for which no deferred tax asset is recognised	**140 157**	**140 157**

The group is a REIT as defined by section 25BB of the Income Tax Act which allows a deduction of the qualifying distribution to shareholders, limited to taxable income. To the extent that no tax will become payable in future as a result of section 25BB, no deferred tax was recognised on assessed losses and items such as IFRS accounting adjustments.

Deferred tax is not recognised on the fair value adjustment of investment properties as capital gains tax is not applicable in terms of section 25BB. In addition, section 25BB does not allow for allowances relating to immovable property. Allowances granted in prior years, before becoming a REIT must be recouped in the year the immovable property is sold. A deferred tax liability will be recognised on the recoupment to the extent it will result in a tax liability after the qualifying distribution deduction.

Deferred tax asset has been recognised on tax losses to the extent that there are future taxable profits against which it can be offset. Recognised tax losses relate to tax obligations to Her Majesty's Revenue and Customs ("HMRC") under the non resident landlord scheme ("NRLS"). Deferred tax is recognised on capital allowances to be granted in future years.

12 Trade and other payables

Accounting Policy

Trade and other payables

Trade and other payables are classified as financial liabilities where they meet the definition of a financial liability. These are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after year end.

Lease liabilities are initially measured at the present value of the future lease payments discounted using the group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments and variable payments dependent on an index or a rate, initially measured using the index or rate as at the lease commencement date. It is remeasured when there is a change in the future lease cash flows arising from a change in the group's assessment of whether it will exercise an extension or termination option or where variable payments become fixed.

Critical estimate and judgements – measurement of lease liability

Equites pays land rental in Waterfall, Gauteng when the buildings are subleased. In determining the lease liability for the Waterfall leases, Equites looks to the lease term and lease payments of the underlying sub-lease agreement, in calculating the amount that will form part of the right-of-use asset and lease liability of the head lease agreement, as this portion has been determined to be in substance fixed.

	Group	
	29 February 2020 R'000	**28 February 2019 R'000**
Tenant deposits	28 001	20 437
Trade payables and accruals	274 826	154 391
Rent received in advance	81 333	23 266
Shareholders for dividends	115	111
Lease liabilities	3 783	–
Other payables	1 438	1 903
	389 496	**200 108**
Current	389 496	200 108
Non-current	–	–
	389 496	200 108

The fair value of trade and other payables approximates the carrying amounts.

Notes to the annual financial statements continued

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

13 Property, plant and equipment

Accounting Policy

Property, plant and equipment are tangible assets held by the group for administrative and operational purposes and are expected to be used during more than one period. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the buildings, machinery, equipment and vehicles and is depreciated on a straight-line basis, from the date it is available for use, at rates appropriate to the various classes of assets involved, taking into account the estimated useful life and residual values of the individual items, as follows:

– Computer equipment	3 years
– Furniture and fittings	6 years
– Motor vehicles	5 years
– Right-of-use asset	20 years
– Buildings	20 years
– Land	n/a

The group determines the estimated useful lives, residual values and the related depreciation charges at acquisition and these are reviewed at each statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are expensed as incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal or scrapping of property, plant and equipment, being the difference between the net proceeds on disposal or scrapping and the carrying amount, are recognised in profit or loss.

Impairment of non-financial assets

The carrying amounts of the group's non-financial assets are reviewed for indicators of impairment at each reporting date. Where such indicators exist, the assets recoverable amount is estimated.

Where the carrying value of an asset exceeds its estimated recoverable amount, the carrying value is impaired and the asset is written down to its recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. These calculations are prepared based on management's assumptions and estimates such as forecasted cash flows, management budgets and financial outlook. For the purpose of impairment testing the assets are allocated to cash-generating units. Cash-generating units are the lowest levels for which separately identifiable cash flows can be determined.

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset has decreased or no longer exists and recognises a reversal of an impairment loss. Impairment losses are only reversed to the extent that they do not increase an asset's carrying value above the carrying value it would have been if no impairment loss had been recognised.

Impairment losses and reversal are recognised in profit or loss.

Leases

The group is a party to a lease in respect of its Cape Town office, situated in the Portside building.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at the initial amount of the lease liability adjusted for any lease payments made in advance, plus any initial direct costs incurred less any lease incentives received. A right-of-use asset in relation to leased offices is recognised as Propery, Plant and Equipment.

It is remeasured when there is a change in the future lease cash flows arising from a change in the group's assessment of whether it will exercise an extension or termination option or where variable payments become fixed. Where the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the underlying right-of-use asset.

The group has used the following practical expedients permitted by the standard:
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Critical estimates and judgements – lease term

Where the group recognises a lease liability and corresponding right-of-use asset, consideration is given around the extension options of the lease, in terms of IFRS 16. An evaluation of the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option on the remaining lease term, is performed. These include an assessment of the potential business disruption by not extending and the unrecoverable costs or penalties incurred to extend or terminate the contract. The group concluded that the lease liabilities and right-of-use assets are appriopriately accounted for based on the lease term and that any significant changes or circumstances in the current year to this assessment have been accounted for.

