equites
PROPERTY FUND

Preliminary summarised audited consolidated financial statements for the year ended **28 February 2018**

Highlights

- Growth in distributions per share of 12.2% over the comparative period to a total of 123.86 cents per share for the year ended 28 February 2018
- NAV per share growth of 8.8% from R14.12 to R15.36 for the year
- 30% growth in fair value of property portfolio from R6.2 billion to R8.1 billion (including assets held for sale at year end)
- R1.015 billion capital raised through an accelerated book-build in August 2017
- Further expansion into the UK through the acquisition of a completed warehouse in Coventry and entering into two development funding agreements for the construction of warehouses in Reading and Peterborough
- Significant increase in acquisition and development pipeline to R1.8 billion at year end
- Introduction of Dividend Re-investment Programme

Commentary

Preliminary summarised audited consolidated financial statements for the year ended 28 February 2018

1. Nature of the business

Equites Property Fund Limited remains the only pure-play logistics property company listed on the JSE. The company is a Real Estate Investment Trust ("REIT") and substantially all property and asset management functions are performed internally. Equites' value proposition has always been a focus on the top-end of the logistics property market in key logistics nodes which generate sustainable returns. The strong base portfolio of high quality assets is complemented by Equites' proven ability to develop A-grade logistics buildings internally and unlock key logistics nodes.

2. Commentary on results

This fourth set of financial results since listing cements a track-record of strong distribution and net asset value growth. Equites' focus on high quality logistics assets has rewarded its shareholders with a total return well in excess of the sector average for each of the past three financial years.

The current year has seen a massive shift in the South African ("SA") macroeconomic environment; the first half of the year was dominated by political instability, the aftermath of credit rating downgrades and flailing investor confidence while the second half was buoyed by the election of a new president of the republic which appeared to usher in an improved state of stability for the economy. Globally, the past year has presented strong economic activity driven by trade growth, favourable monetary policies and positive investor confidence.

Despite the uncertainty in the South African market, the group remained insulated from many of the shocks to the economy as a result of its continued focus on strong property fundamentals which resulted in no tenant defaults across the portfolio and very low vacancies at year end. The group also used the prime conditions in global markets to further expand its international business in a continued effort to diversify from the emerging market risks and capitalise on opportunities to build a high-quality logistics portfolio in one of the most sophisticated markets in the world.

While focussed on building a strong portfolio of high quality logistics assets in both SA and the United Kingdom ("UK") which is well positioned for long-term sustainable returns, the group remains mindful of short-term returns to shareholders. For the year under review, the group delivered 12.2% growth in total distributions per share from the prior reporting date. The growth in distribution for the year was primarily attributable to the following:

- Like-for-like rental growth remained strong, contributing 9% to overall distribution per share ("DPS") growth and financial leverage contributing 1.9% growth;
- The disposal of four commercial properties during the current year contributed 0.6% to DPS growth as these offices would otherwise have generated negative growth; and
- Raising capital at a premium to net asset value created a differential between the marginal cost of debt and the effective yield of the equity price achieved which added 0.9% to DPS growth.

Equites understands the importance of delivering strong financial results, but this does not detract from the core focus of building a portfolio of high-quality logistics assets which is well positioned to deliver long-term shareholder value. The strong property fundamentals across the portfolio are testament to the quality of the assets. 89% of revenue is derived from blue chip tenants on long leases, with 76.1% of leases expiring more than 4 years into the future. Following the disposal of the four commercial properties during the current year, the portfolio comprises 99% industrial properties.

The company continues to see strong demand for modern distribution centres in the major logistics nodes in both SA and the UK. This growth is driven by the evolution of the retail supply chain, which places emphasis on modern logistics facilities driving efficiencies in the process and the accelerating impact of e-commerce. Equites has positioned itself as a logistics asset provider of choice in South Africa as it has demonstrated the ability to meet major tenants' requirements when upgrading to modern facilities with high specification levels, which improve the efficiency of their operations. Equites has a committed development and acquisition pipeline of R930 million in South Africa and R855 million in the UK which demonstrates the deal making ability of management.

Commentary (continued)

3. Distributable earnings

The board declared a final dividend of 62.88 cents per share on 7 May 2018 further to total interim dividends of 60.98 cents per share. This brings the total distributions for the year ended 28 February 2018 to 123.86 cents per share, which is a 12.2% growth over the prior year total distributions of 110.37 cents per share. The total distributions slightly exceed the previous guidance of 12%.

