equites PROPERTY FUND

Integrated Report **2021**

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

EquitesPark – Meadowview, Gauteng

Front cover: Equites Park – Riverfields, Gauteng

About this report

Report scope and Boundary

The Board of Directors of Equites Property Fund Limited are pleased to present the Integrated Report for the year ended 28 February 2021. The report has been compiled in accordance with International Financial Reporting Standards, the requirements of the Companies Act of South Africa, 2008, as amended, the JSE Listings Requirements, and the King Report on Corporate Governance for South Africa. 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 and in the United Kingdom.

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
Shareholder value creation

As referenced in the King IV report

Refer to report within this Integrated Report

About Equites

Who we are

Equites listed on the 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 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 R19.3 billion at 28 February 2021.

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 asset class, where the Group is the only listed property entity on the JSE to provide shareholders with pure exposure to prime logistics assets. We continue to apply specific focus on ensuring that each acquisition and development meets the Group's strict investment criteria. We have successfully deployed capital and increased the portfolio by R4.4 billion (30%) since February 2020.

1 A-grade: Large nationals, large listed companies 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 own. This in-house development expertise, and the ability to unlock key nodes has 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 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 28 February 2021, we completed four developments with a total capital value of R887 million. On the acquisition side, we concluded a strategic venture with Shoprite for the acquisition of a 50.1% equity stake in three DCs with an initial portfolio value of R3.2 billion.

Our team

Equites had a staff complement of 8 people on listing with a single head office in Cape Town managing 17 properties exclusively located in the Western Cape. Today, Equites has a largely transformed workforce of 31 employees located in the Western Cape and Gauteng, managing 64 income-producing properties and ongoing developments located in the Western Cape, KZN, Gauteng and the UK. Furthermore, we continue to encourage gender diversity with 65% being female employees.


Akua Koranteng


Andiswa Mahlaba


Andrea Taverna-Turisan


Anthony Stroud


Belinda Ortman-Lebona


Chris van Zyl


Gustav Fichardt


Hilda Janse van Rensburg


Jade Mcfarlane


Jaun Knoesen


Laila Razack


Lloyd Zacharias


Lorencia Ranala


Melanie Brown


Mmatebogo Magopane


Monique Karating


Mpilo Ntuli


Mpumelelo Ayirebi


Nasreen Mukuddem


Nombongo Magwa


Nomsa Jamani


Olivia Velem


Riaan Gous


Sharon Daka


Shirley Wolmarans


Steven Piha


Tanyette Chetty


Thasmika Vather


Todd Petersen


Warren Douglas


Wouter Hanekom


Wynand Smit


Zantelli Susini

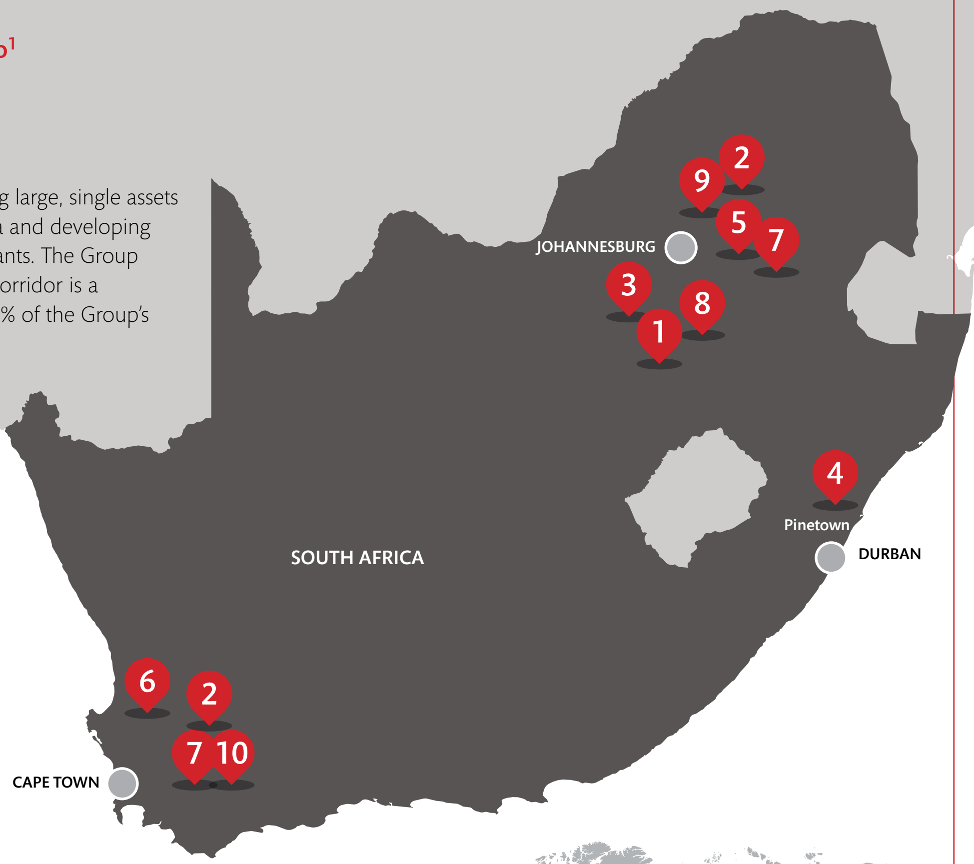

Ziyanda Mkhwane

Organisational highlights

Key properties and tenants – 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. 43% of the Group's portfolio value is situated along this corridor.



1. DSV
   Meadowview
2. SHOPRITE HOLDINGS LTD
   Brackenfell, Centurion
3. digistics
   Meadowview, Midrand, Bellville
4. Pick n Pay
   Pinetown
5. TFG
   Lord's View
6. PUMA
   Atlantic Hills
7. IMPERIAL LOGISTICS
   Parow, Riverfields
8. Nestlé
   Longmeadow
9. Cummins
   Midrand
10. Simba
   Parow, Germiston

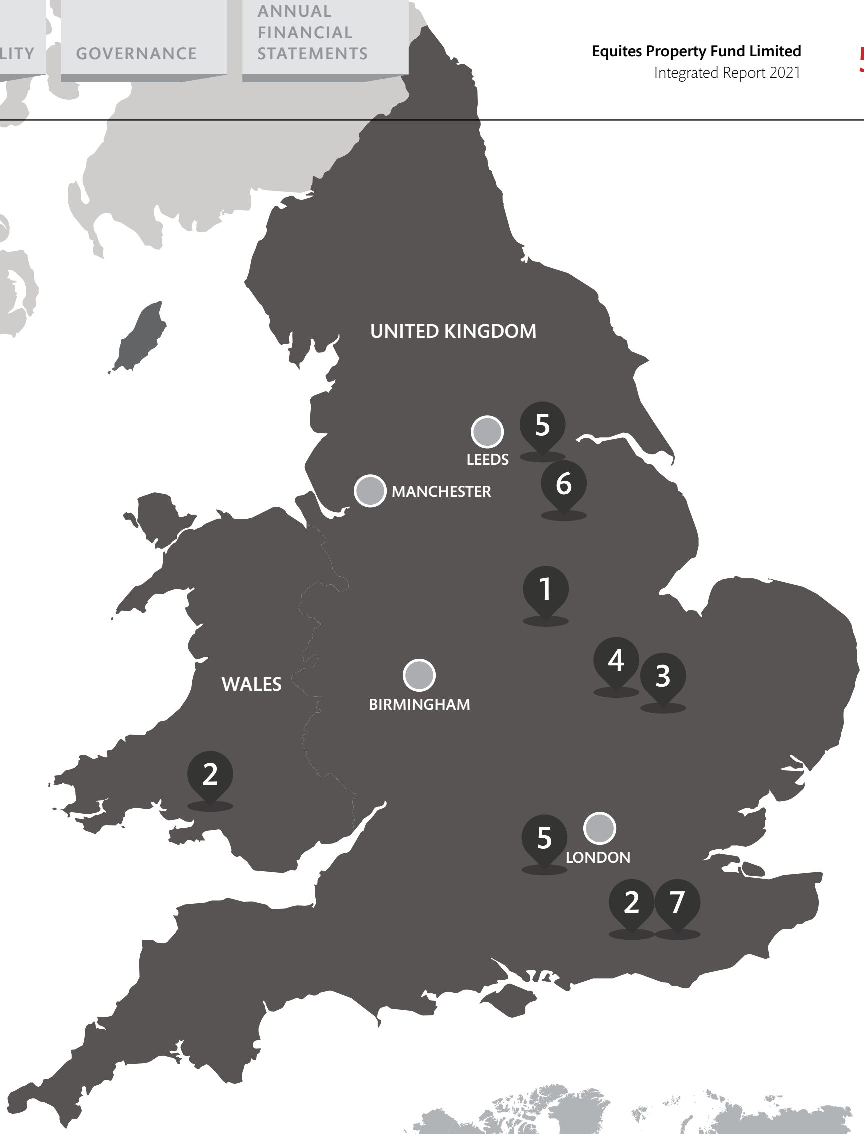
6.4%
Weighted average SA lease escalation by GLA

15.5
WALE of SA portfolio (in years to expiry)

R13bn
SA portfolio value

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

Key properties and tenants – 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 TESCO
Hinckley

2 dpd
Burgess Hill, Swansea

3 DSV
Peterborough

4 Coloplast
Peterborough

5 DHL
Reading, Leeds

6 PUMA
Wakefield

7 Roche
Burgess Hill

100%
Rental collection rate

15.1
WALE of UK portfolio (in years to expiry)

£366m
UK portfolio value

1 Tenants listed above are a subset of the Group's portfolio

Equites Park – Meadowview, Gauteng

Chairman's report

Leon Campher
Chairperson

Financial Results

Equites delivered another strong set of financial results, with sound property fundamentals and prudent treasury and balance sheet management assisting us to successfully withstand the onslaught of the COVID-19 pandemic. During this period of significant disruption and uncertainty, the company managed to grow DPS by 2.4 % compared to the previous financial period and increased the value of its property portfolio of quality assets by 30% to just below R20 billion.

Our NAV per share decreased slightly over the period, down from R17.55 at February 2020 to R17.25 at the end of this reporting period. A 5.2% decline in the like-for-like value of our SA portfolio caused this decrease with the uncertainty due to the pandemic, the lack of economic growth in SA and a conservative approach by the Board and external valuers being the main contributing factors.

The pandemic has reinforced the importance of efficient and resilient distribution networks and provided an unexpected boost to e-commerce, which in turn increased the demand for premier logistics space. This bodes well for Equites' future as it controls several strategically located parcels of land in both SA and the UK which will be used in tenant-driven logistics developments going forward.

Whilst there seems to be consensus on the fact that the UK economy is recovering ahead of expectations, opinions on the pace of the recovery of the SA economy are contradictory. We have limited control over our economic environment. We will, however, as a Board do everything possible to ensure the continued effective, proactive, and sustainable management of Equites in the interest of all stakeholders.

Sustainability

There was a significant increase in the focus on ESG during this reporting period. We incorporated a sustainability steering committee to oversee the implementation of our various initiatives, the most important of which are as follows:

- Equites secured an R800 million sustainability-linked loan facility with Standard Bank. This is the first of its kind in the SA REIT space and through our ongoing sustainability efforts we should reap the benefits of lower funding costs in future.
- Equites has adopted the framework and policy of the Task Force on Climate-related Financial Disclosure, which involves aligning our ESG disclosures with the TCFD standard. We have already commenced with the practical implementation of the TCFD standard and incorporated the various aspects of the TCFD into our internal processes and procedures, with the goal of being fully aligned with the TCFD standard by 2022.
- Equites underwent a Sustainalytics verification for the second consecutive year which resulted in an improvement in its Sustainalytics rating compared to the previous financial period. Sustainalytics evaluates various aspects of the sustainability initiatives across the ESG spectrum and has assessed Equites overall as being "low risk", consistent with 2020. Sustainalytics is a globally recognised ratings agency that tracks the ESG risk metrics in a Group. The score measures an organisation's exposure to industry-specific material ESG risks and how well an organisation is managing those risks.
- We are currently in the process of conducting sustainability audits on all the buildings in our SA portfolio. By assessing, amongst other things, energy and water usage as well the physical building materials that were used to construct the buildings, we will be able to identify measures that can be taken to improve the environmental aspects of our portfolio. Based on the outcome of these audits, we will take steps towards implementing the measures necessary to improve the buildings to an EDGE certified standard. This will have a positive impact on our tenants through reduced utility costs, as well as the benefits that come with the occupation of a green building from their individual sustainability objectives, such as reducing their carbon footprint.
- The Group has identified transformation as a critical success factor. Equites has achieved a level 4 B-BBEE score for 2020 and has a largely transformed share register with verified black ownership of 51%. This will remain a key focus area where we will continuously target further improvements.
- Our staff is our greatest asset. Equites is committed to supporting staff development to ensure that each staff member can reach their full potential. To this end, Equites fully funded the studies of seven staff members over the past year. The Group's people strategy is also 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. Equites regularly 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 last staff engagement survey was conducted by external consultants in October 2020 and the outcomes reflected that staff felt engaged, are happy with their working conditions and respected management.

Governance

In line with King IV, Equites believes that effective corporate governance and comprehensive disclosure serve the long-term interest of the company and all its stakeholders. As reported last year, the Company undertook several important initiatives to improve our corporate governance practices. These included, *inter alia*:

- the appointment of Eunice Cross and Keabetswe Ntuli as two additional independent non-executive directors,
- refining the delegation-of-authority policy,
- reviewing and updating the charters of the Board and subcommittees,

Chairman's report continued

- splitting the Risk and Audit committees into two separate committees and
- developing an Enterprise Risk Management Framework and a Combined Assurance Framework.

Over the past year we have continued this focus on strengthening our governance structures. To this end, a comprehensive, external Board survey was completed in February 2021. This evaluation process assessed the effectiveness of the Board and the various subcommittees through:
- Independent assessment of governance information;
- Confidential questionnaires completed by all members of the Board;
- Director interviews; and
- Employee surveys.

The outcomes of the evaluation process indicated that the directors regard the Board and the subcommittees as functioning in line with leading practice. Following this external review, and on the recommendation of both the Audit and Risk and Capital committees, the Board approved the creation of an internal audit function. The objective of this internal function is to provide assurance that our risk management, governance and internal control processes are operating effectively.

During the shareholder engagements in preparation for the July 2020 AGM, certain shareholders engaged with me regarding Board succession planning and the question regarding the independence of long-serving directors. There are several directors who were appointed on initial listing and have therefore been serving on the board for about seven years. In terms of independence, King IV refers to a term of nine years which should guide the Board in its assessment of independence to ensure that each director "exercises objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making".

The Nominations committee and the Board will be following the guidelines of King IV in this regard. Further changes to the Board can therefore be expected over the next couple of years to address this aspect. Furthermore, the Board has nominated experienced businessman, Doug Murray (ex-CEO of TFG), for appointment as an independent non-executive director at our upcoming AGM.

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.

Remuneration

Over the past seven years, the business of Equites has grown significantly, both in size and complexity. This growth has been achieved whilst consistently delivering strong financial results.

Performance of this nature and quality is highly dependent on key individuals' ability to successfully implement the Group's strategy. Rewarding and retaining high-performing people in a 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. The Remuneration committee's mandate is to ensure that Equites' remuneration policy and decisions continue to support the achievement of the Group's strategic objectives in a fair and responsible way.

Results from external benchmarking exercises are fundamental to supporting this objective. Given that our last benchmarking exercise was conducted in 2017, the Board commissioned a benchmarking exercise in February 2021.

This exercise revealed that the Executive Directors were being paid in the lower quartile, when compared to the comparator group. In light of the consistent outperformance of Equites over the last four years in particular, the Board decided to follow the recommendation of PwC and adjust the TGP of the respective Executive Directors to be within a tolerable range of the median of the comparator group. The detail of the benchmarking exercise is included in the Remuneration Report.

A similar non-executive director benchmarking exercise was conducted to establish whether our non-executive director fees remain appropriate and market-related. The results indicated that the non-executive director fees were significantly lower than the market median. It was decided that an increase of non-executive director fees will be proposed in order to bring the fees to within a tolerable range of the market median. Once again, the detail of this benchmarking exercise is included in the Remuneration Report.

We understand that increasing salaries and fees in the current economic environment is often questioned, but the Board has an obligation to enforce its policy of fair remuneration. The decisions regarding remuneration and board fees were therefore not taken lightly. I encourage shareholders to support these decisions at our upcoming AGM as the increases are fair and in line with our policy of rewarding sound performance.

In Closing

The overarching principle of creating long-term shareholder value in lieu 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 results presented in this report were achieved because of the Group having, and continuously pursuing, a clearly defined vision and strategy, an excellent alignment of interest between the Group, its Board and shareholders and the ability of the Executive Directors to continuously conclude significant transactions, which meet the Group's exacting investment criteria.

I wish to thank our Board and our management team for their important contribution over this past year. The year ahead will pose different 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 2021 R'000	February 2020 R'000	February 2019 R'000	February 2018 R'000	February 2017 R'000
Statement of financial position					
Assets					
Investment Property	19 243 031	14 834 168	11 957 597	8 071 049	5 991 393
Other non-current assets	147 194	181 495	117 988	172 900	143 818
Non-current assets held for sale	86 112	40 455		28 000	234 381
Current assets	1 380 862	146 706	163 182	212 447	149 173
Total assets	**20 857 199**	**15 202 824**	**12 238 767**	**8 484 396**	**6 518 765**
Equity and liabilities					
Capital and reserves	10 843 183	9 729 590	8 519 793	6 298 774	4 947 355
Non-controlling interest	2 166 757	40 434	149 919	109 410	93 535
Total equity	**13 009 940**	**9 770 024**	**8 669 712**	**6 408 186**	**5 040 890**
Non-current liabilities	6 057 147	4 864 462	3 257 432	1 906 272	1 097 305
Current liabilities	1 790 112	568 338	311 623	169 939	380 570
Total equity and liabilities	**20 857 199**	**15 202 824**	**12 238 767**	**8 484 396**	**6 518 765**
Statement of comprehensive income					
Profit and loss					
Gross property revenue	1 185 380	993 699	766 158	573 698	502 431
Other net gains / (losses)	127 341	(20 162)	(81 959)	208 343	175 442
Property and administrative costs	(219 995)	(169 010)	(149 797)	(121 012)	(105 134)
Fair value adjustments - investment property	(224 874)	21 764	220 212	239 546	309 138
Operating profit before financing activities	**867 852**	**826 292**	**754 614**	**900 575**	**881 877**
Finance costs	(287 008)	(218 529)	(70 731)	(68 765)	(79 106)
Finance income	17 367	6 494	3 223	24 990	3 292
Net profit before tax	**598 211**	**614 257**	**687 106**	**856 800**	**806 063**
Tax expense	(108 160)	76 996	28 854	34 313	-
Net profit for the year	**490 051**	**691 252**	**715 960**	**891 113**	**806 063**
Other comprehensive income					
Translation of foreign operations	208 507	262 239	293 062	(139 049)	(173 374)
Total comprehensive income	**698 558**	**953 491**	**1 009 022**	**752 064**	**632 689**
Total comprehensive income attributable to:					
Owners of the parent	615 996	944 431	962 918	731 139	611 372
Non-controlling interest	82 562	9085	46 104	20 925	21 317
Other information					
Distribution per share (cents)	155.00	151.39	138.43	123.86	110.37
Headline earnings per share (cents)	99.41	125.93	109.36	164.67	165.26
Net asset value per share (Rands)	17.25	17.55	16.92	15.36	14.12
Closing share price (Rands)	18.31	17.27	20.08	19.99	16.10
Market capitalisation (R'000)	11 511 782	9 575 200	10 108 609	8 195 365	5 642 487
Loan-to-value (%)	31.2	26.2	26.9	23.5	21.2
Non-financial information					
Number of properties	64	62	58	50	52
Total gross lettable area (m^2)	1 146 354	700 149	643 965	444 175	407 688
Weighted average lease expiry (years)	15.4	10.2	8.8	7.9	7.1
Vacancy (%)	0.1	3.4	3.9	2.0	0.1

Equites Park – Meadowview, Gauteng

Value creation

Chief executive officer's report

Andrea Taverna-Turisan
Chief Executive Officer

Proving our defensiveness
"For the last five years we have spoken to the strength of our assets and tenant base. This year's results clearly prove that our foundations have withstood the most dramatic economic shock we have seen in recent times. We believe this is testament to our defensive and high-quality logistics portfolio in SA and the UK, a conservative capital structure and a prudent approach to liquidity management."
– *Andrea Taverna-Turisan*

THE HIGHLIGHTS OF THE YEAR UNDER REVIEW INCLUDE:

Concluding the Shoprite transaction, which has an initial portfolio of properties valued at R3.2 billion with a gross lettable area (GLA) of more than 400 000 m^2

Completing world-class developments in SA and the UK with a combined capital value of R887 million let to blue-chip tenants like DHL, Sandvik and Imperial

Securing a R800 million sustainability-linked facility with Standard Bank

Disposing of two assets in the UK to Blackstone Group for a disposal consideration of £43 million, 5.8% above their book value and 24% above the acquisition price

Increasing the fair value of our property portfolio by 30% from R14.7 billion to R19.3 billion

Robust business performance

The global COVID-19 pandemic created the most challenging year for the Group. Despite the adversity, we were able to deliver a compelling set of results. We achieved distribution per share growth of 2.4% (155.00 cents per share), in line with our market guidance of 2% to 4%. Our dividend was supported by strong rental collection rates of 99.3% and 100% in SA and the UK respectively, higher cash flows received from the UK portfolio due to a weakening rand, and robust rental escalations in our SA portfolio. The negative fair value adjustments in our SA portfolio were offset by an increase in the UK portfolio of 5% in local currency, on the back of unprecedented yield compression in the UK logistics sector. The net impact resulted in our NAV per share to be 1.7% lower than the preceding year, decreasing from R17.55 to R17.25. We do, however, expect strong growth in our NAV per share for the next financial year.

JSE market outperformance

The last year has been a challenging period for the real estate sector globally, and our total shareholder return of +16% for the year under review speaks volumes about the Group's innate robustness, particularly when compared to the South African Property Index, which delivered a total return of -16%. Investors have been understandably cautious about SA REITs with stretched balance sheets, lack of liquidity and the suspension of dividends in the short-term. We believe our relative outperformance is attributable to our strong property fundamentals, conservative capital structure, exposure to the logistics sector, and the predictability of our earnings.

Capital structure and treasury management

Our loan-to-value ratio was 31.2% at year-end, which is conservative relative to the SA REIT sector. We are confident that this provides us with sufficient flexibility to implement our acquisition and development pipeline.

We have established diversified sources of debt funding both in the UK and in SA and now have debt facilities of R7.3 billion across secured term facility agreements and unsecured debt issuances. We have cash and undrawn facilities of R1 billion immediately available to fund current acquisitions and developments. Our all-in effective cost of debt has fallen by 75 basis points per share to 5.2% since 29 February 2020, driven principally by a 300 bps decrease in base rates in SA and 61 bps decrease in interbank lending rates in the UK, impacting the unhedged portion of our debt.

Property fundamentals

Our property fundamentals have improved noticeably and our weighted average lease expiry increased to 15.4 years. There are no vacancies in the SA logistics portfolio and the only vacancy in our portfolio relates to a single ancillary unit of 1 401 m² in the UK, which demonstrates strong demand for A-grade logistics facilities in both jurisdictions. We have very few leases coming up for renewal in the next financial year and engage with all our tenants well in advance to either extend their lease or offer them new space in our developments if they have outgrown their current space. Furthermore, 95% of our income now comes from A-grade tenants, which are multinational tenants like DHL, Shoprite and Nestlé, which reduces the portfolio's tenant default risk.

Tenant engagement

Management has proactively engaged with every single tenant during 2020 to understand the impact of COVID-19 on their cash flows and operations, and how we could assist those who faced operational challenges. For most tenants, the immediate concern was their cash flow requirements during the strictest of lockdown measures, in both jurisdictions.

Following these tenant engagements, we offered rental deferral arrangements totalling R42 million across the Group (R35 million in SA and R7 million in the UK). Since granting these deferrals, we have seen a promising recovery. There have been no tenant defaults and R20 million of the total deferred rentals were repaid by 28 February 2021. Of the outstanding balance at 28 February 2021, R18 million is due to be repaid in the next 12 months and the balance is to be recovered over the remainder of the leases.

To further support our tenants, we undertook two new initiatives. The first was sustainability audits on our existing SA buildings, as we aim to improve the sustainability profile of our buildings. The implementation of this will benefit our tenants directly in the form of reduced utility costs and indirectly by occupying a green building that supports their own sustainability objectives. The second initiative was an assisted maintenance programme for our tenants, which supports and advises them on the administrative processes of ongoing property maintenance. We believe that these initiatives further bolster our relationships with our tenants, and improve the sustainability of our buildings.

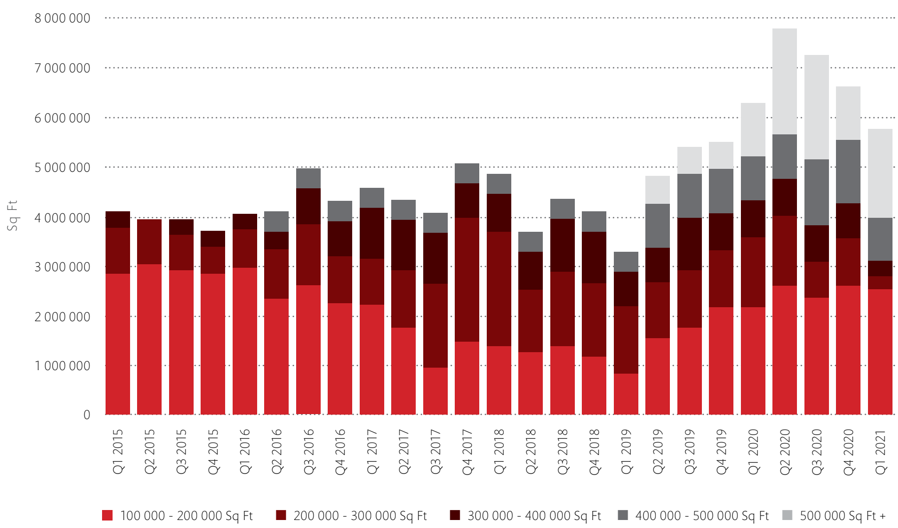
Logistics sector: a post-pandemic winner

The logistics sector has emerged as a star performer amid the turbulent global conditions of the last 12 months. The three top global regions (Europe, the United States and Asia Pacific) all experienced record levels of occupational demand for logistics properties fuelled by online retailers and third-party logistics providers looking to expand their distribution networks.

The logistics sector benefits exponentially from the growth in e-commerce due to online fulfilment requiring two to three times more warehousing space than that required by traditional store-bound models, as shipping parcels require more warehouse space than shipping pallets.

Prior to COVID-19, the growing demand for shorter delivery times has forced retailers to increase inventory levels. This has led to a growing demand for bigger warehouses and average deal sizes have increased substantially over the last decade in numerous markets. Data from Savills on the East Midlands market in the UK confirms this trend and in 2020 there were nine deals above 500 000 sq. ft (46 500 m^2). The average deal size now is 375 865 sq. ft (35 000 m^2), having increased by 27% over the last decade.

New supply of logistics properties in East Midlands, England



As demonstrated in this graph, no projects delivered to the market in 2015 were above 400 000 sq. ft (37 000 m^2). However, by the first quarter of 2021, almost half the new supply delivered to the market were bigger than that.

Chief executive officer's report continued

The tensions created by the trade war between the US and China caused companies to rethink the traditional supply chain model, which is predicated on the principle of a low-cost, lean model. Such models work in a stable geopolitical and economic environment but are not optimal when there are systemic shocks on the back of natural disasters and unforeseen events such as COVID-19 or a blockage in the Suez Canal. We expect companies to shift their focus to building resilient supply chains, which could be improved by increasing inventory levels and diversifying distribution networks. We believe this structural shift in the market will be a key global demand driver for warehousing space in the long term.

The resilient nature of the logistics sector has attracted strong investor demand, as it is one of the few property sub-sectors that provide investors with a high degree of cash-flow predictability and rental growth prospects. On the back of this, this sector experienced attractive yield compression during 2020 and global capital values increased by more than 5% on a year-on-year basis *(source: CBRE research)*.

UK property market

Based on several metrics, 2020 was a record year for the UK logistics market. New leases were signed for 50.1 million sq. ft (4.65 million m^2) of warehouse space, 33% higher than the previous record set in 2016. Online sales as a percentage of total retail sales set a new record in January 2021, at 36.3%. Amazon has emerged as a key player looking to capitalise on the growth in UK online sales and captured almost 25% of the letting market in 2020. Amazon's aggressive expansion in the UK warehousing market will forcefully result in increased demand from other retailers if they want to remain competitive in the e-commerce space. COVID-19 has forced supply chains to change from a just-in-time model to a just-in-case model, and this will be reinforced by Brexit, as manufacturing and inventory will have to move back onshore, further increasing demand for warehousing space in the UK.

The UK's logistics sector has attracted a significant amount of capital and investment volumes increased by a staggering 25% in 2020 to £4.7 billion, supported by significant portfolio transactions in the fourth quarter of 2020. Based on the uncertainty around retail, office, and hospitality properties, investors shifted their focus towards the logistics market. The demand-supply imbalance compressed the national prime distribution yield by 50 bps from 4.25% to 3.75% in 2020. This trend continued into 2021; Aberdeen Standard Investments acquired an Amazon-tenanted distribution facility in Hinckley for a purchase price of £103 million in April 2021, equating to an unprecedented record low yield of 3.1%. This is indicative of where 20-year income is currently priced for prime distribution warehouses.

The impact of technology on warehouses

Technology is the biggest disruptor in supply chains around the world. The use of artificial intelligence, blockchain, warehouse automation and software for parcel tracking all contribute to warehouses being more efficient and profitable than ever before.

Technology and the growth in online sales are also impacting landlords, since they have a profound impact on the design and layout of new warehouses.

The growth in online retail has created the demand for a new type of warehouse, commonly known as a last-mile facility, which supports the final step in the delivery process. This is the most expensive and time-consuming step in the overall fulfilment process and has led to the following changes in warehouse design.

Traditional warehouse	Last-mile warehouse
A large rectangular box is required.	A smaller, thinner, lower and longer rectangular box is needed.
A single building face is exposed to a yard, extending at least 50 metres from it.	Three building faces are exposed to yards, typically a combination of at least one 50-metre yard and two 30-metre yards.
The doors and internal floor normally are 1.4 metres above the yard.	Some doors are 1.4 metres above the yard and others are level with the yard.
Flat, strong floors are crucial for carrying material-handling equipment operating at greater heights.	Floors do not have to be super flat or strong, as the height of the building is less important because inventory is not stored in the warehouse.
The site coverage ratio is typically around 45% (that is, the area of land that is covered by the warehouse).	The site coverage ratio is typically around 25%.

Our first development with Newlands, which is estimated to reach practical completion in July 2021, is a prime example of a last-mile facility and will be tenanted by Amazon on a 15-year lease. The scheme will have a low site coverage ratio of 16% and incorporate a bespoke three-storey van deck (847 spaces) for Amazon's electric-vehicle fleet. This type of facility is not designed to store large products, but rather to process and handle high volumes of smaller products in a cost-effective manner and to deliver them to consumers faster and more efficiently.

Our medium-term strategy in the UK

We believe the UK logistics market will continue to perform exceptionally well in the medium-term, primarily due to online sales growth and a scarcity of land. The latter has already increased land prices substantially in the UK, resulting in further market rental growth. Equites will continue to allocate capital to investment opportunities in the UK, as we believe our property fundamentals will continue to deliver exceptional returns in the medium- to long-term.

Prime distribution yields are now 3.75% in the UK and Equites can no longer compete in the open market for product, as the expected total returns does not exceed our minimum hurdle rate. It is for this reason that Equites decided to partner with a best-in-class development team, Newlands, as it affords us the opportunity to build scale in the top-end of the logistics market at a discount to open market values.

We believe our strategic venture with Newlands will continue to deliver unparalleled opportunities for the duration of the strategic venture. Newlands hold unparalleled access to land holdings and are an experienced development team which is paramount to expanding successfully in the logistics market while creating attractive value for shareholders. The following deals are examples of investors acquiring development pipelines in this market:

- Blackstone recently proposed a £1.2 billion offer to shareholders of St. Modwen, a UK-listed property developer with a focus on logistics and residential schemes. The offer equated to a 21% premium to the previous day's closing share price. Blackstone's head of real estate in Europe has described logistics as "one of our highest conviction, long-term investment themes".
- Bridge Industrial and the Public Sector Pension Investment Board, one of Canada's largest pension funds, recently announced the establishment of a joint venture to acquire and develop logistics properties in the UK, targeting a portfolio value of £1 billion.
- Tritax acquired a majority stake in a logistics developer called DB Symmetry in 2019 for £370 million. The deal presented a significant development pipeline for Tritax.
- SEGRO and Roxhill Development Group created a partnership in 2018 which provided SEGRO with access to a portfolio of big-box logistics warehouse development sites in the UK.

We estimate the pipeline of development opportunities within the Newlands venture to exceed £800 million over the next three to five years, and this will provide Equites with a golden opportunity to build scale in the top-end of the UK logistics market. The pipeline will be focused on developing modern distribution warehouses on a pre-let basis for blue-chip tenants on long-term leases. The partnership will not undertake speculative developments in the short to medium term, as the portfolio does not currently have scale to absorb short-term vacancies upon completion. However, Newlands might undertake speculative developments on a turnkey basis for third parties (after securing a forward-funding agreement), thereby crystalising development profits and providing Equites with capital for new projects.

Based on the attractive pipeline of opportunities, we expect the UK portfolio (currently 34% of our asset base) to outgrow the SA portfolio over the medium-term. One of the main reasons for this is that developing a 20 000 m^2 warehouse in SA (including land) costs approximately R200 million, but for a similar sized asset in the East Midlands, it will cost more than R600 million. Furthermore, we believe the number of opportunities in the UK, and the average deal size per asset, to far outweigh the opportunities in SA.

The SA property market

The direct property market in SA experienced its worst year since 1995 and 2020 was the first year in which the market delivered a negative ungeared total return of 3% (MSCI All Property Index). Based on MSCI data, the industrial sector was the only sector to deliver a positive total return (+1.1%) for 2020. In the industrial segment, DCs performed best with a total return of (+5.1%). The distribution warehouse segment has the lowest vacancy rate of 2.3%, well below other sectors like office parks at 17.5%, which is testament to the robust property fundamentals in the logistics property market.

Although the logistics sector performed relatively well in SA, we believe the sector still has significant long-term potential once companies resume investment into their online platforms and supply chain efficiencies. Online sales still account for a small percentage of total retail sales. It is estimated to grow from 2.8% in 2020 to 5% in 2022, but many retailers still employ in-store picking. It is, however, encouraging to see major retailers delivering robust growth in online sales. For example, TFG's online sales contributed 3.6% of TFG Africa's total sales for the nine months to 26 December 2020 after growing a staggering 114% in the third quarter of 2021. Another example is Woolworth's Fashion, Beauty and Home division where online sales contributed 4% of total sales for the 26 weeks ended 27 December 2020, equating to a growth rate of 119%. Nevertheless, we remain of the view that demand for warehousing in SA in the short term will be driven primarily by supply-chain optimisation rather than e-commerce growth.

Chief executive officer's report continued

Our value proposition in SA: Trust the specialist

We pride ourselves on being a sector specialist in SA and offering clients world-class insights and guidance in terms of their warehousing requirements. Our team's niche focus has been enhanced by the exchange of intellectual property between the UK and SA, effectively allowing us to combine the best ideas and knowledge of both markets to create cutting edge warehouse specifications for future developments.

When we undertake developments, there are two main objectives Equites sets out to achieve:

- Each development will meet our baseline specification, since we ultimately are long-term investors in our properties. It is imperative that we do not compromise on our standard warehousing specification, regardless of a tenant's requirements, to ensure that the building is durable and affordable in the long term.
- Our development process is tenant-focused. We believe that our development team provides an excellent value-added service to our clients in the form of guidance on the ultimate warehousing solution. In some instances, we provide supply chain consultants to thoroughly assess a client's operations and supply chain processes.

The above-mentioned objectives create a strong foundation for building sound relationships and trust with our clients, transforming once-off development projects or deals into long-term mutually beneficial relationships. A prime example is the Shoprite transaction where we created a strategic venture with Shoprite, not just a once-off transaction. We believe it will create other development opportunities in the strategic venture, RLF, in which Equites has a 50.1% share. In this way, it provides the Group with the opportunity for more joint transactions, simply because of our focus on quality logistics developments. This approach contributes to our competitive advantage.

Furthermore, although we only undertake developments that pass our minimum hurdle rate, our priority with all projects are quality and longevity as opposed to short-term growth in distribution per share. For example, Equites typically develops at a yield on cost of between 8% and 9%, which in some instances may be neutral to our earnings upon completion. However, the asset provides the Group with long-term stable and growing income streams, thus enhancing the sustainability of our growth profile and meeting our long-term hurdle rates.

Lastly, we believe that having an in-house development team provides the following benefits:

- It aligns the interest of the developer and the investor, because a development is only undertaken if it meets the long-term objectives of the project.
- Our developments are effectively completed at cost, which does not include a developer's profit margin.
- Our development team has established a strong track record in SA, which strengthens our relationships and trust with our tenants as well as prospective clients.
- The team has executed more than 16 developments in SA, which has helped Equites to establish a robust development framework and strong intellectual property in the firm. It has also given the team a strong intuition for what works and what doesn't.

Landholding

We have 107 hectares of land in SA, which provides us with 500 000 m^2 of bulk to develop in the medium- to long-term. The last 12 months have arguably been the slowest in terms of securing new development deals, due to tenants' wait-and-see approach during COVID-19. However, there has been a significant uptick in demand since the start of 2021 and we expect to secure another five development deals in the next 12 to 18 months.

Equites has been extremely conservative to date and only commenced developments on a pre-let basis, barring a few smaller properties in the Western Cape and Gauteng. Management has, however, decided to undertake speculative developments on a limited basis in SA and it will make up less than 2% of our total portfolio value. The rationale for this is as follows:

- We believe there is a backlog of demand due to COVID-19, as numerous companies have withdrawn their requests for proposals in 2020.
- Our logistics portfolio in SA is fully occupied, and we have no warehouse space that is immediately available for new tenants.
- We have noticed that smaller businesses require warehouse space in shorter time frames and speculative developments will capture some of this immediate demand.

As we embark on new speculative developments and secure further pre-let development agreements, we expect our land utilisation rate to dramatically increase in the next 12 to 18 months.

Greening our developments

We have instituted a high standard of environmental criteria on all new developments and believe that 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 and during the operational phase. In this way, we future-proof our properties while affording clients the benefit of the positive ecological impact. All Equites' new builds will be rated by both the Green Building Council in South Africa as well as EDGE Certification from the US. We are very proud of the efforts made by the team, and the level of sustainability being incorporated into developments are surprisingly ahead of many markets elsewhere in the world.

The REIT model and funding options

Because Equites undertakes large development projects over the medium term, we have analysed the viability of the REIT structure that generally is very effective for property companies concentrating on the investment-side of commercial properties as opposed to their development. Furthermore, SA REITs are required to distribute a minimum of 75% of their taxable earnings in the form of dividends and tax leakages are generally triggered on the retained portion of earnings, which leaves almost no room for investment capital sourced from the retention of dividends. However, we believe we can still distribute 100% of our distributable earnings, while funding a large-scale development pipeline through the following funding initiatives:

- Develop properties in the UK for third parties on a turnkey basis, creating attractive development profits which will be reinvested in the Newlands venture.
- Sell a minority interest in the UK portfolio and/or pipeline of developments.
- Access capital markets via the JSE. Equites has raised more than R7 billion of new capital since listing, demonstrating a successful track record of raising equity from institutional investors.
- Facilitate raising capital through a dividend-reinvestment programme.
- Recycle SA or UK properties to release equity for new developments.
- Raise capital in offshore markets, either through a dual listing or a separate listing of the UK portfolio.

