

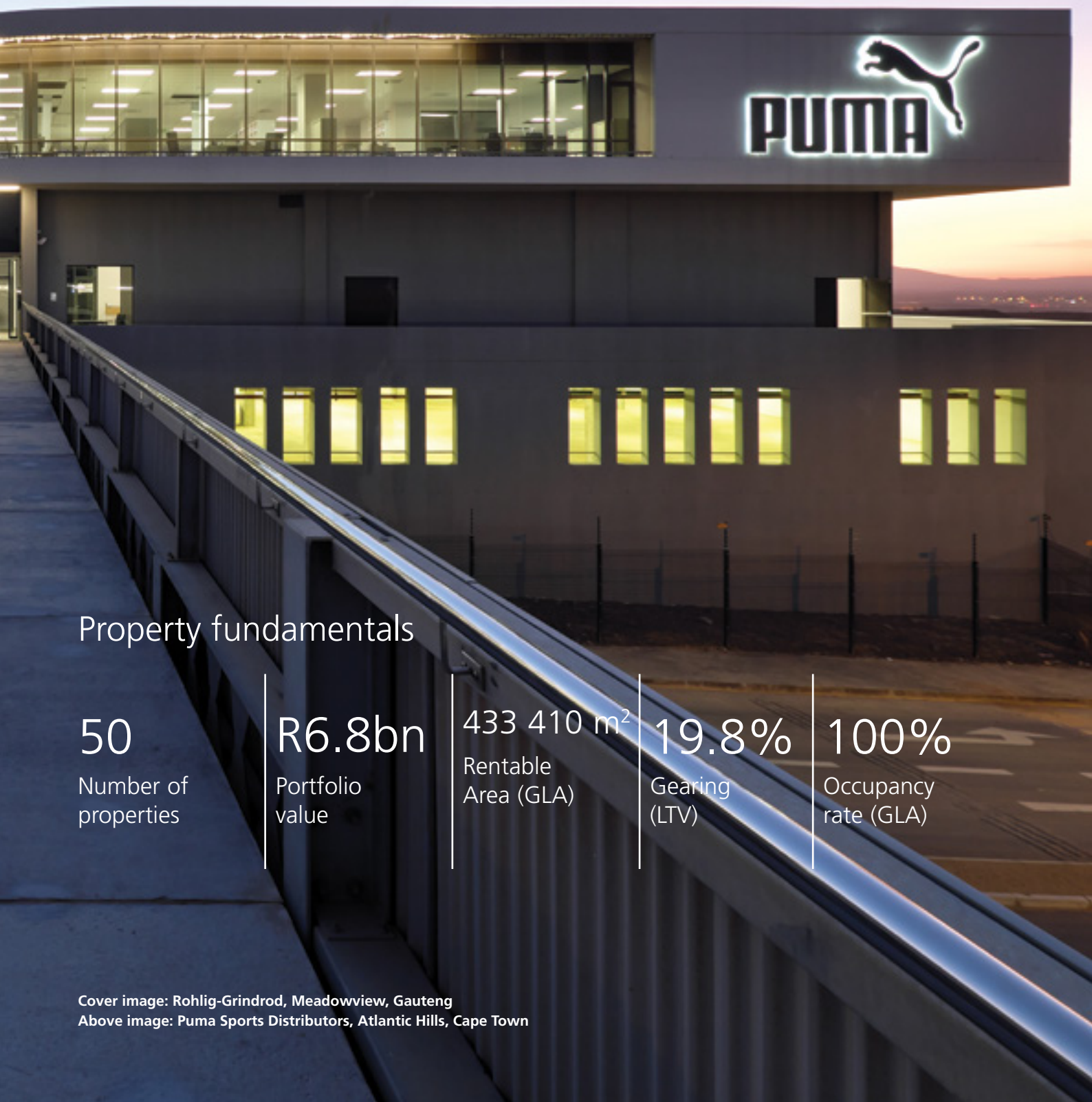


Röhlig-Grindrod
LABORATORIE



equites
PROPERTY FUND

Unaudited consolidated interim results for the
6 months ended **31 August 2017**



Property fundamentals

50

Number of
properties

R6.8bn

Portfolio
value

433 410 m²

Rentable
Area (GLA)

19.8%

Gearing
(LTV)

100%

Occupancy
rate (GLA)

Unaudited consolidated interim results for the 6 months ended 31 August 2017

Highlights

12.02% increase in distribution per share

Developments totalling 68 916 m² of GLA with a capital value of R832 million completed during the period