Dividends declared (cents per share)	% change	Feb 18	Feb 17
Interim dividends	12.0	60.98	54.44
Final dividend	12.4	62.88	55.93
Total distributions for the period	**12.2**	**123.86**	**110.37**

The net asset value of the company was 1 536 cents per share at 28 February 2018. This amounts to an 8.8% growth on the prior year closing net asset value of 1 412 cents per share. The UK portfolio supported this growth as a result of significant yield compression in UK logistics assets.

4. Material transactions and acquisitions

4.1. Disposal of commercial properties

Equites disposed of three of its multi-let commercial properties and one single-let commercial property during the year under review. All of these properties were situated in Cape Town. Three of these properties were classified as held for sale at 28 February 2017. The decision to dispose of its commercial properties is in line with the group's strategic decision to focus on high quality logistics assets and contributes to the group's stated intention of providing investors with pure exposure to the buoyant logistics sector, both in SA and the UK.

4.2. Completion of DSV distribution centre acquisition, Stoke-On-Trent, UK

Equites concluded its third acquisition in the UK in terms of which Equites International Ltd, a subsidiary of Equites, acquired a 19 511 square meter distribution centre let to DSV Solutions Ltd ("DSV") situated at Prologis Park, Sideway, Stoke-on-Trent, England. The purchase consideration was GBP18.1 million and the transaction was concluded off-market. Following the fulfilment of all the conditions precedent, the DSV transaction was completed on 29 June 2017.

4.3. Acquisition of Kuehne + Nagel distribution centre, Coventry, UK

Equites concluded an agreement with Travis Perkins Properties Ltd to acquire a recently developed, 19 881 square meter cross-docking distribution centre situated in Coventry, England for a consideration of GBP41.0 million. The property is let on a 15-year lease to Kuehne + Nagel Ltd and Equites completed the acquisition on 1 December 2017. This property is situated in one of the most coveted logistics nodes in the UK and represents an excellent addition to the Equites International portfolio.

4.4. Acquisition of DHL distribution centre in Reading, UK

Equites entered into a development funding agreement to develop a distribution centre to be let to DHL International (UK) situated in Reading, England on a 15-year lease. The agreement consisted of the acquisition of 7.96 acres of vacant land for GBP 9.7 million and a development funding agreement in terms of which Equites will fund the development of a 9 325 square metre 'last mile' distribution warehouse to the value of GBP 15.9 million. The expected completion for this warehouse is December 2018.

4.5. Acquisition of DSV distribution centre in Peterborough, UK

Equites entered into a development funding agreement to develop a distribution centre to be let to DSV Solutions Ltd, situated in Peterborough, UK, on a 10-year lease. The agreement consisted of the acquisition of 13.26 acres of vacant land for GBP 4.7 million and a development funding agreement in terms of which Equites will fund the development of a 27 871 square metre distribution warehouse to the value of GBP 25.3 million. The expected completion date for this warehouse is August 2018.

4.6. Rohlig-Grindrod distribution centre completion

Equites completed construction of a 28 527 square metre state-of-art distribution centre and offices for Rohlig-Grindrod (Pty) Ltd, which is an associate company of Grindrod Ltd ("Grindrod"). The warehouse was to be owned in equal shares by Equites and a subsidiary of Grindrod, with each party owning an undivided half share of the developed property. An agreement was subsequently concluded whereby Equites settled the difference between the cost and the mutually agreed fair value of 50% of the property and retained the entire property. Equites subsequently concluded an agreement with Ilanga Lakusasa (Pty) Ltd ("Ilanga"), a subsidiary of the Michel Lanfrachi Foundation NPC ("the Foundation"), which is a broad-based ownership scheme established for the advancement of educational and social ventures, whereby Equites disposed of a 50% undivided half-share of the property to Ilanga. Equites funded this transaction by advancing a loan to Ilanga equal to the purchase price. The rationale for the sale is to allow the Foundation to generate a sustainable source of income which will be applied to charitable causes in line with a clearly defined mandate.

4.7. Federal Mogul development

Equites concluded a development agreement with Federal Mogul of South Africa (Pty) Ltd, a global supplier of quality products to the automotive industry. The warehouse will have a gross lettable area ("GLA") of 9 313 square meter and a capital value of R95 million. The development lease includes an option to extend the warehouse by a further 5 000 square meter at the option of the tenant. The warehouse and office will serve as the SA headquarters of the global business and estimated completion is February 2019.