We believe Equites can remain a JSE-listed REIT and create shareholder value through the development of real estate. We do not expect UK development costs to rise substantially in the medium term and we anticipate that this, combined with the current yield compression in the UK logistics market, will afford us substantial fair value uplifts. This will decrease our LTV ratio and create increased capacity to fund development activity.

Recycling capital

We disposed of two UK assets to Blackstone in the period under review for a total consideration of £43 million and a 5.8% premium to book value. The rationale was to raise capital internally and create further liquidity to fund developments within the Newlands strategic venture. We may dispose of further properties or a stake in the UK portfolio to fund the Newlands strategic venture. We are furthermore planning to dispose of smaller assets in our SA portfolio, which formed part of our listing portfolio. We are currently in discussions with interested parties that could result in portfolio disposal to an empowerment partner.

Prospects

The Group's success has been built on a solid foundation of strong underlying property fundamentals, long-term contractual leases which offer income predictability, a conservative capital structure and a highly skilled team that works closely together to create value for our shareholders. We expect the business to significantly change over the next five years, as we gain scale in the top end of the UK logistics market. To provide further context, the UK portfolio currently makes up 34% of our total portfolio and we expect it to outgrow our SA portfolio over time.

The Board expects that the Group will achieve between 5% and 6% distribution growth per share in the next financial year. Management is also targeting positive net asset value per share growth for the coming financial year, predominantly supported by the development pipeline in the Newlands strategic venture, resulting in double-digit total returns.

Acknowledgements

I want to take this opportunity to express my gratitude to the Chairman and the Board for their support, guidance, and advice during a very challenging period for the Group.

Finally, a big thank you once again to all our business partners for their support and to my fellow executive directors and the team without whom none of this would be possible.

Andrea Taverna-Turisan
Chief Executive Officer

How we create value

Inputs

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

Human capital
- Established property skill sets
- Strong analytical ability
- Focused and collaborative team morale
- Promote continuous training and education

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

Manufactured capital
- High-quality logistics facilities
- State-of-the-art pre-let developments
- Healthy development pipeline in SA and the UK
- Planned portfolio acquisitions through strategic ventures

Intellectual capital
- Robust culture of corporate governance
- Strong ethical foundation and values
- Information technology solutions
- System integrations
- Wealth of experience in logistics

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 ventures to add to our world-class portfolio.

Developments

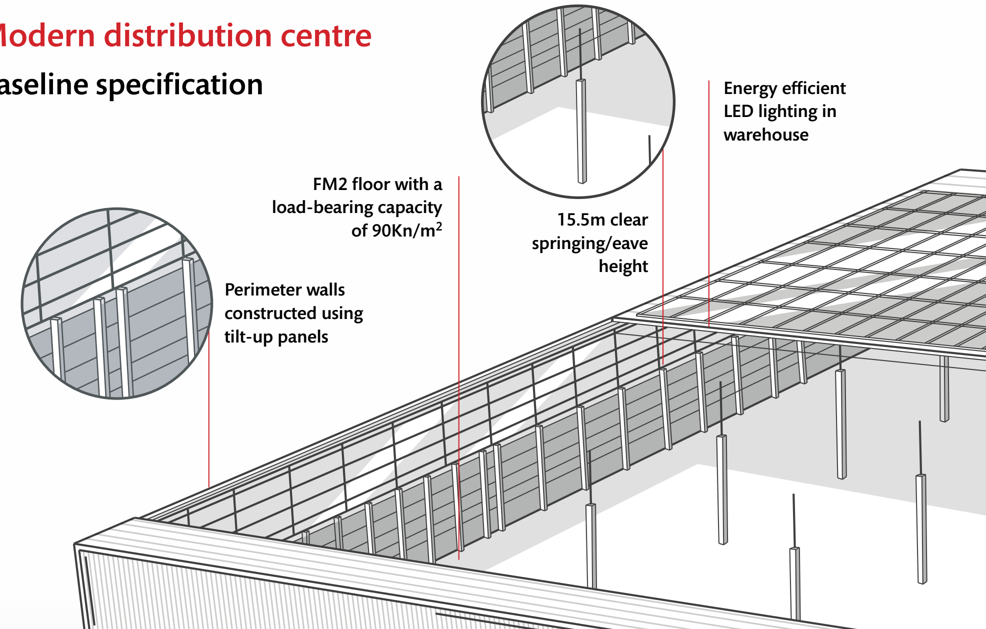
Our focus is on constructing high quality, environmentally conscious buildings that are both functionally designed and aesthetically pleasing. We apply a strict baseline specification which is inspired by global best practice and this remains one of our competitive advantages. We pride ourselves on being a sector specialist in SA, and we are able to provide valuable insights and recommendations to our clients' warehousing and supply chain requirements.

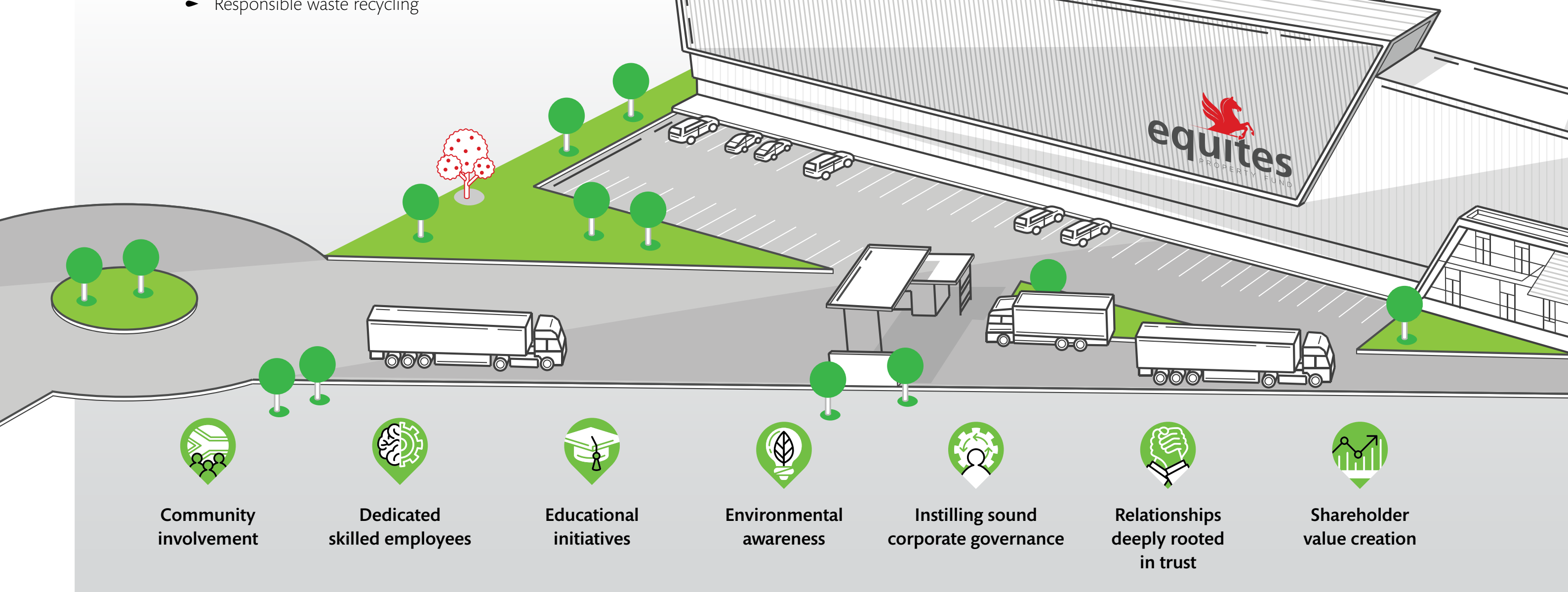
Property management

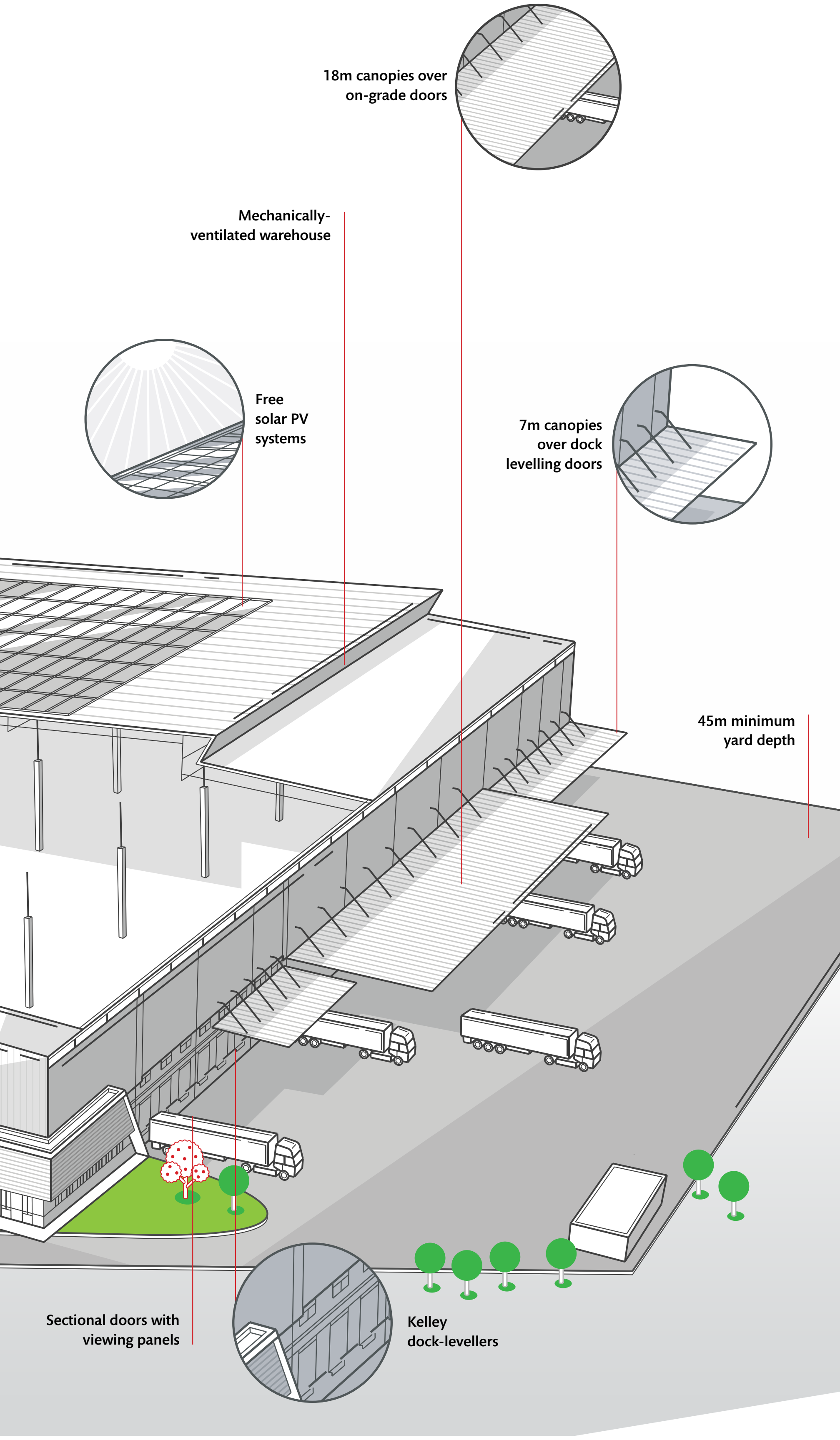
The proactive and effective management of our property portfolio is one of our core proficiencies. Through our constant tenant engagement, we seek ways to improve the premises, introduce sustainable solutions and to enable them to use the property optimally to meet their business needs. We walk alongside our tenants in their journey, thereby building trusted, longstanding relationships with them.

Modern distribution centre

Baseline specification







Outcomes

Financial capital

- NAV decreased to R17.25 in FY21
- DPS growth of 2.4% (155.00 cps)
- Cash and undrawn facilities of R1.0bn available for development projects
- All in cost of debt fell by 75bps to 5.20%
- LTV of 31.2%

Human capital

- Continued development through training and education
- We hired a further six skilled people
- Extremely low staff turnover across all functions
- Encourage diversity with 65% female employees and 61% black employees

Social and Relationship capital

- Launched our Equites AmpCore ESD programme
- Sustained investor confidence
- Maintained our position in the industry as leaders in logistics
- New development opportunities undertaken from existing tenant relationships
- Filled vacancies on our existing properties
- Job creation and social upliftment within our communities

Manufactured capital

- Our portfolio value increased to R19.3 billion, up 29.9%
- Completed four developments in total across SA and the UK in the past 12 months
- Acquired three distribution centres in SA
- 0.1% vacancy rate in the Group's logistic portfolio
- The WALE across our portfolio increased to 15.4 years

Intellectual capital

- Increased information technology integrations
- Cloud-based solutions employed
- Strong corporate governance principles
- Drive towards paperless operations
- A work environment conducive to remote-working

Natural capital

- EDGE certification on all new developments
- World-class baseline specifications applied to builds
- Efficient and effective use of materials
- Increase longevity and low on-going maintenance

Financial capital

HIGHLIGHTS

Achieved growth in DPS of 2.4%

LTV at 28 February 2021 was 31.2%

R1.0bn of cash and available facilities at year end

Rental collection rates were 99.3% in SA and 100% in the UK

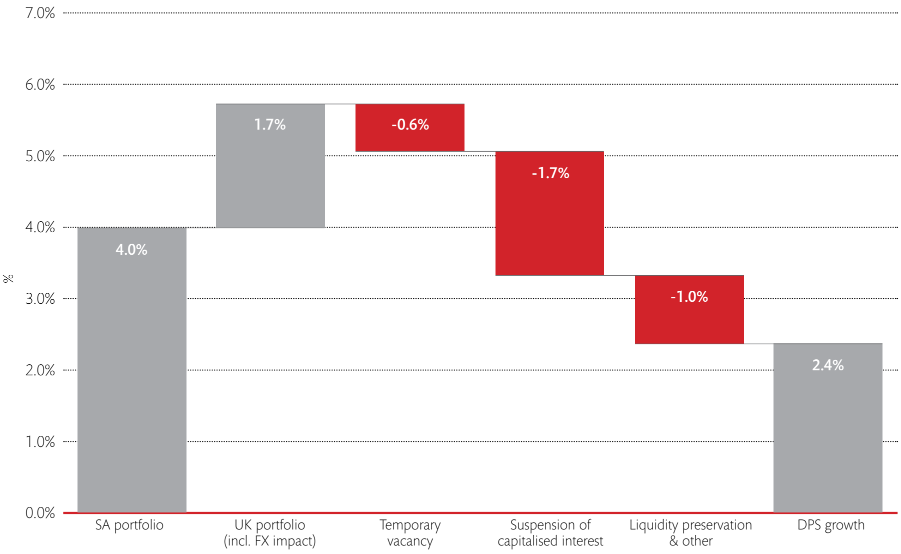
Logistics portfolio vacancy rate of 0.1% at year end

Equites employs a conservative financial risk management policy, which supported the Group's financial performance during COVID-19. A key focus during the financial year has been on liquidity management, which was prioritised by holding excess cash reserves to preserve liquidity during the initial stages of the COVID-19 outbreak. Our LTV ratio of 31.2% demonstrates our conservative approach to maintaining our target capital structure, which resulted in our LTV ratio being amongst the lowest in the SA REIT sector.

Distribution per share

Our DPS grew by 2.4% to 155.00 cents, mainly on the back of strong growth in LfL net rental income, no tenant defaults and a limited number of lease expiries.

FY21 DPS bridge



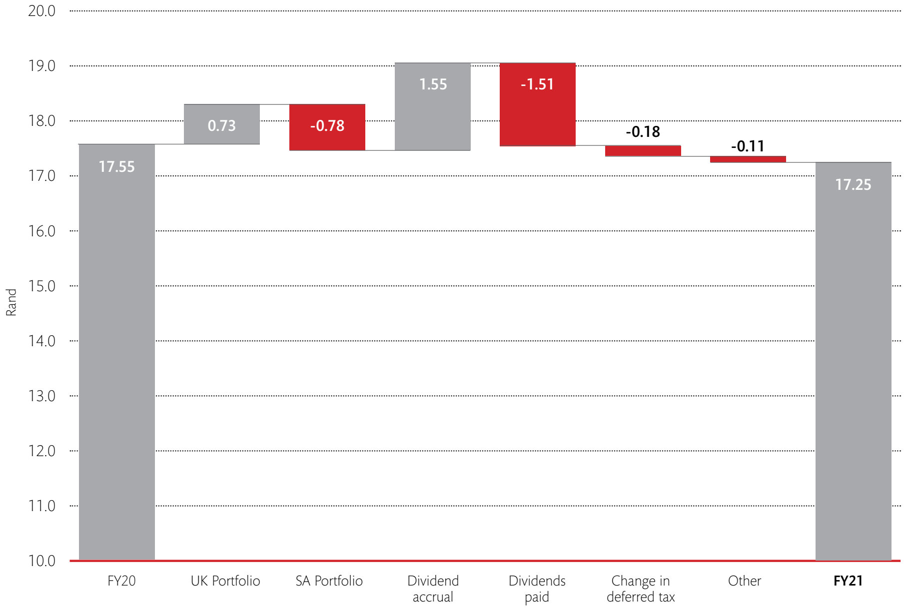
- LfL net rental growth in the SA portfolio of 6.7% contributed to 4.0% DPS growth, a function of our robust in-force contractual lease escalation rate.
- Higher cashflows received from the UK portfolio due to the depreciation in the Rand, which had the effect of a 1.7% increase in DPS.
- A temporary vacancy contributed towards -0.6% DPS growth. The property has subsequently been let to a multinational tenant on a five-year lease.
- Capitalised interest was suspended for two months in 2020 due to COVID-19, which equated to R14.2 million, a 1.7% decrease in DPS.
- The cost of holding excess cash reserves in money market to preserve liquidity during the initial stages of the COVID-19 outbreak detracted 1.0% of DPS growth.

Net asset value per share

Our NAV per share decreased by 1.7% from R17.55 on 29 February 2020 to R17.25 at 28 February 2021. The largest detractors from NAV per share growth were negative fair value adjustments in the SA portfolio and an increase in deferred tax liabilities primarily relating to the first-time recognition of deferred tax liabilities on fair value adjustments in the UK.

- The UK portfolio's value increased by 9.7% on a LfL basis, supported by the compression of prime distribution yields in the UK during 2020 and a weaker Rand.
- Negative fair value adjustments on the SA portfolio were R394 million, reducing NAV per share by 4.4%.
- The robust increase in property valuations in the UK as well as changes in the UK tax law, increased deferred tax liabilities, negatively impacting NAV per share by 1%.

FY21 NAV bridge

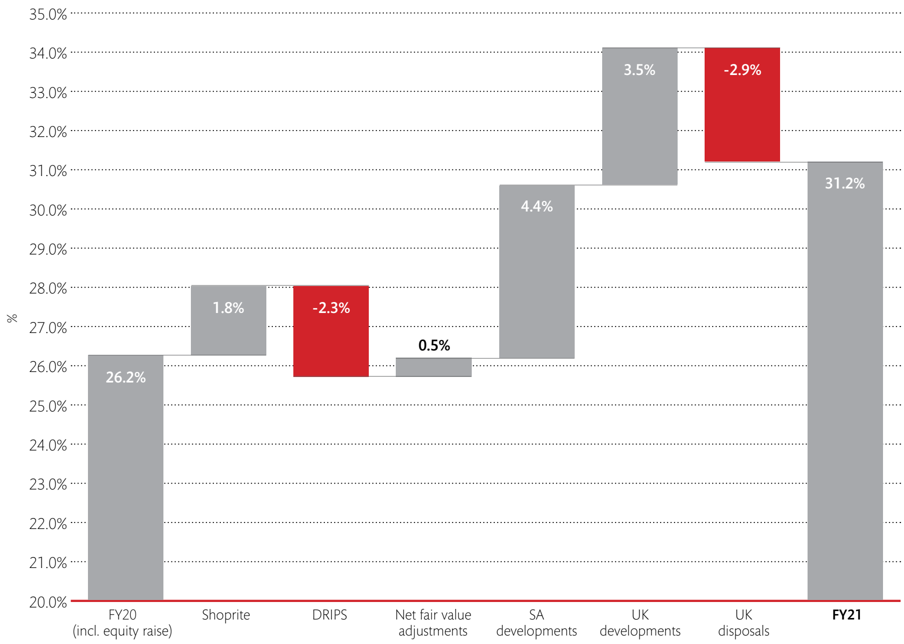


Loan-to-value ratio

Our LTV ratio was 31.2% at 28 February 2021, demonstrating a strong capital structure. The following factors impacted our LTV ratio during the financial year:

- The Shoprite transaction increased our LTV ratio by 1.8%.
- The retention of capital from two DRIPs (R428 million) decreased our LTV ratio by 2.3%.
- We invested R2.2 billion in our development pipelines in SA and the UK, which had an 7.9% impact on the LTV ratio.
- The disposal of two UK logistics facilities to Blackstone for a purchase consideration of £43 million decreased our LTV ratio by 2.9%.

LTV ratio

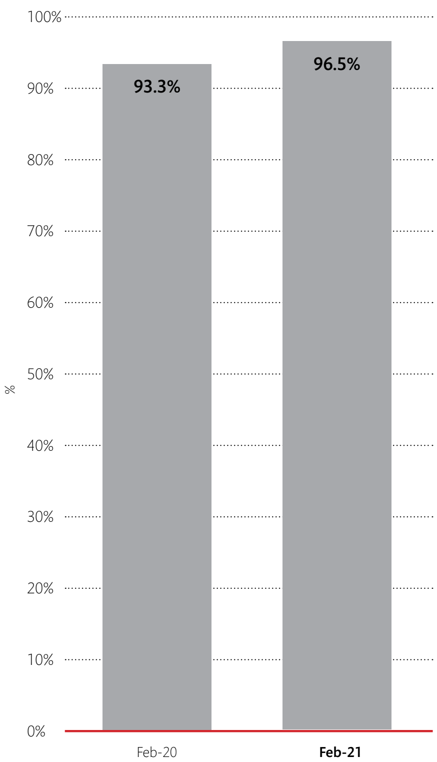


Interest rate hedging

The Group has continued to use a combination of natural hedges and derivative financial instruments to hedge exposure to interest rate risk. At 28 February 2021, 96.5% of the existing term loan balances were hedged for three years, thereby providing income certainty over the medium-term.

Furthermore, it has also sought to negotiate fixed all-in interest rates where preferential rates are available. Our all-in effective cost of debt has fallen 75 bps to 5.19% since 29 February 2020, driven principally by the 300bps decrease in base rates in SA and 61bps decrease in inter-bank lending rates in the UK impacting the unhedged portion of debt.

Hedge cover of term loan balances



Exchange rate hedging

We continued to implement our foreign exchange risk management policy which defines our strategy towards foreign exchange rate risk.

Hedging net investment in foreign operation

Our treasury policy restricts the utilisation of CCIRSs to 45% of foreign assets. We achieve this by continually monitoring our exposure to foreign exchange rates as a result of the investment into the UK. In the current financial year, we have continued to effectively reduce our hedge cover over our investment into the UK and thereby increase exposure of the Group's net investment into the UK to foreign currency fluctuations. At 28 February 2021, the utilisation of CCIRSs had fallen to 25.2%, down from 29.0% at 29 February 2020.

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

£'000	28-Feb-21	29-Feb-20	28-Feb-19	28-Feb-18
Carrying amount of UK assets	366 322	318 351	213 504	146 945
Nominal value of GBP/ZAR cross-currency swaps	92 447	92 447	77 447	74 860
Derivative hedging of foreign assets	**25.2%**	**29.0%**	**36.3%**	**50.9%**

Hedging distributable earnings and cash flow risk

Where possible, we continue to utilise natural hedges to minimise exposure to fluctuations in foreign exchange rates on our distributable earnings. We assess the likely impact on the funds to be received from our foreign operations of reasonably possible changes in the GBP/ZAR exchange rate using financial modelling and hedges our exposure to this exchange rate.

As a result of the disposal of UK assets in the current financial year, the current forecast for UK earnings in the six months to 31 August 2021 is now lower than previously forecast when hedges for this six-month period were entered into, hence the effective hedging level being greater than 80%. Given current market conditions and the materiality, the Group elected not to unwind existing hedges for this six-month period.

Six-month period ended	Effective hedging level	Blended participation floor	Blended participation cap
31 August 2021	106.0%	R20.95/GBP	R21.25/GBP
28 February 2022	66.3%	R22.04/GBP	R22.07/GBP
31 August 2022	52.5%	R24.00/GBP	R24.00/GBP
28 February 2023	30.0%	R21.50/GBP	R24.00/GBP

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

Human capital

HIGHLIGHTS

Six new hires

Low staff turnover

Promotion and facilitation of remote working throughout COVID-19

Maintained health and well-being of our staff

Human capital refers to the knowledge, skills, training and expertise held by individuals within our organisation. Our human capital is one of the driving forces behind the Group's exceptional financial performance. We continuously engage with our people to improve employee motivation, reduce staff turnover and create an environment that enables our people to reach their true potential.

Equites is committed to hiring competent staff and retaining these talents through an inclusive work culture and continuous training and development. Our ability to create this environment is evidenced by our growing workforce combined with low staff turnover. We believe in internal advancements and self-development thereby encouraging internal promotions.

Employment equity remains a key priority in the recruitment process. Whilst our employment practices are centred around diversity and inclusivity, we also aim to place the correct skills in the correct positions.

Training and development

Education is a key driver in maximising employee growth and their potential. 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 advocate 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.

The Group encourages its staff to further their studies and provides funding and support services to employees who wish to further their education. During the year, our entire property management team completed accredited online courses to obtain a better understanding of the various elements of property management and their role within the team which enables them to enhance the service offering we provide to our tenants.

With the recent shift towards remote working which was triggered by COVID-19 and the general increase in cyber-crimes, cyber security and managing IT risks have become more important to the Group. We have implemented an IT training programme, hosted by a third-party, whereby employees are educated on IT-related risks and they are informed and assessed on the precautionary measures to implement if faced with these risks. This includes the functionality whereby employees can feel safe to report suspected phishing attacks which are tracked and recorded by global third-party service providers.

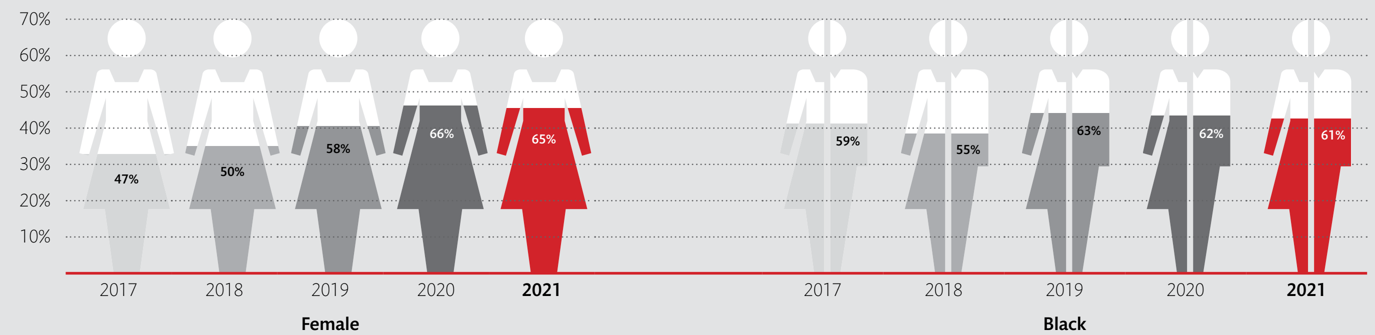
Employee health and safety

Over the past year, we have made a concerted effort to prioritise the health and wellbeing of our people. Approximately two-thirds of our staff have spent the last year working from home, to ensure that the spread of the virus was contained, while committing their full time and resources to ensuring that the Group continued to function optimally. Those who returned to office were provided with additional sanitisers and masks and alternative transport arrangements were procured for those who travelled using public transport.

In addition to physical health, we recognise that mental health is equally important. During the year we have investigated suitable programmes which would benefit the mental health of employees. Subsequent to year end, we have launched a programme through ICAS, an independent service provider, that provides our employees and their direct family members with unlimited free access to counsellors as well as legal and medical professionals to assist them through personal difficulties they may be experiencing.

Refer to the Sustainability Report for more details on the employee initiatives and metrics.

Employee composition



Social and relationship capital

HIGHLIGHTS

Launched our AmpCore supplier and enterprise development programme

Improved investor confidence

Maintained our position in the industry as leaders in logistics

New development opportunities were undertaken stemming from existing tenant relationships

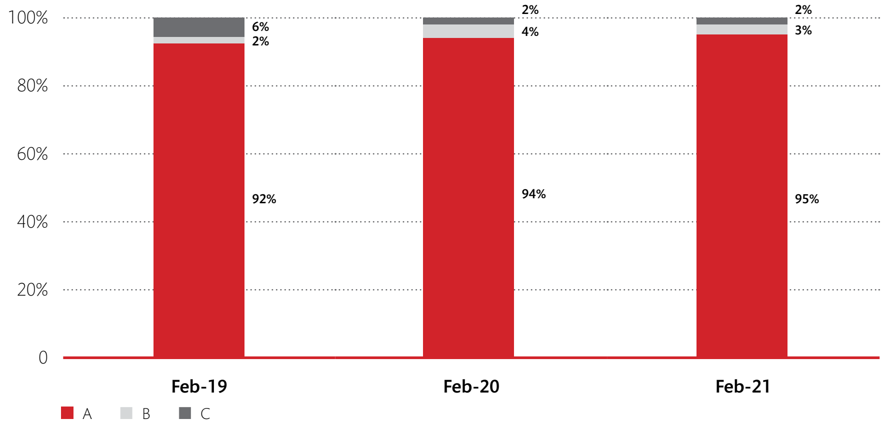
Job creation and social upliftment within our communities

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 demand high-quality A-grade logistics facilities that we develop in key logistics nodes, both in SA and the UK. Our ability to work proactively with our tenants to provide logistics facilities to their exacting requirements forms the foundation of our long-term success. We strive to make our buildings a facility of choice for our tenants. We regularly interact with tenants to ensure that their logistic needs are fully met and any queries are timeously resolved. During the current year, we concluded a transaction with Shoprite where we obtained control over three of their DC's, two in the Western Cape and one in Gauteng. This transaction created a strategic vehicle with the potential to create future development opportunities with Shoprite. This is a demonstration of our commitment to building and maintaining a long-standing, quality relationship with our tenants. Our tenant profile by revenue for the year is as follows:

Tenant profile by revenue



As a result of a tough trading year for many businesses due to the impacts of COVID-19, we proactively engaged with tenants to understand their immediate and long-term business needs during the pandemic and to ascertain how we could assist in ensuring the sustainability of their operations. We understand the impact which we, as landlords, have on their businesses and we prioritised our engagements with our tenants so that our tenants were supported and their needs were accommodated throughout the lockdown period.

Financial Institutions

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

Investors

We continuously engage with both existing and potential new 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 engagement with key investors. Through active participation and regular engagement by shareholders, we ensure that their views and interests are incorporated into our day-to-day operations. There is a focus on shareholder value creation in every decision we make.

Suppliers

Suppliers play a pivotal role in enabling us to deliver an unrivalled portfolio of distinctive A-grade logistics facilities to our tenants, as well as to ensure the ongoing 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 operation 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 during level 5 lockdown.

Furthermore, during the current year we launched Equites' supplier and enterprise development (Equites AmpCore ESD) Programme, whereby SMME's within the property maintenance space are assisted and developed in the interests of local business upliftment.

Communities

The communities surrounding our SA development 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 improvement of the communities in which we operate.

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 the relationship with our broker network.

Equites Park – Atlantic Hills, Western Cape

Manufactured capital

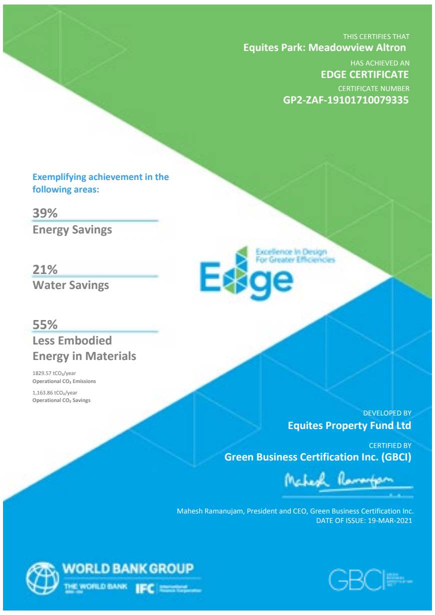
HIGHLIGHTS

Increase in WALE from 10.2 years to 15.4 years

63.7% growth in income-producing GLA to 1,146,354m^2

30% increase in portfolio value to R19.3 billion

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 evidenced by the Company being the only listed property company on the JSE to provide shareholders with pure exposure to prime logistics.



Edge Certificate for the Equites Park Meadowview Altron facility

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. When performing a feasibility analysis on a transaction, we estimate a fair value for the property based on a discounted cash flow model. The discount rate incorporates an appropriate risk premium, which is a function of the investment risk of the property. The location of the property, lease length, lease escalation rate, covenant strength and any other factors that might materially alter the investment risk are the key variables impacting our required return.

South Africa

Our property developments team in SA continue 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 by global best practice and this remains one of our competitive advantages. We pride ourselves in being a sector specialist in SA, and we are able to provide valuable insights and recommendations to our clients' warehousing and supply chain requirements. Furthermore, we invest in long-term relationships with our tenants, which typically creates new opportunities for our development team over time. In line with our sustainability initiatives, Equites aims to achieve EDGE certifications for all new developments and has successfully been awarded one EDGE certificate and two preliminary EDGE certificates for the SA developments completed during the year.

United Kingdom

The investment landscape in the UK logistics property market was frenetic during 2020, as the sheer weight of capital chasing investment opportunities compressed distribution yields to record levels. With yields for prime logistics facilities continuing to reach unprecedented lows, it is currently not feasible for Equites to acquire new product in the open market, as the expected total return does not exceed our hurdle rate (predominantly due to the lower initial yields). Equites' decision to partner with a best-in-class development team, Newlands – located in Rugby, Warwickshire in the heart of the logistics network – affords Equites the opportunity to expand in the premium sector of the UK logistics market at a discount to open market values.

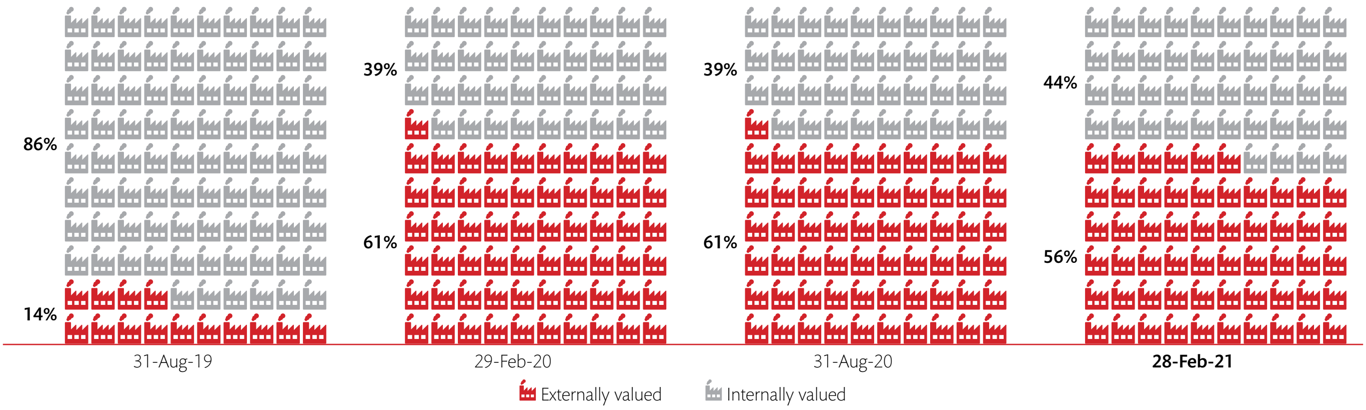
We estimate that the value of the total potential pipeline of opportunities through the Newlands venture will be in excess of £800 million over the next three to five years. New development opportunities will focus on large-scale, world-class distribution facilities in the UK let to multinational tenants with strong covenants on long-term leases. From a risk management perspective, Newlands will only undertake pre-let developments and will not embark on any speculative developments until the portfolio has reached scale. Land will initially mainly be controlled using options, until outline planning has been granted (often led by a tenant driven planning application), which will then trigger the acquisition of land parcels by ENGL. The process of acquiring options over land instead of paying the entire purchase price upfront decreases the risks associated with the complexity of land assembly. Furthermore, we believe the UK logistics market will benefit from robust growth in online sales, and given the scarcity of land for development, we anticipate strong rental growth in the medium-term.

Portfolio Valuations

The Group's policy is to externally value each property at least once every 18 months and to use a range of external valuation specialists across the portfolio. Five external valuation specialists were employed to value our portfolio as at 28 February 2021, three in SA and two in the UK.

Properties that are not externally valued, are valued by the Board every six months, primarily using the discounted cash flow 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 MSCI information in the UK.

Externally valued income-producing properties by GLA



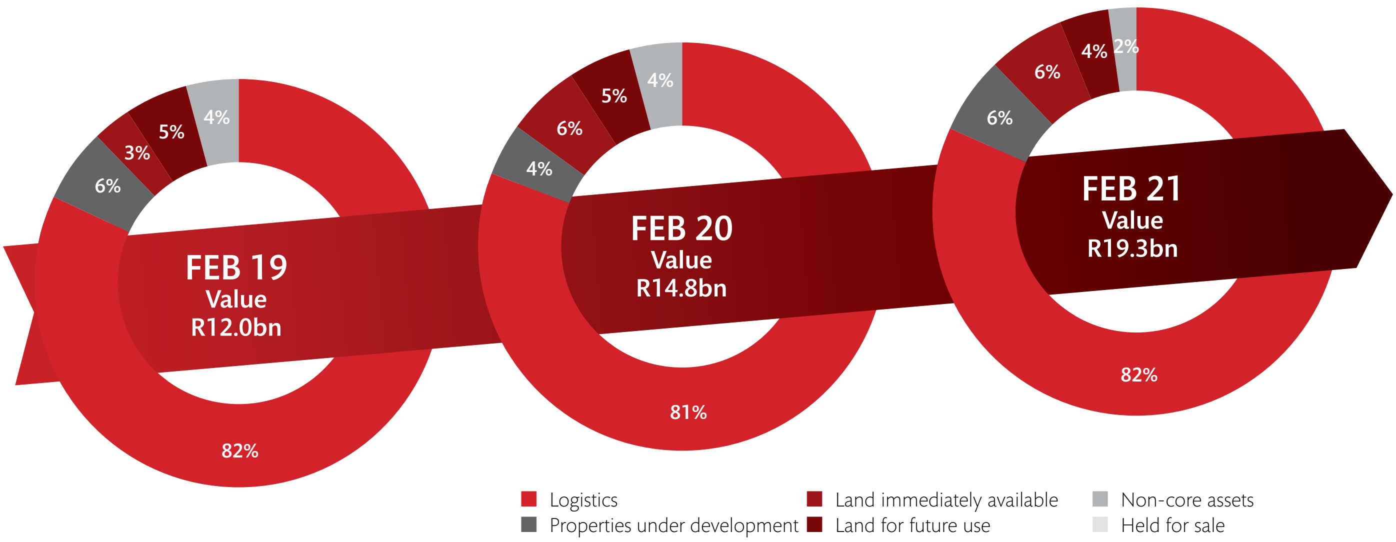
We continue to make significant strides towards increasing the frequency of external valuations and have externally valued 56% of our income producing property portfolio in the current financial year.