Fair value of investment property increased by 8.58% to R6.8 billion

Net asset value per share increased by 7.4% to R15.22 during the period

Inclusion in SAPY20 in June 2017

Construction commenced on new R165 million Premier distribution centre at Lords View contributing to a total pipeline of R1.3 billion at period end

Concluded agreement to acquire a distribution centre let to global logistics leader Kuehne + Nagel Limited ("K+N") in Coventry (UK) for £41 million

Raised R1.015 billion in heavily oversubscribed book build in August 2017 reducing LTV to 19.8%

Commentary

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

1. Nature of the business

Equites was listed on the JSE in June 2014 as a Real Estate Investment Trust ("REIT"). The Company has always been clear in its vision to be a pure play logistics fund, with a focus on high quality assets with strong property fundamentals.

Over the past three years, the Company has grown its portfolio of investment property from R1 billion to R6.8 billion. The growth has been fuelled by strategic portfolio acquisitions, property developments, and single-asset acquisitions in the United Kingdom ("UK"). All asset management and the majority of property management is performed internally.

The Company presents an unique offering in that it provides investors with pure exposure to high quality logistics properties. Following the disposal of its three office buildings in Cape Town during the past six months, more than 97% of total revenue is derived from industrial and logistics assets. The Company expects to dispose of its last two remaining office buildings in the near future.

The growth strategy in South Africa ("SA") is focused on the development of high quality assets on the c.31 hectares of vacant industrial land the Company controls in strategic nodes. The Company also pursues acquisitions of logistics facilities which meet its strict investment criteria either as individual assets or as portfolio acquisitions.

During the prior year, the board of directors (the "Board") approved a low risk strategy of diversifying into the UK by focusing on premium logistics distributions centres in key logistics nodes, let to investment grade tenants on long-dated upward only leases, and built to institutional specifications. In line with this strategy, the Company has completed three acquisitions of high quality logistics assets to date and has concluded an agreement to acquire a distribution centre in Coventry for £41 million (refer 3.2).

2. Commentary on results

Equites' portfolio continued to perform very well during the period, which translated into a 12.02% growth in distributions per share when compared to the corresponding financial period, to 60.98 cents per share. Vacancies reduced to 0% during the period and for the first time the portfolio is fully let. This is testimony to the quality and resilience of the Company's assets, given the context of the challenging SA economic environment.

The healthy results were underpinned by:

- strong contractual escalations averaging 7.95% across the SA portfolio;
- benefits of increased scale whilst containing administrative costs;
- a further reduction in already very low vacancies to 0%;
- no material reversions experienced on renewals; and
- savings in finance costs following the R1.015 billion accelerated book build in August 2017.

The Company's continued strong financial results are a reflection of its focus on sound property fundamentals, coupled with efficient capital management and effective use of operational and financial gearing. Rental growth is supported by continued demand for modern, well located, logistics facilities as retailers aim to improve supply chain efficiency and third party logistics services become increasingly important. The Company has not suffered any material tenant defaults or downward rental reversions, despite a weak economic environment.

3. Acquisitions

3.1 Completion of DSV acquisition

On 2 November 2016, the Company concluded a forward commitment to acquire a 19 511 m² distribution centre that was being developed by Prologis in Stoke-on-Trent, England. The distribution centre was pre-let to DSV UK for a 10 year lease term commencing on completion. The development was completed on time and in line with the budget and Equites took full ownership of the property on 29 June 2017 against payment of the purchase price of £18.1 million.

3.2 Acquisition of distribution centre in Coventry

On 26 July 2017 Equites concluded an agreement with Travis Perkins Properties Limited in terms of which Equites will acquire a recently developed 19 909 m² cross docking distribution centre situated in Coventry, England for a purchase consideration of £41 million. The transaction was subject to the seller entering into a 15 year lease with K+N. Equites expects to complete the acquisition by the end of November 2017.

The property, which meets modern logistics requirements, is located immediately adjacent to Jaguar Land Rover's World Headquarters and global engineering campus in Coventry in the industrial 'golden triangle', which is the most important logistics hub in the UK. The property is 19 909 m² in extent on a 7.29 hectare site which translates into a low coverage of 27% and provides the tenant with a cross docking warehouse, a small high quality office area, dock level and level access doors, extensive 82 metre yards and clear height to eaves of 12 metres.

Given the high quality building standards, the nature of the tenant and the length of the lease, the property adds to the quality, defensiveness and income predictability of the Equites portfolio.