4.8. Land available for development

Equites has acquired additional land holdings in extent of 9.6 hectares in Meadowview, Gauteng and 12.1 hectares in Lords View, Gauteng with a strong conviction that these will continue to be strong logistics nodes. Following these acquisitions, the group has 49.5 hectares of prime, serviced industrially zoned land available for development between Cape Town and Gauteng. Equites is pursuing a number of opportunities for distribution centres on these parcels of land which will continue to contribute to a healthy development pipeline.

4.9. Other

The group is in the advance stages of completing the new premier FMCG building at Lord's View. The building is expected to be completed in July 2018 and will have a capital value of R165 million. The group commenced construction on three speculative units at Equites Park Atlantic Hills, Cape Town, and one at Lords View in Gauteng. As at year end, one of the speculative units in Atlantic Hills has been let to an existing tenant, JF Hillebrand South Africa (Pty) Ltd, who currently occupies the adjacent property. The remaining speculative builds are being actively marketed and we have received a number of enquiries from prospective tenants.

5. Funding

The group targets a conservative loan-to-value ("LTV") of between 25% and 35%, which balances financial gearing with a robust balance sheet. In order to fund its growing development and acquisition pipeline, the company raised R1.015 billion in a heavily oversubscribed accelerated book-build in August 2017. Consequently, the LTV at 23.5% was slightly below the target range at year end.

100% of the SA and UK interest-bearing debt was hedged at an average effective all-in rate of 9.03% and 2.86% respectively. The current LTV levels also provide an opportunity to exploit lower interest rates in SA. The marginal cost of debt funding has decreased by 27 basis points over the past 12 months and over 50 basis points if you include the recent 25 basis points decrease in the repurchase rate announced on 28 March 2018. Current JIBAR swap yield curves have also provided an opportunity to lock-in these relatively low interest rates over the next 3-5 years.

The group has improved its liquidity risk management by extending the debt maturity profile and augmenting borrowing facilities to complement its growth plan. Current undrawn borrowing facilities at year-end increased to R1.05 billion, representing 35% of the group's total borrowing facilities. The group has continued to phase the maturity of its debt in line with the duration of the weighted average lease expiry ("WALE") of its base portfolio considering the refinancing risk on an asset-specific basis.

6. Vacancies

For the first time in our trading history, we have an industrial vacancy at Tower Road situated in the Cape Town Airport Industrial precinct. This industrial space of 9 098 square metre underwent a full refurbishment during the year to uplift the property to modern logistics standards. At year end, the property remains vacant and is currently being marketed to several interested tenants. This vacancy brings the total vacancy to 2% across the portfolio. For the year ending February 2019, 7 leases are due for renewal and as at the date of this report, all of these have been renewed. On aggregate, these renewals were negotiated at 6% above the exit rentals, which reflects the company's ability to sustain rental growth with well located, high-specification logistics properties.

7. Prospects

The company aims to continue providing investors with pure exposure to modern logistics properties, an asset class which has proven its resilience and is growing exponentially globally. The company continues to focus on exceptional property fundamentals in an attempt to build a world-class logistics portfolio. This uncompromising approach may, in the short-term, inhibit portfolio growth in South Africa as the lack of economic growth will impact the pace at which Equites rolls out its development pipeline. There is, however, no doubt that shareholders will benefit from this approach in the medium to long-term.

The board expects that the company will achieve between 10-12% distribution growth per share over the next financial year. This guidance is based on the assumptions that a stable macro-economic environment will prevail, no major corporate failures will occur, the rand/pound exchange rate remains materially unchanged and tenants will be able to absorb the recovery of rising utility costs and municipal rates. This forecast has not been audited or reviewed by Equites' auditors.

Commentary (continued)

8. Subsequent events

The following significant subsequent events have occurred since year end, none of which had an effect on the results in the financial statements:

- The property "Execujet Wings" which was let to the global international air services provider, Dnata, was presented as "held for sale" at the reporting date. This property was transferred to Dnata (the purchaser) on 15 March 2018. The selling price was reflective of the fair value of the property and the sale of the property is in line with Equites' strategy to focus on non-specialised logistics properties with strong fundamentals
- After year-end, the group acquired two properties in South Africa currently let to Nestlé (South Africa) (Pty) Ltd and Pick n Pay Retailers (Pty) Ltd for a combined purchase consideration of R648 million subject to Competition Commission approval. The effective date of the acquisition is estimated to be 1 July 2018.
- The group concluded a pre-let forward funding agreement for the development of a distribution warehouse in Peterborough, UK with a maximum commitment of GBP13 million which will be let to Coloplast Ltd on a new 10-year fully repairing and insuring lease. The development is estimated to be completed in March 2019.