We consider the reasonability of our valuations based on the type of property and the associated characteristics, as summarised below:

Property type	Description
Modern distribution centre	Well located properties with high specification levels including ultra-flat floors, large volumetric capacity, deep yards and advanced fire protection. Site coverage typically averages 50%.
Logistics campus	Properties that include both a modern distribution centre and the tenant's head office (national or international). Given the number of head office staff, these properties 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 classified in the above categories. This category includes a jet hangar and mobile cell towers.

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.

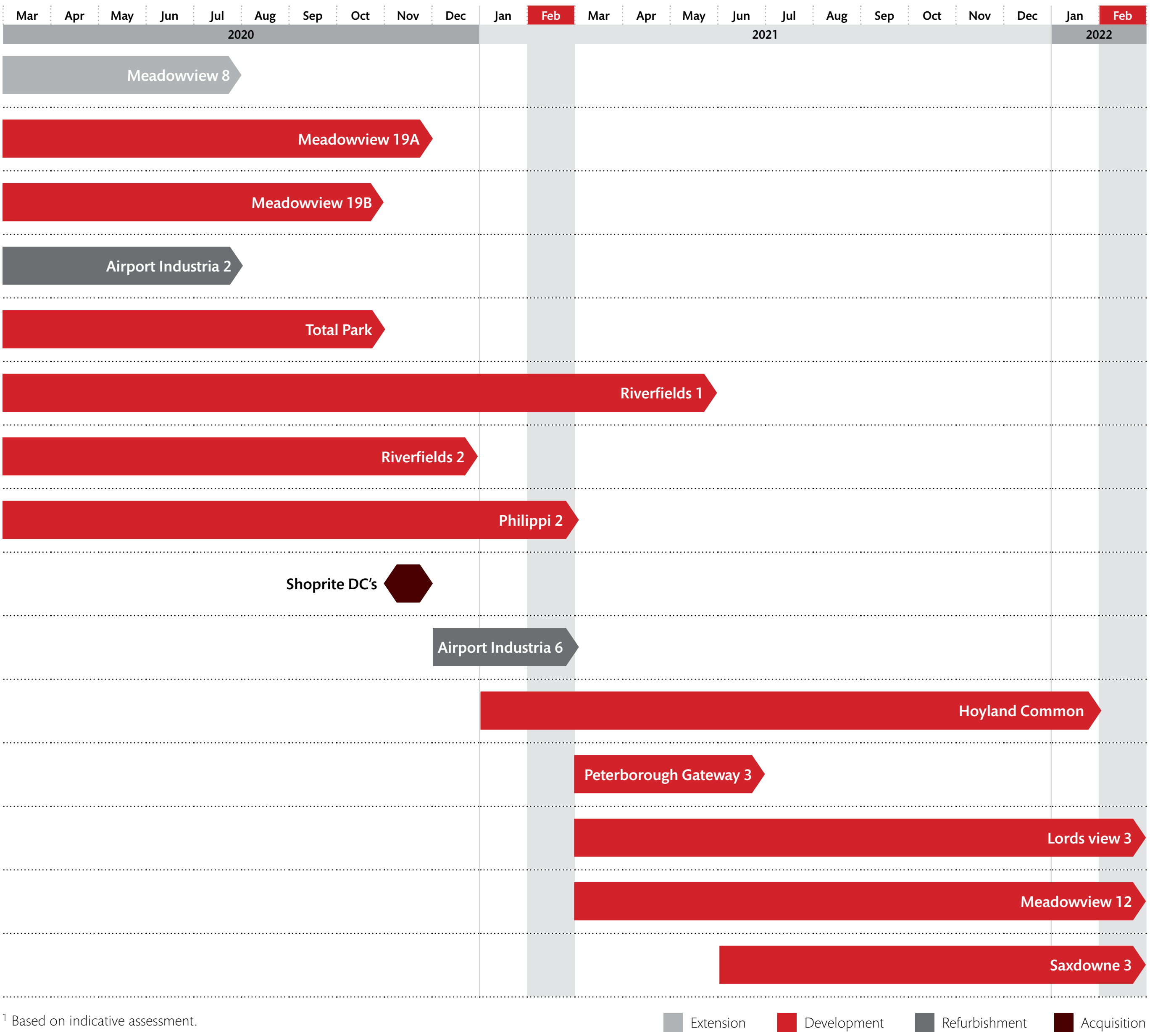


Manufactured capital continued

Portfolio developments and acquisitions

The largest transaction in the financial year was the Shoprite transaction, whereby we concluded a strategic venture with Shoprite for the acquisition of a 50.1% equity stake in three DCs with an initial portfolio value of R3.2 billion. These assets are let to Shoprite on 20-year fully repairing and insuring leases (with three 10-year renewal options) and an annual rental escalation rate of 5%. This was a landmark transaction for the portfolio which supports our investment fundamentals, presents a truly compelling investment case and is a prime example of our effective capital allocation decisions to create long-term shareholder value.

For the year under review, we have delivered three modern distribution facilities in SA and one in the UK with a total capital value of R887 million. A further two developments are expected to be completed in the first quarter of FY22 with a combined capital value of R361 million. Due to COVID-19, we experienced a noticeable decline in demand within SA for new warehousing in 2020. Activity has, however, picked up significantly in early 2021 and we believe that demand has reached the levels achieved in 2019, which was a record year for new developments for the Group.



[1] Based on indicative assessment.

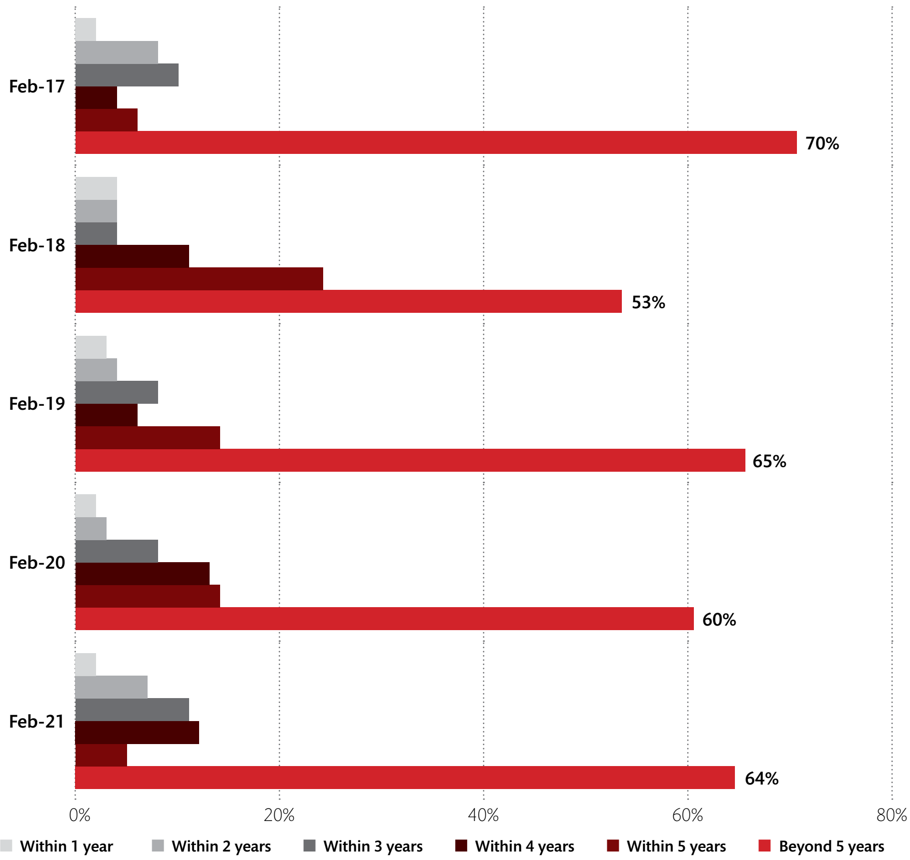
Property fundamentals

The proactive and effective management of our property portfolio is one of our core proficiencies. We are selective when appraising our tenants 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.

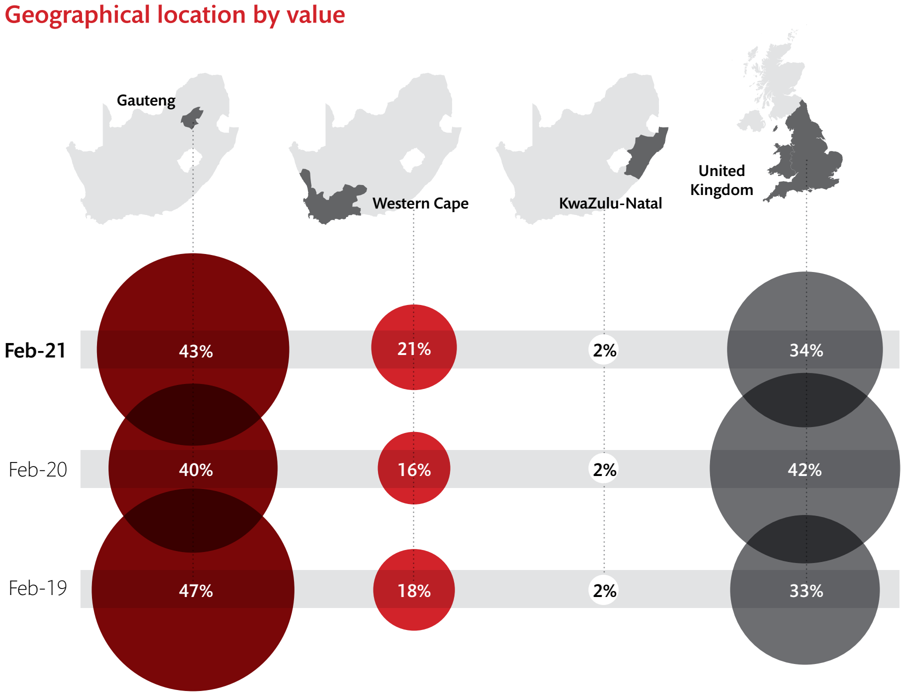
We continued to enhance income certainty by increasing both our WALE period and improving the credit quality of our portfolio. Our WALE has increased to 15.4 years, up from 10.2 years at 29 February 2020, primarily supported by the Shoprite transaction and the disposal of two properties in the UK with relatively shorter remaining lease periods. Furthermore, 95.0% of our revenue is derived from A-grade tenants, marginally higher than the 94.0% reported at 29 February 2020. This suggests a high level of income predictability and a lower risk of default. 8.8% of our leases (based on contractual revenue) expire within the next two 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. The Group continues to grow the SA portfolio through both acquisitions and developments, concentrated from a geographical perspective in Gauteng, with 49.5% of our lettable area currently situated in the region. We view this region as the hub of SA logistics, supported by our ongoing research and analysis, and we continue to focus our growth efforts there.

Lease expiry by revenue



Geographical location by value



Intellectual capital

HIGHLIGHTS

Enhanced corporate governance principles

Increased information technology integrations

Optimised cloud-based solutions

Created a work environment conducive to remote-working

Intellectual capital is defined as the organisation-wide knowledge and intellectual property such as policies and procedures, organisational culture and information technology. Equites strives to continuously improve on 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 across the organisation.

Policies and procedures

Equites' policies and procedures have been enhanced to ensure that we create a safe, transparent and fair environment for all stakeholders. These are aligned with our governance framework which is essential for achieving our long-term strategic objectives. We facilitate regular interactions with our staff to maximise the effectiveness of these policies and procedures and identify ways in which these can be continuously improved upon. During the current year, the updated employee handbook and a conflict of interest policy for Board members was approved.

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 best. 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 organisational culture and values. The outcomes of these surveys are evaluated at a Board level and any appropriate actions are taken to address any concerns raised.

Technology

The majority of information technology solutions employed by the Group are cloud-based. This enables staff to securely access information from any location and from any device, allowing them to be virtually connected thereby increasing efficiency and streamlining communication and our operations processes.

Remote Working

We provided the necessary resources and tools required to enable our employees to work seamlessly from home during the lockdown period. This included access to a stable internet connection, appropriate hardware and software access as well as the necessary IT support required to facilitate an optimal home working environment.

- Each employee has a company-provided laptop and additional arrangements were made to provide individuals, with no internet access at home, with mobile internet devices to ensure continuous and reliable internet accessibility.
- All operating systems, software employed and document storage solutions are cloud-based.
- All paper-based processes were digitised.
- Project management software was implemented to facilitate internal project and task management.

During the current year, the following technological solutions were implemented

Host-to-host

We integrated our ERP operating system with our bank's systems to enable host-to-host payments. Since implementation, we have seen a massive time-saving in our payments process and it has reduced the risk of errors in this process.

Internal project management software

We implemented a project management software to enable real-time updates on internal projects and tasks which facilitates timeous review and sign-off. This software has made internal deadlines more manageable and created efficiencies by streamlining workflows, especially when working remotely.

Video conferencing

Lockdown emphasised the importance of video conferencing which led us to overhaul our existing video conferencing systems in both our Cape Town head office and Gauteng regional office to ensure each boardroom was equipped with new video conferencing capabilities to facilitate continued operations.

Cloud-based reporting software

Our property management team has implemented cloud-based reporting software to simplify their property management reporting process and improve the quality of information provided to tenants.

Natural capital

HIGHLIGHTS

EDGE certification on all new developments

World-class baseline specifications applied to developments

Efficient and effective use of materials to ensure longevity and low on-going maintenance

Equites views 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 attributes 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, 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 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

Water conservation has become increasingly important, not only in SA but globally. The scarcity of water, a resource that has been typically viewed as an abundant natural resource, has been experienced across various areas in SA over the past few years. This prompted Equites to implement proactive water saving methods and enable properties to have access to alternative water sources. As a result, it not only necessitated preservation of our existing water reserves but also enabled continuity of our client's operations in the event that a similar crisis resurfaces.

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.

Monitoring

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 for further information on how natural capital is employed within the organisation.

Energy (sun, coal and diesel)

Equites plans to incorporate solar systems in future developments for all new builds. This system provides energy to the building as well as has the potential to generate energy for current and future neighbouring buildings in the park, thereby reducing overall demand on the local grid and decreasing the greenhouse gas emissions associated with energy generation.

All new developments are built with energy efficient lighting and full LED 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 a diesel reliant back-up generators installed to minimise the impact of load-shedding and to ensure business continuity in the case of power outages.

Equites Park – Meadowview, Gauteng

Sustainability

Sustainability report

In a year like no other, SA's weakened economic and social environment was further worsened by the upheaval caused by COVID-19. Historic challenges embedded into our macroeconomic environment, such as load-shedding, job losses, business failures, muted GDP growth and dampened consumer confidence, were exacerbated by the lockdown, rising COVID-19 infections and a staggered vaccine rollout.

At the onset of the pandemic, we proactively identified and managed the aspects of our business and stakeholders that were worst impacted. In doing so, we were able to effectively manage the risks associated with the pandemic, thereby achieving stable, consistent and positive financial results. However, our financial performance cannot be measured without also mentioning our impact on other stakeholders and our drive not only towards our bottom line, but also towards sustainable value creation.

As sustainable value creation becomes an ever-increasing focus for us, we recognise that it is imperative to consider the environment, our employees, tenants, the communities in which we operate and our suppliers if we are to achieve our goal of becoming a globally relevant REIT specialising in the logistics sector. Equites has engrained environmental, social and governance activities into our DNA.

To better amalgamate our core business with our sustainability focus, we have formed an internal cross-departmental steering committee to streamline and focus our efforts towards sustainable value creation and devise a Group strategy around this. This includes considering the United Nation's Sustainable Development Goals. By identifying areas in which we can make a meaningful contribution, we have embarked on a journey to focus not only on net asset value and profit growth, but also on wider value creation. Whilst we recognise that the impacts of this will not be immediate, we believe that a steady and consistent effort towards stakeholder value creation will yield long-term results. This will be an iterative process and we will continuously monitor and evolve our sustainability strategy to adapt to our environment.

Sustainalytics rating

We underwent a Sustainalytics verification for the second consecutive year and our rating was an improvement on the previous financial period. Sustainalytics evaluated various aspects of sustainability initiatives across the ESG spectrum and we were assessed overall as "low risk", which is consistent with 2020. The scores achieved were as follows:

	2021	2020
Overall Risk Rating Score[1]	17.4	16.9
Management Score[2]	33.5	35.5

[1] The overall risk rating score reflects the level of unmanaged risk a company has. The lower the number, the less the likely impact of ESG issues on the economic value of the company.
[2] The management score reflects the level of managed risk a company has, shown by having suitable policies, programmes and initiatives. The higher the number, the better ESG exposure risk is being managed.

After performing a gap analysis on the Sustainalytics scorecard, we identified areas for improvement and plans to undertake ESG initiatives to become better aligned with best practice in those areas.

UN Sustainable Development Goals[3]

www.un.org/sustainabledevelopment/

[3] The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States.

Philippi, Western Cape

Material focus for our sustainability strategy

Equites regularly engages and communicates with stakeholders to proactively maintain long-standing relationships by meeting their expectations. This is key to building trust and integrating stakeholder engagement into our business practices so that we can better align our interests and create mutually beneficial outcomes for those affected. Thus we:

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 assisted us to focus our sustainability efforts. It identified the impacts our operations may have on stakeholders and devised key material topics to focus on based on the potential significance of activities for stakeholders and the Group.

The following material topics were prioritised in 2021 and will be discussed in this report:

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

Sustainability report continued

It is recognised that different stakeholders have diverse interests and are impacted differently by our business activities. The following stakeholder summary sets out the significance of our interrelationships with them:

Stakeholder	Nature of engagement	Areas of interest for the stakeholder	Actions to safeguard stakeholder interests	Capitals
Customers (tenants)	– One-on-one meetings between tenants and property managers	– Property management and building maintenance – Trusted customer relationships – Effective communication between tenants and Equites – Efficient energy and water usage	– Undertaking formal visits and regular building inspections – Devising and implementing a maintenance plan for all properties – Consistently communicating and sharing information with tenants – Engaging with tenants to determine tenant satisfaction – Conducting sustainability audits on majority of our existing portfolio	
Employees	– Regular meetings between management and employees – Open-door policy encouraged in organisation – Mandatory performance appraisals	– A positive, healthy, productive work environment that supports employee well-being and encourages employees to live our values – Self-development and empowerment – Appropriate rewards and incentives	– Conducting annual employee wellness programmes – Holding team-building and social events for employees – Encouraging training and development throughout the organisation	
Investors	– Investor presentations and road shows – Annual general meetings – Direct contact with key investors	– Positive sustainable returns through sound investment decisions that allows investors to meet their financial needs – Transparent engagement and being informed of our latest performance and outlook	– Following due diligence and the governance process before making an investment – Considering only assets that meet the Group's investment criteria – Considering risk-reward trade-off to target long-term stable returns – Regularly communicating changes in the Group either directly or via the media and SENS announcements	
Broker network used to source tenants	– Direct communication between Equites' business development team and brokers	– Quality tenants with sound financial backing that will reduce vacancies and the risk of non-payment of rental – Potential negative impact of short-term leases	– Focusing 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 funders	– Cost of funding provided – Complying with loan covenants – Changes to the risk profile of the Group due to a suboptimal debt/equity ratio	– Exploring diversified sources of funding – Constantly monitoring loan covenants to ensure compliance – Maintaining an optimal debt/equity structure and ensuring that risk is assessed when making capital structure decisions – Adhering to Group policies regarding funding and hedging requirements are adhered to, resulting in responsible and informed decision making	
Suppliers and contractors	– Regular one-on-one engagement by the operations and development teams with suppliers and contractors	– Time and resources made available to meet deadlines – Compliance with service-level agreements – Health and safety measures on site	– Having regular progress updates with suppliers and contractors – Addressing all non-compliance issues timeously – Adhering to health and safety standards at all times on site	
Communities in which we operate	– Engagement through our community engagement partner	– Minimal disruption to their living conditions and lifestyle – Community involvement and social upliftment, including job creation – Being informed of the potential impact of operations and transparency from the initial stages through to completion	– Considering the impact on communities in the areas in which Equites develops and lets properties and involving them in our operations – Creating job opportunities to encourage community upliftment, skills advancement, and SMME development	

Ethics and anti-competitive behaviour

Capitals mapped:

SDG supported:

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Management approach

We understand that a trusted brand and respectable reputation are underpinned by an ethical foundation that starts with an organisation's leadership. Acting with integrity and maintaining high ethical standards are critical and we hold this in high regard throughout the organisation.

Ethics

Ethical conduct is the cornerstone of the organisation and the Group is 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 the same on all levels in the organisation. Being a good corporate citizen is of paramount importance and it is prioritised at all times. This endeavour is led by the Social, Ethics and Transformation committee that provides direction and guidance regarding the organisation's approach to ethics and maintaining a sound ethical culture, the details of which are outlined in the Social, Ethics and Transformation report.

Fraud and corruption

We have a no-tolerance attitude towards fraudulent and illegal activity. The Risk and Capital committee oversees our risk management processes and regularly reviews updates to the risk register. This enables us to monitor, manage and eliminate areas of risk within the Group and combat them through our internal processes and procedures. Despite there being no instances of bribery and corruption nor anti-money laundering in the Group, we recognise the need for formal policies and procedures around potential non-compliance or breaches in these areas. We are currently implementing policies on: 1) gifts and entertainment; 2) code of business ethics; and 3) insider trading. All three will be formulated in line with global best practice, the Group's business strategy, and operations, and will be regularly reviewed and updated to include new developments in those areas. The updated employee handbook has been approved and is being implemented. Furthermore the Board's conflict of interest policy has been published on our website. It will be updated continuously as the organisation evolves.

Human rights

Equites supports and promotes the United Nations Universal Declaration of Human Rights and recognises the need to embrace the dignity and fundamental rights of humankind to bring about freedom, justice and peace. By proactively being aware of this, we treat all stakeholders fairly and with respect, and consciously do not act in ways that could infringe on anyone's rights or make them feel that they have been unjustly wronged. We take the violation on human rights very seriously and if it should arise, such an act will be handled as a matter of priority. All employees, tenants and suppliers are encouraged to report all acts of known or suspected human rights violations through the anonymous channels available to them in the organisation. We ensure that all stakeholders are aware of, and comply with, the relevant laws and regulations regarding the protection of human rights and that they conduct themselves accordingly before engaging with them.

Through our whistleblower programmes, all stakeholders are encouraged to report any unethical or suspicious activity in any area of the organisation.

Metrics for the period

	Target	2021	2020
Reported incidents of fraudulent/corrupt activities	0	1	0
Reported incidents of human rights violations	0	0	0
Reported incidents of breaches of ethical practices	0	1	0

Two incidents were reported via the EthicsDefender platform during the year under review. Both were investigated extensively and resolved.

The one instance identified misrepresentation by a vendor in respect of its B-BBEE status. Following a thorough investigation involving a B-BBEE ratings agency, the decision was made to no longer use this vendor.

The second instance related to allegations regarding an enterprise development partner. The board appointed an external forensic team to fully investigate the claim. The investigation revealed that there was no substance to the allegations. The Board was satisfied with the robustness of the process and its outcome.

No further instances of unethical practices, fraudulent or corrupt activities nor human rights violations were reported during the year.

Plans for the future

We will continue to monitor our stakeholders to confirm that there are no issues of non-compliance, violations or unethical practices. In the case of new engagements, it will assess the conduct of stakeholders prior to pursuing a professional relationship with them. Furthermore, it will ensure that all reported incidents are handled as a matter of urgency, and that they are addressed and that the appropriate actions taken.

Sustainability report continued

Serving our community

Capitals mapped:

SDG supported:

Management approach

Our strategy is to make a lasting impact on society with the long-term view of sustainably developing skills in the country to contribute to SA's economy through self-development and empowerment. Especially in a year riddled with nationwide disruptions and the negative impacts of COVID-19, Equites has continued to focus on identifying areas where it can positively impact the communities in which we develop our sites and provide education opportunities.

Community involvement

We understand that throughout our value chain there is opportunity to positively influence surrounding communities and are committed to enriching the lives of the people in those areas through self-empowerment. This commitment is structured and enforced by the development professional team that aims to employ the services of experienced community-based companies in the built environment sector. This creates an understanding of the socio-economic dynamics in the communities. Furthermore, by mapping the local businesses in the built environment sector, we are able to identify or grow skills in the area.

A common cause of unrest during construction is poor communication and a non-transparent allocation of opportunities to the surrounding communities. Therefore, in striving for sustainable community involvement during this phase, we implemented an inclusive participation plan. This plan ensures that the community involvement process is equitable and transparent. We have mandated an independent consultant to identify suitable contractors to be appointed on projects, should the opportunity arise. In the interests of fair representation, the forums from which contractors are sourced are vetted to ensure that they are legitimate and that the broader community considers them to be representative. The appointment of community contractors is thus channelled through the vetted business/unemployment forums. As part of the process, the consultant further investigates ways to assist local SMMEs to grow, and reports on challenges raised and solutions proposed along the way.

Community upliftment

Our Mandela Day 2020 initiative continued our support of an early childhood development centre called Kgodisong in Alexandra, Gauteng. Kgodisong is a crèche for 98 children up to the age of six. The national COVID-19 lockdown restricted our ability to physically engage with Kgodisong and a donation was made of chairs, tables, and sleeping mats.

During level five lockdown in South Africa, grocery vouchers were purchased and distributed to community members as a way to contribute to their social well-being and enable them to purchase food and other essential items during this time.

Educational initiatives

We firmly support the view that education plays a pivotal role in society and creates a lifelong foundation to build on. Advocating initiatives around this is a key priority area and is managed through our partnership with MLF. Equites offers bursaries to property studies students at accredited tertiary institutions in SA and engages in a learnership programme that equips previously disadvantaged youth with practical skills to prepare them for the work environment, thus creating a stepping stone into the corporate world.

Metrics

Community involvement

Through the developments undertaken in SA in the current year, we were able to create the following:

Local companies employed	Number of people employed	Amount spent
15	116	R7 223 813

Additionally, infrastructure such as roads, water and sanitation, electrical and other improvements built and installed for our developments also serve the surrounding areas.

Educational initiatives

The table indicates the bursaries and learnerships offered:

	2021	2020
Number of bursaries offered	1	2
Value of bursaries[1] offered	R236 900	R193 860
Number of learnerships in progress	10	9
Number of learnerships completed during the year	10	9

[1] Bursaries cover study-related fees and accommodation costs

In addition to the funding provided in the form of bursaries, the recipients also receive mentoring and practical business experience that provide them with insight into the corporate world and allows them to put their studies into practice.

Plans for the future

We will continue to engage with local communities and drive initiatives for community upliftment and development. In light of COVID-19 and its devastating impact, the Group is seeking ways to contribute to the health and wellbeing of all South Africans. Furthermore, we are continuously looking for ways to improve the educational initiatives we are involved in and will continue to offer bursaries and learnerships in the upcoming year.

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Customer centricity

Capitals mapped:

SDG supported:

Management approach

Our tenants are the main pillar of our business and we recognise the importance of building long-standing relationships based on trust and consistency. As such, customer-centricity is at the forefront of our efforts and we are continuously seeking opportunities to assist tenants by effectively enhancing their supply chain. Not only is growing our portfolio and tenant base important, but post-occupation service is vital to respond to tenants' needs. By following a proactive communication approach, the Group can innovatively tailor its offering and continuously monitor tenants' 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**

Through our development and property management teams, we validate that a property meets the requirements of a tenant, are in accordance with the development specifications and adhere to health and safety regulations in that jurisdiction. The focus is on high-quality, A-grade tenanted logistics facilities and looking after tenants' needs and our properties allow us to create a niche brand that people can rely on. Furthermore, throughout the process, we understand the importance of tenant confidentiality and safeguard their privacy and data in all transactions. Strategic partnerships and a focused approach have allowed us to grow our tenant base in the 2021 financial year despite tough economic conditions.

Sustainability audits on existing properties

We are currently conducting sustainability audits of our existing SA properties to assess their sustainability status assessing, among others, their energy and water usage as well the physical building materials used in their construction, will indicate which measures will improve the environmental aspects of our portfolio. Based on the outcome of these audits and the recommendations given, steps will be taken to implement the measures necessary to attain an EDGE certified standard. This will benefit tenants through reduced utility costs. Occupying a more green building will also help them to meet their own sustainability objectives, such as reducing their carbon footprint.

Assisted maintenance programme for tenants

We launched an assisted maintenance programme to aid tenants by ensuring that they meet their maintenance obligations in respect of their lease agreement. Equites' operational managers manage or assist with the servicing and maintenance of major building elements on behalf of tenants. This reduces the maintenance administrative burden on tenants and ensures that our buildings are well-maintained.

Metrics

Prior to occupation, a full combined inspection of a property is conducted by Equites and the tenant. A health and safety check is performed on the property to confirm that the strictest standards have been adhered to and that the building is safe for occupation. There has been no reported incidents related to health and safety issues on any Equites site during the year.

Thanks to ongoing monitoring and communication with tenants we have not received any complaints or instances of breaches to customer privacy or loss of customer data.

Information on successfully completed and occupied developments as well as ongoing developments are outlined in the Manufactured Capital report.

Plans for the future:

The focus will be on timeously addressing issues raised by 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.

Based on the recommendations made in the sustainability audits, we will implement the necessary measures to improve our existing portfolio to enhance our buildings' sustainability features with the goal of moving towards a more holistically green portfolio.

Sustainability report continued

Transformation

Capitals mapped:

SDG supported:

5 Gender equality | 8 Decent work and economic growth | 10 Reduced inequalities | 16 Peace, justice and strong institutions

Management approach

Because our main operations are based in SA, we recognise that it is important to be aware of and work to address the ramifications of the historical inequalities in the country. This, coupled with a high unemployment rate and large income inequality gap, has created an opportunity to meaningfully impact future generations. As such, our focus areas have been as follows:

- **Promoting employment equity and skills development**
- **Enhancing black-ownership**
- **Improving our procurement practices**
- **Encouraging enterprise and supplier development ("ESD")**

Employment equity and skills development

Equites is committed to skills development and advancement, both internally for its employees and externally for affected communities, suppliers and students. The Group's approach is discussed in the Serving our Community and Our Employees sections of this report.

Enhancing Black ownership

Our efforts to support B-BBEE in SA are focused on promoting equitable wealth distribution to groups who were previously disadvantaged and creating opportunities for wealth accumulation for future generations and leaders. Our ownership score decreased from 54% in 2020 to 51% in 2021, mainly due to a partial loss of an anchor empowerment shareholder, Brimstone Investment Corporation Limited.

We are mindful, that, as a publicly listed company, Equites is subject to fluctuations as shareholdings change and therefore constantly engages with empowerment partners to further transform our share register in a meaningful way. Equites is in the process of seeking a new empowerment partner to improve our ownership score and expects to conclude this by mid 2021. This process involves seeking innovative ways to empower previously disadvantaged groups that will not only improves our B-BBEE scorecard but, more importantly, bring about a sustainable economic benefit to them.

Improved procurement practices

We acknowledge that being sustainable is not limited to our operations and that to be truly sustainable, we need to be aware of the sustainable consciousnesses of suppliers and service providers. Because Equites' operations currently are in SA and the UK, the bulk of our supply chain are in these countries. Service providers consist of builders, professional service providers, contractors and other entities that provide services ranging from accounting and legal services to repairs, construction and maintenance. Through our vendor application and selection processes, as well as procurement policy, 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 guidelines from memberships held with professional bodies. Their competence, industry reputation, quality, certifications held and commitment to B-BBEE practices are also assessed prior to engaging with them. This enables us to maintain a high-quality product offering while promoting good industry practices and standards. Through a re-evaluation of procurement processes, we aim to increase focus in this regard 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.

To assist suppliers who were adversely impacted by COVID-19, we provided them with funds to ensure that their lower-earning employees could continue to earn a living wage for the duration of the level five lockdown when activity in South Africa was stagnant and they were unable to obtain relief from the TERS benefit.

Enterprise and supplier development

We continue to support our enterprise development partner DAS. During the year they managed to perform construction activities to the value of R61 million for the Group and a further R2.6 million of maintenance work was undertaken through their maintenance subsidiary, DAS Maintenance (Pty) Ltd.

We have launched a new initiative to promote the development of SMMEs through enterprise and supplier development in property management services with a focus on cleaning, electrical, plumbing and gardening services. The initiative includes identifying SMME's which are able to provide these services, assisting them with training or development, where necessary, providing administrative support (including obtaining relevant health and safety documents, registration with professional bodies and accounting and statutory assistance), and finally promoting them to become registered vendors with Equites. This initiative enables SMMEs to diversify and increase their turnover, thereby improving their quality of life, as well as creates scope for their business growth and advancement.

Metrics

Our latest B-BBEE scorecard for the 2021 verification period was as follows:

Component indicator	2021	2020
Ownership	20.79	23.19
Management and control	8.00	5.18
Employment equity	6.55	3.93
Skills development	15.18	17.10
Enterprise and supplier development	29.84	25.79
Socio-economic development	0.00	1.19
Economic development	5.00	5.00
Total	**85.37**	**81.38**

Despite the decline in the ownership score, we improved our overall score and we have met our internal target of maintaining a level four B-BBEE rating. The improvements in management control and employee equity pillars are testament to our commitment to inclusive employment and governance practices.

Plans for the future

We will continue our transformation initiatives and will, in the upcoming year, focus on the four areas listed above as we endeavour to address past injustices in areas such as these where it could meaningfully make a difference.

Financial Value

Capitals mapped:

SDG supported:

8 DECENT WORK AND ECONOMIC GROWTH

Financial performance

The benefit of driving sustainable value throughout the organisation is that the Group's financial performance not only benefits shareholders but wider stakeholders throughout its value chain too. We aim to constantly communicate to our investors our strategy, targets and plans for upcoming periods to ensure that they are informed of, and aligned with our operations. While we cannot control market factors impacting us, this does help our share price to reflect the value investors can expect from Equites. Effective balance sheet management and capital structure focus, have allowed us to maintain consistent, stable returns for our shareholders. Despite the adverse conditions that prevailed in our 2021 financial year, we were able to generate positive total returns and increase our distributions to shareholders. More information on the distribution to shareholders, the key ratios of the Group and pertinent financial metrics are presented in the Financial Capital report.

Sustainability-linked funding

Through our continued efforts towards sustainable value creation, we were able to secure a R800 million sustainability-linked facility with Standard Bank. This is the first of its kind in the SA REIT context. Through our ongoing sustainability initiatives we plan to reap the benefits of lower funding costs. Pioneering in this space has been one of Equites' biggest achievements this year, and we aim to identify alternative sources of funding aligned to our sustainability initiatives.

Task Force on Climate-related Financial Disclosure

Equites has adopted the framework and policy of the Task Force on Climate-related Financial Disclosure and therefore agreed to align our ESG disclosures with the TCFD standard. The Board, on the recommendation of the Social, Ethics and Transformation committee, unanimously agreed to support the adoption of the TCFD standard in order to align Equites' ESG reporting and disclosures with it. Equites has already commenced with the practical implementation of the TCFD standard and incorporated the various aspects of the TCFD into our internal processes and procedures. It is our goal to be fully aligned with the TCFD standard by 2022.

Our employees

Capitals mapped:

SDG supported:

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Management approach

Our ability to succeed is made possible by our employees and it is imperative that we look after and grow our people. We recognise that without the valuable team behind us, Equites would not be able to achieve the growth we have shown over the past seven years. Our strength lies in our consistent ability to bring together our team's unique talents and capabilities in a collaborative environment where they can formulate innovative and effective solutions.

Talent acquisition and employee profile

Our focused, well-rounded team members are highly motivated to perform at their best. We have a wide representation of skills, gender, experience and diversity in our organisation and employee profiles are considered based on our transformation initiatives when seeking talent to join our team. By promoting an organisational culture where different 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 having operations in the UK, our workforce is primarily based in SA.

Employee wellness and safety

In a year where a pandemic changed the lives of many across the globe, employee wellness and safety were at the forefront of our efforts. We ensured that all our employees were well-equipped with the necessary resources such as mobile data to facilitate work from home, sanitiser, masks and non-public modes of transport to ensure that all possible

Sustainability report continued

precautionary measures were taken to keep them safe. This supports our contention that we are not only committed to fostering the best in our people at work, but also to create an environment where our employees feel appreciated, protected 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. By introducing a medical aid benefit 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, the safety feasibility of projects are assessed from an occupational health perspective before being undertaken. A project will not be pursued if it presents health and safety risks to our staff.

Training, development and employee retention

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

Through annual performance reviews, we align employees' functions to the Group's strategic objectives and are able to effectively monitor and address areas where development is needed. This process also allows employees to perform a critical self-evaluation against key performance areas, and it has proven to be an effective mechanism for identifying areas of growth and self-development.

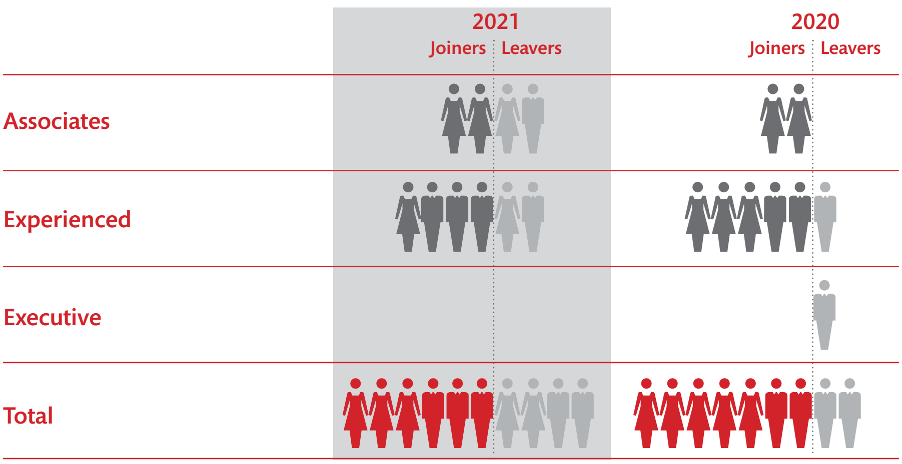
Recognition and reward

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 employees against gender, race, ethnicity, religion, sexual orientation or social identity. For more information on the remuneration of directors, refer to the Remuneration Report.

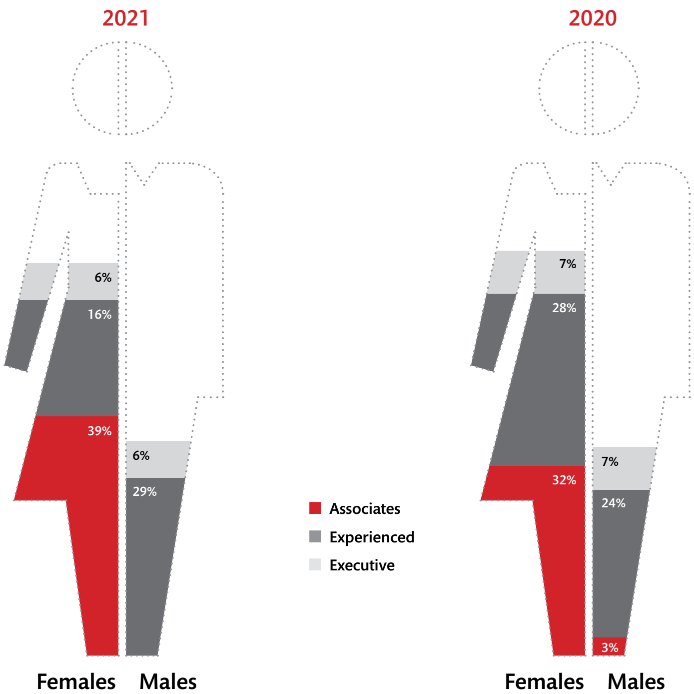
Metrics

Talent acquisition and employee profile

Because of 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 2021 is 31 permanent employees (2020: 29). During the year under review we appointed 6 (2020: 7) new employees and 4 (2020: 2) employees left the Group. The nature of the joiners and leavers were as follows:



Workforce demographic



Employee wellness and safety

Through our development and operational teams, we consciously identify, monitor and respond to any health and safety issues that arise. No work-related injuries were reported during the year, consistent with 2020 and in line with our target. Of the available sick leave days staff were entitled to during the year, 6.6% (2020: 13%) was taken during 2021. There were no work-related injuries or fatalities reported for 2021 (2020: 0%).