4. Developments

4.1 New Meadowview speculative build let

Equites completed a 3 280 m² speculative development in Meadowview, Gauteng in July 2017. On completion, this property was let to Imperial Managed Logistics on a three year lease.

4.2 Completion of Rohlig-Grindrod distribution centre

Equites completed the construction of a new 28 527 m² distribution centre and head office for Rohlig-Grindrod in Meadowview, Gauteng on budget and in line with the scheduled timelines. The building was let to the tenant on a 10 year lease, which commenced in June 2017.

4.3 Completion of Puma distribution centre

Equites completed the construction of a new 17 598 m² distribution centre and head office for Puma South Africa in Equites Park – Atlantic Hills, Cape Town. The building was let to the tenant on a 10 year lease, which commenced in April 2017.

Puma was an existing tenant and previously occupied two warehouses and a small office owned by the Company. The two warehouses were let to The Novus Group and Africa Floorcare (part of the Bounty Brands group) respectively in anticipation of Puma vacating and they were never vacant. An agreement to sell the small office at its carrying value was concluded in August 2017 and it is held-for-sale at period end.

4.4 New Premier development

Equites concluded a development lease with Premier FMCG Proprietary Limited ("Premier"), in terms of which Equites will be developing a 15 155 m² modern logistics facility and offices for Premier. The anticipated total capital value of the development, including land, will be R165 million. The development will be situated on 3.9 hectares of vacant land already owned by Equites in Lords View Industrial Park in Gauteng and will cater for Premier's continued growth by allowing for an expansion of 2 484 m².

Lords View Industrial Park was planned as an environmentally friendly, eco-sensitive industrial logistics park and makes use of the latest developments in green township development. Several sustainability and energy efficiency measures will be included in the development of the new Premier facility.

4.5 Speculative developments at Atlantic Hills

Equites embarked on three speculative developments at Atlantic Hills, Durbanville. Development commenced in June 2017 and is expected to be completed by June 2018. The three buildings will have a combined GLA of 14 956 m² and capital value of R152 million on completion.

5. Disposals

In line with the Company's strategy of focusing solely on the logistics sector and recycling capital from non-core investments, the Company concluded transactions to sell its three multi-let office buildings situated in Cape Town, as well the small office previously occupied by Puma. The transfers of all three of the multi-let office buildings were completed in the current 6 month period and the R234 million realised will be applied towards the Company's development and acquisition pipeline.

The Company has also commenced negotiations to dispose of its two remaining commercial properties, which are situated in Gauteng.

Commentary (continued)

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

6. Distributable earnings

	Unaudited 6 months ended 31 August 2017	Unaudited 6 months ended 31 August 2016	Audited 12 months ended 28 February 2017
	R'000	R'000	R'000
Reconciliation between earnings, headline earnings and distributable earnings (dividend declared)			
Earnings (profit attributable to owners of the parent)	466 889	311 773	784 746
<i>Adjusted for:</i>			
Fair value adjustments to investment properties	(251 504)	(70 747)	(279 506)
Less: Fair value adjustments to investment properties (NCI ⁺)	902	—	(14 816)
Headline earnings	216 287	241 027	490 424
<i>Adjusted for:</i>			
Straight-lining of leases adjustment	(21 904)	(45 849)	(38 842)
Less: Straight-lining of leases adjustment (NCI ⁺)	2 474	—	(2 690)
Fair value adjustments to financial instruments	31 343	(44 569)	(119 687)
Less: Fair value adjustments to financial instruments (NCI ⁺)	(1 460)	—	—
Equity-settled share-based payment reserve	2 884	1 243	6 515
Profit from sale of investment property	(457)	—	—
Development income of a capital nature not distributable	(11 725)	—	(8 993)
Less: Development income of a capital nature not distributable (NCI ⁺)	2 345	—	—
Antecedent dividend	30 220	671	21 930
Distributable earnings	250 007	152 522	348 657
Number of shares in issue ('000)	409 973 231	280 152 669	350 465 000
Weighted average number of shares in issue	359 692 813	280 033 304	296 765 842
Diluted weighted average number of shares in issue	360 720 790	281 032 040	298 044 931
Distribution per share (cents)	60.98	54.44	110.37
Headline earnings per share (cents)	59.9	86.1	165.3
Diluted headline earnings per share (cents)	59.7	85.8	164.5

The Board declared an interim dividend of 60.98132 cents per share for the 6 months ended 31 August 2017 on 11 October 2017. This represents a growth of 12.02% over the comparative period.