9. Basis of preparation

The preliminary summarised consolidated financial statements are prepared in accordance with the JSE Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. Except for the adoption of revised and new standards that became effective during the year, all accounting policies applied in the preparation of these summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements. There was no material impact on the annual financial statements as a result of the adoption of these standards.

The auditors, PricewaterhouseCoopers Inc., have issued their opinion on the group's annual financial statements for the year ended 28 February 2018. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. These preliminary summarised consolidated financial statements have been derived from the group annual financial statements and are consistent, in all material respects, with the group annual financial statements. The directors take full responsibility for the preparation of the preliminary summarised audited consolidated financial statements and for ensuring that the financial information has been correctly extracted from the underlying audited annual financial statements. A copy of their audit report is available for inspection at the Equites' registered address. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying annual financial information from Equites' registered address.

Bram Goossens (CA) SA, in his capacity as Financial Director, was responsible for the preparation of these summarised consolidated financial results.

10. Declaration of a cash dividend with the election to reinvest the cash dividend in return for Equites shares

Notice is hereby given of the declaration of the final dividend number 9 of 62.88143 cents per share.

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 share reinvestment alternative"). Those shareholders who elect not to reinvest will receive a gross cash dividend of 62.88143 cents per share. The entitlement for shareholders to receive the share reinvestment alternative is subject to the board agreeing on the pricing and terms of the share reinvestment alternative. The board in its discretion may withdraw the share 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, 22 May 2018.

A circular providing further information in respect of the cash dividend and share reinvestment alternative (the circular) will be posted to shareholders on Friday, 11 May 2018. Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker should instruct their CSDP or broker with regard to their election in terms of the custody agreement entered into between them and their CSDP or broker. The distribution of the circular and/or accompanying documents and the right to elect shares in jurisdictions other than the Republic of South Africa (SA) may be restricted by law and any failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdictions. Shareholders' rights to elect shares are not being offered, directly or indirectly, in the United Kingdom (UK), European Economic Area (EEA), Canada, United States of America (USA), Japan or Australia unless certain exemptions from the requirements of those jurisdictions are applicable

Tax implications

In accordance with Equities' status as a REIT, shareholders are advised that the cash dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The dividend will be deemed to be a dividend for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders, provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

a) a declaration that the dividend is exempt from dividends tax; and
b) a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

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

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. On 22 February 2017, the dividends withholding tax rate was increased from 15% to 20% and accordingly, any distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 50.30515 cents per share. A reduced dividend withholding rate in terms of the applicable DTA, may only be relied upon if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

a) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
b) a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

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

The following salient dates and times apply in respect of the cash dividend and the share reinvestment alternative:

ITEM[1]	DATE 2018
Last day to trade in order to participate in the election to receive shares in terms of the share reinvestment alternative or to receive a cash dividend	Tuesday, 29 May
Shares trade ex-dividend[2]	Wednesday, 30 May
Record date for the election to receive shares in terms of the share reinvestment alternative or to receive a cash dividend	Friday, 1 June
Announcement of results of cash dividend and share reinvestment alternative released on SENS	Monday, 4 June
Cash dividend cheques posted to certificated shareholders on or about	Monday, 4 June
Accounts credited by CSDP or broker to dematerialised shareholders with the cash dividend payment	Monday, 4 June

[1] The above dates and times are subject to change. Any changes will be released on SENS and published in the press.

[2] Share certificates may not be dematerialised or rematerialised between commencement of trade on Wednesday, 30 May 2018 and close of trade on Friday, 1 June 2018.

Shares in issue at the date of declaration of dividend: 409 973 331
Equites' income tax reference number: 9275393180.