Training, development and employee retention

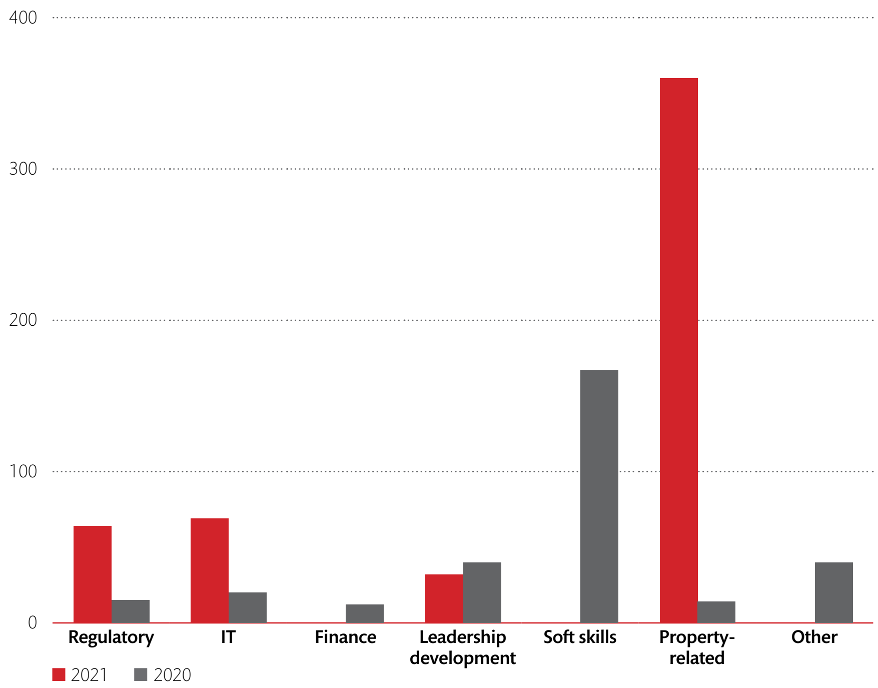
We are dedicated to investing in the development of our employees. Through internal mentorship and on-the-job training as well as external training, we have seen an increase in the time spent on training and development. Training was focused on developing skills in the workplace that are related to employees' specific roles.

A summary for the year is as follows:

	2021	2020
Total training spend	R506 858	R 677 019
Total training hours	525 hours	308 hours
Average training spend per employee	R15 766	R 23 345
Black employee training as a % of total spend	42.9%	45.0%
Black female training as a % of total spend	42.6%	45.0%

The nature of the training in the current year was in the following areas:

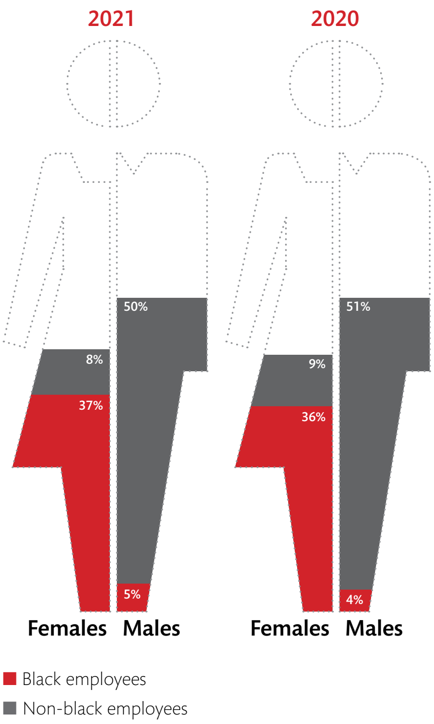
Training hours



Recognition and reward

We aim to sufficiently remunerate our employees in accordance with market expectations and with consideration of the person's skills, role and performance in the organisation. Our annual performance cycle enables us to highlight areas of development and reward excellence. Furthermore, through regular engagement with our staff, we aim to understand their needs and assist them to optimise performance and self-development. The following depicts the gender split for pay in the current year.

Remuneration gender split



Plans for the future

We will continue to prioritise the health and safety of our employees and place their well-being at the forefront of our operations. Through 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. Through our talent acquisition and talent management functions, we will continue to align current employees and new hires to the strategic objectives of the Group and ensure that remuneration is commensurate with the role and responsibilities of the individual.

Sustainability report continued

Environmental consciousness

Capitals mapped:

SDG supported:

Management approach

Development process

The environment, its resources and the management thereof are considered essential to our activities. We recognise that the continuity of our business and the utilisation of shared resources such as water, energy and land, weigh heavily on preserving our natural capital, from a short-term as well as a long-term perspective. We appoint a dedicated sustainability consultant to the professional team of each development to ensure that its design, procurement and execution includes environmentally conscious methods from inception and to monitor this process throughout its construction. This philosophy is carried right through to the structured handover and commissioning.

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

Investing

Prior to commencing a development, we assess its long-term income-generating ability 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 this will have on the value created for the Group, investors, occupants of the building, surrounding communities and the environment.

Site

When assessing a 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 greenfield land and what bearing it will have on other amenities.

Community

We harness and work together with the communities around our development sites. By engaging with them prior to the construction of our developments, we source local materials and use local labour that directly uplifts stakeholders in the area. Using local resources and limiting travel distances associated with the procurement of labour and materials, reduce the carbon footprint of and embodied energy in materials. It is our priority to maximise the positive impact on communities and the environment in general and to minimise the possible harmful effects from development activities.

Design

Having onboarded EDGE certification for newly developed facilities, we aim to incorporate this accreditation into the baseline development specification for all new buildings. We constantly work to innovate our design and challenge our professional team to optimise their efficiencies and the sustainability goals set by our stringent design criteria and baseline specifications. Our designs incorporate sustainable building features to ensure that there is a minimum tangible improvement of 20% in efficiencies, when compared to industry standard, including our building's, water, energy and embodied energy materials.

Construction

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

Occupation

The tenant is at the heart of our buildings and we ensure that proper care is taken of the indoor environmental quality by using leading EDGE technology to maximise comfort while 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 constant 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 rainwater-harvesting systems and energy-efficient fittings to reduce our overall carbon footprint, which also results in lower maintenance and operating costs for the tenant. Our greenhouse gas emissions associated with energy generation is further reduced by using sustainable and renewable energy sources such as solar photovoltaic installations at all our developments.

Equites Park – Meadowview, Gauteng

EDGE

EDGE is a global recognised certification aimed at increasing energy, water and materials efficiency in the South African building sector. It is an innovation of the International Finance Corporation, a member of the World Bank Group. Certification requires achieving a minimum saving of 20% in three categories: operational energy, water usage and the embodied energy of building materials.

EDGE certification is a two-part process. 'Preliminary' certification takes place in the design stage of a project followed by 'post-construction' certification once construction is completed and the project is ready for the final verification phase. In order to meet the 20% savings in energy, water and embodied energy, the EDGE expert submits documentation to prove that the necessary measures have been incorporated and targets have been achieved on the project. Once submitted the appointed EDGE auditor verifies that all compliance requirements have been fulfilled.

Equites is committed to certifying as many of our new industrial facilities as possible using the EDGE rating tool. This means that sustainable design, procurement and construction processes are embedded in each project. In addition to certification, these buildings will have the concomitant benefit of being more desirable and affordable for tenants, thereby leading to long-term savings. We chose EDGE accreditation for our portfolio over other green building certifications, because EDGE delivers a translatable and tangible reduction of water, energy and embodied energy for tenants.

Metrics

During the current year we achieved the following regarding our EDGE certifications on our new developments:

Building name	Preliminary /final certification date	Energy savings	Water savings	Materials
Equites Park – Lords View 4[1]	15/5/2020	43%	47%	52%
Equites Park – Lords View 2[1]	3/6/2020	52%	32%	51%
Equites Park – Meadowview 19B[1]	4/8/2020	39%	21%	55%
Equites Park – Meadowview 19A[2]	21/8/2020	31%	48%	55%
Equites Park – Riverfields 2[2]	1/2/2021	27%	21%	49%

[1] Final certification
[2] Preliminary certification

Our developments in progress are being constructed to a similar standard and we are confident that all buildings will achieve final EDGE accreditation once construction is complete.

Plans for the future

Through our various sustainable property development initiatives and management activities, we aim to develop assets that immediately address current environmental concerns while also meeting the growing sustainability requirements of our tenants. By ensuring that our buildings continually meet these sustainability standards and accreditations, we deploy capital in an environmentally responsible manner which brings positive change in the short, medium and long-term for our stakeholders. This ensures that we remain sustainably relevant and our investment in ESG initiatives promote environmental preservation and make our portfolio more sustainable.

The Hub – Burgess Hill, UK

Governance

Corporate governance report

Equites believes that effective corporate governance and disclosure serve the long-term interests of the Group, 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 that directors in turn can hold management accountable, with each of these constituents contributing to balancing the interests of all the Group's stakeholders.

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

- Provide non-executive directors with a holistic and comprehensive view of governance activities across the organisation to enable the effective discharge of fiduciary duties;
- Clearly set out responsibilities across governance activities to enable 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.

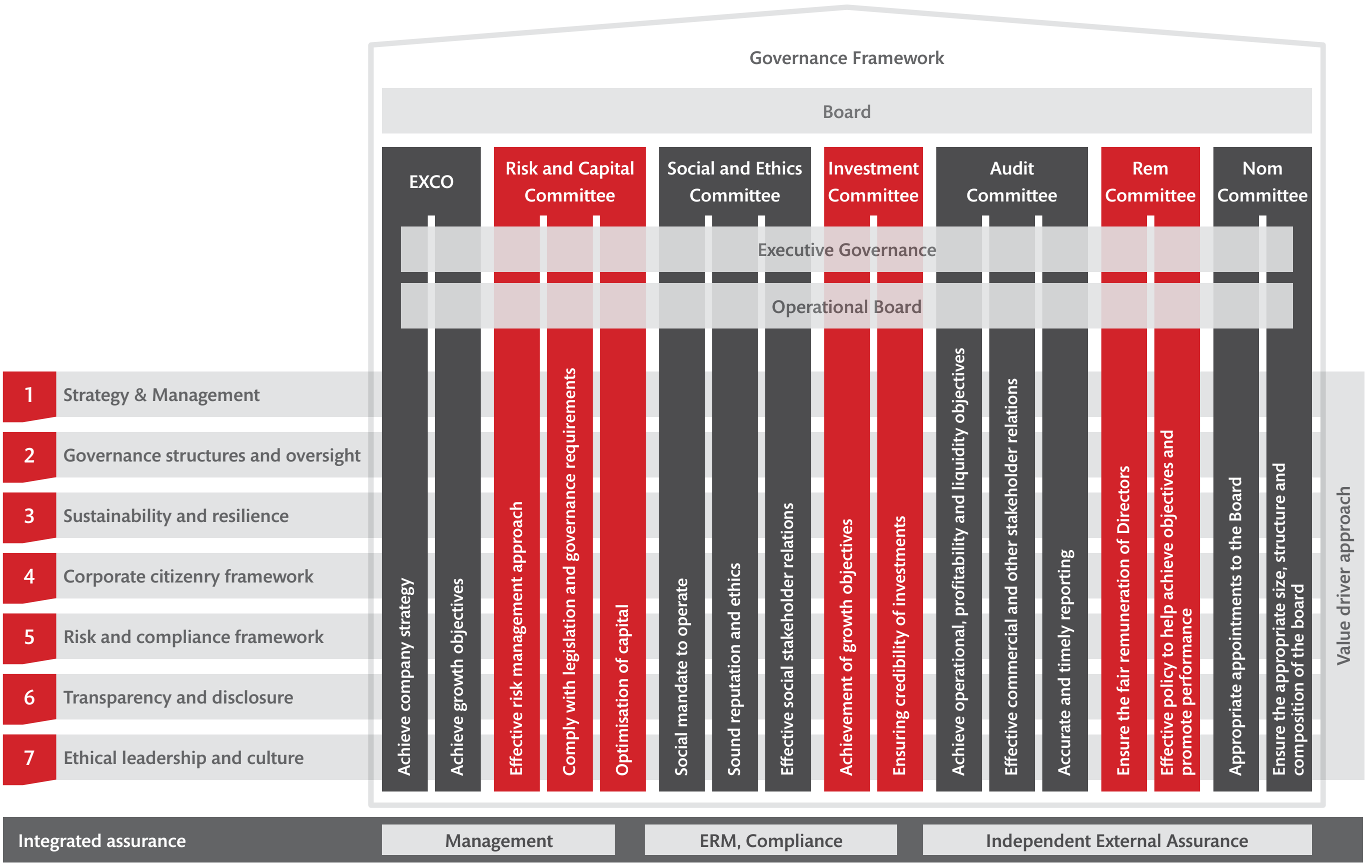
The Company has remained compliant with the Companies Act, particularly with reference to the incorporation provisions as set out in the Companies Act and has operated in conformity with the Company's MOI during the year under review. The board charter and the terms of reference of subcommittees are aligned with relevant provisions of the Companies Act and King IV.

The Board composition, governance framework, and the roles and responsibilities of the subcommittees 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.

Governance framework model

The seven critical elements of governance were considered when drafting Equites' governance framework. They were further disaggregated into specific measurable goals, with areas of responsibility assigned to either the Board, subcommittees or Executive Directors.

The Board form the foundation of the corporate governance system and is accountable and responsible for the Group's performance. The following principles have been approved by the Board and, together with the charters of the subcommittees, provide the framework for the Group's governance.



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

Ethics

1 The Group subscribes to high ethical standards of business practice. This is led by the Board who leads with integrity, competence, responsibility and accountability. A set of ethical policies is discussed and approved by the Board annually. These policies require all employees to adhere to ethical business practises in their relationships with one another, suppliers, investors and all other stakeholders. During the year, an employee handbook outlining the code of conduct all employees have to adhere to have been approved by the Board.

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
2 goal of maintaining an ethical workplace.

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

The Risk and Capital committee is responsible for identifying ethical and other risks which may face the business and the potential consequences, implementing procedures to mitigate their impact and subsequently monitoring and assessing the effectiveness of the adopted procedures.

The Group has a no-tolerance policy towards fraud and unethical behaviour in the organisation or between the Group and any of the counterparties it chooses to engage with. The Group has subscribed to an anonymous whistleblower platform called EthicsDefender where any instance of fraud or other breach of ethical behaviour may be reported. All reported incidents are directed to the Chair of the Audit committee, Chair of the SET committee, Chair of the Risk and Capital committee and Chair of the Board and investigated. Third-party service providers are employed to perform such investigations, where necessary.

Board operations

The Board is ultimately responsible for evaluating the vision, mission and values of the Group. The Board also approves the Group's policies and targets, and monitors actual performance against set targets as well as the effectiveness of its policies.

King IV provides for the Board to delegate the implementation and execution of the approved strategy, through policy and plans, to management via the Executive Directors. The Board delegates the authority to the Executive Directors to implement operational activities in line with long-term strategic goals.

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

The role of the Chair of the Board is to provide leadership to the Board, to take responsibility for the Board's composition and development, and to lead the board to form its strategic vision and set long-term goals. The Chair of the Board should also set clear expectations concerning the Group's culture, values and behaviours, and should set the style and tone for board discussions.

The CEO has the responsibility of ensuring that the Group's operations and its performance are in accordance with the strategic goals approved by the Board. The CEO should promote the company's culture, values and behaviours by setting an example and by influencing the day-to-day working environment of the Group.

While maintaining its focus on corporate governance, the Board reviews the Group's
10 strategy annually with the aim of ensuring that it is aligned to the core values of the Group, risks that have been identified and long-term stakeholder interests. The Board reviews the 4
Company's MOI regularly and proposes amendments, where necessary, for shareholder approval by means of a special resolution at the AGM.

The Company Secretary monitors the effective implementation of the delegated authority and has confirmed that, during the 2021 financial year, the Executive Directors acted within the authority delegated to them by the Board.

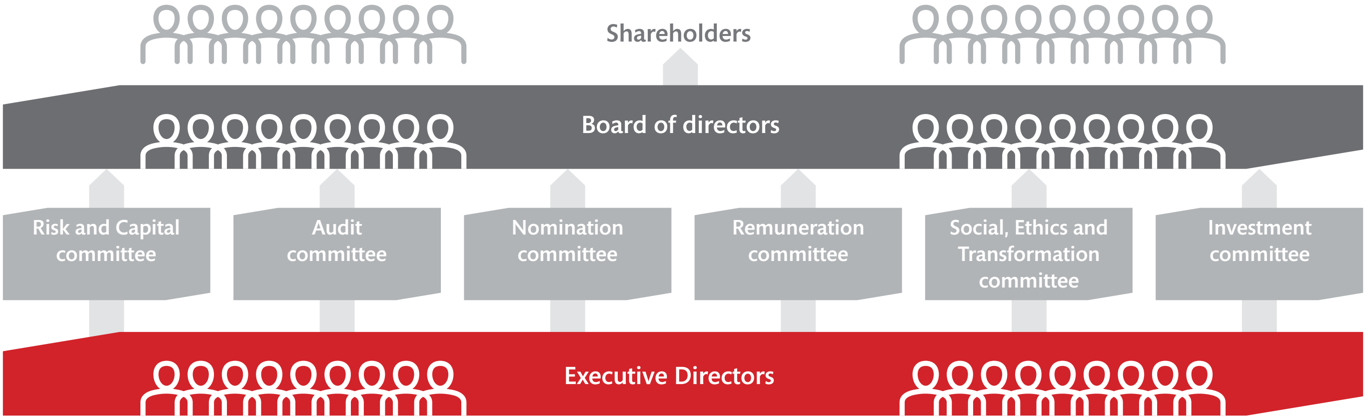
Chairman	CEO
Responsible for leading the Board and for ensuring the integrity and effectiveness of the board and its committees. Ensures high standards of corporate governance and ethical behaviour	Responsible for the effective management and running of the company's business in terms of the strategies 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 Group's performance.

Corporate governance report continued

Governance structure

The Board retains effective control of the business through a clear governance structure and has established subcommittees to assist it in the various aspects of the Group's operations. The Board recognises that management is an integral part of the risk management and governance structure and therefore relies on regular management reports and updates.

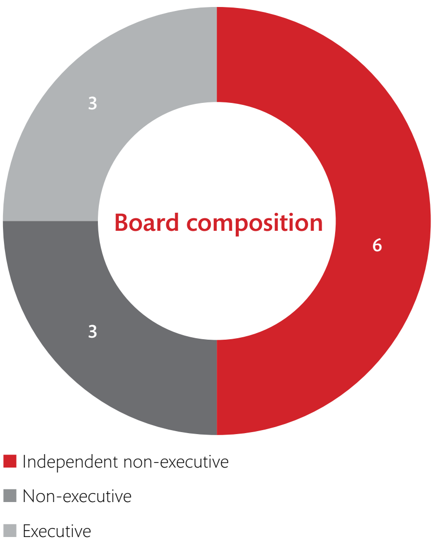
The Board delegates certain defined authorities to the Executive Directors in order to operate the business efficiently within the appropriate control framework. This framework is tabled annually at a board meeting for updates, where necessary, and approval.



Board composition

In terms of the Company's MOI, the Board must comprise a minimum of four directors and shareholders may determine the maximum number of directors by passing an ordinary resolution. The Board should comprise a majority of non-executive directors, most of whom should be independent. Their independence is regularly assessed by the Board and each director's independence is evaluated annually by the Nomination committee.

The Board has adopted a policy to ensure a clear balance of power and authority at a board level and to ensure that no one director has unfettered powers of decision making.



The Chair of the Board and the CEO exercise important roles in the corporate governance structure of a company. King IV prescribes that the roles of chairperson and CEO are performed by different people, and that the chairperson must be an independent non-executive director. Equites has always followed this principle.

The Board seeks members who combine a broad spectrum of business experience, 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 Group's stakeholders have in it. As the directors set the tone for the organisation's governance initiatives, all directors serving on the Board have 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 expertise.

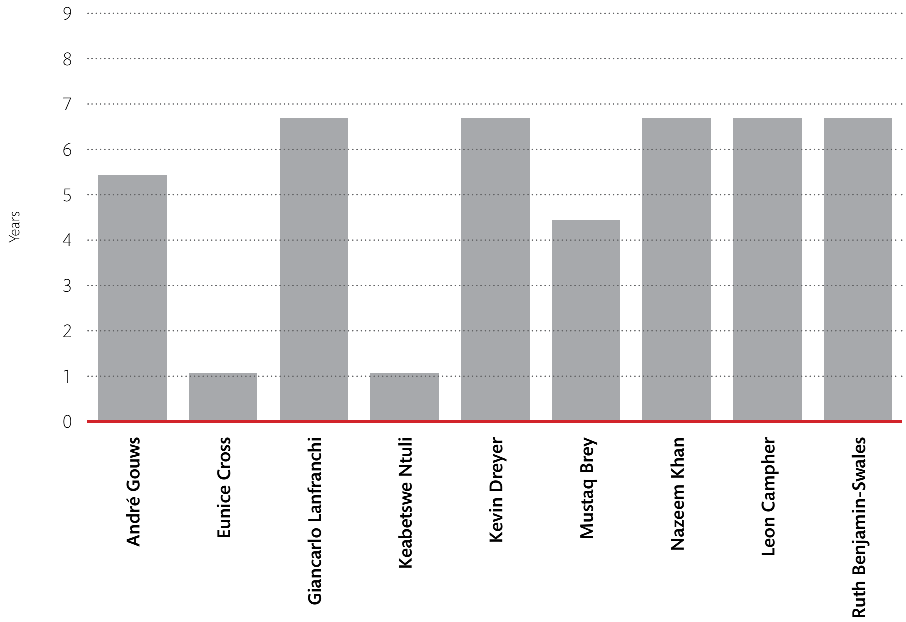
The Nomination committee is responsible for recommending candidates to the Board in line with its charter. This committee monitors the rotation of directors in line with statutory requirements and the Company's MOI, King IV, and ensures that the size of the Board is optimised in order to facilitate efficiency and interaction between members. The overriding objective 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 responsibilities.

Where any vacancies arise on the Board as a result of a resignation or skills gap, the Board makes use of external recruitment service providers to source directors with the skills, experience and ethics required. The Nominations committee interviews suitable candidates before making a recommendation to the Board. Once the Board has approved the appointment of a new director, the appointment is resolved by shareholders at an AGM.

The Nomination committee periodically reviews the Group's succession plan for the Board, Executive Directors and other key management roles. 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 member and/or Executive Director.

During the year under review, Laila Razack was appointed Chief Financial Officer effective 26 May 2020.

Board tenure



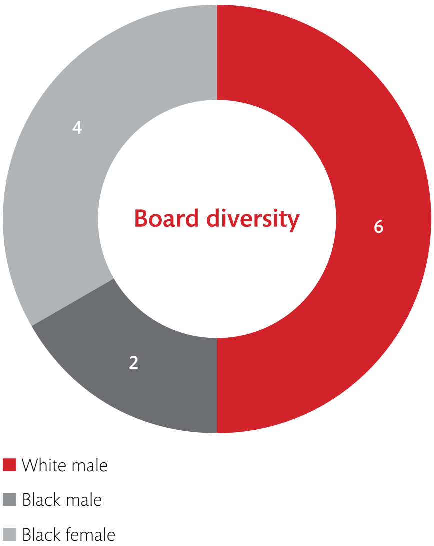
Independence

The Board consists of 12 directors, nine of which are non-executive. Of the non-executive directors, six are independent. Having a majority of independent non-executive directors encourages independent thinking amongst board members and enables all directors to exercise objective judgement.

To allow a fair nominations process and maintain the independence of the Board, one third of all non-executive directors must resign and can stand for re-election at each AGM as required by the MOI. The Nomination committee follows the King IV principle relating to the nine-year tenure for non-executive directors, including the Chair of the Board, to maintain the Board's independence.

Board diversity

The non-executive directors have been selected to reflect diversity in terms of race, gender, areas of experience and tenure. The Nomination committee is tasked with maintaining and improving the Board's diversity. The Board currently comprises 33% Black female directors and a further 17% Black male directors (2020: 27% Black female and 18% Black male). The Board has implemented a broader approach to diversity which encompass gender, race, age, expertise, culture, skills and experience. This approach will enhance the quality of decision making and encourage innovation through the consideration of various perspectives.



Director evaluations

Non-executive directors

An independent board survey commissioned by the Board was completed in February 2021. This evaluation process assessed the effectiveness of the Board through:

- An independent assessment of governance information;
- Confidential questionnaires completed by all members of the Board;
- Director interviews; and
- Employee value surveys.

The outcomes indicated that the directors regard the Board as functioning in line with leading practice led by a well-respected Chair. In addition, based on the quantitative and qualitative results received, the respondents are of the view that the Board has shown great agility during the COVID-19 pandemic and the Board is to be commended for the manner and agility with which it has responded during the pandemic in order to limit its impact on the business.

The subcommittees were all viewed favourably by the respondents who indicated that their processes and practices appear to be functioning well.

Areas highlighted for improvement concerned succession planning, directors' long tenure, director-induction processes and the continuous development of board members. The Nomination committee has responded with a plan in respect of the tenure of current directors, improved director-induction processes and a more rigorous training schedule for all directors throughout the year.

The next external board evaluation is scheduled three years from now. If the Board deems it fit, it will be done sooner.

Corporate governance report continued

Executive directors

The Board establishes criteria for assessing Executive Directors' performance. This is to measure the success with which they are implementing growth, acquisition, sustainability and transformational targets as well as other financial and operating metrics.

The Board suggests strategic development opportunities for the Directors. These opportunities assist all Directors with achieving their goals and ensuring that the Group remains focused on long-term value creation.

The Board conducts regular performance reviews for the Executive Directors. Equites staff partake in an externally conducted survey where they are able to provide feedback regarding the organisational values, culture and leadership style of the Executive Directors. For the year under review, the staff survey indicated that they were happy with the Executive Directors and viewed the Equites culture as positive. The staff highlighted that documenting the Equites values and making them known to all staff is an area that could be improved upon. Following this feedback, the Executive Directors embarked on a journey to understand which values are important to each staff member to be able to incorporate more of them into the overall Company values.

The staff survey feedback plays an important role when assessing the Executive Directors. The Nomination committee uses this feedback as well as their own evaluation and input from fellow non-executive directors when compiling their report on the overall effectiveness of the Executive Directors.

Board Subcommittees

The Group's governance structure and delegation framework enhance independent judgement, ensure the execution of strategy and assigns Board members to areas where they would contribute the most value.

The Board acknowledges that it is ultimately responsible for managing the Group as a whole. To assist it in fulfilling its responsibilities, the Board has appointed a number of subcommittees. Each subcommittee has a mandate to ensure that all statutory and other regulatory requirements are addressed and that all duplication of activities is eliminated.

Following the appointment of Eunice Cross and Keabetswe Ntuli on 29 January 2020, the subcommittees were reconstituted, effective 28 May 2020, to ensure that each subcommittee is suitably equipped with the necessary experience and skills to fully execute their respective terms of reference. To further align with King IV, Leon Campher, as Chair of the Board, resigned from the Audit committee with effect from 9 October 2020. 7

The Board maintains an Audit committee, Investment committee, Nominations committee, Remuneration committee, Risk and Capital committee and Social, Ethics and Transformation committee. The subcommittees are appropriately constituted with the relevant expertise, demographic spread and industry experience, and members are appointed by the Board. The only exception is the Audit committee, whose members are nominated by the Board and elected by shareholders at each AGM. 8

After each subcommittee 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 subcommittees are competent to deal with the Group's current and emerging risks and opportunities, and that they effectively discharged their duties during the 2021 financial year.

Audit committee

The Audit committee is a statutory committee and it fulfils the responsibilities set out in section 94(7) of the Companies Act as well as all other duties assigned to it by the Board. The Audit committee plays a critical role in the Group's overall governance framework by overseeing integrated reporting and ensuring the financial integrity of its annual financial statements. All members of the Audit committee are independent non-executive directors with the relevant financial reporting expertise. 5

The Audit 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 reporting. For the year under review, *inter alia*, the committee reviewed the external auditor's effectiveness, independence and objectivity; reviewed and approved the fees for auditing and non-auditing services; reviewed and approved the external audit plan; reviewed the interim and year-end financial results and made recommendations regarding the above-mentioned to the Board for approval. 15

The committee has proposed the appointment of an internal auditor for the coming financial year to assess the effectiveness of managements policies and controls, and to establish a combined assurance framework.

Members: Ruth Benjamin-Swales (Chair), Mustaq Brey and Keabetswe Ntuli

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 Directors and makes recommendations to the Board in this regard.

This committee is chaired by Leon Campher and consists of directors with vast experience in the property and development sector. For the year under review, the committee was convened to evaluate the Shoprite transaction and two development deals which arose from the Newlands venture. The committee also for the first time considered a sale of land and subsequent development agreement in the UK. It is envisaged that this will become a more regular occurrence as the Newlands pipeline is implemented. The committee analysed the commercial, financial and operational impact of these transactions and deemed all four to be viable and in line with the long-term strategy of the business. The committee therefore recommended them to the Board for approval.

Members: Leon Campher (Chair), Kevin Dreyer, André Gouws, Nazeem Khan and Giancarlo Lanfranchi

Nomination committee

The role of the Nomination committee is to assist the Board with the nomination, election and appointment of directors.

The committee chaired by Leon Campher, ensures that the Board is comprised of the optimal diversity, experience, knowledge and skills. For the year under review, the committee reviewed and evaluated the size, structure and composition of the Board. It also considered how the board needs to evolve to the meet business's needs going forward and set Board transformation goals accordingly. Importantly, the Nomination committee assessed the results of the independent board survey and implemented measures to effect the suggested improvements. The committee further reviewed the tenure of non-executive directors and are in the process of implementing a sustainable strategy for director rotation in line with King IV guidelines.

The committee has nominated Douglas Murray to be appointed as an independent non-executive director at the upcoming AGM. The committee believes that his vast experience in finance, retail and logistics in both SA and internationally would further enhance the Board's strategic decision making ability.

Members: Leon Campher (Chair), Mustaq Brey, Eunice Cross and Nazeem Khan

Remuneration committee

The Remuneration committee ensures that the Company remunerates all directors fairly and responsibly, and that the disclosure of such 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, who ensures that the Group adopts a remuneration policy that is fair and transparent and that attracts and retains executive talent that contributes to the achievement of the Group's objectives. The committee signs off the non-executive and executive remuneration policies and implementation plans for approval by shareholders at the AGM.

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 them of its remuneration policies, and advanced its efforts in respect of fair and responsible pay across the Company.

Members: Nazeem Khan (Chair), Mustaq Brey, Leon Campher and Keabetswe Ntuli

Risk and Capital committee

The Risk and Capital committee enables the Board to comply with its duties regarding the evaluation and improvement of the Group's risk management, controls and governance processes. In addition to the statutory requirements, this committee has been tasked with oversight and input into capital raises, debt funding and treasury-related policies.

The committee is chaired by Mustaq Brey and its purpose is to ensure the effective development and implementation of capital and risk management policies in 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 undertook an extensive exercise to improve the Group's risk register and have proposed the appointment of an internal risk officer to identify the Group's risks, implement measures to address them, and assess the effectiveness of risk-mitigating controls on an ongoing basis. It is envisaged that this role be performed by the internal auditor who will report directly to the Audit committee and the Risk and Capital committee.

The committee has established a forum made up of various Board members to workshop each individual risk identified in the Group's risk register on a regular basis.

Members: Mustaq Brey (Chair), Ruth Benjamin-Swales, Leon Campher, Eunice Cross and Nazeem Khan

Social, Ethics and Transformation committee

The Social, Ethics and Transformation committee is a statutory committee set up in terms of section 72(1) and section 72(4) of the Companies Act. The committee is responsible for 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.

The committee is chaired by Giancarlo Lanfranchi and focuses on promoting organisational ethics and enhancing Equites' positive footprint in society. The committee focused its efforts on transformation in the year under review, ensuring that the Group complied with the B-BBEE Act and the Employment Equity Act. The committee also focused on the promotion of sustainable business practices and considered sponsorships, donations, and charitable giving with the aim of community upliftment. During the year, the committee has tasked the Executive Directors with looking into measures which could improve our B-BBEE rating, specifically with regard to Black ownership.

Members: Giancarlo Lanfranchi (Chair), Ruth Benjamin-Swales, Leon Campher and Eunice Cross

Corporate governance report continued

Meetings and attendance

	Ruth Benjamin-Swales	Mustaq Brey	Leon Campher	Eunice Cross	Kevin Dreyer	André Gouws	Riaan Gous	Nazeem Khan	Giancarlo Lanfranchi	Keabetswe Ntuli	Laila Razack[1]	Andrea Taverna-Turisan
Board meetings												
04 May 2020	●	●	●	●	●	●	●	●	●	●	N/A	●
21 September 2020	●	●	●	●	●	●	●	●	●	●	●	●
05 October 2020	●	●	●	●	●	●	●	●	●	●	●	●
15 February 2021	●	●	●	●	●	●	●	●	●	●	●	●
Audit committee												
30 April 2020	●	●	●	⊘	⊘	⊘	⊘	⊘	⊘	⊘	N/A	⊘
02 October 2020	●	●	●	⊘	⊘	⊘	⊘	⊘	⊘	●	⊘	⊘
Investment committee												
30 April 2020	⊘	⊘	●	⊘	●	●	⊘	●	●	⊘	N/A	⊘
16 November 2020	⊘	⊘	●	⊘	●	●	⊘	●	●	⊘	⊘	⊘
Nomination committee												
05 October 2020	⊘	●	●	●	⊘	⊘	⊘	●	⊘	⊘	⊘	⊘
15 February 2021	⊘	●	●	●	⊘	⊘	⊘	●	⊘	⊘	⊘	⊘
Remuneration committee												
30 April 2020	●	●	●	⊘	⊘	⊘	⊘	●	⊘	⊘	N/A	⊘
15 February 2021	⊘	●	●	⊘	⊘	⊘	⊘	●	⊘	●	⊘	⊘
Risk and Capital committee												
30 April 2020	●	●	●	⊘	⊘	⊘	⊘	●	⊘	⊘	N/A	⊘
15 February 2021	●	●	●	●	⊘	⊘	⊘	●	⊘	⊘	⊘	⊘
Social, Ethics and Transformation committee												
05 October 2020	●	⊘	●	●	⊘	⊘	⊘	⊘	●	⊘	⊘	⊘
15 February 2021	●	⊘	●	●	⊘	⊘	⊘	⊘	●	⊘	⊘	⊘

● Attended
○ Absent with apologies
⊘ Not a member of this committee
N/A Not a board member at the time
1 Appointed 26 May 2020

Conflicts of interest and directors' personal interests

Directors have to timeously inform the Board of actual or potential conflicts of interest that they may have in relation to particular items of business or other directorships. It 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 regularly reviewed.

In line with the requirements of the Companies Act and King IV, directors are asked to recuse themselves at subcommittee and Board level from all discussions and decisions where they have a material financial interest or relationship, including related-party transactions.

Company Secretary

Riaan Gous was appointed Company Secretary on 1 December 2014. The Board is satisfied with his experience and qualifications to act in this capacity. Following a review of the duties required of the Company Secretary by the Board, the Board concluded that the nature of the advice provided by Riaan Gous and the way he has executed these duties indicated that he is fit to continue in this role. He is also an Executive Director of the Group. The Board is satisfied that despite this, his relationship with the Board is at arm's length and that he at all times maintains good corporate governance on behalf of the Group.

Corporate governance disclosures in accordance with the JSE Debt Listings Requirements

As contemplated in paragraph 7.3(c)(iii) of the JSE Debt Listings Requirements, independence of directors is determined holistically, in accordance with the indicators provided in section 94(4)(a) and (b) of the Companies Act, Directive 4 of 2018 issued by the Prudential Authority on 5 October 2018 and the King Code. The Company confirms that the Audit Committee has executed the responsibilities as set out in paragraph 7.3(e) of the JSE Debt Listings Requirements. In accordance with paragraph 7.3(f) of the JSE Debt Listings Requirements, the Company follows an existing policy on the evaluation of the performance of its Board of Directors and that of its Committees, its Chair and its individual directors pursuant to the provisions of the King Code.

The Company's debt officer, as contemplated in paragraphs 6.39(a) and 7.3(g) of the JSE Debt Listings Requirements, is Ms Laila Razack (CFO). The Board duly considered and satisfied itself with the competence, qualifications and experience of Ms Razack before she was appointed as debt officer of the Company.

The Company's conflict of interest policy (Policy) is accessible at https://equites.co.za/conflicts/.

The Policy deals, *inter alia*, with:

- the conflicts of interest of the directors and the executive management of Equites and how such conflicting interests can be identified and managed or avoided.

Since publication of the Policy, there have been no amendments to the Policy. Equites confirms that, as at 28 February 2021, there are no recorded conflicts of interest and/or personal financial interests of the directors and/or the executive management of Equites, as contemplated in the Policy and paragraphs 7.5 and 7.6 of the JSE Debt Listing Requirements (as read with section 75 of the Companies Act) other than the fact that the executive directors of Equites Property Fund Limited are also the directors of the wholly-owned subsidiaries in the Group. Accordingly, as at 28 February 2021, no conflicts of interest and/or personal financial interests have been recorded, as contemplated in paragraph 7.6 of the JSE Debt Listing Requirements.

Island road, Reading, UK

Board of directors

Independent non-executive directors

Philip Leon Campher
Chairman
Qualification: BEcon

Leon is the CEO of ASISA and serves on the Board of ASISA. He also serves on the Board of Brimstone Investment Corporation. He is on the Board of the International Investment Funds Association (IIFA). This is a global body representing Investment Managers and Mutual Fund Companies from 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, International Frontier Technologies SOC Limited and Groote Schuur Hospital Trust. 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 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 Head of Sanlam Private Wealth, Johannesburg region. Sitting on various executive committees and working groups, Keabetswe has a valuable 11 years' experience in related organisations. She previously held positions as the founding CEO and director of Africa Collective Investments (RF) Proprietary Limited; and an independent non-executive and chairperson of the audit committee for Cloud Atlas Investing (RF) Proprietary Limited. She has strong technical skills in investments, accounting, governance, risk and assurance. She is passionate about cultivating young entrepreneurs, design thinking and innovation.

Non-executive directors

Kevin Dreyer

Kevin 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)

Andre 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 transactions 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).

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; formulate mitigating responses to the risk; and review and revise 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 function is responsible for identifying and managing risks in their area of responsibility. Executive Directors are tasked with implementing mitigating actions as soon as they become aware of an identified risk.

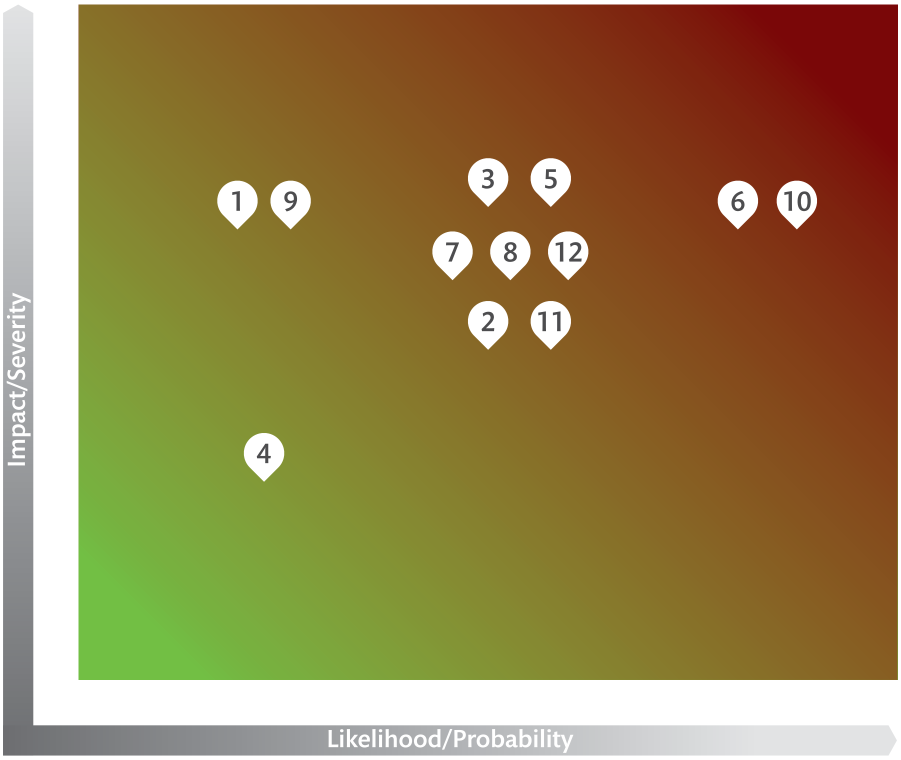
Although the Board is responsible for ensuring that risks facing the business are effectively managed, it has delegated oversight to the Risk and Capital committee ("the Committee"). The Committee reviews significant risks and mitigating factors at each meeting and reports back to the Board. For the year under review, the Committee confirms that they have monitored compliance with this risk management framework. Based on this feedback from the Committee and reports from executive management, the Board approved the Group's risk management, mitigating activities and monitoring processes as 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 heatmap below indicates the impact or severity of identified risks and the likelihood or probability that they would occur prior to mitigating actions by the Group. The risk assessment matrix describes the risks and details the mitigating actions undertaken by the Group to reduce or transfer the risk, such that the remaining residual risk is acceptable to the Group.