Distributable earnings (cents per share)	FY18	FY17
Interim dividend	60.98	54.44
Final dividend (2018: forecast*)	62.63	55.93
Total distributions for the period (2018: forecast*)	123.61	110.37

*Revised guidance at 12% dps growth (upper end of original guidance provided of 10%-12%). This forecast has not been reviewed or audited by the Company's external auditors.

+ Non-controlling interest

7. Net asset value per share

The net asset value per share of the Company grew to 1 522 cents per share by 31 August 2017. This equates to a growth of 7.4% in the 6 months from 28 February 2017.

	On listing 18 Jun 14	Aug 14	Feb 15	Aug 15	Aug 16	Feb17	Aug17
Net asset value (cps)	1 000	1 009	1 137	1 259	1 354	1 417	1 522
Growth since listing		0.9%	13.7%	25.9%	35.4%	41.7%	52.2%

8. Updated property fundamentals

8.1 Lease expiry profile

Lease expiry	Based on rentable area	Based on contractual revenue
Vacant	0.0%	0.0%
Expiry in the year to 28 February 2018	3.1%	1.2%
Expiry in the year to 28 February 2019	6.8%	5.0%
Expiry in the year to 29 February 2020	6.8%	6.5%
Expiry in the year to 28 February 2021	2.7%	2.9%
Expiry in the year to 28 February 2022 and later	80.6%	84.4%
	100.0%	100.0%

8.2 Weighted average lease expiry

Weighted average lease expiry	Based on contractual revenue
Weighted average lease expiry	
Weighted average lease expiry (in years)	7.32

8.3 Tenant grade profile

Tenant profile	Based on contractual revenue
A – Multi-nationals, large nationals, large listed and government	91.1%
B – Smaller international and national tenants	3.0%
C – Other local tenants and sole proprietors	5.9%
	100.0%

Commentary (continued)

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

8. Updated property fundamentals (continued)

8.5 Property geographic distribution

Geographic profile	Based on rentable area	Based on contractual revenue
Gauteng	49.0%	59.2%
Cape Town	35.4%	28.0%
United Kingdom	15.6%	12.8%
	100.0%	100.0%

9. Funding

9.1 South African funding

The Group has term loan facilities of R2.5 billion with four institutions: Nedbank, Standard Bank, Rand Merchant Bank and Sanlam. R1.4 billion of these facilities are undrawn at the end of the period and are available to fund acquisitions and developments. The maturities of the various facilities range from September 2017 to July 2021. Prime linked facilities accrue interest at an average margin of 1.47% below prime and JIBAR linked loans accrue interest at an average margin of 2.2% above 3 month JIBAR.

Variable rate loans	Nominal value R'000
Expiry	
2017	200 000
2018	—
2019	920 000
2020	450 000
2021	917 000

9.2 UK funding

The Group has GBP loan facilities of £32 million with RBS and HSBC with an average margin above 3 month LIBOR of 2.08%.

Variable rate loans	Nominal value £'000
Expiry	
2017	—
2018	—
2019	—
2020	—
2021	31 164

9.3 Interest rate hedging

Interest rate swap agreements	Base rate	Nominal value R'000
Expiry		
September 2022	7.610%	550 000
September 2021	7.610%	210 000
September 2021	8.080%	100 000
November 2021* (GBP/LIBOR)	1.011%	222 515
June 2022* (GBP/LIBOR)	0.995%	300 840
		1 383 355

*Translated at the closing rate of £1 = R16.79 at 31 August 2017

Cross currency swap agreements	Base rate	Nominal value £'000
Expiry		
October 2021	3M JIBAR	32 905
		32 905

Variable rate instruments	Nominal value R'000
Total interest bearing borrowings	1 568 593
Total capital commitments	1 788 000
Cash and cash equivalents	(1 004 730)
	2 351 863
Interest rate derivatives	1 383 355
Embedded derivative	292 500
Currency derivative	600 000
	2 275 855
Effective percentage of interest exposure hedged	97%

Based on the above derivative instruments in relation to the total outstanding interest bearing borrowings, the Company is 97% hedged at 31 August 2017. The Company has a policy of hedging at least 80% of its exposure to interest rate fluctuations.

9.4 Currency hedging

As a result of the expansion into the UK the Group is exposed to currency risk, predominantly that relating the South African Rand and the British Pound. The group is exposed to currency risk on its initial capital exposure as well as the underlying earnings as a result of operations in the United Kingdom. In FY17, the Group introduced cross-currency interest rate swaps to its treasury management, effectively matching the currency of debt with the currency of an asset. The cross-currency swap with a notional value of £32.905 million is structured to receive a fixed LIBOR-linked rate and pay a floating JIBAR-linked rate, thereby also providing hedging against interest rate movements in SA.