	Group					
R'000	**Furniture and fittings**	**Computer equipment**	**Buildings**	**Land**	**Right-of-use asset**	**Total**
At 28 February 2018						
Cost	3 358	451	3 920	1 551	–	9 358
Accumulated depreciation	(1 290)	(266)	(195)	–	–	(1 829)
Carrying value	**2 068**	**185**	**3 725**	**1 551**	**–**	**7 529**
For the year ended 28 February 2019						
Opening carrying value	2 068	185	3 725	1 551	–	7 529
Additions	5 223	289	–	–	–	5 512
Disposals	(1 210)	–	–	–	–	(1 210)
Depreciation charge for the year	(1 089)	(180)	(196)	–	–	(1 465)
Closing carrying value	**4 992**	**294**	**3 529**	**1 551**	**–**	**10 366**
At 28 February 2019						
Cost	6 099	594	3 920	1 551	–	12 164
Accumulated depreciation	(1 107)	(300)	(391)	–	–	(1 798)
Carrying value	**4 992**	**294**	**3 529**	**1 551**	**–**	**10 366**
For the year ended 29 February 2020						
Opening carrying value	4 992	294	3 529	1 551	–	10 366
Change in accounting policy					6 545	6 545
Balance as at 1 March 2019	**4 992**	**294**	**3 529**	**1 551**	**6 545**	**16 911**
Additions	145	193	–	–		338
Depreciation charge for the year	(1 110)	(217)	(196)	–	(327)	(1 851)
Closing carrying value	**4 027**	**271**	**3 332**	**1 551**	**6 218**	**15 399**
At 29 February 2020						
Cost	6 244	787	3 920	1 551	6 545	19 047
Accumulated depreciation	(2 217)	(516)	(588)	–	(327)	(3 648)
Carrying value	**4 027**	**271**	**3 332**	**1 551**	**6 218**	**15 399**

Notes to the annual financial statements continued

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

14 Revenue

Accounting Policy

Revenue comprises the following:

- Contractual rental income
- Tenant recoveries
- Property management fees

Contractual rental income from operating leases are recognised on a straight-line bases over the term of the lease taking into account fixed escalations. Lease incentives are recognised, on a straight-line basis, as a reduction of rental income over the lease period.

Tenant recoveries are as a result of the group recovering costs of providing the tenant with services as determined by the lease agreement. The group negotiates the terms of the service, manages the relationship with the suppliers and is liable for payment (even if the property is vacant or the expense is not recovered from the tenant), and therefore maintains primary responsibility for providing the service. The group acts as a principal on its own account when recovering operating costs from tenants.

Property management fees are levied in order to cover the costs of managing the property operationally, drafting contractual agreements, managing municipal accounts and all other elements of the property as defined in the agreement.

Rental income received in advance is recognised as a current liability as part of trade and other payables in the statement of financial position.

	Group	
	29 February 2020 R'000	**28 February 2019 R'000**
Property revenue (note 14.1)	913 279	701 000
Straight-line lease rental adjustment	80 420	65 158
	993 699	**766 158**

14.1 Property revenue

	29 February 2020 R'000	28 February 2019 R'000
Property revenue*	788 978	606 238
Tenant recoveries (note 14.2)	123 044	93 864
Property management fee	1 257	898
	913 279	**701 000**

* A single tenant, classified as part of the South African Industrial segment, constitutes 13.8% of the group's property revenue.

Refer to note 25 for revenue disaggregation by sector, location and tenant grade

	29 February 2020 R'000	28 February 2019 R'000
Recoverable expenses	109 249	96 516
Non-recoverable expenses	6 644	10 868
	115 893	**107 384**

14.2 Tenant recoveries

	29 February 2020 R'000	28 February 2019 R'000
IFRS 16 variable recoveries	61 787	48 691
IFRS 15 tenant recoveries	61 257	45 173
	123 044	**93 864**

	Group	
	29 February 2020 R'000	28 February 2019 R'000
15 Other net gains or losses		
Income from foreign exchange derivative instruments	127 336	110 584
Fair value adjustment on foreign exchange derivative instruments	(174 082)	(199 402)
Insurance recoveries	5	419
Profit/(Loss) on sale of investment property	–	(4 947)
Loss on scrapping of property, plant and equipment	–	(1 210)
Foreign exchange gain	12 995	3 459
Sundry income	11 405	2 322
Sundry income – capital in nature (non-distributable)	2 180	6 816
	(20 162)	**(81 959)**
16 Expenses by nature		
Composition of property management and administrative expenses		
Employee benefits (note 16.1)	35 742	30 539
Operating and administrative expenses (note 16.2)	133 268	119 258
Total property management and administrative expenses	**169 010**	**149 797**

Accounting Policy

Low value leased assets

Printing rentals for office printers is recognised in other operating expenses and has been separately disclosed below. The group has applied the exemption in IFRS 16 for these assets and a lease liability and right-of-use asset has not been recognised for these assets.

Short-term employee benefits

Wages, salaries, paid annual leave and other costs of short-term employee benefits are recognised as employee benefit expense in profit or loss in the period in which the services are rendered.

Short-term bonuses

The group recognises an expense in profit or loss and accrues for short-term bonuses in the statement of financial position where such payments can be contractually determined or where past practice has created a constructive obligation.

	Group	
	29 February 2020 R'000	28 February 2019 R'000
16.1 Employee benefits		
Salaries and wages	15 013	15 917
Executive director and public officer's emoluments (note 16.4)	20 925	18 305
Non-executive directors' emoluments (note 16.3)	2 424	2 116
Equity-settled share-based payment expense (note 10.1)	11 150	7 782
Capitalised to investment property	(13 770)	(13 581)
	35 742	**30 539**

Notes to the annual financial statements continued

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

	Group	
	29 February 2020 R'000	28 February 2019 R'000
16 Expenses by nature continued		
16.2 Operating and administrative expenses		
Property taxes and utility expenses	90 935	88 091
Property operational costs	24 958	19 293
Auditor's remuneration	1 611	1 591
Bad debts	4 178	170
Depreciation of property, plant and equipment (non-distributable)	1 851	1 465
Professional, secretarial and other administrative expenses	16 700	16 552
Rental expense*	89	2 019
Other operating expenses	4 933	430
Overheads capitalised to investment property	(11 987)	(10 352)
	133 268	**119 258**

* Rental expense in the current year relate to leases of low-value assets that are not shown as a right-of-use asset, under IFRS 16. Prior year rental expense includes lease payments recognised under IAS17