Risk assessment prior to mitigating actions

1	Logistics sector exposure
2	Environment and social impact of operations
3	Operating environment
4	Compliance with laws and regulations
5	Funding and liquidity
6	Market risk
7	Credit risk
8	Information technology
9	Transformation goals
10	SA property development
11	UK property development
12	Human resources



Risk description	Impact	Likelihood	Overall	Change	How we mitigate the risk	Inputs
	Risk assessment					
1 Logistics sector exposure A decline in demand for logistics properties in SA and/or the UK.	Significant	Remote	MED	Decrease	– The Investment committee is tasked with ensuring that the investment strategy is executed effectively, including a thorough financial and strategic due diligence on all major transactions using risk-adjusted hurdle rates. – Speculative development activity is limited to 2% of the portfolio and all land acquisitions are carefully assessed. A moratorium exists on land acquisitions. – Assess logistics nodes and land parcels on an ongoing basis (scarcity, demand, productivity and best use). – Engage with tenants continuously to understand their business and assist in improving their supply chain. – The WALE is 15.4 years and 95% of tenants are A-grade.	
2 Environment and social impact of operations Property construction causes a negative environmental or social impact resulting in reputational or financial damage.	Moderate	Possible	MED	No change	– The minimum specification for all completed developments is EDGE certification. – Solar PV installations are a baseline specification on all new speculative developments. – New developments adhere to Equites' Sustainability Framework, including monitoring and reporting environmental, social and sustainability goals and requirements. – Continuous participation with community forums and associations in the areas within which Equites operates. – Engage continuously with all stakeholders, including investors and analysts to ensure they understand Equites' business and investment decisions.	
3 Operating environment Political instability, transfer risk (capital or exchange controls) or taxation changes in the business environment of operating jurisdictions adversely affects performance.	Significant	Possible	MED	Increase	– Continuously evaluate the capital structure and consider alternatives (dual listing, private placement, etc.). – Outside SA, we only operate in the UK with a low risk of political instability and with clear and stable legislation. – Monitor capital markets closely with the assistance of corporate sponsors and the investor community. – Maintain a conservative LTV ratio (FY21: 31.2%). – Diversify sources of funding and long-dated debt maturity profile (FY21: 3.0 years). – Engage specialists in non-SA jurisdictions to understand complex compliance and legislative matters. – Continuously assess political stability in SA and the UK. – Evaluate potential new markets thoroughly.	
4 Compliance with laws and regulations Failure to comply with laws and regulations results in fines and penalties, reputational harm, loss of REIT status, tax liabilities or loss of investor confidence.	Minor	Remote	LO	No change	– A dedicated in-house legal team ensures timely compliance with laws and regulations. – Maintain and regularly review a register of all legislation that impacts the Group. – Monitor factors attributable to REIT status on a monthly basis. – Corporate sponsors (equity and debt) actively monitor the risk on a continuous basis. – Completion of an annual compliance checklist. – Engage with consultants and specialists on complex matters. – Review and consider the impact of draft legislation that would affect the Group, comment on it and developed contingency plans where necessary. – Adoption of a combined assurance framework to ensure management control, risk control and independent assurance. – A head of risk and a dedicated internal auditor will be appointed in FY22.	

Impact	Likelihood	Overall	Change
Significant	Probable	HI High	Increase
Moderate	Possible	MED Medium	No change
Minor	Remote	LO Low	Decrease

Risk management report continued

Risk description	Risk assessment: Impact	Risk assessment: Likelihood	Risk assessment: Overall	Risk assessment: Change	How we mitigate the risk	Inputs
5 Funding and liquidity The volatility of funding in the equity and debt markets results in capital raised at unfavourable levels, that would negatively impact the WACC and limit growth. Failure to appropriately assess liquidity requirements render the group unable to pay obligations as they fall due. An increase in the use of leverage will increase the cost of debt and results in the breach of financial covenants	High	••	MED	▲	– Monitor the balance sheet to ensure the Group maintains a conservative LTV ratio and remains within the strictest debt covenants (currently 50% LTV and 2x ICR). – Maintain sufficient committed undrawn credit facilities (FY21: R437 million) and an appropriate contingent funding liquidity buffer (currently R300 million). – Ensure sustainable cash flows through income-producing properties with strong fundamentals. – Maintain a long-dated debt maturity profile (FY21: 3 years) with diverse sources of funding, including a JSE-listed DMTN Programme, and in-country debt to the maximum extent possible. – Interact with corporate sponsors, asset managers and other investors on an ongoing basis to gauge appetite for equity and debt funding.	
6 Market risk Volatility in exchange rates negatively impacts the translation of foreign operations. Volatility in interest rates results in a negative impact on financial performance.	High	•••	HI	▲	– The Board approved and reviewed the Group's treasury policy which stipulates requirements for interest rate and FX risk hedging (FY21: 96.5% interest rate risk cover; £92.4 million CCIRS being 25.2% of foreign assets), including a progressive GBP distributable earnings hedging approach. – The Board and senior management assess key macroeconomic indicators including GDP, unemployment, interest rates and market volatility as part of the ongoing assessment of the financial stability of the SA and UK economies. – Equites continuously monitors interest rate and exchange rate exposures in real time. – Maintaining sufficient PFE/credit limits with derivative providers allows Equites to execute hedges as and when required.	
7 Credit risk Late payment or defaults by tenants driven by macroeconomic conditions, idiosyncratic factors or increased administered costs. A tenant's business, use of property or actions of management lead to reputational and/or financial damage to the Group by association.	High	••	MED	▲	– Equites focuses on blue-chip tenants, such as large listed, national or multinational tenants (FY21: 95% A-grade). – All single tenants that comprise more than 10% of total revenue are required to be an A-grade tenant to minimise default risk. – The Group continuously engages with clients to assess their financial status and gauge and facilitate the likelihood that they would renew their lease. – Due diligence, including a detailed understanding of a prospective tenant's business, credit-vetting procedures and a financial-stability evaluation are performed as part of initial negotiations. – Monthly age analyses of rental income and deferred rent arrangements are done (48% of DRA recovered and a further 43% expected in next 12 months). – The Group follows up with tenants on outstanding balances and/or disputes, and all such tenant engagements are recorded in a CRM application. – Renewable energy sources are used in new developments to reduce the electricity cost burden to tenants.	
8 Information Technology Disruption to business continuity, loss or corruption of data, misappropriation of data.	High	••	MED	▲	– Engagement of a specialised IT firm to assist in maintaining secure and robust IT infrastructure to eliminate hardware and software failure and IT threats (viruses, malware, security breaches). – Maintain an IT risk register. – Minimal reliance of onsite storage including cloud storage and regular off-site back-ups. – Controls to ensure transaction validation and protect against human error, fraud, and dishonesty. – Employees undergo mandatory online security awareness training by an external vendor.	

Risk description	Risk assessment: Impact	Likelihood	Overall	Change	How we mitigate the risk
9 Transformation goals Reduction in B-BBEE rating impacts the ability to attract and retain tenants and reduces the ability to compete on development bids with specific B-BBEE criteria.	Significant	Remote	LO	No change	– The Board and the Social, Ethics and Transformation committee actively monitor transformation and focus on initiatives which improve transformation in a meaningful manner. – An Enterprise Supplier Development programme has been implemented to assist and develop local maintenance and soft-service SMMEs. – Active monitoring of rating and regular assessment of suppliers to improve rating. – Employment equity in all hiring activities and preference is given to previously disadvantaged candidates (FY21: 65% female, 61% black). – The Group adheres to the Property Sector Charter. – The MLF supports the educational corporate social initiatives of the Group.
10 SA property development Lack of a sound budgetary process for compiling and monitoring spend results in misallocation of resources and causes incorrect decisions to be made around cashflow, funding and project timelines.	Significant	Probable	HI	No change	– As part of the due diligence process, project evaluation and risk analysis are undertaken prior to entering into a development. – A detailed itemised budget is produced for every project. – Detailed weekly reporting and budget variance analyses of costs and resources on projects. – A strict approval process is followed for all development costs as part of the Group Decision-Making Framework, including vendor vetting, procurement policy focussed on fraud prevention, cost savings and compliance with regulations. – Labour disputes are handled proactively. – Client satisfaction surveys are conducted on developments. – All real and remote risks are addressed in project development risk registers.
11 UK property development Lack of control over UK project developments (outsourced to Newlands) with pre-let leases results in impairments.	Moderate	Possible	MED	No change	– Newlands purchases options to develop land together with the requisite insurance, which requires no major capital commitment until development approval has been granted. – All new developments require approval by the Equites Investment Committee. – Equites' maximum commitment is agreed with the tentant in a development funding agreement before starting work on a development. – Construction contracts contain penalty clauses, should costs exceed the budget. – Development spending is co-approved by Equites.
12 Human resourcing Loss of key staff, being under-resourced or project development teams lacking requisite expertise inhibits the ability to achieve objectives.	Significant	Possible	MED	Increase	– 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 Group and assists with the retention of key staff. – Management assesses resourcing of their areas of responsibility (project development, project management, legal and finance) and appoints suitable staff to cover the requirements. – All candiates are thoroughly assessed for appropriate skills before being appointed and are provided with ongoing training and development. – A clear organisational design and reporting structure is maintained.

Impact	Likelihood	Overall	Change
Significant	Probable	HI High	Increase
Moderate	Possible	MED Medium	No change
Minor	Remote	LO Low	Decrease

Remuneration report

This report sets out Equites' remuneration philosophy and policy for executive and non-executive directors and is presented in three parts:
- The background statement which provides context to the Company's remuneration policy and performance;
- An overview of the remuneration policy; and
- The implementation report which sets out in detail how the existing policy has been implemented during the year under review, and discloses payments made to non-executive and executive directors during the year.

The mandate of the Remuneration Committee ("the Committee") is to ensure that Equites' remuneration policy and decisions continue to support the achievement of the Group's strategic objectives in a fair and responsible way, encouraging individual performance and maintaining the forecasted investor returns.

The Committee remains committed to maintaining a strong and healthy relationship with Equites' stakeholders, which is built on a clear understanding of our remuneration policy and the practices that have been implemented. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the 2021 financial year and that the remuneration policy achieved its stated objectives.

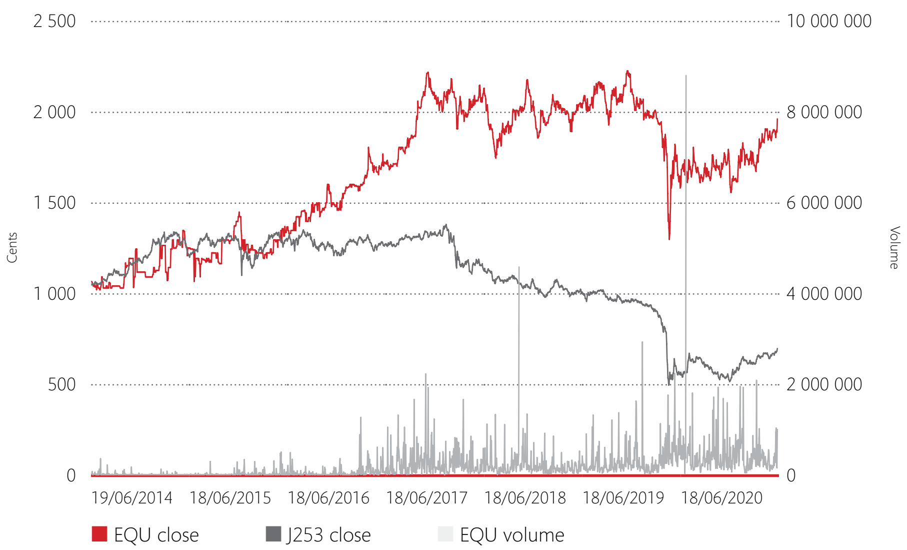
Background statement

Introduction

In an unprecedented year in which COVID-19 presented an array of challenges, Equites has remained resilient and once again emerged as a top performer in the REIT sector of the JSE. This year is the seventh year in which Equites has created shareholder value by implementing its strategy in a meticulous manner.

The chart below compares the Equites share price to the J253 SA Listed Property Index over the last seven years. It is clear that Equites has established itself as a defensive stock in the SA REIT context and has continuously outperformed the J253 while also significantly growing investment volumes reflecting increased liquidity.

EQU share price performance



Equites' remuneration policy is guided by its business strategy, namely, to build a sustainable property portfolio which generates long-term shareholder value. The business has grown from a property portfolio of R1 billion in 2014 to a sector leading SA REIT, with a portfolio value of R19.3 billion in 2021. Throughout this period, the company has delivered both income and capital growth and expanded its presence in the major SA metropolitans and in key logistics nodes in the UK.

The business has grown from a predominantly SA business to a business with a high-quality UK logistics property portfolio. As at February 2021, the UK portfolio accounted for 34% of the total investment property portfolio. The growth in the UK portfolio has significantly increased the complexity of the business and requires consideration of a new set of laws and realities.

Over the last four years, the business has focused largely on unlocking development activity both in SA and the UK. Since 2017, management has unlocked R1.6 billion of developments in SA through its in-house development team and R1.8 billion of developments in the UK, typically through forward-funding agreements. The Group currently has R0.5 billion under development in SA and R0.6 billion under development in the UK. Successfully bidding and being awarded these developments, coupled with their efficient management of these developments has contributed to Equites' outperformance over time.

As testament to its resilience, in a year marred by uncertainty caused by COVID-19, Equites delivered total shareholder returns of 16.1% in the 2021 financial year compared to SAPY total returns of negative 15.75% over the same period *(source: Refinitiv)*.

Other notable achievements for the year under review include:
- Growing the investment property portfolio by 30% from R14.8 billion at February 2020 to R19.3 billion at February 2021.
- Maintaining an LTV ratio of 31.2%, demonstrative of a conservative capital structure.
- Concluding a strategic venture arrangement with Shoprite for the acquisition of a 50.1% equity stake in three DCs with an initial portfolio value of R3.2 billion.

- Developing four modern distribution facilities in SA with a capital value of R887 million, let to blue-chip tenants on long dated leases.
- Successfully signing two development deals in the UK with a combined capital value of £113 million through Newlands.
- Maintaining rental collection rates of 99.3% and 100% in SA and the UK, respectively, in a year that was heavily impacted by COVID-19 related uncertainty.
- Continuing to improve on property fundamentals with 95% of tenants being classified as A-grade (2020: 94%) and improving the weighted average lease expiry for the portfolio to 15.4 years (2020: 10.2), thus enhancing income predictability.
- Reducing the vacancy rate across the portfolio to 0.1%.

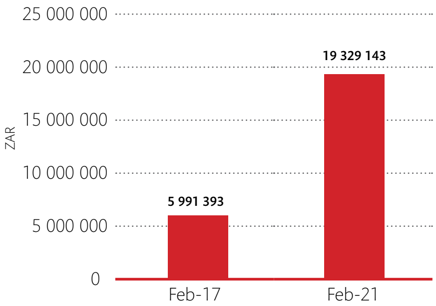
Performance of this nature and quality is highly dependent on key individuals' ability to successfully implement the Group's strategy. Rewarding and retaining high-performing people in a challenging economic environment requires a thoughtful, innovative approach to remuneration practices and policies while remaining aligned with the core values and long-term goals of the business.

To ensure that the Group's total remuneration package and pay mix are appropriate within the market in which it operates, the Group performs an external benchmarking exercise every three years. The last benchmarking exercise was conducted in 2017 whereafter year-on-year inflationary increases were applied. As reported in our report for the 2020 financial year, this benchmarking exercise was scheduled for March 2020 but given the uncertainty of the impact of COVID-19 on the business, the Committee decided that it was prudent to defer it and all corresponding increases in TGP to 2021. We understand that increasing salaries and fees is often questioned, but the Committee has an obligation to enforce its policy of fair remuneration. Following careful deliberations as to the changes in the business and the complexity of the operations over the last four years, it was decided to conduct the benchmarking exercise in February 2021.

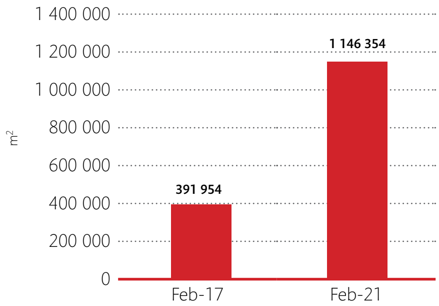
Over the period ranging from 2017 to 2021, the company has grown its investment property portfolio value from R6 billion at February 2017 to a portfolio value of R19.3 billion at February 2021 and increased its GLA (completed properties) under management from 391,954 m² at February 2017 to 1,146,354m² at February 2021. Over the same period, Equites has delivered total shareholder returns[1] of 46% as a result of strong distribution and NAV growth.

We performed an independent evaluation based on total assets, GLA and the DPS and found that the Executive Directors and Non-executive Directors were being paid in the lower quartile.

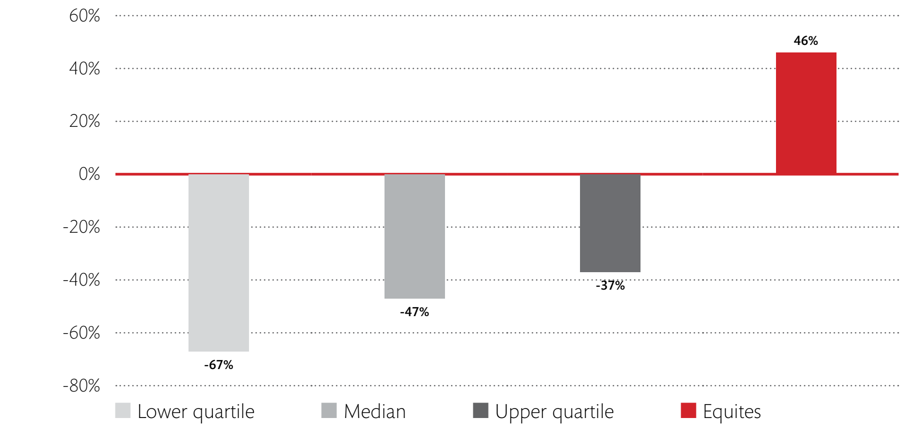
Portfolio value



GLA under management



Four year TSR (Jan 2017 – Dec 2020)



The property fundamentals of the Equites portfolio have remained sound, with 100% of the portfolio being classified as logistics/industrial, 95% of revenue being generated from A-grade tenants and the weighted average lease expiry being 15.4 years.

Given the significant changes in the business since 2017, particularly the complexity of the operations and business growth, the benchmarking exercise indicated that the executives' TGP is significantly below the market median of the comparator group. In light of this lag, and the consistent outperformance of Equites over the last four years in particular, the Committee followed PwC's recommendation to adjust the TGP of the respective executives to be broadly in line with the median of the comparator group. The detail of the benchmarking is included under the Remuneration policy section of this report.

The salary adjustment applied to other staff was based on a 5% base-level adjustment with specific adjustments made for individual employees who had outperformed during the year or where individuals were remunerated below market. There were four members of staff (out of a total of 30 employees) who were promoted internally during the year, which resulted in a reset to their TGP during the period. This is in line with our human resources policy to lead, develop and promote from within.

1 Total shareholder return is defined as growth in NAV plus cash distributions declared to shareholders over the period.

Remuneration report continued

In addition to the benchmarking of executive director remuneration, a non-executive director benchmarking exercise was conducted for the first time since 2017 to establish whether our NED fees remain appropriate and market-related. The growth in the property portfolio, the increased complexity of operating in multiple jurisdictions and the significant strategic partnerships and joint ventures which the Group has entered into, have resulted in the business being vastly different than it was in 2017. The benchmarking exercise performed on the NED fees indicated that these fees were significantly lower than the market median. It was decided that an increase of non-executive director fees will be proposed in order to bring the fees to within a tolerable range of the market median. More details are included in the Remuneration policy section of this report.

Feedback from 2020 engagement

Equites believes in proactively engaging with shareholders regarding remuneration on an ongoing basis, irrespective of receiving votes in favour of our remuneration policy and implementation report. The intention is to understand any shareholder concerns and to attempt to address them when drafting the remuneration policy. It is believed that the engagement undertaken during the year under review gave effect to King IV's intended outcome of understanding the legitimate and reasonable needs, interests, and expectations of our key stakeholders and key themes raised by shareholders have been incorporated into the policy for the upcoming year. In 2020, we held several shareholder meetings which were attended by the Chair of the Board and the Chair of the Committee. Equites would like to thank all shareholders for their time, and for the frank discussions around this important element of the business.

At the AGM held on 23 July 2020, shareholders gave a positive non-binding advisory vote of 90.38% endorsing the 2021 remuneration policy and 93.83% endorsing the implementation report. The Committee believes that this vote was made possible by proactive engagement and valuable discussions with our shareholders.

The Committee looks forward to continuing these discussions with our shareholders during the 2022 financial year and welcomes proactive feedback from all shareholders prior to the AGM. The Committee will respond to queries and input from shareholders in writing and will hold consultations with Equites' top 10 shareholders as well as any shareholders who specifically requests a consultation. All shareholders are encouraged to contact investors@equites.co.za to request specific engagement or to pose questions directly relating to the Remuneration policy or Implementation report.

As in prior years, shareholders will be requested to cast a non-binding vote on both the remuneration policy and the 2021 implementation report at the AGM to be held on 27 July 2021. If either the remuneration policy or the implementation report receive 25% or more dissenting votes from shareholders at the AGM, 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.

Below is a summary of the feedback received following our engagement with shareholders during the year under review:

Concern	Resolution
Remuneration policy	
A number of investors made the suggestion that we include a malus and clawback provision to the LTI scheme.	The Committee noted these comments and agreed that, from a governance perspective, a malus and clawback policy is important to ensure that the Group is able to reduce or recoup the incentive remuneration in specified circumstances. A formal malus and clawback policy was approved and is effective from FY21. This applies to all variable pay received by executive directors and all Equites staff.
Several investors noted that the performance metrics in both STI and LTI should be aligned more to creating long-term shareholder value as opposed to focusing only on DPS.	The Committee understood that this was an important consideration for shareholders. Following our discussions with our shareholders, the remuneration policy for this period (FY22) was updated to include both STI and LTI performance metrics focusing on total return, growth in the portfolio and sustainability.
Shareholders cautioned that metrics included in the incentive scheme should not encourage growth with no consideration of risk.	The Committee considered this and while it added a "portfolio growth" component to the incentive schemes, it was coupled with a requirement to maintain a target LTV. This will ensure that management protects the strength of the balance sheet while growing the portfolio value.
Shareholders suggested that the key performance indicators should include a sustainability-linked component.	The Committee agreed fully with this suggestion and included it as a performance metric in both the STI and LTI. Refer to the Remuneration policy section of this report.
Implementation report	
There were no concerns raised in respect of the implementation report.	

Remuneration consultants

The Committee used the services of specialists from PwC during the year to assist with conducting an external benchmarking exercise and with the implementation of a malus and clawback policy (which is applicable to all STI and LTI grants to staff including the executives on a prospective basis) and were satisfied that they were independent and objective.

Update on activities undertaken during the year

The Committee fulfilled the following main duties during the reporting period:

- Engaged proactively with shareholders to understand their concerns regarding the remuneration policy and implemented changes for the upcoming year.
- Reviewed the remuneration policy to ensure that it remains appropriate and aligned with the Group's strategic objectives.
- Reviewed the outcomes of the implementation of the remuneration policy to assess whether the policy's objectives had been achieved over the past financial period.
- Instructed PwC to perform a detailed benchmarking exercise on both executive director remuneration and non-executive directors' fees, and:
  - Reviewed the market outcomes of the executive director remuneration benchmarking exercise;
  - Considered the results of the performance evaluation of the CEO and other executive directors, both as directors and as executives; the increase in size and complexity of the business, as well as company performance and shareholder value delivered over the past four years in determining appropriate adjustments to the TGP of executives; and
  - Based on the increase in size and complexity of operations, exceptional company performance, shareholder value delivered, the outcome of the benchmarking exercise and the performance of executive directors, approved the increases to the TGP of the executive directors.
- Reviewed and approved the STI payments to the executive directors for the 2021 financial period.
- Reviewed and approved the grant of LTI awards to the executive directors for the 2021 financial period.
- Reviewed and approved the vesting of actual shares in respect of the 2018 LTI award.
- Based on the outcome of the benchmarking exercise for non-executive directors' fees and taking into account increased size and complexity of the business, company growth and performance as well as shareholder value delivered over the past four years, suggested changes to the non-executive directors' fees to be approved at the AGM.
- 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.
- Increased the focus on the principle of fair and responsible remuneration in the year under review, with an emphasis on addressing the internal wage gap as well as any gaps in race or gender.
  - In consideration of fair and responsible pay, the Committee considered the legislated minimum wage and ensured that the lowest earning employees are remunerated well above this level. In FY21, our lowest earning employee earned 2.35 times the minimum wage.
  - To address the internal pay gap and to improve the living conditions for all employees, Equites introduced medical aid benefits and an allowance to subsidise this medical cover. Lower- earning employees receive the largest subsidy in this respect. The actual increase across the employee category was 5.7%.
  - In addition to the above and in line with our philosophy regarding fair and responsible pay, the executive directors were mandated to consider individual job roles within the organisation and to benchmark them to ensure that the TGP of roles below executive level remain market-related, particularly in light of the Group's growth over the past four years and also to ensure parity in treatment between the TGPs of executives and those of employees below executive level. Where any TGPs were identified as being below the market rate, adjustments were made to these TGPs in order to bring them in line with the market.
- 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 that the results demonstrate alignment with the Group's long-term strategic goals. Following the consultation with shareholders, the Committee decided to replace performance metrics that were previously based on distribution per share with metrics that are weighted towards total return, responsible and sustainable (improving property fundamentals) growth in the portfolio and sustainability metrics. These metrics are aligned to Equites' strategic vision of becoming a globally relevant REIT with a focus on creating long-term shareholder value.
  - The Committee further recognises the importance of sustainability in the context of real estate and has included an additional metric specifically focused on sustainability initiatives in the Group.

Remuneration report continued

Future focus areas

Continued focus on fair and responsible remuneration

The Committee will strive to entrench the practice of equal pay for work of equal value to ensure equity is maintained within the Group and monitor how this speaks to fair and responsible remuneration for executive directors compared to employee remuneration.

Focus on personal performance conditions

By striving to maintain a high-performance culture within the organisation, the Committee will continue to monitor personal performance objectives included in the incentive schemes and align these closely with the strategic objectives of the Group.

Remuneration policy

Remuneration Committee

In line with best practice, the Remuneration Committee is appointed by the Board 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 Committee consists of four independent non-executive directors, namely, Nazeem Khan (Chair), Ruth Benjamin-Swales, Keabetswe Ntuli and Leon Campher.

The Committee met twice during the year under review.

The Committee's primary responsibilities are set out in its Terms of Reference and include:

- Overseeing the setting and administration of remuneration at all levels in the Company;
- Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- Reviewing the outcomes of the implementation of the remuneration policy to assess whether the policy's objectives are being achieved;
- Ensuring that the mix of fixed and variable pay in cash, shares and other elements meets the Group's needs and strategic objectives;
- Satisfying itself as to the accuracy of recorded performance measures that govern the vesting of incentives;
- Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- Considering the results of the performance evaluation of the CEO and other executive directors, both as directors and as executives, in determining remuneration;
- Selecting an appropriate comparator group when comparing remuneration levels;
- Regularly reviewing incentive schemes to ensure their continued contribution to shareholder value and ensuring that these schemes are administered in terms of the rules;
- Considering the appropriateness of early vesting of share-based schemes at the end of employment; and
- Advising on the remuneration of non-executive directors.

Organisation-wide remuneration policy overview

	TGP	Short term incentives	Long-term incentives
Objective	To attract and retain high quality individuals.	To incentivise employees to deliver annual targets and strategic goals.	To incentivise management to deliver long-term shareholder value.
Participation	All employees.	All employees.	Executives, senior management, middle management, lower management and skilled workers
Performance period	Ongoing.	One year.	Three years, with a further service-only period of two years.
Performance measures for current year (FY21)	Individual performance.	Group DPS compared to sector, plus personal performance objectives.	Group DPS over a three-year period, plus cumulative NAV growth.
Performance measures for FY22	Individual performance.	25% Total return to exceed WACC, 25% Total return to exceed internal hurdle, 25% Portfolio growth and LTV, plus 25% ESG metrics.	25% Total return to exceed WACC, 25% Total return to exceed internal hurdle, 25% Portfolio growth and LTV, plus 25% ESG metrics.
Method of delivery	Cash	Cash	Equites shares
Subject to malus and clawback?	No	Yes. Malus and clawback applicable to executives and staff.	Yes. Malus and clawback applicable to Executive Directors and staff.

For the purposes of the remuneration policy, employees have been categorised into three categories: Executive Directors, 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	Annual performance-related incentives	Long-term incentives
The total guaranteed pay is the salary for performing the contractual role agreed upon and any benefits accrued during the financial year.	The short-term cash incentive is awarded to employees based on the Group's annual financial performance as well as individual performance metrics.	The long-term incentive scheme is designed to attract, retain and reward Executive Directors 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 provided other benefits such as medical aid subsidies and assistance with funding for discretionary studies. This has gone a long way in improving the lives of lowest-income earners in the organisation.

Fair and responsible remuneration

Equites views its employees as critical assets, as delivery of our strategy is dependent on the shared talent, skills and values of the people throughout the Company. The Company strives to create an inclusive environment and to reward employees throughout the organisation in a manner which is fair and reasonable. The principle of fair remuneration is entrenched in our remuneration policy and is based on practices which are free from prejudice, self-interest and which are not inherently biased in any way.

Our remuneration for employees is market competitive and includes variable remuneration in the form of STI for all employees, and LTI for 90% of staff. As detailed above, the executive directors are mandated to consider individual roles within the organisation and benchmark these on an ongoing basis to ensure that the TGP of roles below executive level remain market related. Where any anomalies are identified in the TGP of a particular role, the TGP is adjusted accordingly in order to bring it in line with the market.

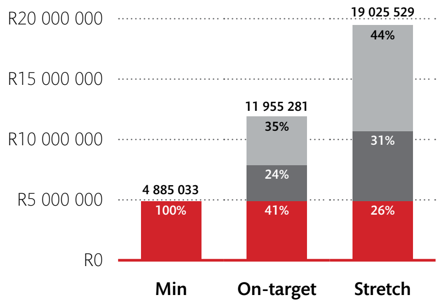
The Group currently performs detailed annual analyses of income differentials in terms of the requirements of the Employment Equity Act, as one mechanism of identifying and correcting any unjustified income differentials.

In recognition of the income gap, and in an attempt to start correcting it, 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.

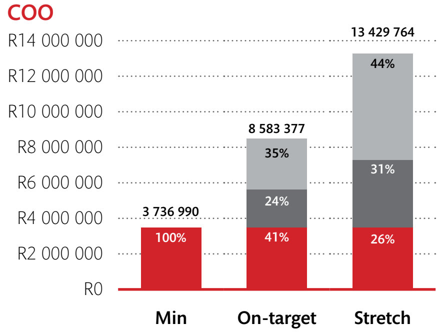
Executive remuneration

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

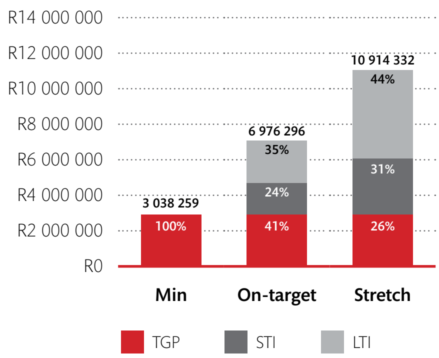
CEO



COO



CFO[1]



On-target variable pay (STI and LTI) comprises more than half the total remuneration. At a stretch, the variable pay comprises 75% of the total remuneration of the CEO, and 72% of total remuneration of the COO and CFO. Amounts received under the EOS have not been included here, as they are not considered to form part of regular annual remuneration.

[1] Laila Razack was appointed as CFO on 26 May 2020.

Remuneration report continued

Total guaranteed pay

TGP comprises an employee's 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.

Equites typically benchmarks its executives' TGP to peer companies every three years. As indicated in the background statement above, a benchmarking exercise was scheduled for 2020, however, this was deferred due to the economic uncertainty presented at the time by COVID-19.

The Committee deliberated and subsequently decided that an external benchmarking should be conducted in February 2021. This decision was not taken lightly as the Committee fully understands the sensitivity of increased remuneration and NED fees in the current economic environment. However, the Committee decided that it was dutybound to act in the interest of the company to ensure that its executive and NEDs are remunerated fairly and responsibly and in line with its policies. The Committee engaged the remuneration specialists at PwC to assist with conducting an external benchmarking exercise. The exercise was undertaken to establish whether executives' TGP has remained competitive since the 2017 benchmarking exercise in light of the significant growth in the business (as highlighted in the background statement) and was still adequate to attract and retain the required level of experience and expertise required by the Group. The Committee felt that the latter was of critical importance in order to ensure continued growth and long-term shareholder value creation through the retention of our executives who are key in delivering on our business strategy.

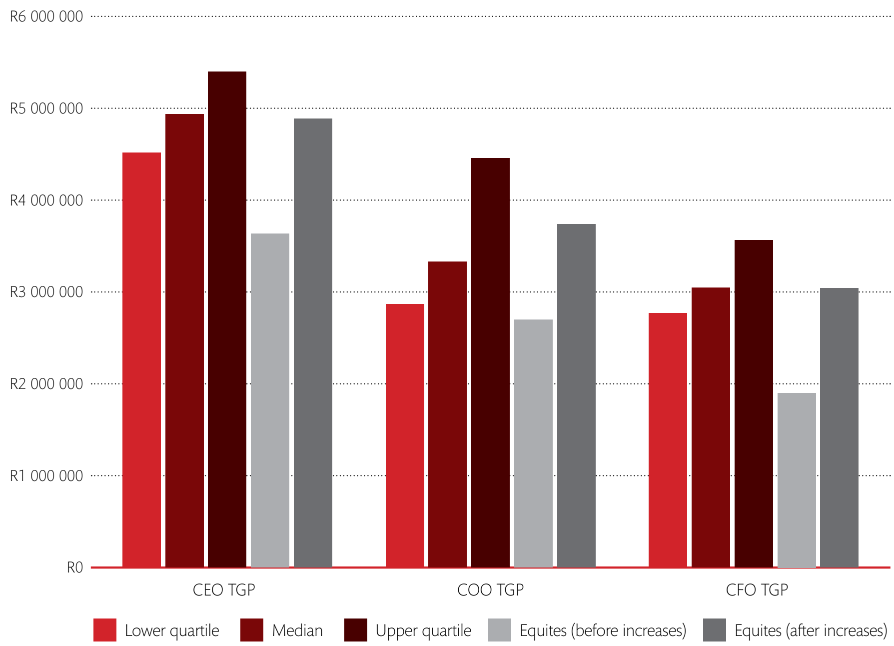
The TGP for executive directors was benchmarked against comparable property counters, with a focus on those listed on the JSE, taking into account adjustments for both size and performance[1]. These adjustments included the market capitalisation, square meters of property under management, distributable income per square meter under management and total assets.

In line with best practice, PwC performed a regression analysis using the comparative set combined with the size and performance metrics. Based on this analysis, it was determined that the TGP for all executives was significantly lower than that of the comparator group and fell into the bottom quartile in all instances. This was in large due to the growth in Equites over the four years following the last external benchmarking exercise.

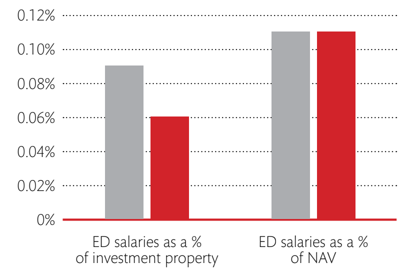
The Committee concluded that in order to achieve the desired result of attracting and retaining high calibre individuals and rewarding individuals fairly and reasonably, the TGP of the Executive Directors should fall within a tolerable range of the median of the comparator Group and therefore implemented increases in TGP to affect this result. The graph below illustrates Equites' Executive Directors' TGP against that of the comparator group, both before and after the increases.

To test the reasonability of the increases, the Committee compared the gross Executive Director's salary expense to key metrics in the business. The results demonstrated that the ratios calculated were consistent with those performed at the time of the previous benchmarking exercise, and in most cases, these had reduced over time.

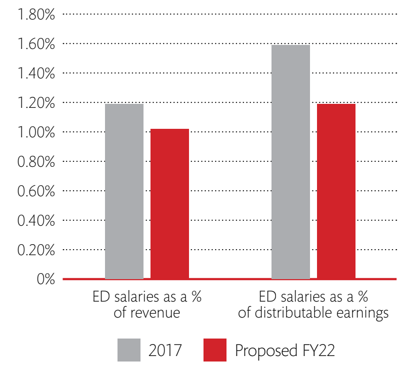
Executive Directors



Balance sheet metrics



Income statement metrics



Following the adjustments to the TGP, the Committee will apply reasonable inflationary adjustments to Executive Director's remuneration. This will be reviewed again in three years.

[1] The comparator set includes Arrowhead, Attacq, Emira, Fortress, Hyprop, Liberty Two Degrees, Redefine, Resilient and Vukile.

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 Director is agreed annually and is based on targets that are verifiable and aligned to the Group's operations and strategy. STIs are payable annually after being approved by the Committee and after the release of the audited financial statements. Any annual performance-related incentive pay-outs received under the plan are paid in cash.

The following formula is applied to incorporate the multiplier model:

STI[1]	=	On-Target Incentive %	X	Financial Modifier	X	Personal Modifier
CEO		60% of TGP		0% – 200%		0% – 150%
COO		50% of TGP		0% – 200%		0% – 150%
CFO		50% of TGP		0% – 200%		0% – 150%

1 The maximum STI payable to an individual director is limited to the stretch financial modifier percentage, i.e. the bonus payable can never exceed 120% of TGP for the CEO and 100% of TGP for the COO and CFO.