Commentary (continued)

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

10. Vacancies

The industrial portfolio remains fully let, with the exception of the Tower Road property situated in Airport Industria, Cape Town, which is undergoing a major upgrade following the end of the lease in August 2017. This property is one of the oldest in the Company's portfolio and this refurbishment will bring it in line with modern logistics requirements. The refurbishment is expected to be completed by the end of the financial year and negotiations with a potential blue chip tenant are at an advanced stage.

The office portfolio is fully let as at 31 August 2017. The vacancy rate across the portfolio is 0% which is testament to the high quality assets, blue-chip tenants and desirable locations of the properties in the portfolio.

11. Capital commitments

The Company has capital commitments of at least R1.3 billion over the next 12 months:

Description of project	Estimated completion date	Value of project
Acquisition of K+N distribution centre in Coventry, United Kingdom (£41 million plus costs)	November 2017	R792 million
Construction of speculative developments at Equites Park – Atlantic Hills, Cape Town	June 2018	R150 million
Construction of Premier FMCG distribution centre at Lords View, Gauteng	May 2018	R165 million
Construction of speculative development at Lords View, Gauteng	August 2018	R120 million
Strategic land acquisitions Gauteng	December 2017	R106 million
TOTAL CAPITAL COMMITMENTS		R1.3 billion

In addition to the capital commitments above, the Company declared a total dividend of R250 million on 11 October 2017, which will be settled in cash on 6 November 2017.

12. Prospects

The Company continues to pursue opportunities to acquire logistics properties or portfolios that meet its investment criteria and that are expected to contribute to long-term, predictable distribution growth in South Africa. The growth strategy will be complemented by the acquisition of high quality logistics assets in the UK as Equites strives to be a globally relevant logistics property fund.

The Company had previously forecast full year distribution growth for the year ended 28 February 2018 to be 10% – 12% higher than the previous financial year. In the light of a strong first half of the financial year, the Company now considers it likely that the full year results will be at the top end of or slightly exceed this guidance. This guidance is based on the assumptions that a stable macro-economic environment will prevail, no major corporate failures will occur 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.

13. Subsequent events

Other than disclosed in this announcement, the Board is not aware of any events that have a material impact on the results or disclosures of the Company, which have occurred subsequent to the end of the reporting period.

14. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standard, IAS34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

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

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

15. Interim dividend

Notice is hereby given of the declaration of interim dividend number 7 of 60.98132 cents per share.

As Equites is a REIT, the dividend meets the definition of a 'qualifying distribution' for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). Qualifying distributions received by South African tax residents will form part of their gross income in terms of section 10(1)(k)(i)(aa) of the Income Tax Act). Consequently, these dividends are treated as income in the hands of the shareholders and are not subject to dividends withholding tax. The exemption from dividends withholding tax is not applicable to non-resident shareholders, but they may qualify for relief under a tax treaty.

Holders of dematerialised shares have to ensure that they have verified their residence status with their Central Securities Depository Participant ("CSDP") or broker. Holders of certificated shares will be asked to complete a declaration to the Company.

An announcement providing further details regarding the tax treatment of the dividend will be released separately on SENS.

The dividend is payable to shareholders in accordance with the timetable set out below:

	2017
Declaration date	Thursday, 12 October
Last day to trade <i>cum</i> dividend distribution	Tuesday, 31 October
Shares trade <i>ex</i> dividend distribution	Wednesday, 1 November
Record date	Friday, 3 November
Payment date	Monday, 6 November

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 November 2017 and Friday, 3 November 2017, both days inclusive.

In respect of dematerialised shareholders, the dividend will be transferred to the CSDP account / broker accounts on Monday, 6 November 2017. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 6 November 2017.