By order of the Board
Equites Property Fund Limited

7 May 2018

Consolidated statement of financial position

Equites Property Fund Limited and its subsidiaries at 28 February 2018

	Audited 28 February 2018 R'000	Audited 28 February 2017 R'000
ASSETS		
Non-current assets		
Investment property	7 899 697	5 853 590
Straight-lining lease income accrual	171 352	137 803
Fair value of Investment property	**8 071 049**	**5 991 393**
Derivative financial assets	132 732	134 632
Deferred tax asset	32 639	–
Property, plant and equipment	7 529	9 186
	8 243 949	**6 135 211**
Current assets		
Investment property held-for-sale	28 000	234 381
Trade and other receivables	58 202	134 778
Derivative financial assets	135 532	–
Financial assets held at fair value	900	3 353
Cash and cash equivalents	17 813	11 042
	240 447	**383 554**
TOTAL ASSETS	**8 484 396**	**6 518 765**
EQUITY AND LIABILITIES		
Equity and reserves		
Stated capital	5 203 773	4 193 749
Accumulated profit	1 339 846	919 099
Foreign currency translation reserve	(312 423)	(173 374)
Share-based payment reserve	67 578	7 881
Total attributable to owners	**6 298 774**	**4 947 355**
Non-controlling interest	109 410	93 535
TOTAL EQUITY AND RESERVES	**6 408 184**	**5 040 890**
Liabilities		
Non-current liabilities		
Derivative financial liabilities	18 542	11 208
Loans and borrowings	1 887 730	1 086 097
	1 906 272	**1 097 305**
Current liabilities		
Loans and borrowings	54 939	285 983
Derivative financial liabilities	613	–
Current tax liability	92	–
Trade and other payables	114 296	94 587
	169 940	**380 570**
TOTAL LIABILITIES	**2 076 212**	**1 477 875**
TOTAL EQUITY AND LIABILITIES	**8 484 396**	**6 518 765**

Consolidated statement of comprehensive income

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2018

	Audited year ended 28 February 2018 R'000	Restated Audited year ended 28 February 2017 R'000
Property revenue and tenant recoveries	540 150	458 209
Straight-lining of leases adjustment	33 548	44 222
Gross property revenue	**573 698**	**502 431**
Property operating and management expenses	(87 957)	(77 408)
Other operating income	208 343	175 442
Administrative expenses	(33 055)	(27 726)
Fair value adjustments – investment property	239 546	309 138
Operating profit before financing activities	**900 575**	**881 877**
Finance costs	(68 765)	(79 106)
Finance income	24 990	3 292
Net profit before tax	**856 800**	**806 063**
Tax expense	34 313	–
Profit for the period	**891 113**	**806 063**
OTHER COMPREHENSIVE INCOME		
Items that may subsequently be reclassified to profit or loss:		
Translation of foreign operations	(139 049)	(173 374)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**752 064**	**632 689**
PROFIT ATTRIBUTABLE TO:		
Owners of the parent	870 188	784 746
Non-controlling interest	20 925	21 317
	891 113	**806 063**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	731 139	611 372
Non-controlling interest	20 925	21 317
	752 064	**632 689**
Basic earnings per share (cents)	226,1	264,4
Diluted earnings per share (cents)	225,4	263,3

Consolidated statement of cash flows

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2018

	Audited year ended 28 February 2018 R'000	Restated Audited year ended 28 February 2017 R'000
Cash flows from operating activities		
Profit before tax	856 800	806 063
Adjusted for:		
Finance costs	68 765	79 106
Finance income	(24 990)	(3 292)
Profit on disposal of investment property	(2 498)	–
Loss on disposal of property, plant and equipment	16	–
Straight-lining of leases adjustment	(33 548)	(44 222)
Fair value adjustments – investment property	(239 546)	(309 138)
Fair value adjustments – cross currency swaps	(106 184)	(134 632)
Foreign exchange differences	–	28 974
Depreciation	941	483
Share based payment charge	6 514	6 515
Working capital movements:		
Decrease / (increase) in trade and other receivables	42 977	(70 242)
Increase in accrued operating income	(23 130)	–
Increase in trade and other payables	3 107	15 993
Cash generated from operations	**549 224**	**375 608**
Finance costs paid	(127 679)	(127 812)
Finance income received	24 990	3 292
Dividends paid	(454 491)	(305 134)
Net cash flows generated (utilised) from operating activities	**(7 956)**	**(54 046)**
Cash flows from investing activities		
Acquisition of investment properties	(1 477 496)	(1 356 594)
Development of investment properties	(345 257)	(341 130)
Proceeds from disposal of investment properties	254 166	232 746
Purchases of current financial assets	(1 260 000)	–
Proceeds on divestment of current financial assets	1 262 453	–
Proceeds on disposal of property, plant and equipment	215	–
Purchase and development of property, plant and equipment	(257)	(6 231)
Net cash flows utilised by investing activities	**(1 566 176)**	**(1 471 209)**
Cash flows from financing activities		
Proceeds from share issue (net of costs)	1 006 911	992 502
Proceeds from bank loans	1 016 876	2 297 660
Repayment of bank loans	(443 180)	(1 797 837)
Proceeds from financial assets held at fair value	–	43 747
Disposal of financial asset held at fair value	–	(3 737)
Net cash flows raised from financing activities	**1 580 607**	**1 532 335**
Net increase in cash and cash equivalents	6 475	7 080
Effect of exchange rate movements on cash and cash equivalents	296	–
Cash and cash equivalents at the beginning of the year	11 042	3 962
Cash and cash equivalents at the end of the year	**17 813**	**11 042**