Financial modifier

As indicated in the background statement, the Committee proactively and continuously engaged with our shareholders during the year under review. One of the primary themes to emerge from these discussions was the growing need to align both STI and LTI performance metrics to total return and long-term shareholder value creation and to move away from performance metrics linked solely to DPS. The Committee therefore decided to overhaul the financial multiplier metrices as set out in the table below. This is effective for years commencing 1 March 2021:

	Weighting	Threshold	Target	Stretch
Total return to exceed WACC	25%	Total return to be equal to WACC	Total return to exceed WACC by 10%	Total return to exceed WACC by 15%
Total return to be equal to, or exceed, specified internal benchmark	25%	Total return to be equal to, or exceed 10%	Total return to be equal to, or exceed 12%	Total return to be equal to, or exceed 14%
Portfolio growth and LTV conditional upon meeting property fundamentals and IRR hurdles	25%	Portfolio growth of 5% whilst maintaining target LTV	Portfolio growth of 10% whilst maintaining target LTV	Portfolio growth of 15% whilst maintaining target LTV
ESG metrics which measures the Group's approach to sustainability and improvements year on year (refer to Sustainability report for further details)	25%	Maintain ESG score as measured by Sustainalytics	Improve ESG score as measured by Sustainalytics to improve by 7.5%	Improve ESG score as measured by Sustainalytics to improve by 10%
Financial modifier achieved		**0%**	**100%**	**200%**

Linear apportionment is used between the specific levels tabulated above. The multiplicative approach results in zero bonuses if either the Financial Modifier or Personal Modifier is 0%.

Personal Modifier

The Committee agreed personal objectives with each Executive Director at the beginning of the financial year. Personal objectives are assessed at the end of the year and result in a modifier 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% of TGP for the CEO and 100% of TGP for the COO and CFO.

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 personal performance conditions used in FY21 incorporated feedback from the shareholder engagements and are consistent with FY21 personal performance metrics.

Long-term incentive

Long-term incentive awards are granted annually in the form of conditional shares in Equites ("performance shares"). The 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 and CFO based on the 30-day 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 the 31st of May following the end of the 3-year performance period.

As with the STI, our engagement with shareholders highlighted the need for our performance metrics for long-term incentives to have greater alignment to sustainable growth, generating long-term shareholder value and promoting sustainability in the portfolio.

Remuneration report continued

The Committee have adopted the following metrics for all awards granted on or after 15 February 2021:

	Weighting	Threshold (30% vesting)	Target (100% vesting)	Stretch (200% vesting)
Total return to exceed WACC	25%	Total return to be equal to WACC over a three-year period	Total return to exceed WACC by 10% over a three-year period	Total return to exceed WACC by 15% over a three-year period
Total return to be equal to, or exceed, specified internal benchmark	25%	Total return to be equal to, or exceed 10% over a three-year period	Total return to be equal to, or exceed 12% over a three-year period	Total return to be equal to, or exceed 14% over a three-year period
Portfolio growth and LTV	25%	Portfolio growth of 5% whilst maintaining target LTV over a three-year period	Portfolio growth of 10% whilst maintaining target LTV over a three-year period	Portfolio growth of 15% whilst maintaining target LTV over a three-year period
ESG metrics which measures the Group's approach to sustainability and improvements year on year (refer to Sustainability report for further details)	25%	Maintain ESG score as measured by Sustainalytics over a three-year period	Improve ESG score as measured by Sustainalytics by 7.5% over a three-year period	Improve ESG score as measured by Sustainalytics by 10% over a three-year period

After the initial three-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 Committee. The Committee also obtained independent external 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%) ("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.

Introduction of malus and clawback

Following shareholder engagement, the Committee introduced a malus and clawback policy for all staff including Executive Directors which allows the Group to reduce or recoup both long-term and short-term incentives for a period of two years after award date.

Malus provisions apply before awards have vested or been paid to an employee whilst clawback provisions apply to awards that have already vested or been paid to an employee. Malus and clawback may both be instituted following the discovery of a "trigger event".

Trigger events include but are not limited to the material misstatement of financial statements and actions, omissions or conduct of participants which may amount to gross misconduct, gross negligence, dishonesty, or fraud.

This policy applies to all incentive awards made to staff including Executive Directors following the effective date of the policy, which was determined to be January 2021.

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.

Executive outperformance scheme

The Board introduced an EOS in 2018 to identify key members of the Executive Directors and staff who have been instrumental in building the success of the Group, and to incentivise these members to remain with the Company. The scheme was introduced on 31 August 2018 and is effective for five 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.

Executive service contracts and sign-on awards

Executive Directors hold permanent employment contracts with six-month notice periods. Equites does not grant sign-on awards to any Executive Directors upon joining the company. The company may decide to award sign-on bonuses to individual employees below the executive level. This is assessed on a case-by-case basis.

Termination arrangements and change of control

On termination, directors are entitled to their TGP for the period of service and any accrued leave balances owing to them. No provision is made for other severance payments of any kind. 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. Employees who leave for injury, illhealth, disability, retrenchment, or any other reason determined by the Committee will receive a pro-rata vesting of any unvested awards based on performance achieved and number of complete months served during the vesting period.

In the event of a change of control occurring before the vesting of awards, a portion of the awards will early vest and will be pro-rated based on performance achieved and number of complete months served from the award date to the date of the change in control. The portion of the award which does not early vest will remain subject to the terms of the Equites' CSP and the Committee may make such adjustments to the number of shares comprising the award to place the employees in no worse a position than they were prior to the change in control.

Non-executive remuneration

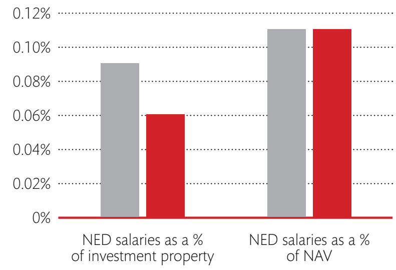
Non-executive directors do not have employment contracts and do not receive any benefits associated with permanent employment. Their fees as directors are determined as a board member base fee (which is inclusive of board meetings from FY22 onwards) and attendance fee based on their committee obligations. In line with best practice recommendations, the Chairman receives a fixed annual fee that is inclusive of all attendances at Board and subcommittee meetings 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 director fees are included in the Implementation section of this report.

As indicated in the background statement, the decision was taken to also conduct a benchmarking of non-executive director fees in order to establish whether the existing fees remain market-related and appropriate to attract and retain skilled high-calibre non-executive directors in light of the significant growth in the business and increased complexity following the last benchmarking exercise in 2017. With the expansion into a new jurisdiction and entering into a strategic venture with Newlands, the business became significantly more complex in respect of development and land assembly risk, appraisals of new investment decisions and ensuring compliance with tax laws and other legislation in the UK. In line with the executive director benchmarking exercise performed by PwC, the non-executive director fees were benchmarked in the same manner and to the same comparator group as Executive Director fees. The benchmarking indicated that all non-executive director fees were significantly below the median of the comparator group. It is therefore proposed to increase the non-executive director fees to bring the fees within the acceptable tolerance of the median of the comparator group.

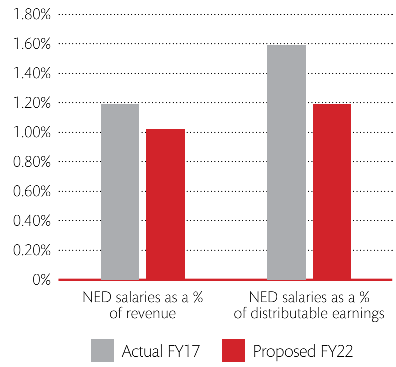
The graphs below provide an overview of Equites' non-executive director fees in comparison to the comparator group, both before and after the proposed increases.

As with the executive director increases, the Committee tested the reasonability of the proposed NED increases by comparing the non-executive fees to key metrics in the business. The results demonstrated that the ratios calculated were consistent with those performed at the time of the previous benchmarking exercise, and in most cases, these have reduced over time.

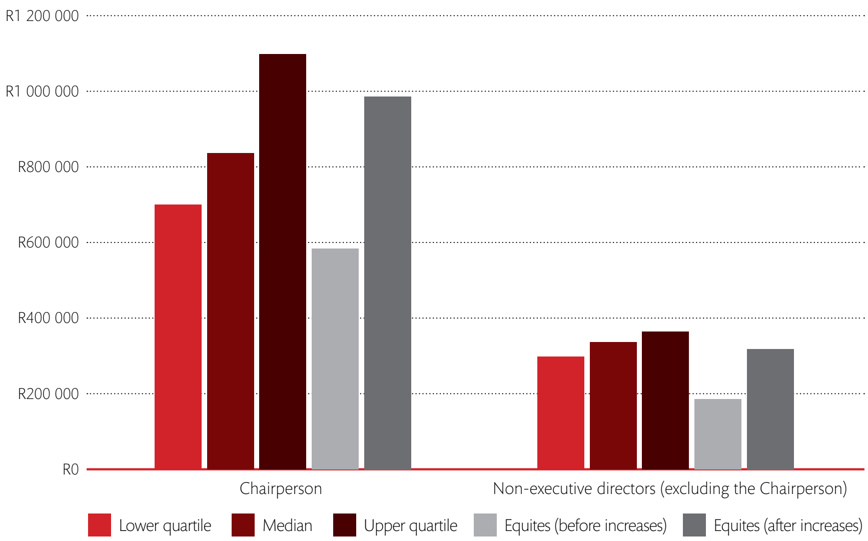
Balance sheet metrics



Income statement metrics

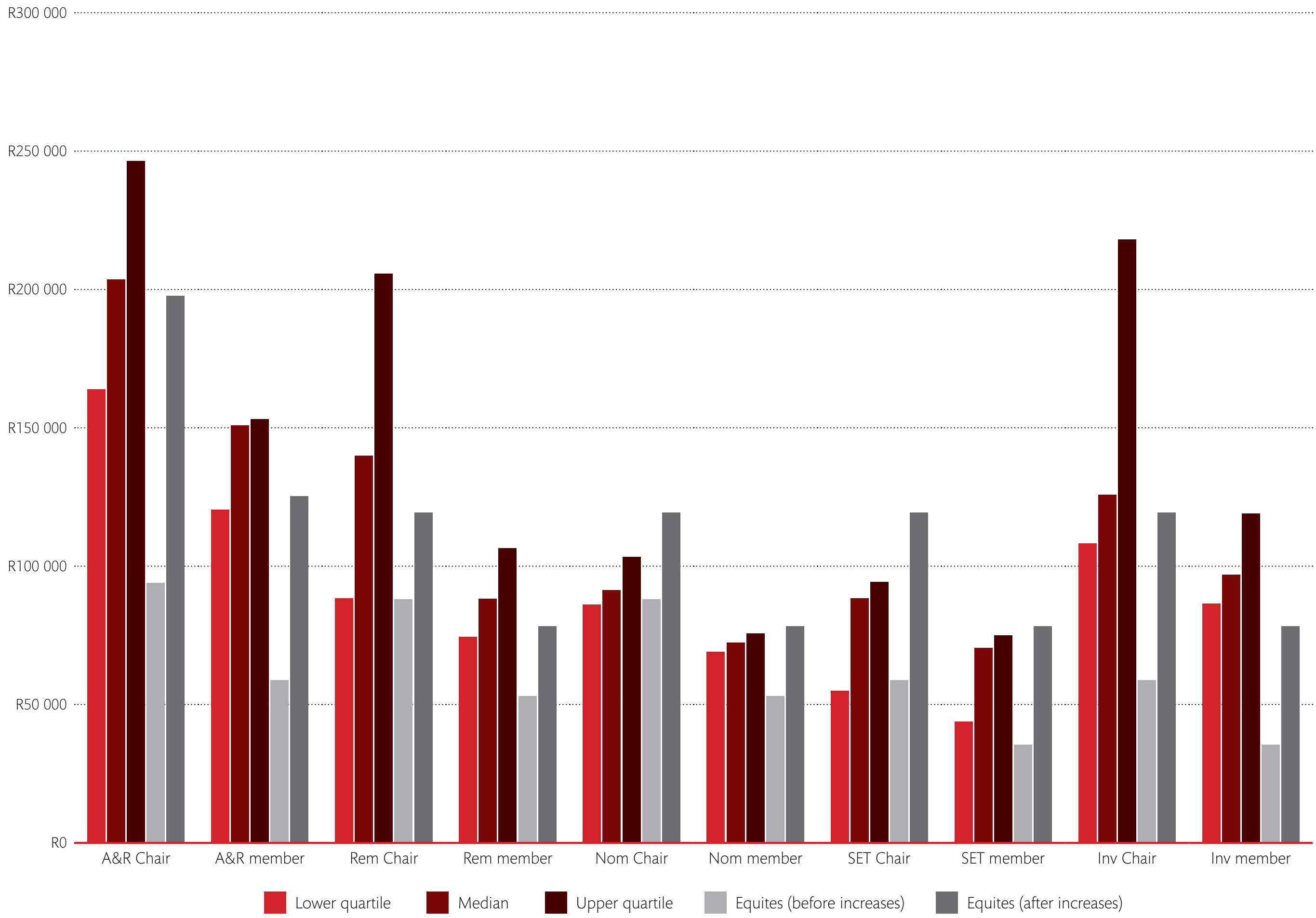


Non-executive director fees comparison



Remuneration report continued

Subcommittee fees comparison



Note that Equites does not differentiate between the chairpersons' fees (or member fees) of the Remuneration committee, Nominations committee, Social, Ethics and Transformation committee and Investments committee.

The table below indicates the proposed fees for the upcoming year, to be approved by the shareholders at the AGM to be held on 25 July 2021:

Role	Base fee	Attendance fee per meeting
Chairperson of the Board	R907 344	–
Board member	R319 324	
Chairperson of the Audit committee		R65 760
Member of the Audit committee		R41 595
Chairperson of other subcommittees		R43 538
Member of other subcommittee		R28 611

Implementation

The Committee confirms that the Company has complied with all aspects of the remuneration policy for the year under review. This is detailed below.

Single figure of remuneration

	Short term remuneration			Long term remuneration		
	Guaranteed pay		Variable	Variable		
R'000	**Salary**	**Benefits**	**Performance bonus**	**Value of equity settled share based payment incentives vested**	**Dividend equivalent on EOS**	**Total remuneration**
2021						
Executive directors						
Andrea Taverna-Turisan	3 634	9	4 162	4 991	1 265	14 061
Riaan Gous	2 697	9	2 576	3 485	938	9 706
Laila Razack[1]	1 899	20	360	323	319	2 920
	8 231	**38**	**7 098**	**8 798**	**2 522**	**26 687**
2020						
Executive directors						
Andrea Taverna-Turisan	3 450	28	4 151	7 364	1 230	16 223
Riaan Gous	2 560	29	2 569	5 142	912	11 212
Bram Goossens[2]	4 256	17	2 560	9 460	912	17 206
	10 267	**74**	**9 280**	**21 966**	**3 055**	**44 641**

1 Laila Razack was appointed as Chief Financial Officer on 26 May 2020.
2 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 0.5 million shares awarded.

Short-term incentive

During the year under review, DPS growth relative to a peer group was used as the financial performance modifier with the following performance levels:

	Threshold	**Target**	**Stretch**
DPS growth goal	SAPY Benchmark[3]	SAPY Benchmark[3] +10%	SAPY Benchmark[3] +20%
Financial modifier achievable	**0%**	**100%**	**200%**

Linear apportionment is used between the specific levels tabulated above.
The table below illustrates the actual STI financial modifier targets and outcomes:

	Threshold	**Target**	**Stretch**	**Actual performance**
DPS growth goal	SAPY Benchmark[3]	SAPY Benchmark[3] +10%	SAPY Benchmark[3] +20%	Benchmark +174%
Financial modifier achievable	**0%**	**100%**	**200%**	**200%**

3 The benchmark comprises all SA REITs that are constituents of the SAPY index on the JSE.

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 2021, the Group's distribution growth exceeded that of the benchmark by 108% and the financial modifier was capped at 200% resulting in an aggregate bonus of R8.9 million being available before applying the personal modifier.

As part of the shareholder engagement in June 2020, the Committee undertook to include personal performance objectives relating to sustainable business growth and increased focus on transformation. These were incorporated into the measured metrics for this period and the Committee's evaluation of the 2021 personal performance conditions was as follows:

Remuneration report continued

	Comment	Andrea Taverna-Turisan Max %	Andrea Taverna-Turisan Result	Riaan Gous Max %	Riaan Gous Result	Laila Razack Max %	Laila Razack Result
Business growth							
Grow income generating asset base in line with internal hurdles and strict property fundamentals	Increased property portfolio value from R14.5bn to R19.3bn from Feb-20 to Feb-21, which translates into a 30% increase in the property portfolio. Engaged extensively with tenants to procure further opportunities. The business growth was achieved through high quality acquisitions and developments. All investment decisions met internal risk adjusted hurdle rates.	**20%**	20%	**20%**	20%	**20%**	20%
Grow gross revenue with high quality acquisitions – this should be a function of growth in income producing properties at market related rentals with escalations where possible.	Gross revenue increased from R913m to R1.14bn which translates into a 25% increase from to Feb-20 to Feb-21. The growth in revenue was achieved through high quality acquisitions and developments. All investment decisions met internal risk adjusted hurdle rates.						
Operational metrics							
Monitor property expense ratio	Property expense ratio within target band. Minimal non-recoverable expenditure in the context of the portfolio.	**30.0%**	25.0%	**30.0%**	25.0%	**30.0%**	25.0%
Monitor operating expense ratio	Operating expense ratio within the target band. Management have contained admin costs despite growing the property portfolio significantly.						
Monitor vacancy ratio	Vacancy of 0.1% in the portfolio.						
Monitor the arrears ratio	Insignificant arrears at Feb-21, despite COVID-19 conditions causing a difficult operating environment for most of SA.						
Leadership cohesion, staff management and company culture							
Ensuring fully committed and motivated team	Staff are well motivated as indicated by the staff engagement survey which was conducted by PwC in Q4 2020. Management promotes training and development which encourages staff to be more engaged. Over the past year, we have approved and paid for seven employees' studies and provided them with study leave, wrap-around support and mentoring.	**20%**	15%	**20%**	15%	**20%**	15%
Maintain minimal staff turnover	Continued to promote from within, for example, Head of Finance appointed as CFO and receptionist in Gauteng (sponsored studies) was promoted to junior operations manager. The Executive Directors have considered diversity of race, gender and background in all hiring processes.						
Living the agreed Equites values	The independently conducted staff engagement survey indicated that employees thought that the Executive Directors were living the values.						

	Comment	Andrea Taverna-Turisan		Riaan Gous		Laila Razack	
		Max %	**Result**	**Max %**	**Result**	**Max %**	**Result**
Additional operational metrics							
Focus on letting vacant space	All SA industrial space let at reporting date.	**N/A**	N/A	**15%**	15%	**N/A**	N/A
Tenant retention ratio	100% tenant retention ratio for FY21. Actively engaging with all tenants including those who have leases expiring within the next 12 months and certain tenants who have leases expiring in the following years to ensure that we maintain our retention ratio.						
Financial management							
Maintain conservative LTV	LTV at 31.2% at financial year end; this is amongst the lowest in the SA REIT sector.	**10%**	10%	**10%**	10%	**10%**	10%
Manage debt expiry profile	Managed cost of debt and liquidity throughout the COVID-19 period – cost of debt has come down by 75 bps over the year, while maintaining interest rate hedges. Issued an additional R900m in unsecured bonds and commercial paper in the current financial year.	**N/A**	N/A	**N/A**	N/A	**25.0%**	22%
Implement currency hedging strategy	Currency hedging policy was fully implemented during the period to hedge any volatility in translation of UK distributions. Continued to reduce cross-currency interest rate swap utilisation from 29.0% at February 2020 to 25.2% at February 2021.						
Maintain existing credit rating	GCR rating has been affirmed as A+ (ZA) with a change in outlook from "stable" outlook to "positive" outlook which was supported by strengthening property fundamentals and the hedge which the UK provides to emerging market risk (SA).						
Stakeholder management							
Effective and efficient functioning of the board	A detailed Board and Committee survey was undertaken by PWC and indicated that we have a well-functioning Board. Engaged PwC to undertake a review of all Board and subcommittee charters to clearly define roles and responsibilities. Revised the Delegation of Authority framework which was signed off by the Risk and Capital committee.	**30%**	26%	**10%**	8%	**10%**	8%
Managing major shareholder interactions	High level of engagement with shareholders throughout the year. Successful R800m equity capital raise in capital-starved environment. Equites completed two successful DRIPs with participation of 55.67% in May 2020 and 37.67% in October 2020, reflective of market appetite. Increased tenant engagements with personal meetings during this uncertain COVID-19 period. Financial results and major transactions enjoyed positive media coverage.						
Media engagement	Equites has been mentioned on numerous occasions in positive media articles on various platforms over the last 12 months. Selected twice as the "Pick of the Week" in the Business Day.						

Remuneration report continued

	Comment	Andrea Taverna-Turisan Max %	Andrea Taverna-Turisan Result	Riaan Gous Max %	Riaan Gous Result	Laila Razack Max %	Laila Razack Result
Engagement with debt holders							
Ongoing negotiations with third party lenders	Forged successful banking relationships with all major banks and with many fixed income investors.						
Diversify sources of funding and minimising funding costs	Diversified sources of funding and now bank with eight financial institutions across SA and the UK. Sector leading price on listed debt for the 3-year note issued in October 2020. Issued sustainability linked debt with SBSA at JIBAR + 155bps; the first of its kind with a REIT in Africa.	**N/A**	N/A	**N/A**	N/A	**20%**	20%
Implementation of acquisitions							
Leading due diligence on all material transactions	Conducted extensive due diligences on all major transactions. The Shoprite transaction involved complex structuring and was the largest acquisition to date, which was implemented seamlessly.	**N/A**	N/A	**30%**	28%	**N/A**	N/A
Overseeing and implementing all acquisitions seamlessly	Concluded successful implementation of large acquisitions in SA and the UK.						
Innovation							
Cementing Equites' position of excellence in the logistics market	Equites has established itself as a clear market leader in logistics development in SA. This is evidenced by the following examples of innovation implemented in the development of new facilities: – implemented new floor specifications to greatly reduce maintenance and improve long-term durability while preventing the risk of curling over time – Implemented the new ACO-drain on our external hardstands to promote more efficient drainage – Improved design on the dock face allowing for trucks with tail gate fittings to be loaded/offloaded – LED's are now standard throughout all new buildings. Developed new sustainability standards for all new buildings – all new buildings will be EDGE certification ready. Initiated an "Assisted Maintenance" programme to provide tenants with the support necessary to maintain buildings adequately. Introduced Sustainability audits (cost covered by Equites) to understand how we may assist tenants in becoming more focused on sustainability. Initiated the "AmpCore" incubation programme which will enable us to train and provide support to black property service companies.	**25%**	20%	**N/A**	N/A	**N/A**	N/A

		Andrea Taverna-Turisan		Riaan Gous		Laila Razack	
	Comment	**Max %**	**Result**	**Max %**	**Result**	**Max %**	**Result**
Involvement with education and brand awareness	Developed new town planning characteristics for all new parks to be distinctly Equites branded. Collaboration with the University of Cape Town and Stellenbosch University to develop and improve REIT aspects of property courses. Launched social media campaign to promote brand awareness and become active on platforms which are relevant.	**25%**	20%	**N/A**	N/A	**N/A**	N/A
Transformation							
Promoting employment equity practices	Hired new employees from underrepresented groups and promoted from within.	**15%**	10%	**15%**	10%	**15%**	10%
Focus on ownership transformation	Several ongoing initiatives to attract additional black owners. Structuring a small portfolio sale through statement 102 to assist in the development of black property entrepreneurs.						
Maintain industry leading B-BBEE score	Maintained level 4 B-BBEE rating. Maintained verified black ownership above 50%. Launched "Ampcore" incubator program for Enterprise Development to grow black property service companies. Procurement policy which specifies that no service provider may be appointed if they do not hold at least a level 4 B-BBEE certificate.						
Aggregate result		**150%**	130%	**150%**	131%	**150%**	130%

Short-term incentives relating to the 2021 financial year are as follows:

Name	**On-target incentive %**	**Financial modifier**	**Personal modifier**[1]	**Resulting award level as % of TGP**	**Total STI as per single figure table (R'000)**
Andrea Taverna-Turisan	60%	200%	100%	120%	4 348
Riaan Gous	50%	200%	100%	100%	2 688
Laila Razack	50%	200%	100%	100%	1 884

[1] The personal modifier is capped at 100%.

Remuneration report continued

Long term incentive

The performance conditions applicable to all awards granted from 2016 to 2020 are set out below. The performance conditions were 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 was measured against a peer Group benchmark.

The performance period for the 2018 awards ended on 28 February 2021 and the outcomes are as follows:

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[1]	SAPY Benchmark[1] +10%	SAPY Benchmark[1] +20%	SAPY Benchmark[1] +113.7%	50.0%
Growth in DPS for FY+2	25%	SAPY Benchmark[1]	SAPY Benchmark[1] +10%	SAPY Benchmark[1] +20%	SAPY Benchmark[1] +387.7%	50.0%
Growth in DPS for FY+3	25%	SAPY Benchmark[1]	SAPY Benchmark[1] +10%	SAPY Benchmark[1] +20%	SAPY Benchmark[1] +108.2%	50.0%
Growth in NAV per share from FY to FY+3 (CAGR)	25%	2%	4%	8%	3.91%	24.6%
Total LTI vesting						**174.6%**

1 The benchmark comprises all SA REITs that are constituents of the SAPY index on the JSE.

All shares applicable to the 2018 award together with the matching shares will be issued in June 2021. These remain restricted and subject to a further service condition until 31 May 2023.

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	2018 award	137 253	174.6%	239 637	18.31	
	2018 award – matching share			79 879	18.31	
	Total			**319 516**		**4 990 647**
Riaan Gous	2018 award	95 843	174.6%	167 337	18.31	
	2018 award – matching share			55 779	18.31	
	Total			**223 116**		**3 484 942**
Laila Razack	2018 award	8 881	174.6%	15 505	18.31	
	2018 award – matching share			5 168	18.31	
	Total			**20 673**		**322 897**

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											
2016/02/29	2021/05/31	144 580	144 580	96 387	385 547	12.38	–	385 545	7 059 334		583 679
2017/02/20	2022/05/31	164 997	164 997	109 998	439 992	15.97	49 993	389 999	7 140 882		666 104
2018/02/19	2023/05/31	137 253	137 253	91 502	366 008	20.35	46 492	319 516	5 850 338		
2019/02/20	2024/05/31	144 187	144 187	96 124	384 498	20.34	–	384 498	7 040 150		
2020/02/20	2025/05/31	161 753	161 753	107 835	431 341	19.04	–	431 341	7 897 855		
2021/02/20	2026/05/31	235 892	235 892	157 262	629 046	18.31	–	629 046	11 517 836		
					2 636 431						
Riaan Gous											
2016/02/29	2021/05/31	108 003	108 003	72 002	288 007	12.38	–	288 007	5 273 411		436 014
2017/02/20	2022/05/31	115 216	115 216	76 811	307 243	15.97	34 910	272 333	4 986 413		465 135
2018/02/19	2023/05/31	95 843	95 843	63 895	255 581	20.35	32 465	223 116	4 085 254		
2019/02/20	2024/05/31	100 684	100 684	67 123	268 492	20.34	–	268 492	4 916 082		
2020/02/20	2025/05/31	112 956	112 956	75 304	301 215	19.04	–	301 215	5 515 249		–
2021/02/20	2026/05/31	169 744	169 743	113 162	452 649	18.31	–	452 649	8 288 006		
					1 873 186						
Laila Razack											
2016/02/29	2021/05/31	9 984	9 984	6 656	26 624	12.38	–	26 624	487 478		40 305
2017/02/20	2022/05/31	10 520	10 520	7 013	28 053	15.97	3 188	24 865	455 276		42 469
2018/02/19	2023/05/31	8 881	8 881	5 920	23 682	20.35	3 008	20 673	378 524		
2019/02/20	2024/05/31	9 515	9 515	6 343	25 374	20.34	–	25 374	464 594		
2020/02/20	2025/05/31	13 550	13 550	9 034	36 134	19.04	–	52 773	661 622		
2021/02/20	2026/05/31	137 929	137 929	91 952	367 810	18.31	–	367 810	6 734 598		
					519 980						

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 closing price of R18.31.
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[1] by 10% on a CAGR basis over the 5-year vesting period

[1] The benchmark comprises all SA REITs that are constituents of the SAPY index on the JSE.

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 five times the Executive Director's TGP at the award date. The 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 FY21 are set out below. During FY21, dividends of R2.5 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	1 265
Riaan Gous	2 438	12 190	R19.34	630 357	938
Laila Razack	828	4 140	R19.34	214 084	319

The dividend equivalent paid during the year under review 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%	5 765 828	0.92%

Non-executive fees

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

Non-executive director fees (R'000)	2021	2020
Leon Campher	573	545
Nazeem Khan	383	398
Ruth Eleanor Benjamin-Swales	339	394
Giancarlo Lanfranchi	270	225
Kevin Dreyer	212	207
André Gouws	212	191
Mustaq Brey	362	296
Gugu Mtetwa	–	106
Eunice Cross	283	30
Keabetswe Ntuli	207	30
	2 840	**2 424**

The Committee will continue to focus on achieving fair and responsible remuneration in the context of the operating business, while keeping Executive Directors and management incentivised. This is seen as a long-term process and will remain a priority focus of the Committee, considering the interests of all stakeholders involved.

Social, Ethics and Transformation report

Responsibilities of the Social, Ethics and Transformation committee

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 subcommittee. This report is prepared in compliance with the Companies Act.

The Social, Ethics and Transformation committee ("the Committee") operates under approved terms of reference, which were reviewed in the 2021 financial year.

Under these terms of reference, the SET committee is responsible for:

- Monitoring the ESG activities of the Group, having regard to all relevant legislation, other legal requirements and prevailing codes of best practice.
- Ensuring good corporate citizenship, including the Group's:
  - Promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - Contribution to development of the communities in which the Group's activities are predominantly conducted as well as, sponsorships and charitable donations;
  - Undertakings with regard to environment, health and public safety, and the impact the Group's activities has or may have on these areas;
  - Consumer relationships, including the Group's advertising and public relations, as well as compliance with consumer protection laws; and
  - Labour and employment, including monitoring the Group's employee relationships and its contribution towards their the educational development.
- Ensuring the highest ethical standards for the Group, including:
  - Leadership demonstrating support for ethics throughout the Group;
  - Being accountable for compliance with the sustainability framework and the objectives set out therein;
  - Monitoring the transformation targets within the Company as well as its B-BBEE rating and making recommendations for improvements; and
  - Performing an advisory function for management regarding ways to improve the effectiveness of their ESG policies and practices.
- The development and maintenance of a strategy for managing ethics that is informed by the negative and positive risks the Group faces.
- Monitoring the implementation of any new policies to address any sustainability issues that have been identified and which are applicable to the Group.

Composition of the SET committee

The Committee members are all non-executive directors, with an independent majority. The Committee collectively possesses a vast amount of knowledge and experience in this area. The Committee is led by Giancarlo Lanfranchi (Chair, non-executive) and further comprises Leon Campher (independent non-executive), Ruth Benjamin-Swales (independent non-executive) and Eunice Cross (independent non-executive).

Functioning of the Committee

The SET committee met twice in the year under review. At each meeting, the chairman of the reported on initiatives recently undertaken by the Committee as well as the tools used to monitor and measure the Group's transformation and sustainability policies, activities and processes.

During the year under review, management established a Sustainability Steering Committee. This committee consists of members of staff who are frontrunners in various elements of ESG in the organisation. It has become a standing agenda point for the steering committee to brief the SET committee about its objectives and initiatives undertaken at every meeting. The initiatives undertaken for the year are explained in detail in the section below.

Codes and standards applicable to the Group which direct the SET committee's activities

The Broad-Based Black Economic Empowerment Act

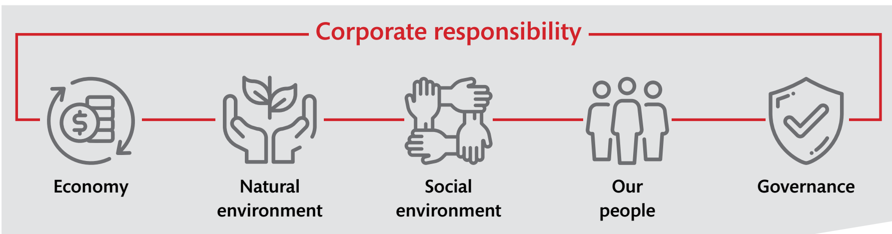
The Group has identified transformation as a critical success factor in the landscape which it operates. Equites has achieved a level 4 B-BBEE score for 2020 and has a largely transformed share register with verified Black ownership of 51%. The initiatives undertaken in this respect is discussed in further detail in the Social section of this report.

Employment Equity Act

The Group considers its workforce, which consists of a total of 31 employees as at 28 February 2021, to be its most important asset. A diverse workforce is key to the Group's ability to fulfil its strategic goals in a holistic and collaborative manner. The Group has a carefully drafted recruitment policy which focuses on promoting employment equity.

UN Global Compact Principles and the OECD recommendations regarding corruption

The Group supports and respects the principles set out in the United Nation's Global Compact Code, OECD's recommendation on the prevention of corruption and the International Labour Organisation's directive on decent work and working conditions. The Group is in the process of becoming a signatory to the United Nations; compact, which will further cement its support of these principles.



Task Force on Climate-related Financial Disclosures

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures to improve and increase reporting of climate-related financial information. Equites has adopted the framework and policy of the TCFD, which involves aligning its ESG disclosures with the TCFD standard.

Sustainalytics

Sustainalytics is a globally recognised ratings agency that tracks the ESG risk metrics in a Group. The score measures a Group's exposure to industry-specific material ESG risks and how well a Group is managing those risks. Equites underwent a Sustainalytics verification for the second consecutive year and obtained an improved rating compared to the previous financial period. Sustainalytics evaluates various aspects of the sustainability initiatives across the ESG spectrum and has assessed Equites as being "low risk" overall, consistent with 2020. It is our intention to continue to be rated by an independent verification agency as this allows us to codify our sustainability goals and to monitor them consistently each year.

Key issues considered by the Committee for the period under review

Environmental

TCFD

The SET committee considered adoption of the TCFD framework and recommended it to the Board for approval. This adoption is a step towards standardising Equites' ESG reporting and disclosures. Equites has commenced with the practical implementation of the TCFD standard and incorporated various aspects of the TCFD into our internal processes and procedures with the aim to be fully aligned by 2022.

Sustainability audits

The SET committee oversaw the initiation of sustainability audits across the portfolio. This programme is targeted at assessing energy and water usage as well physical building materials that used to construct existing buildings in our portfolio. It is the Group's aim to, through this process, better understand the impact of its buildings on the environment as well as the measures which may be taken to improve its carbon footprint. This process is collaborative and many tenants are already prioritising sustainability as a strategic imperative.

Social

Transformation

South Africa 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 government has highlighted its commitment to implement B-BBEE. Equites aligns all its B-BBEE reporting to the Property Sector Transformation Charter. This year, the Group achieved a level 4 rating on the amended Property Sector Charter scorecard, with a verified Black ownership of 51%.

The SET committee considers the transformation strategy and monitors the actual results of the annual B-BBEE verification to the strategy. The SET committee is satisfied that its strategy is being implemented and looks forward to further improvement in the upcoming year.

Enterprise and supplier development

The Group has noted the positive impact which small businesses have on the South African economy and has launched an incubation programme called "Equites AmpCore" to assist this sector. The primary objective of the programme is to provide learning and mentorship to small businesses, particularly in the property service sector. It is envisaged that, following an onboarding process, such suppliers will be able to render services to Equites and will be formally loaded on the Equites vendor database. The SET committee will report back on the progress of the AmpCore incubator in its next report.

Our people

The Group's efforts to deliver on its overall business strategy while navigating the challenging business environment in which it operates, place increased attention on its people, policies and initiatives, as it is essential to nurture and retain key talent.

Equites' employment policies are consistent with South Africa's labour laws, the United Nations' 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 focuses on ensuring that the Group has created an environment in which staff are involved, engaged and valued as active contributors of value creation. The Group engages in detailed staff engagement surveys to ascertain whether employees are satisfied with their overall working conditions, and attempts to resolve any material concerns swiftly and effectively. The last staff engagement survey was conducted by external consultants in October 2020 and indicated that individuals are generally happy with their working conditions and respect management.

COVID-19 impacts on our people

Throughout the COVID-19 pandemic, the Group made a concerted effort to prioritise the health and well-being of its people. Approximately two thirds of Equites staff have spent the last year working from home to help contain the spread of the virus. Those who returned to the office were provided with sanitiser and masks, and alternative transport was arranged for those who travelled using public transport.

Equites ensured that its employees were well equipped to work from home during the lockdown period by providing stable internet connections and ensuring that their hardware was in optimal working order.

Social development

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

Social, Ethics and Transformation report continued

Governance

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 maintaining 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 of King IV 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 it and its employees uphold Equites' 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 the implementation of and compliance with the Group's ethos by remaining true to its values. The Committee endeavours to promote a culture of openness and transparency throughout the Group and employees and other stakeholders are encouraged to report unethical conduct and other transgressions which they may become aware of.

Group-wide policies

The Group oversaw the refreshed drafting of the following policies which have been incorporated into the Group-wide ethics policies:

- Anti-bribery and corruption policy
- Conflict of interest policy
- Gifts and entertainment policy
- Insider trading policy

Whistleblowing

Through its efforts 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 whistleblower hotline hosted by EthicsDefender.

All incidents logged with the hotline are reported directly to the chairperson of the Board, SET committee, Audit committee and Risk and Capital committee that are responsible for investigating any claims and resolving them swiftly and effectively.

Key areas for future consideration

1 Successfully implementing TCFD reporting

2 Rolling out sustainability audits across the Group and implementing measures to improve the footprint of the portfolio

3 Improving the Group's Sustainalytics rating

4 Maintaining Equites' level 4 B-BBEE status

5 Increasing focusing on diversity in all hiring and procurement practices

6 Improving our ethical framework

Despite the impact of the global pandemic, the Committee is satisfied with the progress made over the period and looks forward to a successful 2022.

Annual financial statements

Contents

The consolidated annual financial statements for the year ended 28 February 2021 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, CEO and CFO Responsibility Statement and declaration by the company secretary

Directors' responsibility for the consolidated annual financial statements

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 28 February 2021, 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, 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 71 of 2008.

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 3 May 2021 and are signed on its behalf by:

Leon Campher
Chairman

Andrea Taverna-Turisan
Chief Executive Officer

CEO and CFO Responsibility Statement

The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 96 to 148 fairly present in all material respects the financial position, financial performance and cash flows of Equites Property Fund Limited in terms of IFRS;
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the Equites Property Fund Limited and its consolidated subsidiaries have been provided to effectively prepare the consolidated financial statements of Equites Property Fund Limited; and
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

Andrea Taverna-Turisan
Chief Executive Officer

Laila Razack
Chief Financial Officer

Declaration by the 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 28 February 2021, 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 28 February 2021.

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, the King IV Report on Corporate Governance for South Africa 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 Pricewaterhouse-Coopers Inc. are accredited with the JSE Limited as required and that following an assessment of the external auditor, 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 28 February 2021.

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. The Group has employed an external firm to review the framework for internal controls and it is the intention of the Group to fully implement an internal audit function in the new financial year.

Proactive monitoring

The committee confirms that it has considered the findings contained in the JSE's 2020 Proactive Monitoring report when preparing the annual financial statements for the year ended 28 February 2021.

Financial director

Laila Razack was appointed as Chief Financial Officer on 26 May 2020.

In terms of paragraph 3.84(g)(i) of the JSE Listings Requirements, the committee has considered the expertise and experience of the 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 risks 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.

R Benjamin-Swales

Ruth Benjamin-Swales
Chairperson of the audit committee

Cape Town
28 April 2021

Director's report

For the year ended 28 February 2021

Nature of business

Equites is listed on the JSE as a 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. During the current year, the Group made the following changes to its investment property portfolio:

- Acquired three distribution centres through a strategic venture with Shoprite Checkers (Pty) Ltd in South Africa;
- Completed three developments in South Africa and one in United Kingdom; and
- Commenced three developments in South Africa and commenced two development in the United Kingdom through our strategic venture with Newlands Developments Limited.

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 R6 828 million (2020: R4 796 million) at the reporting date as detailed in note 7 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 628 715 573 (2020: 554 441 246) ordinary shares of no par value. 8 016 (2020: 8 016) ordinary shares are held as treasury shares. All movements in issued shares are detailed in note 12 to the annual financial statements.