By order of the Board

Equites Property Fund Limited

11 October 2017

Condensed consolidated statement of financial position

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

	Unaudited Group 31 August 2017 R'000	Unaudited Group 31 August 2016 R'000	Audited Group 28 February 2017 R'000
ASSETS			
Non-current assets			
Investment properties	6 761 482	5 626 643	5 991 393
Fair value of investment property (excluding straight-lining)	6 601 774	5 490 763	5 853 590
Straight-lining lease accrual	159 708	135 880	137 803
Property, plant and equipment	8 438	2 247	9 186
Derivative financial asset	113 583	51 797	134 632
	6 883 503	5 680 688	6 135 211
Current assets			
Investment property held-for-sale	18 000	232 746	234 381
Trade and other receivables	69 067	47 634	134 778
Financial assets held at fair value	3 976	3 447	3 353
Cash and cash equivalents	1 004 730	378 452	11 042
	1 095 773	662 279	383 554
TOTAL ASSETS	7 979 276	6 342 966	6 518 765
EQUITY AND LIABILITIES			
Equity and reserves			
Stated capital	5 201 191	3 184 368	4 193 749
Accumulated profit	1 186 564	607 477	919 099
Foreign currency translation reserve	(159 441)	(2 552)	(173 374)
Share-based payment reserve	10 765	2 609	7 881
Total attributable to owners	6 239 079	3 791 902	4 947 355
Non-controlling interest	93 204	73 403	93 535
TOTAL EQUITY	6 332 283	3 865 305	5 040 890
Liabilities			
Non-current liabilities			
Deferred tax liability	—	1 424	—
Derivative financial liability	21 918	3 491	11 208
Financial liabilities	1 363 997	1 946 180	1 086 097
	1 385 915	1 951 095	1 097 305
Current liabilities			
Financial liabilities	195 133	201 990	285 983
Trade and other payables	65 945	324 576	94 587
	261 078	526 565	380 570
TOTAL LIABILITIES	1 646 993	2 477 660	1 477 875
TOTAL EQUITY AND LIABILITIES	7 979 276	6 342 966	6 518 765

Condensed consolidated statement of comprehensive income

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

	Unaudited 6 months ended 31 August 2017 R'000	Unaudited 6 months ended 31 August 2016 R'000	Audited 12 months ended 28 February 2017 R'000
Contractual revenue and tenant recoveries	240 711	204 062	458 209
Straight-lining of leases adjustment	21 904	45 849	44 222
Revenue	262 615	249 911	502 431
Other gains	12 922	804	12 095
Property operating and management expenses	(38 390)	(40 026)	(77 408)
Net property income	237 147	210 689	437 118
Administrative expenses	(11 534)	(9 913)	(27 243)
Depreciation	(476)	—	(483)
Operating profit before financing and fair value adjustments	225 137	200 776	409 392
Fair value adjustments – investment property	251 504	70 747	309 138
Fair value adjustments – financial instruments	(31 343)	44 569	119 687
Foreign exchange gain	2 633	1 347	—
Operating profit before financing activities	447 931	317 439	838 217
Finance costs	(24 738)	(17 606)	(70 399)
Finance income	46 378	12 328	38 245
Net profit before tax	469 571	312 161	806 063
Income tax expense	—	—	—
Profit for the period	469 571	312 161	806 063
OTHER COMPREHENSIVE INCOME			
Translation of foreign operations	13 933	(2 552)	(173 374)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	483 504	309 609	632 689
PROFIT ATTRIBUTABLE TO:			
Owners of the parent	466 889	311 773	784 746
Non-controlling interest	2 682	387	21 317
	469 571	312 161	806 063
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	480 822	309 221	611 372
Non-controlling interest	2 682	387	21 317
	483 504	309 609	632 689
Basic earnings per share (cents)	129.8	111.3	264.4
Diluted earnings per share (cents)	129.4	110.9	263.3

Condensed consolidated statement of changes in equity

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

	Stated capital R'000	Retained earnings R'000	Foreign currency translation reserve R'000	Equity reserve R'000	Total attributable to parent R'000	Non- controlling Interest R'000	Total R'000
Balance at 1 March 2016	3 180 784	438 690	—	1 366	3 620 840	—	3 620 840
Acquisition of EA Waterfall Logistics JV	—	—	—	—	—	73 016	73 016
Profit after tax	—	311 773	—	—	311 773	387	312 161
Other comprehensive income	—	—	(2 552)	—	(2 552)	—	(2 552)
Shares issued for property and subsidiary acquisitions	3 584	—	—	—	3 584	—	3 584
Equity-settled share-based payment charge	—	—	—	1 243	1 243	—	1 243
Dividends distributed to shareholders	—	(142 986)	—	—	(142 986)	—	(142 986)
Balance at 31 August 2016	3 184 368	607 477	(2 552)	2 609	3 791 902	73 403	3 865 305
Balance at 1 September 2016	3 184 368	607 477	(2 552)	2 609	3 791 902	73 403	3 865 305
Profit after tax	—	472 972	—	—	472 972	20 929	493 902
Other comprehensive income	—	—	(170 822)	—	(170 822)	—	(170 822)
Shares issued for cash	1 000 000	—	—	—	1 000 000	—	1 000 000
Shares issued for property and subsidiary acquisitions	16 879	—	—	—	16 879	—	16 879
Equity-settled share-based payment charge	—	—	—	5 272	5 272	—	5 272
Dividends distributed to shareholders	—	(161 350)	—	—	(161 350)	(798)	(162 148)
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
Balance at 1 March 2017	4 193 749	919 099	(173 374)	7 881	4 947 355	93 535	5 040 889
Profit after tax	—	466 889	—	—	466 889	2 682	469 571
Other comprehensive income	—	—	13 933	—	13 933	—	13 933
Shares issued for cash	1 015 157	—	—	—	1 015 157	—	1 015 157
Equity-settled share-based payment charge	—	—	—	2 884	2 884	—	2 884
Dividends distributed to shareholders	—	(199 424)	—	—	(199 424)	(3 013)	(202 437)
Share issue costs	(7 715)	—	—	—	(7 715)	—	(7 715)
Balance at 31 August 2017	5 201 191	1 186 564	(159 441)	10 765	6 239 079	93 204	6 332 283