16.3 Non-executive directors' emoluments

The following fees were paid to non-executive directors for their services as directors:

Director (R'000)	Fees – 2020	Fees – 2019
Leon Campher	545	518
Nazeem Khan	398	342
Ruth Eleanor Benjamin-Swales	394	305
Giancarlo Lanfranchi	225	214
Kevin Dreyer	207	181
André Gouws	191	160
Mustaq Brey	296	217
Gugu Mtetwa	106	180
Eunice Cross	30	–
Keabetswe Ntuli	30	–
	2 424	**2 116**

16.4 Executive director and public officer's emoluments

Remuneration paid to executive directors for 2020 comprised:

Director (R'000)	Salary	Benefits	Performance bonus	Total	Dividend equivalent on EOS	Value of equity settled share based payment incentives granted	Total
Andrea Taverna-Turisan	3 450	28	4 151	7 629	1 230	3 080	11 939
Gerhard Riaan Gous	2 560	29	2 569	5 158	912	2 151	8 221
Laila Razack*	1 072	35	198	1 305	306	258	1 869
Bram Goossens**	4 256	17	2 560	6 833	912	–	7 745
	11 338	**109**	**9 478**	**20 925**	**3 360**	**5 489**	**29 774**

* Laila Razack was appointed as Interim Chief Financial officer effective from 1 January 2020.

** Bram Goossens resigned from the group effective 31 December 2019. The "salary" line item includes notice pay and leave encashment which was due to him. A settlement of R8.6 million in respect of his long-term incentive scheme was paid out in cash, with a further R0.7 million awarded in shares.

Remuneration paid to executive directors for 2019 comprised:

Director (R'000)	Salary	Benefits	Performance bonus	Total	Dividend equivalent on EOS	Value of equity settled share based payment incentives granted	Total
Andrea Taverna-Turisan	3 286	1 264	3 943	8 493	579	2 933	12 005
Gerhard Riaan Gous	2 438	35	2 438	4 911	429	2 048	7 388
Bram Goossens	2 438	25	2 438	4 901	429	2 048	7 378
	8 162	**1 324**	**8 819**	**18 305**	**1 437**	**7 029**	**26 771**

The three executive directors listed above are considered to be key management personnel.

	Group 29 February 2020 R'000	Group 28 February 2019 R'000
17 Finance costs		
Interest expense on borrowings	250 695	165 443
Interest on lease liabilities	2 443	–
Finance costs relating to interest rate derivatives	9 890	6 611
Fair value movement on interest rate derivatives	105 234	15 077
Interest on utility accounts and other	107	129
Borrowing costs capitalised to investment property[a]	(149 840)	(116 529)
	218 529	**70 731**

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

	Group 29 February 2020 R'000	Group 28 February 2019 R'000
Reconciliation of finance costs expense to finance costs paid		
Interest accrued opening balance	19 853	10 497
Finance costs	218 529	70 731
Derivative settlement	1 111	5 583
Fair value movement on interest rate derivatives	(105 234)	(15 077)
Interest amortisation	(6 368)	(638)
Interest accrued closing balance	(29 457)	(19 853)
Finance costs paid during the year	**98 434**	**51 243**

Notes to the annual financial statements continued

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

18 Finance income

Accounting Policy
Finance income comprises interest earned on positive bank balances, short-term investments and on overdue accounts. Interest is recognised in profit or loss using the effective interest rate method.

	Group	
	29 February 2020 R'000	28 February 2019 R'000
Interest received from tenants	768	245
Interest received on financial assets at fair value	4 314	1 377
Interest received on call and current account balances	1 412	1 601
	6 494	**3 223**

19 Current and deferred tax expense

Accounting Policy
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position. Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

South African tax laws

The income tax expense for the period comprises current and deferred income tax and is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it will also be recognised in other comprehensive income or directly in equity as applicable. The group is a REIT and all subsidiaries in the group are "controlled companies" (as defined in the Income Tax Act). The group applies judgement in determining what income sources constitute "rental income" as defined by section 25BB of the Income Tax Act. After deducting "qualifying distributions" from taxable income, no income tax is payable in the current year.

United Kingdom tax laws

Income tax expense for the period with HMRC office under NRLS is calculated as 20% of taxable income.

Change in United Kingdom tax law

From 6 April 2020, companies subject to NRLS will become subject to UK corporation tax ("CIT"). The tax rate would change from 20% under NRLS to 19% under CIT. However, there are a number of provisions which restrict the deductibility of expenses, such as the Corporate Interest Restriction, that would be deductible under NRLS. In addition, companies can make use of group relief for all losses generated under CIT. Tax losses incurred under NRLS will be carried forward to CIT and may be offset against future taxable income. The treatment of capital allowances remains unchanged and companies can continue to utilise allowances under CIT.

	Group 29 February 2020 R'000	Group 28 February 2019 R'000
Tax expense		
Current tax	2 476	1 332
Deferred tax	(79 470)	(30 186)
	(76 996)	**(28 854)**
Reconciliation between applicable tax rate and effective tax rate		
Profit before tax	614 256	687 106
Income tax at 28%	171 992	192 390
Accounting adjustments – Fair value	72 115	(6 483)
Accounting adjustments – IFRS	(19 247)	(13 496)
Non-deductible expenses	3 468	29
Deemed gross income	1 580	–
Wear and tear allowances	(372)	–
Exempt income	(287)	–
UK Capital allowances	(86 883)	(33 025)
UK Tax losses recognised	(24 376)	(9 235)
Foreign tax differential	30 797	11 541
Qualifying S25BB REIT distribution	(225 783)	(170 574)
Tax expense	**(76 996)**	**(28 854)**
Effective tax rate	-12.5%	-4.2%