Consolidated statement of changes in equity

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2018

Audited	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
February 2017							
Balance at 1 March 2016	3 180 784	438 689	–	1 366	3 620 839	–	3 620 839
Profit for the year	–	784 746	–	–	784 746	21 317	806 063
Other comprehensive income	–	–	(173 374)	–	(173 374)	–	(173 374)
Shares issued for cash	1 000 000	–	–	–	1 000 000	–	1 000 000
Shares issued for property and subsidiary acquisitions	20 463	–	–	–	20 463	–	20 463
Equity-settled share-based payment charge	–	–	–	6 515	6 515	–	6 515
Acquisition of EA Waterfall Logistics JV (Pty) Ltd	–	–	–	–	–	73 016	73 016
Dividends distributed to shareholders	–	(304 336)	–	–	(304 336)	(798)	(305 134)
Share issue costs	(7 498)	–	–	–	(7 498)	–	(7 498)
Balance at 28 February 2017	**4 193 749**	**919 099**	**(173 374)**	**7 881**	**4 947 355**	**93 535**	**5 040 890**
February 2018							
Balance at 1 March 2017	4 193 749	919 099	(173 374)	7 881	4 947 355	93 535	5 040 890
Profit for the year	–	870 188	–	–	870 188	20 925	891 113
Other comprehensive income	–	–	(139 049)	–	(139 049)	–	(139 049)
Shares issued for cash	1 015 157	–	–	–	1 015 157	–	1 015 157
Shares issued in terms of Conditional share plan	3 113	–	–	(3 113)	–	–	–
Equity-settled share based payment for the acquisition of land	–	–	–	56 296	56 296	–	56 296
Equity-settled share-based payment charge	–	–	–	6 514	6 514	–	6 514
Dividends distributed to shareholders	–	(449 441)	–	–	(449 441)	(5 050)	(454 491)
Share issue costs	(8 246)	–	–	–	(8 246)	–	(8 246)
Balance at 28 February 2018	**5 203 773**	**1 339 846**	**(312 423)**	**67 578**	**6 298 774**	**109 410**	**6 408 184**

Summarised operating segment information

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2018

	Audited year ended 28 February 2018 R'000	Audited year ended 28 February 2017 R'000
Revenue		
SA industrial	447 958	427 096
UK industrial	75 646	31 113
Other	16 546	–
	540 150	**458 209**
Operating profit before financing activities		
SA industrial	605 206	863 444
UK industrial	318 307	46 159
Other	(22 938)	(27 726)
	900 575	**881 877**
Total assets		
SA industrial	5 962 586	5 357 809
UK industrial	2 400 810	794 823
Other	121 000	366 133
	8 484 396	**6 518 765**
Total liabilities		
SA industrial	1 536 548	1 242 328
UK industrial	539 664	235 547
Other	–	–
	2 076 212	**1 477 875**

Selected explanatory notes to the results

1. Earnings per share – group

This note provides the obligatory information in terms of IAS 33 *Earnings per share and SAICA Circular 2/2015* for the group and should be read in conjunction with note 2, where earnings are reconciled to distributable earnings. Distributable earnings determine the dividend declared to shareholders, which is a meaningful metric for a shareholder in a REIT.