Condensed consolidated statement of cash flows

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

	Unaudited 6 months ended 31 August 2017 R'000	Unaudited 6 months ended 31 August 2016 R'000	Audited 12 months ended 28 February 2017 R'000
Cash flows from operating activities			
Profit before tax	469 571	312 161	806 063
Adjusted for:			
Finance costs	24 738	17 606	70 399
Finance income	(46 378)	(12 328)	(38 245)
Profit on sale of investment property	(457)	—	—
Straight-lining of leases adjustment	(21 904)	(45 849)	(44 222)
Fair value adjustments	(220 161)	(115 316)	(428 825)
Foreign exchange differences	(2 633)	—	28 974
Depreciation	476	—	483
Share based payment charge	2 884	1 243	6 515
Decrease/(increase) in trade and other receivables	65 100	14 726	(70 242)
(Decrease)/increase in trade and other payables	(28 756)	246 796	15 993
Cash generated from operations	242 480	419 039	346 893
Finance costs paid	(62 257)	(26 460)	(134 050)
Finance income received	46 378	12 328	38 245
Dividends paid	(202 437)	(142 986)	(305 134)
Net cash flows from operating activities	24 164	261 921	(54 046)
Cash flows utilised by investing activities			
Acquisition of investment properties	(337 219)	(996 744)	(1 356 594)
Development of investment property	(132 787)	(553 018)	(341 130)
Proceeds from disposal of investment property	234 839	—	232 746
Purchase and development of Property, Plant and Equipment	(271)	(461)	(6 231)
Net cash flows utilised by investing activities	(235 438)	(1 550 224)	(1 471 209)
Cash flows from financing activities			
Proceeds from share issue (net of costs)	1 007 442	3 584	992 502
Proceeds from bank loans	397 559	2 020 375	2 288 722
Bank loans repaid	(201 929)	(399 055)	(1 797 837)
Proceeds from financial instruments held at fair value	—	39 915	43 747
Disposal of financial instruments held at fair value	(207)	—	(3 737)
Increase in other borrowings	2 688	525	8 938
Net cash flows from financing activities	1 205 553	1 665 344	1 532 335
Net increase in cash and cash equivalents	994 279	377 041	7 080
Effect on exchange rate movements in cash and cash equivalents	(591)	(2 552)	—
Cash and cash equivalents at the beginning of the period	11 042	3 962	3 962
Cash and cash equivalents at the end of the year	1 004 730	378 452	11 042

Selected explanatory notes to the results

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

1. Segment information

Segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker (“CODM”), which comprises the three executive directors. With the expansion into the UK market, the CODM reviews the operating segments based on location as well as asset class and reviews an additional segment which includes treasury, corporate and other administrative functions. The segments are listed below, and have not changed since the last reported financial year end.

- South African Industrial
- South African Office
- United Kingdom Industrial
- Non-Property

The Industrial and Office segments derive their revenue primarily from rental income from leases. All treasury functions, corporate costs and other expenses that are not specifically attributable to individual properties, are included in the “Non-Property” segment. The measurement of results reviewed by the CODM is consistent with those presented in the condensed consolidated annual financial statements for the year ended 28 February 2017.