20 Notes to the statement of cash flows

20.1 Cash generated from operations

	Group 29 February 2020 R'000	Group 28 February 2019 R'000
Profit before tax	614 256	687 106
Adjusted for:		
Finance costs	218 529	70 731
Finance income	(6 494)	(3 223)
Loss on disposal of investment property	–	4 947
Foreign exchange differences	(12 995)	(3 459)
Loss on disposal of property, plant and equipment	–	1 210
Straight-lining of leases adjustment	(80 420)	(65 158)
Fair value adjustments – investment property	(21 764)	(220 212)
Fair value adjustments – foreign exchange derivative instruments	174 082	199 402
Depreciation and amortisation	3 315	1 702
Equity-settled share based payment charge	11 150	7 782
Working capital movements:		
Decrease/(increase) in trade and other receivables	36 589	(48 611)
(Increase)/decrease in foreign exchange derivatives	(67 772)	46 080
Increase/(decrease) in trade and other payables	11 147	(1 083)
Cash generated from operations	**879 623**	**677 214**

The group has changed the presentation of the statement of cash flows by providing a note detailing the reconciliation of the profit before tax to cash generated from operations for both the current and prior years. The change in presentation is more relevant because it addresses the needs of economic decision-making users through a clear reflection of the quality of the earnings without the unnecessary distraction of a number of reconciling items. The information previously disclosed remains part of the notes to the financial statements.

Notes to the annual financial statements continued

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

		Group	
		29 February 2020 R'000	28 February 2019 R'000
20	**Notes to the statement of cash flows** continued		
20.2	**Dividend paid**		
	Final dividend prior year paid	353 979	257 801
	Interim dividends declared and paid	378 882	293 423
	Antecedent dividends paid	27 375	15 846
	Amount paid to non-controlling interest	–	5 595
		760 236	**572 665**
20.3	**Cash paid in respect of investment property acquired**		
	Investment property acquired	1 443 515	1 784 167
	Shares issued in acquisition	–	(194 653)
	Deferred revenue recognised in property acquisitions	(34 192)	–
		1 409 323	**1 589 514**
21	**Capital commitments**		
	Authorised and contracted for acquisition or construction of new industrial properties	1 901 346	378 640
	Authorised but not contracted	46 509	313 662
		1 947 855	**692 302**

22 Related parties

Related party relationships exist between the company, its subsidiaries, directors, and key management of the group. Refer to the Director's Report for a list of all subsidiaries and structured entities consolidated. The group acquired 60% of the net asset value of Equites Newlands Group Limited and its subsidiaries during the current year. Refer to note 7.

Remuneration paid to directors is set out in note 16.

Details of the conditional share plan in which the directors participate are provided in note 10.

Details of directors' interest in the ordinary shares of the group are provided in the directors report.

	Group	
	29 February 2020 R'000	28 February 2019 R'000
In the ordinary course of business, the group entered into the following other transactions with related parties:		
Dividend paid to related party shareholders	137 570	138 216
Fees paid to BTKM (Pty) Ltd (in which Nazeem Khan is a director)	299	525
Fees paid to Automotion (Pty) Ltd (in which Kevin Dreyer is a director)	32	29
	137 901	**138 770**

23 Subsequent events

23.1 Impact of the Coronavirus disease (COVID-19)

On 11 March 2020, the World Health Organisation ("WHO") declared COVID-19 a pandemic. Within three weeks, both the SA and UK government introduced significant measures to curtail business activities in an attempt to reduce the spread of coronavirus. As a result of these measures, most businesses have been affected, either positively or negatively. Where adverse consequences have arisen, the group has evaluated the likely impact on its liquidity forecast, its assessment of expected credit losses, the valuations of investment properties and other concomitant financial exposures. In evaluating whether the impact of COVID-19 is an adjusting or non-adjusting subsequent event, the group considered all available information that was relevant in making that assessment. Although highly subjective, it considered, inter alia, the following key trigger events; (i) the declaration of COVID-19 as a pandemic by the WHO; (ii) the dates on which various measures were taken by national and provincial governments to curtail business activities; (iii) the first positive COVID-19 case in each jurisdiction; (iv) the first COVID-19 death in each jurisdiction; (v) the cumulative extent of testing undertaken in each jurisdiction to establish how widespread the disease is at various dates, and; (vi) the salient dates in which scientific research had been published to outline the likely effects of the disease on human life (including expected mortality rates, rates of spread etc.). Based on its assessment for the group's 29 February 2020 financial year-end, it has concluded that the impact of COVID-19 is an adjusting event in respect of its UK operations and a non-adjusting event in respect of its SA operations. Please refer to note 4 for more information about the impact of COVID-19 on the valuations of the group's investment property situated in the UK.

Overall impact assessment

While the impact of the curtailment of business activities has affected most enterprises, the group's logistics facilities have remained resilient due to the fact that its tenants utilise the facilities for storage and distribution purposes and the majority of its tenants are intricately involved in the supply of essential goods.

The group has therefore not seen a significant adverse impact as a result of COVID-19 to date. However, it remains cautious and continues to evaluate the possible future effects on the business below.

i) Going concern assessment

Going concern is inextricably linked to the group's solvency and liquidity as these critical aspects of the financial health of a business forecast its ability to continue into the foreseeable future. Given the impact of COVID-19, it is possible that doubt has been cast over the ability of a number of entities to continue as a going concern.

The group, however, has recently been capitalised to the extent of R0.8bn and currently has R1.5bn in cash and available facilities. Furthermore, it has postponed all discretionary expenditure, including a number of developments, until a more accurate picture of the likely impact is known.