1.1 Basic earnings per share

Shares in issue	2018 Number of shares	2017 Number of shares
Number of shares in issue at end of year	409 973 331	350 465 100
Weighted average number of shares in issue	384 863 958	296 765 842
Add: weighted potential dilutive impact of conditional shares	1 267 726	1 279 089
Diluted weighted average number of shares in issues	386 131 684	298 044 931
Basic earnings per share	**Cents**	**Cents**
Basic earnings per share	226.1	264.4
Diluted earnings per share	225.4	263.3

1.2 Headline earnings per share

Reconciliation between basic earnings and headline earnings:	R'000	R'000
Earnings (profit attributable to owners of the parent)	870 188	784 746
Adjusted for:		
Fair value adjustments to investment properties	(239 546)	(309 138)
Less: Fair value adjustment to investment properties (NCI)+	5 578	14 816
Profit or loss on sale of properties	(2 482)	–
Headline earnings	**633 738**	**490 424**
Headline earnings per share:	**Cents**	**Cents**
Headline earnings per share	164.7	165.3
Diluted headline earnings per share	164.1	164.5

+ Non-controlling interest

Notes (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2018

	28 February 2018 R'000	28 February 2017 R'000
2. Reconciliation between earnings and distributable earnings – group		
2.1 Distributable earnings		
Earnings (profit attributable to owners of the parent)	870 188	784 746
Adjusted for:		
Fair value adjustments to investment properties	(239 546)	(309 138)
Less: Fair value adjustment to investment properties (NCI)+	5 578	14 816
Profit or loss on sale of properties	(2 482)	–
Headline earnings	**633 738**	**490 424**
Adjusted for:		
Straight-lining of leases adjustment	(33 548)	(44 222)
Less: Straight-lining of leases adjustment (NCI)+	12 522	2 690
Fair value adjustments to derivative financial assets and liabilities	(93 729)	(119 687)
Less: Fair value adjustments to derivative financial assets and liabilities (NCI)+	(3 215)	–
Equity-settled share-based payment reserve	6 514	6 515
Capital items non-distributable	(12 636)	(8 993)
Less: Capital items non-distributable (NCI)+	2 345	–
Deferred taxation	(34 409)	–
Antecedent dividend*	30 220	21 930
Distributable earnings	**507 802**	**348 657**

* In the determination of distributable earnings, the group elects to make an adjustment for the antecedent dividend arising as result of the issue of shares during the period for which the company did not have full access to the cash flow from such issue. The group issued the majority of the shares pursuant to the accelerated bookbuild on 04 August 2017 which gave rise to antecedent dividends included above.
+ Non-controlling interest

	28 February 2018	28 February 2017
Number of shares in issue at period-end	409 973 331	350 465 100

2.2 Dividends declared and distribution per share

Total distribution for the year – 2018	**Cents per share**	**R'000**
Interim dividend declared on 11 October 2017 (Dividend number 8)	60.98	250 002
Final dividend declared on 7 May 2018 (Dividend number 9)	62.88	257 797
Total distribution for the year ended 28 February 2018	**123.86**	**507 799**

Total distributions for the year – 2017	**Cents per share**	**R'000**
Interim dividend declared on 15 October 2016 (Dividend number 6)	54.44	152 523
Final dividend declared on 12 May 2017 (Dividend number 7)	55.93	196 001
Total distributions for the year ended 28 February 2017	**110.37**	**348 524**

	28 February 2018 R'000	28 February 2017 R'000
3. Investment property		
Investment property (excluding straight-lining)		
Investment property (excluding straight-lining) (note 3.1)	6 847 987	5 287 942
Investment property under development (note 3.2)	534 113	188 768
Freehold land available for development (note 3.3)	517 597	376 880
Investment property held for sale (note 3.4)	28 000	234 381
Straight-lining lease income accrual (note 3.5)	171 352	137 803
	8 099 049	**6 225 774**
3.1. Reconciliation of investment property		
Opening balance	5 287 942	3 524 981
Additions arising from acquisitions	1 128 970	1 818 230
Improvements and extensions	97 526	115 954
Completed projects transferred from investment property under development	270 247	214 124
Investment property transferred to held for sale	(28 000)	(234 381)
Investment property transferred from property, plant and equipment	741	–
Investment property transferred to land	(11 972)	–
Disposed during the year	(17 286)	(232 746)
Foreign exchange movement	(119 727)	(227 358)
Fair value adjustment	239 546	309 138
Fair value of investment properties (excluding straight-lining)	**6 847 987**	**5 287 942**
3.2. Investment properties under development		
Opening balance	188 768	126 296
Land cost transferred	391 914	147 940
Construction and development costs	244 828	128 656
Foreign exchange movement	(21 150)	–
Completed projects transferred to investment property	(270 247)	(214 124)
Cost of investment properties under development	**534 113**	**188 768**
3.3. Freeheld land available for development		
Opening balance	376 880	366 301
Acquisition of Land	474 963	14 033
Land transferred to property, plant and equipment	–	(1 652)
Land transferred from investment property	11 972	–
Land transferred to investment property under development	(391 914)	(147 940)
Development and borrowing costs	45 696	146 138
Cost of freeheld land available for development	**517 597**	**376 880**
3.4. Investment property held for sale		
Opening balance	234 381	–
Transferred from investment property*	28 000	234 381
Disposed during the year	(234 381)	–
Fair value of investment properties held for sale	**28 000**	**234 381**