	Unaudited 6 months ended 31 August 2017 R'000	Unaudited 6 months ended 31 August 2016 R'000	Audited 12 months ended 28 February 2017 R'000
Revenue			
SA Industrial	197 868	173 947	383 293
SA Office	13 448	19 916	43 803
UK Industrial	29 395	10 199	31 113
Non-property	—	—	—
	240 711	204 062	458 209
Fair value adjustments			
SA Industrial	140 455	142 217	275 818
SA Office	2 491	(2 581)	4 090
UK Industrial	108 558	(68 889)	29 230
Non-property	(31 343)	44 569	119 687
	220 161	115 316	428 825
Net finance costs			
SA Industrial	—	—	—
SA Office	—	—	—
UK Industrial	(1 559)	—	(911)
Non-property	23 199	(5 278)	(31 243)
	21 640	(5 278)	(32 154)
Operating profit			
SA Industrial	214 502	189 782	396 402
SA Office	3 496	11 847	23 304
UK Industrial	19 149	9 060	16 929
Non-property	(12 010)	(9 913)	(27 243)
	225 137	200 776	409 392

2. Fair value measurement

IFRS 13 requires that an entity discloses for each class of financial instruments and investment property measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety.

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

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

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

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

R'000	31 August 2017			
	Fair value	Level 1	Level 2	Level 3
Assets				
Non-financial assets at fair value – investment properties	6 761 482	—	—	6 761 482
ABIL retention fund	—	—	—	—
Money market investment	—	—	—	—
Derivative assets	113 583	—	113 583	—
	6 875 064	—	113 583	6 761 482
Liabilities				
Derivative liabilities	(21 918)	—	(21 918)	—
	(21 918)	—	(21 918)	—

R'000	28 February 2017			
	Fair value	Level 1	Level 2	Level 3
Assets				
Non-financial assets at fair value – investment properties	5 991 393	—	—	5 991 393
ABIL retention fund	3 353	—	3 353	—
Money market investment	95	—	95	—
Derivative assets	134 778	—	134 778	—
	6 129 619	—	138 226	5 991 393
Liabilities				
Derivative liabilities	(11 208)	—	(11 208)	—
	(11 208)	—	(11 208)	—

Selected explanatory notes to the results (continued)

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

2. Fair value measurement (continued)

R'000	Fair value	31 August 2016		
		Level 1	Level 2	Level 3
Assets				
Non-financial assets at fair value – investment properties	5 626 643	—	—	5 626 643
ABIL retention fund	3 353	—	3 353	—
Money market investment	95	—	95	—
Derivative assets	51 797	—	51 797	—
	5 681 888	—	55 245	5 626 643
Liabilities				
Derivative liabilities	(3 491)	—	(3 491)	—
	(3 491)	—	(3 491)	—

Details of valuation techniques

Investment property

The fair value of investment properties is updated at each reporting period either by way of external valuations or directors' valuations. External valuations are obtained as required, but at least once every three years for each property. Directors' valuations were performed on all properties at 31 August 2017. Capitalisation rates were adjusted as deemed necessary given any significant changes in the building, tenant or economic environment which directly affects the lease.

Derivative assets and liabilities

Interest rate and cross-currency swaps

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

The key input to the valuation of investment property is the capitalisation rate. The table below illustrates the sensitivity of the fair value to changes in the capitalisation rate:

Sensitivity analysis to capitalisation rates	Group R'000
Increase in fair value if capitalisation rates are decreased by 0.1%	97 731
Decrease in fair value if capitalisation rates are increased by 0.1%	(94 984)

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

3. 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:

	Unaudited 6 months ended 31 August 2017 R'000	Unaudited 6 months ended 31 August 2016 R'000	Audited 12 months ended 28 February 2017 R'000
Dividend paid to related party shareholders	26 295	27 056	55 840
Fees paid to BTKM (Pty) Ltd (of which Nazeem Khan is a Director)	625	2 521	4 587

The Company entered into an agreement with Gamlan Investments (Pty) Ltd for the disposal of an office building for a consideration of R50.8 million. Giancarlo Lanfranchi, a non-executive director of Equites, has a 57% beneficial interest in Gamlan. The property was transferred in May 2017.

Administration

Equites Property Fund Limited and its subsidiaries for the 6 months ended 31 August 2017

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. Mtetwa ^{*†}

There were no changes to the Board during this period.

^{*}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 Company")

Registered office

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Contact details

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Company secretary

Riaan Gous

Transfer secretary

Terbium Financial Services Proprietary Limited

Auditors

PricewaterhouseCoopers Inc.

Sponsor

Java Capital

Bankers

Nedbank Limited

Attorneys

Cliffe Dekker Hofmeyr Inc.

12 October 2017



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