Based on the group's current liquidity forecast (which it has stressed for a number of highly unlikely scenarios and included consideration that at least 75% of distributable profits are declared to maintain REIT status) there is no reasonably possible scenario that would cast doubt over its ability to continue as a going concern.

ii) Expected credit loss assessment

The impact on the calculation of the lifetime expected credit losses determined as part of the simplified approach for lease receivables and trade receivables was considered. In particular, the group assessed which of its tenants, if any, have pre-existing conditions which would impair their ability to honour their lease commitments. In performing this exercise, the group stratified its tenants based on the quality of the covenant and used evidence gathered between the reporting date and the date on which the financial statements were authorised for issue. Based on the evidence obtained, it remains unlikely that any increase in the lifetime expected credit losses will be material.

iii) Valuation of investment property

The group underwent a similar exercise with both its SA and UK operations with respect to understanding the likely impact on the valuation of investment property. Details of the exercise performed in relation to the UK operations is outlined in note 4. The group has concluded, based on its analysis, that it remains difficult to accurately quantify the impact of COVID-19 on the valuation of investment property. However, indicative information suggests that the impact on the valuation of investment property will be more closely stratified based on the quality of the property – prime assets will likely hold their value while secondary and tertiary assets are likely to see yield softening. In this regard, the group's strict investment criteria has guided it towards the acquisition of prime logistics assets which remain highly desirable.

23.2 Equity capital raise

On 3 March 2020, the group raised R800 million through an oversubscribed accelerated bookbuild by issuing 43 million shares at a share issue price of R18.70.

Notes to the annual financial statements continued

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

24 Separate annual financial statements

Separate statutory annual financial statements for Equites Property Fund Limited in accordance with International Financial Reporting Standards and the requirements of the Companies Act have been prepared and issued as separate financial statements. Please refer to these financial statements for the company balances, transactions, and disclosures. These have been issued separately for ease of reference purposes.

25 Property analysis

25.1 Property schedule

Property name	Location	Country	Gross lettable area (m^2)	Average rental per m^2 (rand)	Value (R'000)	Date of last external valuation
Logistics properties						
Equites Park – Meadowview West 8	Meadowview, Gauteng	SA	42 546	Note 1	945 000	29 Feb 2020
Scimitar Way	Coventry	UK	19 880	Note 1	876 990	29 Feb 2020
Dodwells Road	Hinckley	UK	27 725	Note 1	779 974	28 Feb 2019
Super G	Wakefield	UK	24 340	Note 1	666 830	Note 2
Peterborough Gateway 1	Peterborough	UK	28 124	Note 1	649 941	29 Feb 2020
Island Road West	Reading	UK	11 027	Note 1	638 435	Note 2
Germiston 1	Germiston, Gauteng	SA	40 428	Note 1	476 000	29 Feb 2020
Big Stan	Stoke-on-Trent	UK	20 410	Note 1	413 088	28 Feb 2019
DC3 Sideway	Stoke-on-Trent	UK	19 510	Note 1	412 373	29 Feb 2020
Longmeadow	Meadowview, Gauteng	SA	37 834	Note 1	367 000	29 Feb 2020
Equites Park – Meadowview East 18	Meadowview, Gauteng	SA	28 527	Note 1	363 696	31 Aug 2019
Peterborough Gateway 2	Peterborough	UK	12 608	Note 1	312 723	Note 2
New Germany	New Germany, Pinetown	SA	28 383	Note 1	281 000	29 Feb 2020
The Hub – Unit 3	Burgess Hill	UK	4 961	Note 1	272 454	Note 2
The Hub – Unit 1	Burgess Hill	UK	3 985	Note 1	271 830	29 Feb 2020
Equites Park – Lords View 1	Lords View, Gauteng	SA	22 100	Note 1	256 629	28 Feb 2019
Parc Felindre	Swansea	UK	5 500	Note 1	250 915	Note 2
Equites Park – Meadowview East 11	Meadowview, Gauteng	SA	14 159	Note 1	234 400	29 Feb 2020
Equites Park – Lords view 4	Lords View, Gauteng	SA	15 155	Note 1	214 377	31 Aug 2019
Equites Park – Atlantic Hills 1	Atlantic Hills, Western Cape	SA	17 607	Note 1	206 000	29 Feb 2020
Waterfall 9B	Waterfall, Gauteng	SA	6 650	Note 1	191 000	29 Feb 2020
Waterfall 8A	Waterfall, Gauteng	SA	12 638	Note 1	181 600	29 Feb 2020
Philippi 1	Philippi, Western Cape	SA	15 798	Note 1	173 100	29 Feb 2020
Parow Industria 3	Parow, Western Cape	SA	10 226	Note 1	149 996	28 Feb 2019
Waterfall 9D	Waterfall, Gauteng	SA	8 087	Note 1	139 600	29 Feb 2020
Germiston 2	Germiston, Gauteng	SA	13 802	Note 1	135 509	28 Feb 2019
Equites Park – Meadowview West 3	Meadowview, Gauteng	SA	10 470	Note 1	133 022	29 Feb 2020
Waterfall 22B#	Waterfall, Gauteng	SA	10 522	Note 1	130 444	31 Aug 2019
Parow Industria 1	Parow, Western Cape	SA	10 308	Note 1	128 237	31 Aug 2019
Equites Park – Belville 2	Bellville, Western Cape	SA	4 345	Note 1	120 774	28 Feb 2019
Waterfall 8B	Waterfall, Gauteng	SA	8 690	Note 1	116 000	29 Feb 2020
Airport Industria 1	Airport Industria, Western Cape	SA	9 388	Note 1	107 306	29 Feb 2020
Equites Park – Lords View 2	Lords View, Gauteng	SA	11 366	Note 1	102 500	29 Feb 2020
Epping Industria	Epping, Western Cape	SA	8 177	Note 1	100 888	28 Feb 2019
Parow Industria 2	Parow, Western Cape	SA	7 930	Note 1	98 714	28 Feb 2019
Waterfall 22C	Waterfall, Gauteng	SA	5 027	Note 1	93 900	29 Feb 2020
Equites Park – Belville 3	Bellville, Western Cape	SA	5 983	Note 1	74 373	Note 2
Waterfall 9A	Waterfall, Gauteng	SA	3 963	Note 1	73 000	29 Feb 2020
Waterfall 9C	Waterfall, Gauteng	SA	3 219	Note 1	73 000	29 Feb 2020
Equites Park – Meadowview West 6	Meadowview, Gauteng	SA	6 205	Note 1	66 900	29 Feb 2020
Equites Park – Meadowview West 4	Meadowview, Gauteng	SA	5 000	Note 1	65 000	29 Feb 2020