* investment property held for sale consists of 1 (2017:3 commercial) industrial building which was sold shortly after year-end. 4 SA commercial buildings were sold during the current year for R254 million

Notes (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2018

	28 February 2018 R'000	28 February 2017 R'000
3. Investment property (continued)		
3.5. Straight-lining lease income accrual		
Contractual lease receivables are as follows:		
Within one year	392 764	363 010
Between one and five years	1 561 561	1 373 429
Beyond five years	694 877	661 879
	2 649 202	**2 398 318**
Less: lease revenue on straight-line basis	(2 477 850)	(2 260 515)
Straight-lining lease income accrual	**171 352**	**137 803**

4. Property analysis

4.1 Tenant profile

	Gross lettable area (m^2)	Gross lettable area %	Number of tenants	Number of tenants %
A – Large nationals, large listeds and government	393 708	88.8%	45	70.3%
B – Smaller international and national tenants	11 061	2.4%	8	12.4%
C – Other local tenants and sole proprietors	30 308	6.8%	11	17.3%
Vacant	9 098	2.0%	–	0.0%
	444 175	**100.0%**	**64**	**100.0%**

4.2 Lease expiry profile

Lease expiry profile	Based on revenue	Based on GLA
Vacant	0.0%	2.0%
Expiry in the year to 28 February 2019	4.3%	4.3%
Expiry in the year to 29 February 2020	4.1%	3.4%
Expiry in the year to 28 February 2021	4.1%	3.9%
Expiry in the year to 28 February 2022	11.4%	14.4%
Expiry in the year to 28 February 2023	23.6%	15.9%
Thereafter	52.5%	56.1%
	100.0%	**100.0%**

4.4 Weighted average escalations and yield

Sector	Yield	Escalation
South Africa – Industrial	8.3%	7.9%
South Africa – Commercial	9.9%	8.1%
	8.3%	7.9%
United Kingdom – Industrial	5.0%	n/a
Average annualised portfolio	7.4%	

		28 February 2018 R'000	28 February 2017 R'000
5	**Capital commitments**		
	Authorised and contracted for construction of new industrial property	922 824	303 129
	Authorised and contracted for improvements to existing property	–	20 966
	Authorised but not contracted	861 868	95 106
		1 784 692	**419 201**
6	**Related parties**		
	Related party relationships exist between the company, its subsidiaries, directors as well as their close family members, and key management of the company.		
	In the ordinary course of business, the company entered into the following other transactions with related parties:		
	Dividend paid to related party shareholders	115 702	55 840
	Settlement in respect of Mill Street Floor warrantee from Chiluan (Pty) Ltd and Skymax Trust. (Andrea Taverna-Turisan is a director of Chiluan (Pty) Ltd and Giancarlo Lanfranchi is a trustee of Skymax Trust)	–	2 018
	Fees paid to BTKM (Pty) Ltd (in which Nazeem Khan is a director)	60	4 587

Administration

Directors

A Taverna-Turisan (CEO)^, G.R. Gous (COO), B Goossens (CFO), P.L. Campher*† (Chairman), G Lanfranchi* (Deputy Chairman), A.J. Gouws*, K Dreyer*, N Khan*†, R.E. Benjamin-Swales*†, M.E. Brey *†, G. Mthethwa *†

* Non-executive
† Independent
^ Italian

Equites Property Fund Limited

(Incorporated in the Republic of South Africa)
(Registration number 2013/080877/06)
JSE share code: EQU ISIN: ZAE000188843
(Approved as a REIT by the JSE)
("Equites" or "the group" of "the company")

Registered office

14th Floor
Portside Towers
4 Bree Street
Cape Town
8000

Contact details

info@equites.co.za

Company secretary

Riaan Gous

Transfer secretary

Terbium Financial Services Proprietary Limited

Auditors

PricewaterhouseCoopers Inc.

Sponsor

Java Capital

Bankers

Nedbank Limited

Attorneys

DLA Cliffe Dekker Hofmeyr

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