Distribution to shareholders

The total distribution for the year ended 28 February 2021 of 154.99 (2020:151.39) cents per share is 2.4% higher than the comparative period and in line with distribution growth guidance previously provided. This is made up of the interim dividend declared on 12 October 2020 (dividend number 14) of 74.44 cents per share and the final dividend declared on 3 May 2021 (dividend number 15) of 80.56 cents per share.

Dividend declared

Dividend number 15 for 80.55835 cents per share was declared on 3 May 2021:
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, 11 May 2021.

A circular providing further information in respect of the cash dividend and dividend reinvestment alternative will be posted/electronically delivered to shareholders on Tuesday, 4 May 2021.

The following salient dates apply:	**2021**
Equites results including declaration of a final distribution published on SENS	Tuesday, 4 May
Circular and form of election posted to shareholders	Tuesday, 4 May
Finalisation information including the share ratio and reinvestment price per share published on SENS by 11:00 (SA time)	Tuesday, 11 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, 18 May
Shares trade *ex*-dividend	Wednesday, 29 May
Listing of maximum possible number of shares under the dividend reinvestment alternative	Friday, 21 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, 21 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, 21 May
Announcement of results of cash dividend and dividend reinvestment alternative released on SENS	Monday, 24 May
Payment of cash dividends to certificated shareholders by electronic funds transfer	Monday, 24 May
Dematerialised shareholders' CSDP or broker accounts credited with the cash dividend payment (if applicable)	Monday, 24 May
Share certificates posted to certificated shareholders on or about	Wednesday, 26 May
Dematerialised shareholders' CSDP or broker accounts credited with the new shares (if applicable)	Wednesday, 26 May
Adjustment to shares listed on or about	Friday, 28 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, 19 May 2021 and Friday, 21 May 2021, 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.

Solvency and Liquidity Test

The directors have performed the required solvency and liquidity tests required by the Companies Act.

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 wholly-owned subsidiaries, unless otherwise indicated, 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[1] ▶	– Equites UK SPV 1 Ltd[1] – Equites UK SPV 4 Ltd[1] – Equites UK SPV 5 Ltd[1] – Equites UK SPV 6 Ltd[1] – Equites UK SPV 7 Ltd[1] – Equites UK SPV 8 Ltd[1] – Equites UK SPV 9 Ltd[1] – Equites UK SPV 10 Ltd[1] – Equites UK SPV 11 Ltd[1] – Equites UK SPV 12 Ltd[1] – Equites Newlands (Peterborough Gateway) Ltd[2]	
– Equites Investments 1 (Pty) Ltd ▶	– Chamber Lane Properties 3 (Pty) Ltd	
– Equites Newlands Group Ltd[2] (60%) ▶	– Equites Newlands (Basingstoke) Ltd[2] ▶	– Equites Newlands (Cambridge) Ltd[2] – Equites Newlands (Egham) Ltd[2] – Equites Newlands (Hoyland) Ltd[2] – Equites Newlands (Hoyland Plot 2) Ltd[2] – Equites Newlands (Junction 16) Ltd[2] – Equites Newlands (Junction 24) Ltd[2] – Equites Newlands (Land) Ltd[2] – Equites Newlands (Northampton) Ltd[2] – Equites Newlands (Peterborough Developer) Ltd[2] – Equites Newlands (Peterborough West) Ltd[2] – Equites Newlands (Rugby) Ltd[2] – Equites Newlands (Thrapston East) Ltd[2]
– 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		
– Retail Logistics Fund (RF) (Pty) Ltd (50.1%)		
– Swish Property Seven (Pty) Ltd		

1 Incorporated in Isle of Man
2 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

Director's report continued

For the year ended 28 February 2021

Directors

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

Independent non-executive directors
RE Benjamin-Swales
MA Brey
PL Campher (Chairman)
E Cross
N Khan
K Ntuli

Non-executive directors
K Dreyer
AJ Gouws
G Lanfranchi (Vice-chairman)

Executive directors
GR Gous (Chief Operating Officer)
L Razack (Chief Financial Officer)[1]
A Taverna-Turisan (Chief Executive Officer)

[1] Appointed on 26 May 2020.

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

Directors' interest in ordinary shares

Directors' interest as at 28 February 2021

Directors	Beneficially held					
	Directly	Indirectly	Associates	Total	%	Pledged
RE Benjamin-Swales	37 734	–	6 287	44 021	0.0%	–
MA Brey	–	112 500	10 000	122 500	0.0%	–
PL Campher	–	–	–	–	–	–
E Cross	–	–	–	–	–	–
K Dreyer	–	4 049 858	–	4 049 858	0.6%	3 934 473
GR Gous	969 453	2 020 648	300 000	3 290 101	0.5%	2 305 500
AJ Gouws	2 264	7 711 955	–	7 714 219	1.2%	375 000
N Khan	125 790	–	–	125 790	0.0%	–
G Lanfranchi	–	18 384 481	–	18 384 481	2.9%	10 602 695
K Ntuli	–	–	–	–	–	–
L Razack	38 928	–	–	38 928	0.0%	–
A Taverna-Turisan	818 748	11 204 000	–	12 022 748	1.9%	7 000 000
Total	**1 560 625**	**48 288 500**	**315 724**	**50 164 849**	**9.0%**	**24 217 668**

Directors' interest as at 29 February 2020

Directors	Beneficially held					
	Directly	Indirectly	Associates	Total	%	Pledged
RE Benjamin-Swales	34 352	–	5 724	40 076	0.0%	–
MA Brey	–	112 500	10 000	122 500	0.0%	–
PL Campher	–	–	–	–	–	–
E Cross	–	–	–	–	–	–
K Dreyer	–	5 738 007	–	5 738 007	1.0%	4 288 035
GR Gous	726 596	1 924 000	300 000	2 950 596	0.5%	–
AJ Gouws	2 062	7 020 512	–	7 022 574	1.3%	–
N Khan	114 513	–	–	114 513	0.0%	–
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	**1 576 030**	**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 12 to the annual financial statements, have not been included in the table above.

There have been no changes to the directors' interest in the Company's shares between the end of the financial year on 28 February 2021 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 26 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 3 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 28 February 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

Equites Property Fund Limited's consolidated financial statements set out on pages 96 to 148 comprise:

- the consolidated statement of financial position as at 28 February 2021;
- 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.

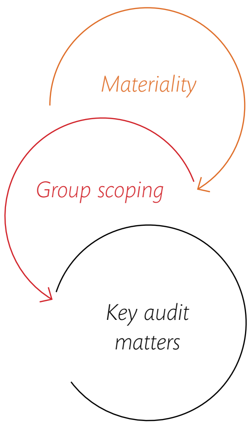
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Our audit approach

Overview



Overall group materiality
R130 099 400, which represents 1% of consolidated net assets.

Group audit scope
The Group consists of 43 property-investment companies in both South Africa and the United Kingdom (UK). We performed full scope audits at four of the South African companies. On a sample basis, we performed an audit of the investment property related balances at a group level. 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	R130 099 400.
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, it is the key benchmark considered by users of the consolidated financial statements. We chose 1% which is consistent with quantitative materiality thresholds used for entities 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 43 property-investment 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 four of the South African companies, namely Equites Property Fund Limited, EA Waterfall Logistics JV Proprietary Limited, Chamber Lane Properties 3 Proprietary Limited and Retail Logistics Fund (RF) Proprietary Limited. On a sample basis, we performed an audit of investment property related balances at a group level. 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 United Kingdom, with a total valuation, including the straight-lining lease adjustment, in the consolidated statement of financial position of R19.2 billion. The overall net loss from the fair value adjustment amounted to R225 million for the year. Refer to note 4 to the consolidated financial statements for details on the valuation of investment properties, note 27 for the impact of COVID-19 on the fair value of investment properties and note 30.1 for the property analysis schedule. We considered the valuation of investment properties to be a matter of most significance to the current year audit due to the following: - The significance of the estimates and judgements involved in its determination; - The magnitude of the balance of the investment properties recorded in the consolidated statement of financial position, as well as the changes in fair value relating to the property portfolio recorded in the consolidated statement of comprehensive income; and - The impact of COVID-19 on the valuation of investment properties for the South African and UK operations. 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 and 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 such as expected market rental growth, discount rate, exit capitalisation rate, capitalisation rate, vacancy rate and vacancy periods. The directors and valuers apply yields, discount rates, market rentals and exit capitalisation rates which are influenced by prevailing market yields and comparable market transactions for properties with similar characteristics, to arrive at the final valuation.	We obtained an understanding of the approach followed by management for the valuation of the Group's investment property portfolio through discussions with management. We inspected a sample of valuation reports for the properties valued externally in the current year and assessed whether the valuation approach followed for each property 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 consolidated financial statements. Our work, as detailed in the procedures below, focused on the largest properties in the portfolio, as well as 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 evaluated the external 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 did not note any aspects in this regard requiring further consideration. We made use of our internal valuation expertise in our assessment of the reasonableness of the valuation methodologies and assumptions applied based on their knowledge of the industry and the markets in which the group operates. Using our valuation expertise, we assessed, on an individual asset basis, the impact of COVID-19 on the forward rentals and inputs to the valuation, adjusted for risk factors present such as the quality of the building and associated reletting prospects. We evaluated comparable market evidence in assessing the fair value of the properties. No material differences were noted. We tested the accuracy, reliability and completeness of data inputs into the directors' valuations, as well as in the valuations prepared by the external valuers. We focused on the following data inputs: rental income, tenancy schedules, expenditure details and square meter details which underpin the investment property valuations for the selected investment properties. 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, vacancy periods, 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 indicated that the assumptions fell within an acceptable range.

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 Investment property under development and vacant land are subsequently measured at fair value at each reporting period. The Group capitalises borrowing costs on new developments and major refurbishments that are deemed to be qualifying assets based on management's judgement in line with IFRS requirements as reflected in note 4 to the consolidated financial statements.	For properties under development, we agreed the development costs incurred to relevant underlying documentation and assessed the eligibility of capitalising these costs against the criteria set out in IAS 40: Investment Property. On a sample basis, we recalculated and assessed the appropriateness of the borrowing costs capitalised and also assessed management judgment in assessing when an asset becomes a qualifying asset in accordance with IAS 23: Borrowing Costs. No material exceptions were noted. In respect of vacant land, we recalculated, on a sample basis, 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. We further evaluated the appropriateness of the disclosures in the consolidated 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 28 February 2021" and the document titled "Equites Property Fund Annual financial statements for the year ended 28 February 2021", 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 2021", 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 International Financial Reporting Standards 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, actions taken to eliminate threats or safeguards applied.

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 5 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Anton Wentzel
Registered Auditor

Cape Town
3 May 2021

Statement of financial position

Equites Property Fund Limited and its subsidiaries at 28 February 2021

		Group	
	Notes	28 February 2021 R'000	29 February 2020 R'000
Assets			
Non-current assets			
Fair value of investment property (excluding straight-lining)	4.1	18 878 285	14 517 138
Straight-lining lease income accrual	4.3	364 746	317 030
Deferred tax asset	14	120 031	159 870
Non-current financial assets	8	9 244	6 226
Property, plant and equipment	16	17 919	15 399
		19 390 225	**15 015 663**
Current assets			
Trading properties	5	464 670	–
Trade and other receivables	11	285 700	76 191
Other current financial assets	8	18 176	16 791
Cash and cash equivalents	9	612 316	53 724
		1 380 862	**146 706**
Investment property held-for-sale	4.2	86 112	40 455
Total assets		**20 857 199**	**15 202 824**
Equity and liabilities			
Equity and reserves			
Stated capital	12	9 337 288	8 046 457
Accumulated profit		918 422	1 370 734
Foreign currency translation reserve		391 520	242 903
Share-based payment reserve	13	195 953	69 496
Total attributable to owners		**10 843 183**	**9 729 590**
Non-controlling interest	10	2 166 757	40 434
Total equity and reserves		**13 009 940**	**9 770 024**
Liabilities			
Non-current liabilities			
Loans and borrowings	7	5 843 785	4 686 043
Other non-current financial liabilities	8 & 15	147 501	173 957
Deferred tax liability	14	59 388	–
Other liabilities	15	6 473	4 462
		6 057 147	**4 864 462**
Current liabilities			
Loans and borrowings	7	984 558	110 000
Trade and other payables	15	629 404	389 496
Other current financial liabilities	8	176 150	67 514
Current tax liability		–	1 328
		1 790 112	**568 338**
Total liabilities		**7 847 259**	**5 432 800**
Total equity and liabilities		**20 857 199**	**15 202 824**

Statement of comprehensive income

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

		Group	
	Notes	28 February 2021 R'000	29 February 2020 R'000
Property revenue and tenant recoveries	17	1 137 336	913 279
Straight-lining of leases adjustment	4.3	48 044	80 420
Gross property revenue		**1 185 380**	**993 699**
Property operating and management expenses	19	(163 098)	(115 893)
Other net gains and (losses)	18	127 341	(20 162)
Administrative expenses	19	(56 897)	(53 117)
Fair value adjustments – investment property	4	(224 874)	21 764
Operating profit before financing activities		**867 852**	**826 291**
Finance costs	20	(287 008)	(218 529)
Finance income	21	17 367	6 494
Net profit before tax		**598 211**	**614 256**
Tax expense	22	(108 160)	76 996
Profit for the period		**490 051**	**691 252**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Translation of foreign operations		208 507	262 239
Total comprehensive income for the period		**698 558**	**953 491**
Profit attributable to:			
Owners of the parent		407 499	682 167
Non-controlling interest	10	82 552	9 085
		490 051	**691 252**
Total comprehensive income attributable to:			
Owners of the parent		615 996	944 431
Non-controlling interest	10	82 562	9 060
		698 558	**953 491**
Basic earnings per share (cents)	2	66.4	128.8
Diluted earnings per share (cents)	2	65.4	128.3

Statement of cash flows

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

	Notes	Group 28 February 2021 R'000	Group 29 February 2020 R'000
Cash flows from operating activities			
Cash generated from operations	23.1	939 460	879 623
Finance costs paid	20	(110 461)	(98 434)
Finance income received		17 086	6 494
Tax paid		(5 286)	(1 969)
Dividends paid		(919 690)	(760 236)
Net cash flows generated from operating activities		**(78 891)**	**25 478**
Cash flows from investing activities			
Acquisition of investment properties	23.2	(1 934 463)	(1 409 323)
Development of investment properties		(1 456 673)	(806 109)
Proceeds from disposal of subsidiaries	23.3	526 071	–
Purchases of current financial assets[1]		(1 614 000)	(928 000)
Proceeds on divestment of current financial assets[1]		1 629 992	929 629
Purchase and development of property, plant and equipment		(2 412)	(338)
Net cash flows utilised by investing activities		**(2 851 485)**	**(2 214 141)**
Cash flows from financing activities			
Proceeds from share issue (net of costs)	12.3	794 124	742 442
Proceeds from share issue relating to dividend reinvestment programme	12.3	427 414	270 633
Transactions with non-controlling interest	10	–	(101 351)
Settlement of share-based payment transaction		–	(15 818)
Repayment of lease liability		(4 225)	(3 570)
Proceeds from borrowings		4 446 720	4 575 403
Repayment of borrowings		(2 133 893)	(3 263 278)
Net cash flows raised from financing activities		**3 530 140**	**2 204 461**
Net increase in cash and cash equivalents		599 764	15 798
Effect of exchange rate movements on cash and cash equivalents		(41 172)	1 647
Cash and cash equivalents at the beginning of the year		53 724	36 279
Cash and cash equivalents at the end of the year		**612 316**	**53 724**

[1] 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 28 February 2021

		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 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	10	–	–	–	–	–	1	1
Transaction with non-controlling interests	10	–	17 195	–	–	17 195	(118 546)	(101 351)
Shares issued for cash	12	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	13	6 702	–	–	(6 702)	–	–	–
Movements in respect of share-based payment transactions	13	–	(11 024)	–	(4 794)	(15 818)	–	(15 818)
Equity-settled share-based payment charge	13	–	–	–	11 150	11 150	–	11 150
Dividends distributed to shareholders		–	(760 236)	–	–	(760 236)	–	(760 236)
Share issue costs	12	(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**
Balance at 1 March 2020		8 046 457	1 370 734	242 903	69 496	9 729 590	40 434	9 770 024
Profit for the year		–	407 499	–	–	407 499	82 552	490 051
Other comprehensive income		–	–	208 496	–	208 496	11	208 507
Reclassification of FCTR on disposal of subisidiary companies	18.1	–	59 879	(59 879)	–	–	–	–
Acquisition of subsidiary with non-controlling interests	10	–	–	–	–	–	2 043 760	2 043 760
Shares issued for cash	12	800 000	–	–	–	800 000	–	800 000
Share issue in terms of dividend reinvestment programme		427 414	–	–	–	427 414	–	427 414
Shares issued in terms of conditional share plan	13	12 997	–	–	(12 997)	–	–	–
Movements in respect of share-based payment transactions	12	56 296	–	–	123 704	180 000	–	180 000
Equity-settled share-based payment charge		–	–	–	15 750	15 750	–	15 750
Dividends distributed to shareholders		–	(919 690)	–	–	(919 690)	–	(919 690)
Share issue costs	12	(5 876)	–	–	–	(5 876)	–	(5 876)
Balance at 28 February 2021		**9 337 288**	**918 422**	**391 520**	**195 953**	**10 843 183**	**2 166 757**	**13 009 940**

Notes to the annual financial statements

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

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 3 May 2021.

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 Property Fund Limited's 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 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.

On disposal of a foreign subsidiary, all exchange differences accumulated in equity in respect of that subsidiary attributable to the equity holders of the Group are reclassified to profit or loss. The amount of FCTR reclassified to profit or loss is calculated based on the appreciation or devaluation in the functional currency of the foreign subsidiary disposed against the functional currency of the Group.

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 28 February 2021

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 and is deemed immaterial

	Effective date (periods beginning on or after)
Amendment to IFRS 3, 'Business combinations' – Definition of a business	01 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.	01 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	01 January 2020

1.5 Standards, amendments and interpretations issued but not yet effective at 28 February 2021

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.

	Effective date: (periods beginning on or after)
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	01 June 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	01 January 2021
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	01 January 2022
Amendment to IFRS 3, 'Business combinations'	01 January 2022
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	01 January 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts-Cost of Fulfilling a Contract	01 January 2022
Annual improvements cycle 2018 -2020	01 January 2022

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

2 Earnings per share

This note provides the obligatory information in terms of IAS 33 E*arnings 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

Basic earnings	28 February 2021 R'000	29 February 2020 R'000
Earnings (profit attributable to owners of the parent)	**407 499**	**682 167**
Shares in issue	**Number of shares**	**Number of shares**
Number of shares in issue at end of year	628 715 573	554 441 246
Weighted average number of shares in issue	613 629 280	529 724 495
Add: weighted potential dilutive impact of conditional shares	9 803 834	2 050 970
Diluted weighted average number of shares in issues	623 433 114	531 775 465
Basic earnings per share	**cents**	**cents**
Basic earnings per share	66.4	128.8
Diluted earnings per share	65.4	128.3

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)	407 499	682 167
Adjusted for:		
Fair value adjustments to investment properties	224 874	(21 764)
Less: Fair value adjustment to investment properties (NCI)	9 553	6 664
Profit on sale of subsidiary	(31 913)	–
Headline earnings	**610 013**	**667 067**
Headline earnings per share:	**cents**	**cents**
Headline earnings per share	99.4	125.9
Diluted headline earnings per share	97.8	125.4

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 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 54 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 10 completed properties and 2 developments in progress.
Other: all treasury functions, corporate costs and the buildings held for sale, 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 28 February 2021 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	818 928	303 840	14 568	**1 137 336**
Fair value adjustments – investment property	(430 577)	206 254	(551)	**(224 874)**
Straight-lining of leases adjustment	21 720	27 425	(1 101)	**48 044**
Operating profit before financing activities	326 407	542 038	(593)	**867 852**
Finance income	13 449	3 856	62	**17 367**
Finance costs	(229 582)	(55 848)	(1 578)	**(287 008)**
Statement of financial position				
Investment property	12 181 056	6 577 069	120 160	**18 878 285**
Investment property held-for-sale	–	–	86 112	**86 112**
Loans and borrowings	4 789 748	2 038 595	–	**6 828 343**
Total assets	12 975 694	7 771 693	109 812	**20 857 199**
Total liabilities	5 352 208	2 495 051	–	**7 847 259**

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

3 Segment information continued

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**
Straight-lining of leases adjustment	81 766	1 269	(2 615)	**80 420**
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**
Investment property held-for-sale	–	–	40 455	**40 455**
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**

	Group	
	28 February 2021 R'000	**29 February 2020 R'000**
4 Investment property		
Investment property (excluding straight-lining) (note 4.1)	15 720 743	12 250 065
Investment property under development (note 4.1)	1 119 669	578 526
Freehold land available for development (note 4.1)	2 017 056	1 667 045
Right-of-use asset (note 4.1)	20 817	21 502
Investment property held for sale (note 4.2)	86 112	40 455
Straight-lining lease income accrual (note 4.3)	364 746	317 030
	19 329 143	**14 874 623**

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.

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.

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 under development and vacant land is transferred to trading properties when there is a change in use which results in the entity concluding that it will recover the future economic benefits from the asset through sale in the short term, as opposed to holding the asset for capital appreciation and/or to generate rental income. This arrangement may arise in the UK where the entity has engaged in significant development activity.

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 commercial agent.

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 actual 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.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

4 Investment property continued

Accounting Policy continued

Borrowing and overhead costs capitalised continued

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.

The Group suspended capitalisation on its properties under development for the duration of the early stages of national lockdown in SA as there were no physical construction activities undertaken during this period and our view is that this was not a "normal interruption" nor was this in "the ordinary course of business, as it was the result of COVID-19. For this reason, the Group suspended capitalisation for April and May 2020. The UK portfolio was not affected in a similar way to SA therefore, we did not cease capitalisation of borrowing costs in the UK.

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.

Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants are recognised using the capital approach and will be recognised against the cost of the asset.

Once all conditions are met and government has agreed to provide assistance, a receivable is recognised as part of Trade and Other Receivables until the funds have been received.

Critical estimates and judgements – valuation of investment property

The board of directors 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.

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

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 used to determine the fair value of each property is assessed with reference to observable inputs. The exit capitalisation rate is dependent on a number of factors, including location, asset class, market conditions, lease covenants and the risks inherent in the property. 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, consistent with the prior year.

Income capitalisation method

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.

Significant unobservable inputs

- Expected market rentals
- Average exit capitalisation rate of 7.9% (2020: 8.5%) in SA and 4.7% (2020: 4.8%) in the UK
- Average discount rates of 13.1% (2020: 13.6%) in SA and 4.5% (2020: 5.6%) in the UK

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 exit capitalisation rates. The impact of changing the significant unobservable inputs on the fair value of investment property 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 the renewable 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.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

4 Investment property continued

4.1 Reconciliation of investment property

	South Africa							United Kingdom				
R'000	Logistics	Industrial	Office	Properties under development	Zoned industrial land[2]	Strategic land holdings[2]	Right of use asset	Logistics	Properties under development	Zoned industrial land[2]	Strategic land holdings[2]	Total
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
Balance as at 01 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[1]	(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**
Acquisitions	3 295 498	–	–	–	54 441	260 000	–	–	–	361 822	180 400	4 152 161
Improvements and extensions	31 431	1	–	–	–	–	–	13 995	–	–	–	45 427
Construction and development costs	–	–	–	750 597	88 889	31 945	–	–	434 187	39 019	66 607	1 411 244
Government grants received	–	–	–	–	–	–	–	–	(62 252)	–	–	(62 253)
Transfers[1]	841 601	(46 208)	(111 189)	(720 004)	(10 408)	–	–	279 319	122 926	(239 178)	(504 411)	(387 552)
Letting commission capitalised	2 718	–	–	–	–	–	–	2 093	–	–	–	4 811
Letting commission amortised	(1 524)	–	–	–	–	–	–	(817)	–	–	–	(2 342)
Lease incentives capitalised	1 250	–	–	–	–	–	–	–	–	–	–	1 250
Lease incentives amortised	(246)	–	–	–	–	–	–	–	–	–	–	(246)
Remeasurements	–	–	–	–	–	–	2 472	–	–	–	–	2 472
Fair value adjustment	(337 919)	(99 669)	–	970	9 199	–	(3 157)	206 254	–	–	–	(224 323)
Disposals	–	–	–	–	–	–	–	(863 638)	–	–	–	(863 638)
Foreign exchange movements	–	–	–	–	–	–	–	257 727	14 719	4 142	7 545	284 133
Balance as at 28 February 2021	**9 961 247**	**320 379**	**–**	**515 303**	**1 029 038**	**482 897**	**20 817**	**5 439 117**	**604 366**	**165 805**	**339 316**	**18 878 285**

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

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

		Group	
		28 February 2021 R'000	29 February 2020 R'000
4.2	**Investment property held for sale**		
	Opening balance	40 455	–
	Transferred from investment property	46 208	40 455
	Fair value adjustment	(551)	–
	Fair value of investment properties held for sale	**86 112**	**40 455**
4.3	**Straight-lining lease income accrual**		
	Contractual lease receivables are as follows:		
	Within one year	1 161 829	606 624
	Within two years	1 159 357	639 677
	Within three years	1 102 143	607 113
	Within four years	1 007 873	491 477
	Within five years	911 112	424 598
	Beyond five years	9 185 004	1 481 912
		14 527 318	4 251 401
	Less: lease revenue on straight-line basis	(14 162 572)	(3 934 371)
	Straight-lining lease income accrual	**364 746**	**317 030**

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 Broll Valuation and Advisory Services (Pty) Ltd in SA
- Cushman & Wakefield Debenham Tie Leung Limited and Savills (UK) Limited in the UK

The valuers are considered to hold the relevant professional qualification with experience in the location and category of the investment properties valued.

	28 February 2021 R'000	29 February 2020 R'000
Portfolio externally valued	7 817 000	7 100 000
Investment properties encumbered as security against the Group's loan facilities (for further detail refer to Note 6.3: Asset encumbrance).	12 051 625	11 848 524

Exit capitalisation rates varied between 7.3% and 12.0% (2020: 7.5% and 9.0%) for SA properties and between 4.1% and 5.7% (2020: 4.5% and 5.7%) for UK properties.

Discount rates varied between 12.3% and 14.3% (2020: 13.0% and 14.25%) for SA properties and 4.5% (2020: 4.6% and 6.6%) for UK properties.

Capitalisation rates for UK properties externally valued varied between 3.6% and 4.7%.

The majority of our leases are fully repairing and insuring with the average lease expiring after 15.4 years (2020: 10.2 years). SA leases contain contractual escalations over the lease where UK leases contain rent reviews after every 5 years.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

4 Investment property continued

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	
	28 February 2021 R'000	**29 February 2020 R'000**
Assets at fair value		
Level 1		
None	–	–
Level 2		
Financial assets at fair value (excluding derivative financial assets) (note 7.2.2)	–	648
Derivative financial assets (note 7.2.2)	27 420	22 370
Derivative financial liabilities (note 5)	(301 619)	(218 204)
Level 3		
Non-financial assets at fair value – investment properties	19 308 326	14 853 121

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 below illustrates the sensitivity to key inputs in determining the valuation of investment property, split between reportable segments:

	Group					
	28 February 2021					
	Exit capitalisation rates		Discount rates		Market rentals	
R000's	-0.1% Increase fair value	+0.1% Decrease fair value	-0.1% Increase fair value	+0.1% Decrease fair value	+5% Increase fair value	-5% Decrease fair value
SA Industrial	89 327	(87 097)	40 162	(39 961)	348 932	(348 932)
UK Industrial[1]	51 316	(49 170)	13 047	(12 975)	117 583	(117 583)
Total	**140 643**	**(136 267)**	**53 209**	**(52 936)**	**466 515**	**(466 515)**

	Group					
	29 February 2020					
	Exit capitalisation rates		Discount rates		Market rentals	
R000's	-0.1% Increase fair value	+0.1% Decrease fair value	-0.1% Increase fair value	+0.1% Decrease fair value	+5% Increase fair value	-5% Decrease fair value
SA Industrial	82 281	(80 365)	26 141	(26 010)	228 788	(228 788)
UK Industrial[1]	116 877	(112 142)	24 010	(23 879)	219 743	(219 743)
Total	**199 158**	**(192 507)**	**50 150**	**(49 889)**	**448 531**	**(448 531)**

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

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

5 Trading property

Accounting Policy

Trading properties

Trading properties comprise of land and properties under development acquired and developed for sale or being held for sale after the development is complete. 'Trading properties are recognised at the lower of cost and net realisable value. Costs include direct expenditure and capitalised interest. Net realisable value is the estimated selling price less the estimated costs to complete and make the sale.

Trading properties are transferred to investment properties when there is a change of intention which results in the Group concluding that it will recover the future economic benefits from the asset through holding the asset for capital appreciation and/or to generate rental income in the long-term.

	Group	
	28 February 2021 R'000	29 February 2020 R'000
Balance as at 01 March 2020	–	–
Transfers from Investment Property (note 4.1)	341 344	–
Capital expenditure	109 161	–
Foreign exchange movement	14 165	–
Balance as at 28 February 2021	**464 670**	**–**

6 Capital Management

Objectives

The capital structure of the Group consists of net debt (loans and borrowings disclosed in Note 7 and deducting cash and cash equivalents disclosed in Note 8) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests). The Group aims to maintain a strong capital base through the optimal management of capital in order to provide sustainable returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group may maintain or adjust the capital structure through various mechanisms, including issuing new shares or selling assets to reduce debt.

One of the measures that the Group employs to monitor capital is the calculation of a LTV ratio, as determined by the ratio of net debt to the fair value of property assets, consistent with others in the industry. The current Group strategy is to maintain a conservative LTV ratio, well below our strictest financial covenants being 50%. The net debt to fair value of property ratio increased from 26.2% at 29 February 2020 to 31.2% at 28 February 2021 predominantly as a result of an increase in unsecured debt issuance, and to a lesser extent by the disposal of UK assets and related repayment of debt at the end of the year.

The Group complied with the financial covenants of all borrowing facilities during the period.

	Group	
	28 February 2021 R'000	29 February 2020 R'000
Net debt (excluding derivatives)	6 216 027	4 741 671
Less: equity capital raise	–	(800 000)
Net debt (including equity capital raise)	**6 216 027**	**3 941 671**
Total assets	20 857 199	15 202 824
Less: assets related to net debt	(925 436)	(152 933)
Fair value of property assets	**19 931 763**	**15 049 891**
LTV ratio	31.2%	26.2%

7 Loans and borrowings

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 repayable in the 12 months from the reporting date.

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

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

	Group	
	28 February 2021 R'000	**29 February 2020 R'000**
Non-current liabilities		
Secured bank loans	4 243 785	3 886 887
Unsecured bank loans	300 000	300 000
Unsecured bonds	1 300 000	499 156
	5 843 785	**4 686 043**
Current liabilities		
Secured bank loans	588 023	–
Unsecured bank loans	196 535	10 164
Unsecured bonds and commercial paper	200 000	99 836
	984 558	**110 000**
Total loans and borrowings	**6 828 343**	**4 796 043**

The fair values of loans and borrowings are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 8 - Financial Risk Management.

7.1 Sources of debt funding

	28 February 2021 R'000	29 February 2020 R'000
JSE-listed DMTN Programme	1 500 000	600 000
Absa	325 000	325 000
Aviva Commercial Finance	1 575 918	1 545 529
HSBC UK Bank	458 371	603 000
Investec	200 000	200 000
Nedbank	1 500 000	1 500 000
RMB	121 102	121 102
Sanlam	38 000	38 000
Standard Bank of South Africa	1 546 778	515 000
Total debt facilities	**7 265 169**	**5 447 631**

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

7 Loans and borrowings continued

7.2 Terms and repayment schedule

				Group	
				28 February 2021 R'000	29 February 2020 R'000
The terms and conditions of outstanding loans are as follows:					
	Currency	Nominal interest rate[1]	Maturity		
Secured bank loans	GBP	2.64%	2026	1 575 918	1 524 269
Secured bank loans	GBP	3mL+2.10%	2025	458 371	597 103
Secured bank loans	GBP	3mL+1.55%	2021	525 778	502 558
Secured bank loans	ZAR	3mJ+1.65%	2021-24	2 112 639	1 262 958
Secured bank loans	ZAR	1mJ+2.24%	2021	159 102	–
Unsecured bank loans	ZAR	3mJ+1.85%	2024	300 000	300 000
Unsecured bank loans	ZAR	5.30%	2021	196 535	10 164
Unsecured bonds	ZAR	3mJ+1.87%	2022-25	1 300 000	499 156
Unsecured commercial paper	ZAR	3mJ+1.10%	2021-22	200 000	99 836
Total loans and borrowings				**6 828 343**	**4 796 043**

[1] Nominal interest rate: weighted average rate
1mJ: 1 month JIBAR
3mL: 3 month LIBOR
3mJ: 3 month JIBAR

7.3 Asset encumbrance

	28 February 2021 R'000	29 February 2020 R'000
Secured borrowings	4 831 808	3 886 887
Secured assets	12 051 625	11 848 524
Ratio of secured borrowings to secured assets[2]	**40.1%**	**32.8%**
Unsecured borrowings	1 996 535	909 156
Unsecured assets	7 484 696	6 015 135
Ratio of unsecured borrowings to unsecured assets	**26.7%**	**15.1%**

[2] The strictest of our covenants is that the total debt to total assets ratio on a group level shall not be more than 50%, nor should the specific debt to specific assets ratio be more than 50%.

7.4 Maturity profile

The earliest contractual maturity date of outstanding loans is profiled as follows:

	28 February 2021 R'000	29 February 2020 R'000
By 28 February 2022	984 558	676 242
By 28 February 2023	1 399 996	1 202 996
By 29 February 2024	1 760 500	750 000
By 28 February 2025	449 000	621 073
After 28 February 2025	2 234 289	1 545 733
Total loans and borrowings	**6 828 343**	**4 796 043**

7.5 Reconciliation of loans and borrowings

	28 February 2021 R'000	29 February 2020 R'000
Opening balance	4 796 043	3 310 524
Proceeds from borrowings	4 446 720	4 575 403
Repayment of borrowings	(2 522 089)	(3 263 278)
Interest amortisation	(8 975)	6 368
Foreign exchange gain	116 645	167 026
Closing balance	**6 828 343**	**4 796 043**

8 Financial Risk Management

Accounting Policy

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.

Financial assets at fair value through profit or loss are carried at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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.

The Group has exposure to the following risks arising from financial instruments:
- credit risk (Note 8.2);
- liquidity risk (Note 8.3); and
- market risk, including interest rate and foreign exchange risk (Note 8.4).

8.1 Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group Risk and Capital Committee is responsible for developing the Group's risk management policies, and evaluating and improving the effectiveness of risk management, control and governance processes within the Group. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. In respect of financial reporting risks, the Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and the Group Risk and Capital Committee reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Both committees report regularly to the board of directors on activities.

8.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. 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. The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognised in profit or loss relate to trade and other receivables.

8.2.1 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. See Note 11: Trade and other receivables for disclosure of expected credit loss allowances.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

8 Financial Risk Management continued

8.2 Credit risk continued

	Group	
	28 February 2021 R'000	29 February 2020 R'000
8.2.2 Financial assets held at fair value		
Derivatives not specifically designated as hedging instruments	27 420	22 370
Financial assets at fair value through profit or loss	–	648
Total financial assets at fair value	**27 420**	**23 017**
Debt instruments at amortised cost		
Trade and other receivables (financial instruments)[1]	215 192	48 048
Total financial assets (other than cash and cash equivalents)	**242 612**	**71 066**
Total current	233 368	64 840
Total non-current	9 244	6 226

[1] Refer note 11 for a breakdown of trade and other receivables between financial and non-financial instruments

Cash and cash equivalents were held at various SA and UK banks.

The Group deposits funds and trades derivative instruments with various financial institutions in both South Africa and the UK. From a credit risk perspective, the Group places reliance on the published credit ratings of the major rating agencies together with the Group's own analysis and research. The tables below show the balances and the foreign currency long term ratings from Moody's and Standard & Poor's for cash and cash equivalents and derivative financial assets.

	Moody's FC LT	S&P FC LT	28 February 2021 R'000	29 February 2020 R'000
HSBC UK Bank	A1	AA-	530 398	16 661
Investec Bank	Ba2	BB-	2 937	956
Nedbank	Ba2	BB-	31 115	6 813
Royal Bank of Scotland	A2	A	47 848	29 294
Standard Bank of South Africa	Ba2	BB-	18	–
Cash & cash equivalents			**612 316**	**53 724**

8.2.3 Derivative financial instruments

The Group is exposed to credit risk in relation to derivative financial instruments which have a mark-to-market value in favour of the Group. The breakdown of this exposure both by derivative instrument type and by counterparty is as follows:

	28 February 2021 R'000	29 February 2020 R'000
Interest Rate Swaps	6 323	–
Forward Starting Interest Rate Swaps	–	6 226
Cross Currency Swaps	14 518	12 875
FX Zero-Cost Collars	46	630
FX Average Rate Forwards	6 532	2 639
Derivatives with a positive mark-to-market valuation by instrument	**27 419**	**22 370**

	Moody's FC LT	S&P FC LT	28 February 2021 R'000	29 February 2020 R'000
Absa Bank	Ba2	BB-	14 518	–
HSBC UK Bank	A1	AA-	2 251	–
Nedbank	Ba2	BB-	4 969	2 625
Standard Bank of South Africa	Ba2	BB-	5 681	6 869
Derivatives with a positive mark-to-market valuation by counterparty			**27 419**	**22 370**

8.3 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities as they become due. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its net liquidity position on a continuous basis by means of expected cash flows. The Group seeks to reduce liquidity risk through the regular review of the maturity profile of financial liabilities to reduce refinancing risk, utilising facilities with differing maturities to reduce maturity concentration and by employing revolving credit and other similar facilities.

8.3.1 Financing arrangements

The Group had R1.23bn (2020: R1.18bn) of revolving credit facilities as at 28 February 2021, of which R437m (2020: R620m) was undrawn at year-end.

	Group			
	2021		2020	
Maturity	**Debt & banking facilities**	**Undrawn facilities**	**Debt & banking facilities**	**Undrawn facilities**
Within one year	1 409 880	425 321	500 000	390 000
Between one and three years	3 171 000	10 504	2 002 102	200 863
Beyond three years	2 684 289	1 000	2 945 529	28 724
Total debt and banking facilities	**7 265 169**	**436 825**	**5 447 631**	**619 587**

8.3.2 Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative and derivative financial liabilities. The amounts disclosed in the tables for non-derivative financial liabilities are the contractual undiscounted cash flows, and the amounts for derivatives are the current mark-to-market valuations. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

	Group	
	28 February 2021 R'000	**29 February 2020 R'000**
Borrowings	984 558	110 000
Lease liabilities	5 241	3 821
Interest repayments	290 536	275 032
Trade and other payables	624 163	304 380
Derivatives	176 150	30 833
Repayable within one year or on-demand	**2 080 648**	**724 066**
Borrowings	3 160 496	1 769 238
Lease liabilities	13 350	9 687
Interest repayments	470 371	255 510
Derivatives	9 609	62 131
Repayable between one and three years	**3 653 826**	**2 096 566**
Borrowings	2 683 289	2 916 805
Lease liabilities	8 683	13 541
Interest repayments	183 102	467 877
Derivatives	115 859	64 788
Repayable beyond three years	**2 990 933**	**3 463 011**

The interest payments on variable interest rate loans and bond issues in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates and exchange rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

8 Financial Risk Management continued

8.4 Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. From the Group's perspective, the main market risks at present pertain to interest rates (both in SA and the UK) and foreign exchange rates (principally the GBP/ZAR exchange rate). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group uses derivatives to manage market risks. All such transactions are carried out within the Treasury policy guidelines set by the Risk and Capital Committee.

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

8.4.1 Managing interest rate benchmark reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative near risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There remains some uncertainty around the timing and the methods of transition. The Group currently has a number of contracts which reference GBP LIBOR and ZAR JIBAR and extend beyond 2021, all of which have yet to transition to an alternative benchmark interest rate as at 28 February 2021. These contracts are disclosed within the table below.