Property name	Location	Country	Gross lettable area (m^2)	Average rental per m^2 (rand)	Value (R'000)	Date of last external valuation
Logistics properties continued						
Equites Park – Meadowview West 7	Meadowview, Gauteng	SA	8 230	Note 1	61 400	29 Feb 2020
Equites Park – Atlantic Hills 2	Atlantic Hills, Western Cape	SA	4 874	Note 1	58 487	29 Feb 2020
Equites Park – Atlantic Hills 5	Atlantic Hills, Western Cape	SA	5 844	Note 1	58 142	29 Feb 2020
Airport Industria 3	Airport Industria, Western Cape	SA	4 855	Note 1	56 600	29 Feb 2020
Waterfall 22A	Waterfall, Gauteng	SA	4 666	Note 1	54 900	29 Feb 2020
Airport Industria 4	Airport Industria, Western Cape	SA	3 936	Note 1	51 271	28 Feb 2019
Milnerton 2	Milnerton, Western Cape	SA	5 150	Note 1	50 200	29 Feb 2020
Equites Park – Atlantic Hills 3	Atlantic Hills, Western Cape	SA	4 200	Note 1	47 327	31 Aug 2019
Equites Park – Atlantic Hills 4	Atlantic Hills, Western Cape	SA	3 200	Note 1	43 300	29 Feb 2020
Milnerton 3	Milnerton, Western Cape	SA	4 900	Note 1	41 400	29 Feb 2020
Airport Industria 5	Airport Industria, Western Cape	SA	2 919	Note 1	39 803	28 Feb 2019
Airport Industria 6	Airport Industria, Western Cape	SA	3 004	Note 1	33 300	29 Feb 2020
Equites Park – Meadowview West 2	Meadowview, Gauteng	SA	3 280	Note 1	30 202	29 Feb 2020
Total logistics properties			**661 661**	**93.1**	**11 970 852**	
Non-logistics properties						
Industrial						
Equites Park – Belville 1	Bellville, Western Cape	SA	5 239	Note 1	153 576	28 Feb 2019
Airport Industria 7	Airport Industria, Western Cape	SA	5 549	Note 1	101 900	29 Feb 2020
Equites Park – Saxdowne 1	Bellville, Western Cape	SA	4 066	Note 1	65 200	29 Feb 2020
Milnerton 1	Milnerton, Western Cape	SA	2 888	Note 1	63 500	29 Feb 2020
Equites Park – Saxdowne 2	Bellville, Western Cape	SA	1 895	Note 1	37 600	29 Feb 2020
Equites Park – Meadowview East 16	Meadowview, Gauteng	SA	1 117	Note 1	30 000	29 Feb 2020
Milnerton 4	Milnerton, Western Cape	SA	3 300	Note 1	29 700	29 Feb 2020
Equites Park – Meadowview East Cell Tower 12	Meadowview, Gauteng	SA	98	Note 1	1 265	Note 2
Equites Park – Meadowview East Cell Tower 11	Meadowview, Gauteng	SA	81	Note 1	1 074	Note 2
Commercial*						
Jet Park	Jet Park, Gauteng	SA	14 255	Note 1	111 189	Note 2
Total non-logistic properties			**38 488**	**97.4**	**595 004**	
Total income earning properties			**700 149**	**93.3**	**12 565 856**	

* Excludes properties that are held for sale as at 29 February 2020

50% ownership

Note 1: The rental per m² for single-tenanted buildings has not been disclosed.

Note 2: These properties have been completed less than eighteen months ago, therefore have not been externally valued previously and will be considered as part of the next valuation cycle to better align with the implementation of the targeted group policy.

Notes to the annual financial statements continued

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

25 Property analysis continued

25.1 Property schedule continued

Property name	Location	Country	Value (R'000)
Properties under development			
Equites Park – Meadowview West 19B	Meadowview, Gauteng	SA	107 964
Equites Park – Meadowview West 19A	Meadowview, Gauteng	SA	104 926
Total Park	Leeds	UK	94 786
Equites Park – Plumbago West 1	Witfontein, Gauteng	SA	79 097
Airport Industria 2	Airport Industria, Western Cape	SA	67 583
Equites Park – Plumbago West 2	Witfontein, Gauteng	SA	60 077
Equites Park – Meadowview West 8	Meadowview, Gauteng	SA	44 508
Philippi 2	Philippi, Western Cape	SA	19 585
Total properties under development			**578 525**
Vacant land			
Zoned industrial land			
Gauteng	Witfontein, Meadowview, Lords view	SA	730 895
Western Cape	Saxdown, Parow	SA	74 733
KwaZulu-Natal	Cornubia	SA	81 288
Total zoned industrial land			**886 917**
Strategic land holdings			
Gauteng	Witfontein, Meadowview	SA	190 952
United Kingdom	Basingstoke, Peterborough, Nottingham	UK	589 175
Total strategically held land			**780 127**
Total land holdings			**1 667 044**
Total properties, developments and vacant land			**14 811 425**

25.2 Tenant profile

	Revenue (R'000)	Revenue (%)	Gross lettable area (m^2)	Gross lettable area (%)	Number of tenants	Number of tenants %
A – Large nationals, large listeds companies and government	858 259	94.0%	631 938	90.2%	61	80.3%
B – Smaller international and national tenants	33 268	3.6%	27 684	4.0%	8	10.5%
C – Other local tenants and sole proprietors	21 752	2.4%	16 641	2.4%	7	9.2%
Vacant lettable properties	–	–	23 886	3.4%	–	–
	913 279	**100.0%**	**700 149**	**100.0%**	**76**	**100.0%**

25.3 Sectoral profile (including vacancy profile)

	Revenue (R'000)	Revenue (%)	Gross lettable area (m^2)	Gross lettable area %	Vacancy area (m^2)	Vacancy (%)
Logistics	834 925	91.4%	661 661	94.5%	9 631	1.4%
Industrial	56 297	6.2%	24 233	3.5%	–	–
Commercial	22 057	2.4%	14 255	2.0%	14 255	100.0%
	913 279	**100.0%**	**700 149**	**100.0%**	**23 886**	**3.4%**

25.4 Geographical profile

	Revenue (R'000)	Revenue (%)	Gross lettable area (m^2)	Gross lettable area %
Gauteng	465 104	50.9%	338 115	48.3%
Cape Town	187 928	20.6%	155 581	22.2%
KwaZulu-Natal	27 322	3.0%	28 383	4.1%
United Kingdom	232 925	25.5%	178 070	25.4%
	913 279	**100.0%**	**700 149**	**100.0%**

25.5 Lease expiry profile

Lease expiry profile based on gross lettable area	**Logistics**	**Industrial**	**Commercial**	**Total**
Vacant	1.5%	–	100.0%	3.4%
Expiry in the year to 28 February 2021	3.0%	–	–	2.8%
Expiry in the year to 28 February 2022	2.4%	0.3%	–	2.3%
Expiry in the year to 28 February 2023	10.6%	13.6%	–	10.5%
Expiry in the year to 29 February 2024	10.9%	34.8%	–	11.5%
Expiry in the year to 28 February 2025	10.0%	34.5%	–	10.6%
Thereafter	61.6%	16.8%	–	58.9%
	100.0%	**100.0%**	**100.0%**	**100.0%**

Lease expiry profile based on revenue	**Logistics**	**Industrial**	**Commercial**	**Total**
Monthly	–	–	–	–
Expiry in the year to 28 February 2021	2.8%	0.6%	–	2.6%
Expiry in the year to 28 February 2022	2.1%	10.2%	–	2.6%
Expiry in the year to 28 February 2023	8.6%	5.8%	–	8.4%
Expiry in the year to 29 February 2024	12.0%	28.7%	–	13.1%
Expiry in the year to 28 February 2025	11.7%	40.1%	–	13.5%
Thereafter	62.8%	14.6%	–	59.8%
	100.0%	**100.0%**	**–**	**100.0%**

25.6 Weighted average escalations, lease expiry and yield

Sector	**Yield (%)**	**Lease Expiry (years)**	**Escalation (%)**
South Africa – Logistics	8.4	7.4	7.6
South Africa – Industrial	9.7	4.9	8.1
South Africa – Commercial#	n/a	–	–
		7.2	**7.7**
United Kingdom – Logistics*	4.8	14.1	n/a
Average annualised portfolio		**10.2**	

* Majority of the leases for properties in the United Kingdom are structured with five year annual rent reviews and not fixed annual escalations

\# Vacant at year end

Appendix 1

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

Reconciliation between earnings and distributable earnings

Distributable earnings policy

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

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

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

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

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

Distributable earnings

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

+ Non-controlling interest

* **Antecedent dividend**
In the determination of distributable earnings, an adjustment is made where equity capital is raised during the financial year to avoid diluting the returns of existing shareholders prior to the share issue. During the reporting period, the group issued the majority of the shares pursuant to the accelerated bookbuild on 5 August 2019 and the two divident reinvestment programmes in June and October 2019 which gave rise to antecedent earnings included above.

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

Dividends declared and distribution per share

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

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

Appendix 2

Equites Property Fund Limited and its subsidiaries at 29 February 2020

Shareholder analysis

Shareholder spread	Number of Shareholdings	% of total shareholdings	Shares held	% Held
1 – 1 000 Shares	1 529	29.5%	539 220	0.1%
1 001 – 10 000 Shares	2 501	48.2%	8 564 052	1.5%
10 001 – 100 000 Shares	761	14.7%	25 586 305	4.6%
100 001 – 1 000 000 Shares	283	5.5%	93 774 900	16.9%
1 000 001 Shares and over	113	2.1%	425 976 769	76.9%
	5 187	**100.0%**	**554 441 246**	**100.0%**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Shares held	% Held
Banks, Brokers & Nominees	21	0.4%	3 944 625	0.7%
Close Corporations	58	1.1%	553 873	0.1%
Collective Investment Schemes	300	5.8%	168 220 696	30.3%
Control Accounts and Unclaimed Shares	2	0.0%	5	0.0%
Hedge Funds	2	0.0%	44 298	0.0%
Insurance & Assurance Corporate Funds	20	0.4%	15 583 578	2.8%
Lending, Collateral & Pledged Accounts	32	0.6%	54 773 336	9.9%
Non-SA Custodians	43	0.8%	40 578 782	7.3%
NPO & Charity Funds	81	1.6%	2 741 794	0.5%
Organs of State & Public Entities	23	0.4%	10 419 296	1.9%
Pooled & Mutual Funds	174	3.4%	9 414 617	1.7%
Private Companies	224	4.3%	72 190 271	13.0%
Retail Individuals	3 152	60.8%	18 110 431	3.3%
Retirement Benefit Funds	242	4.7%	134 181 697	24.2%
Trusts & Investment Partnerships	813	15.7%	23 683 947	4.3%
Total	**5 187**	**100.0%**	**554 441 246**	**100.0%**

Shareholder Type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-Public Shareholders	32	0.6%	102 144 043	18.4%
Beneficial Holders > 10%	1	0.0%	58 961 496	10.6%
Directors and Associates (Indirect Holdings)	5	0.1%	41 621 922	7.5%
Directors and Associates (Direct Holdings)	26	0.5%	1 560 625	0.3%
Public Shareholders	5 155	99.4%	452 297 203	81.6%
Total	**5 187**	**100%**	**554 441 246**	**100%**

K. Dreyer acquired of 2 208 752 indirectly held shares on 9 March 2020.There have been no other changes to the directors' interest in the company's shares between the end of the financial year on 29 February 2020 and the approval of the financial statements.

Beneficial Shareholders Holding > 3% of Issued Shares	Total shareholding	% Held
Government Employees Pension Fund	66 165 711	11.9%
Old Mutual Group	39 203 762	7.1%
Newshelf 1331 (Pty) Ltd	34 896 552	6.3%
Momentum Metropolitan	18 773 839	3.4%
Absa Group	18 043 653	3.3%
Stanlib	16 719 464	3.0%
State Street Bank (Custodian)	16 682 884	3.0%
	210 485 865	**38.0%**

Fund Managers Holding > 3% of Issued Shares	Total shareholding	% Held
Public Investment Corporation	66 990 821	12.1%
Old Mutual Investment Group	40 888 982	7.4%
Sesfikile Capital	27 002 959	4.9%
Absa Asset Management	25 923 134	4.7%
Stanlib Asset Management	23 831 809	4.3%
Prudential Investment Managers	20 193 946	3.6%
Ninety One	17 449 999	3.2%
	222 281 650	**40.2%**

Beneficial holding by region	Total shareholding	% Held
South Africa	498 527 608	89.9%
United States	35 100 272	6.3%
Mauritius	9 889 754	1.8%
Italy	2 716 627	0.5%
Namibia	1 999 161	0.4%
Belgium	1 919 653	0.4%
Balance (not listed above)	4 288 171	0.7%
	554 441 246	**100.0%**

Total number of shareholders	**5 187**
Total number of shares in issue	**554 441 246**

Share price performance	
Opening Price 1 March 2018	R19.97
Closing Price 28 February 2019	R20.08
Closing High for period	R21.65
Closing low for period	R17.42
Opening Price 1 March 2019	R20.02
Closing Price 28 February 2020	R17.27
Closing High for period (17 & 21 October 2020)	R22.13
Closing Low for period (28 February 2020)	R17.27
Number of shares in issue	554 441 246
Volume traded during period	183 772 758
Ratio of volume traded to shares issued (%)	33.1%
Market capitalisation at 29 February 2020	R9 575 200 318

Glossary

%pt	Percentage point
A-grade	Large nationals, large listeds and government
AGM	Annual general meeting
AI	Artificial intelligence
BBBEE	Broad-Based Black Economic Empowerment
BBBEE Act	Broad-Based Black Economic Empowerment Act No. 53 of 2003
Black	as defined in the BBBEE Act
board	Equites Property Fund Limited's board of directors
CAGR	Compound annual growth rate
CCIRS	Cross-currency interest rate swaps
CEO	Chief executive officer
CFO	Chief financial officer
chair	Chairperson
Chairman	Chairman of the Equites Property Fund Limited's board
CIT	UK corporation tax
CODM	Chief operating decision maker
company	Equites Property Fund Limited
Companies Act	Companies Act of South Africa, 2008 as amended
COO	Chief operating officer
CSDP	Central securities depository participant
CSP	Conditional share plan
DAS	Damon At Sons Construction Proprietary Limited
DCF	Discounted cash flow
dividend reinvestment alternative	election to reinvest cash dividend in return for Equites shares
DMTN	Domestic medium-term note
DPS	Distribution per share
EOS	executive outperformance scheme
Equites	Equites Property Fund Limited
ESD	Enterprise and supplier development
executives	Executive directors
FCTR	Foreign currency translation reserve
Foundation	The Michel Lanfranchi Foundation NPC
GBP	Great British Pound
GDP	Gross domestic product
GLA	Gross lettable area
group	Equites Property Fund Limited and its subsidiaries
HMRC	Her Majesty's Revenue and Customs
IFRS	International Financial Reporting Standards
IP	Intellectual property
JSE	Johannesburg Stock Exchange
King IV	King IV Report on Corporate Governance for South Africa
KZN	Kwa-Zulu Natal
LDT	Last date to trade
LEAP	LEAP Science and Maths Schools
LED	Light Emitting Diode
Lifetime ECL	Lifetime expected credit losses
LTI	Long term incentives
LTV	Loan-to-value
MOI	Memorandum of Incorporation
NAV	Net asset value
NCI	Non-controlling interest
Newlands	Newlands Property Developments LLP
NRLS	Non-Resident Landlord Scheme
OECD	Organisation for Economic Co-operation and Development
Prologis	Prologis Inc.
R&C	Risk and capital
REIT	Real Estate Investment Trust
RFP	Request for proposal
SA	South Africa(n)
SAPY	South Africa Listed Property Index
SAPY benchmark	This benchmark has been set as SA REIT's that are constituents of the SAPY weighted by market capitalisation
SARB	South African Reserve Bank
SDG	UN Sustainable Development Goals
SET	Social, ethics and transformation
STI	Short-term cash incentives
TGP	Total guaranteed pay
UK	United Kingdom
VWAP	volume weighted average price
WALE	Weighted average lease expiry
WHO	World Health Organisation
ZAR	South African Rand
Zibula	Zibula Advisory

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