On 5 March 2021, the Financial Conduct Authority, the UK regulator, announced that all LIBOR settings will either cease or no longer be representative immediately after 31 December 2021 for Sterling LIBOR settings in all tenors. Immediately following the FCA announcement, the International Swaps and Derivatives Association stated that this constituted an index cessation event under the IBOR Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol for all LIBOR settings. Therefore, the five-year historical median spread adjustments for LIBOR in its five currencies and all settings were fixed as of 5 March 2021. The final spread adjustments for each combination of currency and tenor have been published by Bloomberg.

Derivatives

The Group holds interest rate swaps for risk management purposes which have floating legs that are indexed to either GBP LIBOR or ZAR JIBAR. The Group's derivative instruments are governed by contracts based on ISDA master agreements. The transition from existing IBOR benchmark rates to alternative secured overnight financing rates may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group will endeavour to match the timing of the transition of liabilities with the timing of the transition of derivatives related to those liabilities to the extent possible.

	Group	
	28 February 2021 R'000	**29 February 2020 R'000**
Liabilities exposed to GBP LIBOR maturing after 31 December 2021		
Long-term debt	458 371	603 069
Derivatives	51 602	59 547
Total liabilities exposed to GBP LIBOR	**509 973**	**662 616**
Liabilities exposed to ZAR JIBAR maturing after 31 December 2021		
Long-term debt	3 809 496	1 971 272
Derivatives	151 051	45 176
Total liabilities exposed to ZAR JIBAR	**3 960 547**	**2 016 448**

8.4.2 Derivative instruments

The Group utilises a range of derivative instruments to hedge market risks. The Group does not enter into derivative instruments for speculative purposes. All derivative instruments are valued at mark-to-market. The table below describes the reason for the utilisation of the derivative instruments employed by the Group.

Derivative	Risk mitigation
Interest Rate Swaps, Collars and Swaptions	The Group enters into derivative financial instruments to manage its exposure to interest rates by hedging the interest rate exposure on floating rate loans.
Cross Currency Swaps and FX Swaps	The Group enters into cross-currency interest rate derivatives to hedge interest rate and/or foreign currency exposure from investments in UK operations.
Dual Currency Deposits	The Group enters into short-term financial instruments to obtain higher investment yields when currency flows and liquidity permit.
FX Zero-Cost Collars and Average Rate Forwards	The Group enters into foreign exchange derivatives to manage exposure to foreign exchange risk by forward selling foreign currency according to predetermined foreign income hedging levels.

		Group	
		28 February 2021 R'000	**29 February 2020 R'000**
8.4.2.1	**Mark-to-market valuation of derivative instruments**		
	Interest Rate Swaps	(130 487)	(43 447)
	Interest Rate Collars	(13 323)	(5 105)
	Forward Starting Interest Rate Swaps	(39 221)	(48 885)
	Interest Rate Swaptions	(22 643)	(10 840)
	Cross Currency Swaps	(65 423)	(82 701)
	Dual Currency Deposits	(6 063)	–
	FX Zero-Cost Collars	(968)	(828)
	FX Average Rate Forwards	3 929	(4 029)
	Total	**(274 199)**	**(195 834)**
	Derivative financial assets	27 419	22 370
	Derivative financial liabilities	(301 618)	(218 204)
8.4.2.2	**Notional value of derivative instruments**		
	Interest Rate Swaps	3 825 270	1 920 113
	Interest Rate Collars	200 000	200 000
	Forward Starting Interest Rate Swaps	692 028	2 031 980
	Interest Rate Swaptions	800 000	800 000
	Cross Currency Swaps	1 944 252	1 858 397
	Dual Currency Deposits	378 560	–
	FX Zero-Cost Collars	83 601	136 148
	FX Average Rate Forwards	166 314	214 512
	Total	**8 090 025**	**7 161 150**
8.4.2.3	**Notional value of ZAR-denominated derivatives**		
	Interest Rate Swaps	2 835 000	1 560 000
	Interest Rate Collars	200 000	200 000
	Interest Rate Swaptions	800 000	800 000
	Total	**3 835 000**	**2 560 000**

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

8 Financial Risk Management continued

8.4 Market risk continued

	Group 28 February 2021 £'000	Group 29 February 2020 £'000
8.4.2.4 Notional value of GBP-denominated or GBP-referenced derivatives		
Interest Rate Swaps	47 086	17 914
Forward Starting Interest Rate Swaps	32 905	69 991
Cross Currency Swaps	92 447	92 447
Dual Currency Deposits	18 000	–
FX Zero-Cost Collars	3 975	6 773
FX Average Rate Forwards	7 908	10 671
Total	**202 321**	**197 796**

8.4.3 Currency Risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which revenue, costs, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are the ZAR and GBP. 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 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 South African 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.

The following exchange rates have been applied:

	28 February 2021	29 February 2020
GBP/ZAR average rate	21.3359	18.6397
GBP/ZAR year-end spot rate	21.0311	20.1023

8.4.3.1 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.

	£'000	£'000
Foreign assets	366 322	318 351
Foreign liabilities	(115 559)	(118 142)
Foreign net assets	**250 763**	**200 209**
Nominal value of derivative currency hedging instruments	92 447	92 447
Derivative hedging of foreign assets	**25.2%**	**29.0%**

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. There was no increase to the notional utilisation of cross-currency swaps in the current financial year.

8.4.3.2 Hedging of cashflow

Cash flows from Group 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 cash flow derived in foreign currency. The UK expansion plan has necessitated that all surplus net operating rental cashflows are reinvested into future developments. As future developments are expected to utilise all surplus free cashflow generated in the UK over the next 24 months, and in line with the prior year, no cash flow hedges have been entered into.

8.4.3.3 Hedging of distributable earnings

The Group utilises natural hedges to minimise its exposure of fluctuations in foreign exchange rates on its distributable earnings to the full extent possible. The Group settles interest expenses on pound-denominated loans and derivative hedges in pounds, 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 below policy.

- Hedge 80% of the income projected to be received in the following 6 months;
- Hedge 70% of the income projected to be received in months 7 to 12;
- Hedge 45% of the income projected to be received in months 13 to 18; and
- Hedge 30% of the projected income to be received in months 19 to 24.

The average 12-month minimum hedging level is 75%, and the level of income hedging tapers off with later maturities to provide the Group with limited upside in relation to the GBP/ZAR exchange rate. As time elapses, each maturity will move closer towards the initial period and therefore the amount of Group income hedged will increase in line with the above policy. As at 28 February 2021, the Group had 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 2021[1]	106.0%	R20.95/GBP	R21.25/GBP
28 February 2022	66.3%	R22.04/GBP	R22.07/GBP
31 August 2022	52.5%	R24.00/GBP	R24.00/GBP
28 February 2023	30.0%	R21.50/GBP	R24.00/GBP

[1] As a result of the disposal of UK assets in the current financial year, the current forecast for UK earnings in the six months to 31 August 2021 is now lower than previously forecast when hedges for this 6 month period were entered into, hence the effective hedging level being greater than 80%. Given current market conditions and the materiality, the Group elected not to unwind existing hedges for this six month period.

8.4.3.4 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 sensitivity analysis applies two standard deviations (2SD) above and below the GBP/ZAR 20-month simple moving average exchange rate. The sensitivity analysis includes the impact of currency hedging and assumes that other macroeconomic factors remain unchanged.

	2021		2020	
	2SD GBP/ZAR strength	2SD GBP/ZAR weakness	2SD GBP/ZAR strength	2SD GBP/ZAR weakness
Exchange rate	23.3889	19.4025	20.9800	16.9601
Distributable earnings	10 012	(6 915)	688	(1 421)
Net profit	(188 406)	150 272	(90 485)	331 995
Total equity	402 842	(258 120)	86 445	(301 422)

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

8 Financial Risk Management continued

8.4 Market risk continued

8.4.4 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.

The Group adopts a policy of ensuring that at least 80% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in 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.

Hedging relationships that are impacted by IBOR reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding IBOR transition. For further details, see 'Managing interest rate benchmark reform and associated risks' under Note 8.4.1 above.

	Group	
	28 February 2021 R'000	**29 February 2020 R'000**
8.4.4.1 Interest rate derivative instruments		
The following table depicts the nominal value of the interest rate derivative instruments which the Group has utilised to hedge floating rate liabilities.		
JIBAR-linked interest rate swaps	2 835 000	1 560 000
JIBAR-linked interest rate collars	200 000	200 000
LIBOR-linked interest rate swaps	990 270	360 113
Total interest rate derivatives	**4 025 270**	**2 120 113**
Weighted average maturity	March 2024	May 2023
Interest rate swap embedded in lease agreements		
The Group has embedded interest rate hedges into some of its lease agreements as follows.		
Effective equivalent hedged value	191 344	229 627
Average maturity	31 August 2022	
Effective interest rate	6.20%	
Interest rate derivatives	4 025 270	2 120 113
Embedded interest rate derivatives	191 344	229 627
Total nominal value of interest rate hedges	**4 216 614**	**2 349 740**

8.4.4.2 Hedging effectiveness

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.

	Group	
	28 February 2021 R'000	29 February 2020 R'000
Total nominal value of interest rate hedges	4 216 614	2 349 740
Fixed-for-floating cross currency swap	600 000	600 000
Fixed interest-bearing borrowings	1 772 453	1 524 243
Hedge cover	**6 589 067**	**4 473 983**
Interest-bearing borrowings	6 828 343	4 796 043
Effective hedging cover on loan balances	**96.5%**	**93.3%**
Interest-bearing borrowings	6 828 343	4 796 043
Add: contracted capital commitments (including accruals)	2 170 938	2 109 118
Less: equity capital raise in March 2020	–	(800 000)
Total committed future cash outflows	**8 999 281**	**6 105 162**
Hedge cover	6 589 067	4 473 983
Forward-starting interest rate swaps	692 028	1 370 514
Total hedge cover	**7 281 095**	**5 844 497**
Effective interest hedging cover on total committed future floating financing cash outflows	80.9%	95.7%

8.4.4.3 Sensitivity analysis to interest rates

The Group has calculated the sensitivity of changes in interest rates on net profit assuming a reasonably likely scenario of a 50 basis point parallel shift of the yield curve in either direction. 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.

	Group			
	2021		2020	
R'000	**+50 bps**	**-50bp**	**+50 bps**	**-50bp**
Distributable earnings	(6 363)	6 363	(2 758)	2 758
Net profit	51 448	(53 892)	72 407	(76 862)

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

9 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	
	28 February 2021 R'000	**29 February 2020 R'000**
9.1 Composition of cash and cash equivalents		
Current accounts	602 379	53 637
Cash on call	9 937	87
	612 316	**53 724**

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

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

Refer to Note 8.2.2 for a credit analysis of cash and cash equivalents.

10 Non-controlling interests

Accounting Policy
Non-controlling interest is disclosed in equity, separately from the equity of the owners of the parent. NCI is initially measured at the fair value of the consideration to acquire the minority interest in the subsidiary. Subsequently, the NCI's share of profit or loss and other comprehensive income is attributable to the NCI recognised in Equity less any dividends paid to them.

Critical estimates and judgements – Consolidation of structured entity
The Group assisted in the incorporation of MLF which houses all the corporate social responsibility projects and initiatives of the Group. The main objective of MLF 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 MLF, however, following formation, MLF has an independent board and operate independently of Equites.

The Group has applied judgement in determining the treatment of the relationship with MLF. An IFRS 10 assessment has been performed to determine if the Group controls 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 MLF, the Group donates funds to MLF to achieve its purpose. There are no contractual arrangements between MLF and Equites which require Equites to donate funds to MLF in its discretion. The Group currently has no contractual obligation to support MLF but remains committed to ensuring that the objectives of MLF are met.

Critical estimates and judgements – Consolidation of Retail Logistics Fund (RF) (Pty) Ltd

Equites and Shoprite Checkers (Pty) Ltd established a strategic venture in respect of Shoprite's distribution centres. Shoprite disposed of three of its distribution centres to Retail Logistics Fund (RF) (Pty) Ltd on 4 November 2020 and simultaneously entered into three twenty year leases in respect of these properties in a sale and leaseback transaction. Equites acquired a 50.1% stake in RLF on this date with Shoprite holding the remaining 49.9%.

To determine whether Equites exercised control over RLF, the Group carefully assessed the below IFRS10 considerations.

Power over RLF

The business of RLF is broadly defined to include a number of activities of a property company, with the main relevant activity relating to the selecting, acquiring and disposing of property assets and the related funding thereof. Decisions about the relevant activities of RLF are made by the board. Through its majority stake, Equites is able to appoint one additional director and is therefore able to direct decisions over the relevant activities. The substantive rights inferred through its majority stake also include the ability to appoint key management personnel, the ability to enter into significant transactions and the ability to dominate the nomination of members to RLF's board.

In the founding and operational agreements which govern RLF, Shoprite has been granted a number of protective rights and the scope of RLF's activities have been partially restricted, however, it is conclusive that Equites has the substantive right to direct the relevant activities of RLF such that it has power over RLF.

Right to variable returns

Equites, as a holder of 50.1% of the equity in RLF, remains exposed to both downside risks and upside potential as a result of the broad scope of the business that RLF can conduct and through its ability to direct the activities that are undertaken by RLF.

Ability to use its power over RLF to control the amount of returns

Equites' power over RLF gives Equites the ability to affect the amount of returns generated by RLF.

Through the above assessment it was concluded that RLF shall be consolidated by Equites in respect of its Group financial statements and Shoprite should be reflected as a 49.9% non-controlling interest at a Group level.

	Group	
	28 February 2021 R'000	**29 February 2020 R'000**
The NCI represents the following: – 100% of the net asset value of MLF, and its subsidiary – 40% of the net asset value of Equites Newlands Group Ltd, and its subsidiaries. ENGL became part of the group in the prior year – 49.9% of the net asset value of RLF. RLF became part of the group in the current year		
Non-controlling interest reconciliation		
Opening balance	40 434	149 919
Acquired interest in net asset value[2]	2 043 760	1
Transactions with non-controlling interest[1]	–	(118 546)
Share of profit for the year (note 10.1)	82 552	9 085
Share of other comprehensive income for the year	11	(25)
Dividend declared	–	–
Closing balance	2 166 757	40 434

[1] Relates to the acquisition of the NCI in EA Waterfall Logistics JV (Pty) Ltd

[2] Relates to the 49.9% interest held by Shoprite in RLF in the current year and the 40% interest held by Newlands Development Ltd in ENGL in the prior year

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

		Group	
		28 February 2021 R'000	29 February 2020 R'000
10	**Non-controlling interests** continued		
10.1	**Share of profit for the year includes the following:**		
	Fair value adjustment – investment property	9 553	6 664
	Straight-lining of leases adjustment	26 632	3 809
		100%	**100%**
10.2	**Summarised statement of financial position**		
	Non-current assets	4 356 392	181 848
	Current assets	1 440 208	2 927
	Total assets	**5 796 600**	**184 775**
	Non-current liabilities	298 187	149 269
	Current liabilities	369 144	5 514
	Total equity and liabilities	**667 331**	**154 783**
	Net assets	**5 129 269**	**29 992**
	Accumulated non-controlling interest	**2 166 757**	**40 434**
	Summarised statement of profit and loss		
	Gross property revenue	177 727	14 452
	Profit for the year	**159 156**	**9 421**
	Profit allocated to non-controlling interest	**82 552**	9 085
	Total comprehensive income allocated to non-controlling interest	**82 562**	9 060
	Dividend paid to non-controlling interest	**–**	–
	Summarised statement of cash flows		
	Cash flows from operating activities	**(318 492)**	(527 954)
	Cash flows from investing activities	**(867 443)**	–
	Cash flows from financing activities	**1 218 523**	554 919
	Effect of exchange rate movements	**(249)**	2 131
	Net cash movement	**32 339**	29 096

11 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.

	Group	
	28 February 2021 R'000	29 February 2020 R'000
Gross trade receivables (tenants)	19 798	8 594
Deferred rent receivables	21 938	–
Loss allowance (note 11.3)	(1 141)	(326)
Net tenant receivables	**40 595**	**8 268**
Municipal deposits	15 437	12 821
Supplier development loan (note 11.4)	10 715	14 345
VAT receivable	60 265	21 229
Prepaid expenses	6 350	6 914
Sundry debtors	34 557	2 290
Government grant receivable	62 252	–
Current tax receivable	3 894	–
Accrued income	44 887	7 086
Other receivables	6 748	3 239
	285 700	**76 191**
Classification of trade and other receivables		
The Group's trade and other receivables have been classified as follows:		
Financial instruments at amortised cost	215 192	48 048
Non-financial instruments	70 508	28 143
	285 700	**76 191**

We have assessed the impact of expected credit losses on other receivables recognised at amortised cost. We deem the impact to be immaterial as these were received shortly after year end.

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

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

11 Trade and other receivables continued

11.1 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.

	Group 28 February 2021 R'000	Group 29 February 2020 R'000
A – Large multinational companies, large listed companies and government organisations	15 956	8 348
B – Smaller multinational and national tenants	–	–
C – Other local tenants and sole proprietors	3 842	246
	19 798	**8 594**

The maximum exposure to credit risk for trade and other receivables are the carrying values.

11.2 Ageing of trade receivables

	Trade receivables 2021	Trade receivables 2020	Deferred rent 2021	Deferred rent 2020
The ageing of trade receivables as at year end was follows:				
Current	15 065	6 408	19 946	–
1 – 30 days past due	1 997	947	791	–
31 – 60 days past due	826	828	565	–
61 – 90 days past due	691	–	414	–
91 days past due or more	1 219	85	222	–
Total	**19 798**	**8 268**	**21 938**	**–**

Maturity profile of deferred rent arrangements

As a result of the COVID-19 global pandemic, R35 million of rental deferrals were granted in SA and £326k (R7 million) in the UK during the current financial year. Of these deferrals, R19.6 million remain outstanding in SA and £109k (R2.3 million) in the UK.

	Group 28 February 2021 R'000	Group 29 February 2020 R'000
The expected repayment of outstanding deferred rent is profiled as follows.		
By 28 February 2022	18 064	–
By 28 February 2023	1 872	–
By 29 February 2024	1 465	–
By 28 February 2025	234	–
After 28 February 2025	303	–
Total deferred rent arrangements	**21 938**	**–**

11.3 Expected credit loss allowance

Trade receivables

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.

Deferred rent

The Group has allowed for credit losses on these deferred rent arrangements in line with the current expected credit loss rates.

The expected credit loss allowance provision is determined as follows:

	Expected credit loss rate		Trade receivables (R'000)		Deferred rent (R'000)	
	2021	2020	2021	2020	2021	2020
Current	0.09%	0.62%	19	154	20	–
1 – 30 days past due	10.02%	8.48%	200	80	79	–
31 – 60 days past due	10.62%	8.84%	88	73	60	–
61 – 90 days past due	25.89%	20.45%	179	–	107	–
91 days or more past due	27.01%	21.06%	329	18	60	–
Total			**815**	**326**	**326**	**–**

Reconciliation of loss allowance

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables.

	Trade receivables (R'000)		Deferred rent (R'000)	
	2021	2020	2021	2020
Opening balance	326	173	–	–
Provision raised	575	4 503	326	–
Remeasurement of loss allowance	(99)	340	–	–
Provisions reversed	12	(428)	–	–
Amounts written off	–	(4 263)	–	–
Foreign exchange	1	1	–	–
Closing balance	**815**	**326**	**326**	**–**

Trade receivables to the extent of R92k (2020: R4.3m) have been written off during the year. The amount written off in the prior year related to a single tenant.

	Group	
	28 February 2021 R'000	29 February 2020 R'000
11.4 Supplier development loan		
Damon at Sons Construction (Pty) Ltd	10 715	14 345

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 28 February 2021

12 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	
		28 February 2021 R'000	29 February 2020 R'000
12.1	**Authorised shares**		
	2 000 000 000 (two billion) ordinary shares, of the same class and no par value.		
12.2	**Issued shares**		
	628 715 583 (2020: 554 441 246) ordinary shares, of the same class and no par value.	9 337 288	8 046 457
	The unissued shares are under the control of the directors (subject to limitations set by shareholders' resolutions) until the next annual general meeting.		
12.3	**Reconciliation of issued shares – value**		
	Opening balance	8 046 457	7 026 680
	Shares issued in respect of conditional share plan	12 997	6 702
	Shares issued for cash in accelerated book build[1]	800 000	750 000
	Shares issued in respect of share-based payment transactions	56 296	–
	Shares issued in terms of dividend reinvestment programme	427 414	270 633
	Share issue costs	(5 876)	(7 558)
	Closing balance	**9 337 288**	**8 046 457**

		Number of shares	Number of shares
12.4	**Reconciliation of issued shares – number**		
	Opening balance	554 441 246	503 416 786
	Shares issued in respect of conditional share plan	813 821	541 399
	Shares issued for cash in accelerated book build[1]	42 780 748	37 091 989
	Shares issued in respect of share-based payment transactions	3 379 130	–
	Shares issued in terms of dividend reinvestment programme	27 300 638	13 391 072
	Closing balance	**628 715 583**	**554 441 246**

[1] 42 780 748 shares issued at R18.70 per share under the general authority to issue shares for cash on 03 March 2020. (2020: 37 091 989 shares issued at R20.22 per share under the general authority to issue shares for cash on 12 August 2019).

		Group	
		28 February 2021 R'000	29 February 2020 R'000
13	**Share-based payment reserve**		
	Conditional share plan (note 13.1)	15 953	13 200
	Acquisition of land (note 13.2)	180 000	56 296
		195 953	**69 496**

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.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

13 Share-based payment reserve continued

13.1 Conditional share plan

In terms of its conditional share plan, the Group has granted conditional shares to executive directors and staff.

Long-term incentive awards are granted annually in the form of conditional shares in Equites. 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 and CFO based on the 30-day 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 the 31st May following the end of the 3-year performance period.

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 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8
Closing number of unvested instruments – Directors	961 560	1 054 477	877 169	921 481	732 556	1 312 457
Closing number of unvested instruments – Other	66 648	78 116	136 929	157 381	354 562	301 814
Grant date	29 February 2016	20 February 2017	21 February 2018	21 February 2019	20 February 2020	20 February 2021
Vesting date	31 May 2021	31 May 2022	31 May 2023	31 May 2024	31 May 2025	31 May 2026
Issue price (30 day VWAP)	R12.38	R15.97	R20.35	R20.34	R19.04	R18.31
Forfeiture rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Dividend yield	8.0%	7.5%	7.0%	7.5%	9.5%	10.0%
Performance condition factor	137.3%	117.3%	120.0%	100.0%	196.9%	100.0%

Expected volatility has been based on an evaluation of the historical volatility of the Company'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	
	28 February 2021 R'000	**29 February 2020 R'000**
Opening balance	13 200	13 546
Expense recognised in profit or loss	15 750	11 150
Shares issued during current year[1]	(12 997)	(11 496)
Closing balance	**15 953**	**13 200**

[1] Issued shares are subject to a 2 year restriction as detailed above.

13.2 Acquisition of land

During FY18, 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 quantum of this transaction was R56.2 million which was settled through the issue of 3,379,130 shares on 1 August 2020.

As part of the original purchase agreement for land acquired from Witfontein X28 Ontwikkeling (Pty) Ltd (the "Seller"), the seller was to implement certain service conditions, in relation to land zoning and services for industrial use, in order to obtain an additional purchase consideration which was settled partly in cash during the year and the remainder will be settled in a fixed value of the company's shares to be issued on 30 April 2021.

	Group	
	28 February 2021 R'000	**29 February 2020 R'000**
14 Deferred tax asset and liability		
Deferred tax asset	120 031	159 870
Deferred tax liability	(59 388)	–
	60 643	**159 870**
Deferred tax asset/(liability)		
Capital allowances	99 586	130 919
Tax losses	51 857	28 951
Fair value adjustment	(90 534)	–
Structures and buildings allowances	(266)	–
	60 643	**159 870**
Reconciliation of deferred tax asset/(liability)		
Opening balance	159 870	68 930
Investment property – allowances recognised and utilised	(8 313)	62 060
Tax losses recognised and utilised	30 438	17 412
Fair value adjustment	(91 847)	–
Released in respect of property disposals	(31 530)	–
Change in tax rate	(6 908)	–
Foreign exchange movement	8 933	11 469
Closing balance	**60 643**	**159 870**
Assessed losses for which no deferred tax asset is recognised	140 157	140 157

South Africa

The Group is a REIT as defined by section 25BB of the South African 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.

United Kingdom

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 under Corporations Tax (2020: Non-Resident Landlord Scheme). Deferred tax assets is recognised on capital allowances to be granted in future years. A deferred tax liability is recognised on Structures and Buildings allowances utilised to be recouped through sale and fair value adjustments of investment property as these are to be recovered entirely through sale.

Refer to note 22 for details on changes in UK tax laws during the year.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

15 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 estimates 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	
	28 February 2021 R'000	29 February 2020 R'000
Trade payables and accruals	323 045	274 826
Rent received in advance	269 453	81 333
Tenant deposits	28 648	28 001
Shareholders for dividends	34	115
Lease liabilities	27 274	27 049
IFRS 2 liability	6 473	4 462
Other payables	2 982	1 438
	657 909	**417 224**
Current	629 404	389 496
Non-current	28 505	27 728
	657 909	**417 224**

Refer to Note 8.3 for liquidity risk disclosure for trade and other payables.

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

16 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 Property, 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 finance lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the underlying right-of-use asset.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

16 Property, plant and equipment continued

Leases continued
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 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.

	Group						
R'000	Furniture and fittings	Equipment	Computer equipment	Buildings	Land	Right-of-use asset	Total
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
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**
For the year ended 28 February 2021							
Opening carrying value	4 027	–	271	3 332	1 551	6 218	15 399
Additions	1 502	17	893	–	–	–	2 412
Right-of-use asset remeasurement						1 977	1 977
Depreciation charge for the year	(994)	(2)	(267)	(196)	–	(410)	(1 869)
Closing carrying value	**4 535**	**15**	**897**	**3 136**	**1 551**	**7 785**	**17 919**
At 28 February 2021							
Cost	7 746	17	1 680	3 920	1 551	8 522	23 436
Accumulated depreciation	(3 211)	(2)	(783)	(784)	–	(737)	(5 517)
Carrying value	**4 535**	**15**	**897**	**3 136**	**1 551**	**7 785**	**17 919**

17 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 levied monthly in arrears 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 monthly in advance 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	
	28 February 2021 R'000	29 February 2020 R'000
Property revenue (note 17.1)	1 137 336	913 279
Straight-line lease rental adjustment	48 044	80 420
	1 185 380	**993 699**

17.1 Property revenue

	28 February 2021 R'000	29 February 2020 R'000
Property revenue[1]	970 404	788 978
Tenant recoveries (note 17.2)	165 622	123 044
Property management fee	1 310	1 257
	1 137 336	**913 279**

[1] A single tenant, classified as part of the South African Industrial segment, constitutes 10.0% (2020: 13.8%) of the group's property revenue.

Refer to note 30 for revenue disaggregation by sector, location and tenant grade

	28 February 2021 R'000	29 February 2020 R'000
Recoverable expenses	149 492	109 249
Non-recoverable expenses	8 814	6 644
	158 306	**115 893**

17.2 Tenant recoveries

	28 February 2021 R'000	29 February 2020 R'000
IFRS 16 variable recoveries	80 621	61 787
IFRS 15 tenant recoveries[2]	85 001	61 257
	165 622	**123 044**

[2] The frequency and value of these recoveries are not detailed in the lease agreements as they are based on actual expenses incurred and therefore fall within the scope of IFRS 15.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

		Group	
		28 February 2021 R'000	29 February 2020 R'000
18	**Other net gains or losses**		
	Income from foreign exchange derivative instruments	138 845	127 336
	Fair value adjustment on foreign exchange derivative instruments	(35 922)	(174 082)
	Insurance recoveries	12	5
	Profit on sale of subsidiary companies (note 18.1)	31 913	–
	Foreign exchange (loss)/gain	(9 280)	12 995
	Sundry income	1 379	11 405
	Sundry income – capital in nature (non-distributable)	394	2 180
		127 341	**(20 162)**
18.1	**Profit on sale of subsidiary companies[1]**		
	Profit on sale of subsidiary companies	91 792	–
	Reclassification of FCTR	(59 879)	–
		31 913	–

[1] The group disposed of its investment in Equites UK SPV 2 Limited and Equites UK SPV 3 Limited on 26 February 2021.

19	**Expenses by nature**		
	Composition of property management and administrative expenses		
	Employee benefits (note 19.1)	37 627	35 742
	Operating and administrative expenses (note 19.2)	182 368	133 268
	Total property management and administrative expenses	**219 994**	**169 010**

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	
	28 February 2021 R'000	**29 February 2020 R'000**
19.1 Employee benefits		
Salary costs	22 726	15 013
Executive director and public officer's emoluments (note 19.4)	15 366	20 925
Non-executive directors' emoluments (note 19.3)	2 841	2 424
Equity-settled share-based payment expense (note 13.1)	11 752	11 150
Non-recurring settlements relating to terminations	11 026	–
Capitalised to investment property	(26 084)	(13 770)
	37 627	**35 742**
19.2 Operating and administrative expenses		
Property taxes and utility expenses	140 138	90 935
Property operational costs	22 960	16 250
Insurance costs	12 536	8 709
Audit fees	3 727	1 611
Non-audit fees	861	656
Bad debts	41	4 178
Loss allowance	815	326
Depreciation of property, plant and equipment (non-distributable)	1 868	1 851
Professional, secretarial and other administrative expenses	32 967	16 700
Rental expense[1]	151	89
Other operating expenses	5 900	3 952
Overheads capitalised to investment property	(39 596)	(11 987)
	182 368	**133 268**

[1] Rental expense relates to leases of low-value assets that are not shown as a right-of- use asset, under IFRS 16

19.3 Non-executive directors' emoluments

The following fees were paid to non-executive directors for their services as directors:

Director (R'000)	**Fees – 2021**	**Fees – 2020**
Leon Campher	573	545
Nazeem Khan	383	398
Ruth Eleanor Benjamin-Swales	339	394
Giancarlo Lanfranchi	270	225
Kevin Dreyer	212	207
André Gouws	212	191
Mustaq Brey	362	296
Gugu Mtetwa	–	106
Eunice Cross	283	30
Keabetswe Ntuli	207	30
	2 841	**2 424**

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

19 Expenses by nature continued

19.4 Executive director and public officer's emoluments

Remuneration paid to executive directors for 2021 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	3 634	9	4 162	7 805	1 265	3 803	12 873
Gerhard Riaan Gous	2 697	9	2 576	5 282	938	2 737	8 957
Laila Razack	1 899	20	360	2 279	319	2 224	4 822
	8 230	**38**	**7 098**	**15 366**	**2 522**	**8 764**	**26 652**

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[1]	4 256	17	2 560	6 833	912	–	7 745
	11 338	**109**	**9 478**	**20 925**	**3 360**	**5 489**	**29 774**

[1] 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 vesting of 470k shares.

	Group 28 February 2021 R'000	Group 29 February 2020 R'000
20 Finance costs		
Interest expense on borrowings	245 182	250 695
Interest on lease liabilities	2 364	2 443
Finance costs relating to interest rate derivatives	68 378	9 890
Fair value movement on interest rate derivatives	194 079	105 234
Interest on utility accounts and other	133	107
Borrowing costs capitalised to investment property[1]	(223 128)	(149 840)
	287 008	**218 529**

[1] The capitalisation rate applied during the year was 7.6% (2020: 8.7%) in relation to general borrowings and 2.7% (2020: 2.9%) in relation to specific borrowings.

Reconciliation of finance costs expense to finance costs paid	28 February 2021 R'000	29 February 2020 R'000
Interest accrued opening balance	29 457	19 853
Finance costs	287 008	218 529
Derivative settlement	5 394	1 111
Fair value movement on interest rate derivatives	(194 079)	(105 234)
Interest on lease liabilities	(2 364)	(2 443)
Interest amortisation	(8 975)	(3 926)
Interest accrued closing balance	(5 980)	(29 457)
Finance costs paid during the year	**110 461**	**98 434**

21 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	
	28 February 2021 R'000	29 February 2020 R'000
Interest received from tenants	650	768
Interest received on financial assets at fair value	281	4 314
Interest received on call and current account balances	16 436	1 412
	17 367	**6 494**

22 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 Corporations Tax is calculated as 19% of taxable income. The prior year, the Group was subject to tax under the Non-Resident Landlord Scheme calculated as 20% of taxable income.

Change in United Kingdom tax law
From 6 April 2020, companies subject to NRLS became subject to UK corporation tax. The tax rate changed 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, and are now subject to Capital Gains Tax which did not apply under NRLS. In addition, companies can now make use of group relief for all losses generated under CIT. Tax losses incurred under NRLS have been carried forward to CIT and can be offset against future taxable income. The treatment of capital allowances remain unchanged and companies can continue to utilise allowances under CIT.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

		Group	
		28 February 2021 R'000	29 February 2020 R'000
22	**Current and deferred tax expense** continued		
	Tax expense		
	Current tax	–	2 476
	Deferred tax	108 160	(79 470)
		108 160	**(76 996)**
	Reconciliation between applicable tax rate and effective tax rate		
	Profit before tax	598 211	614 256
	Income tax at 28%	167 499	171 992
	Accounting adjustments – Fair value	262 718	72 115
	Accounting adjustments – IFRS	(27 511)	(19 247)
	Non-deductible expenses	251	3 468
	Items of a capital nature	(8 618)	–
	Deemed gross income	–	1 580
	Wear and tear allowances	(431)	(372)
	Exempt income	(1 533)	(287)
	UK Capital allowances	56 286	(86 883)
	UK Tax losses recognised	(32 246)	(24 376)
	Foreign tax differential	(51 233)	30 797
	Qualifying S25BB REIT distribution	(257 022)	(225 783)
	Tax expense	**108 160**	**(76 996)**
	Effective tax rate	18.9%	(12.5%)
23	**Notes to the statement of cash flows**		
23.1	**Cash generated from operations**		
	Profit before tax	598 211	614 256
	Adjusted for:		
	Finance costs	287 008	218 529
	Finance income	(17 367)	(6 494)
	Profit on disposal of subsidiary	(31 913)	
	Foreign exchange differences	9 280	(12 995)
	Straight-lining of leases adjustment	(48 044)	(80 420)
	Fair value adjustments - investment property	224 874	(21 764)
	Fair value adjustments - foreign exchange derivative instruments	35 922	174 082
	Depreciation and amortisation	4 457	3 315
	Equity-settled share based payment charge	11 752	11 150
	Working capital movements:		
	Increase in trading properties	(109 161)	–
	(Increase)/decrease in trade and other receivables	(89 813)	36 589
	Increase in foreign exchange derivatives	(165 092)	(67 772)
	Increase in trade and other payables	229 346	11 147
	Cash generated from operations	**939 460**	**879 623**

		Group	
		28 February 2021 R'000	29 February 2020 R'000
23.2	**Cash paid in respect of investment property acquired**		
	Investment property acquired	4 158 223	1 443 515
	Movements in respect of share-based payment transactions	(180 000)	–
	Non-controlling interest acquired	(2 043 760)	–
	Deferred revenue recognised in property acquisitions	–	(34 192)
		1 934 463	**1 409 323**
23.3	**Cash received in respect of disposals of subsidiary companies**		
	Net profit on disposal (note 18)	31 913	–
	Investment property disposed (note 4.1)	863 638	–
	Loans settled by purchaser	(388 196)	–
	Other net assets disposed	(54 641)	–
	Disposal related fees	15 005	–
	Foreign exchange difference on disposal	58 352	–
	Net proceeds on disposal of subsidiary companies	**526 071**	**–**
24	**Capital commitments**		
	Authorised and contracted for acquisition or construction of new industrial properties	1 790 914	1 901 346
	Authorised but not contracted	380 024	46 509
		2 170 938	**1 947 855**

25 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 50.1% of the net asset value in RLF during the current year. Refer to note 10.

Remuneration paid to directors is set out in note 19.

Details of the conditional share plan in which the directors participate are provided in note 13.

Details of directors' interest in the ordinary shares of the Group are provided in the Directors Report.

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

	28 February 2021 R'000	29 February 2020 R'000
Dividend paid to related party shareholders	134 013	137 570
Fees paid to BTKM (Pty) Ltd (in which Nazeem Khan is a director)	955	299
Fees paid to Automotion (Pty) Ltd (in which Kevin Dreyer is a director)	9	32
	134 977	**137 901**

26 Subsequent events

The directors are not aware of any events that have occurred since the end of the financial year, which have a material impact on the results and disclosures in these financial statements.

Notes to the annual financial statements continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

27 Impact of COVID-19 on operations

The COVID-19 pandemic spread rapidly across SA and the UK, with FY21 seeing a significant increase in infections from multiple waves in both jurisdictions. This resulted in numerous restrictions and government intervention in these countries to aid the curtailment of the virus, which included the prohibiting the sale of alcohol, curfews, restrictions on travel and increased safety measures in public places. The combined impact of these measures resulted in reduced economic activity which negatively impacted many enterprises. Whilst there are a few tenants in our portfolio that operate in those worst affected industries, the Group's performance has remained robust due to the fact that the portfolio is heavily weighted towards resilient logistics assets with majority of tenants being intricately involved in the supply of essential goods with the facilities being utilised for storage and distribution purposes.

To assess the impact of COVID-19 on its operations, the Group has performed a detailed assessment on the key areas of the financial statements for the year ended 28 February 2021 to quantify the potential impact, if any, that the COVID-19 pandemic on the business and its financial operating performance. The following material areas were considered and appropriate disclosures have been made as follows.

27.1 Admin and finance costs

There has been an increase in admin costs of R1.3m as a result of measures taken within the company to protect and support staff and suppliers as a result of COVID-19. These measures include mobile data to facilitate work from home, health and precautionary measures implemented to both staff commuting and the workplace and support to suppliers to aid payment of their employees. This increase was offset by lower admin costs as a result of reduced overseas and local travel and lower staff training related costs due to work-from-home.

Whilst the Group benefited from the overall decrease in interest rates during the year in both jurisdictions in which it operates, this was only to the extent that borrowings were not fully hedged and was further offset by the holding of liquidity buffers through investment into money market funds and the holding of funds in revolving credit facilities. As a result of the deferred rent arrangements provided to tenants (see further notes below), increased reliance was placed on debt funding due to reduced cash flows from rental income, thereby increasing the Group's overall finance costs for the year.

Within SA there was a temporary termination on development activity, as a result of the hard-lockdown restrictions at the onset of the pandemic. As a result there was a reduction in interest costs capitalised to these developments of R14.2m.

27.2 Fair value of investment properties

Pressure on market rentals, growth rates and consequently discount and exit capitalisation rates in SA, as a consequence of reduced demand and economic activity in the country, resulted in decrease in our SA property portfolio, with an overall negative fair value adjustment of R430m. This was, however, cushioned by a fair value uplift on the UK portfolio of R206m, which is the outcome of the strong performance of logistics assets in the UK, especially during COVID-19 which brought about shifts to consumer behaviours through increased online presence.

27.3 Liquidity and cash management

The Group adopted a prudent and conservative approach to liquidity management over the past 12 months due to the financial market volatility and uncertainty resulting from the COVID-19 pandemic. Through the raising of R800m from an equity capital raise at the start of the year and significant additional bank and debt market funding, the Group was able to increase liquidity and ensure that liquidity buffers were in place at all times. The Group drew down on uncommitted general banking facilities and held undrawn lines in the R825m of committed revolving credit facilities available to the Group. Through to mid-October 2020 the Group held between R200m and R775m invested in the Nedgroup Investments Money Market Fund to further bolster liquidity buffers. Decision making frameworks and cash scenario forecasting were enhanced to ensure liquidity management was undertaken with all available information.

27.4 Trade receivables – ECL

As a result of the COVID-19 global pandemic, the Group granted rent deferrals to tenants to provide assistance as a result of the lockdown that was imposed and the resulting economic slowdown. A total of R35 million of rental deferrals were granted in SA and £326k granted in the UK during the current financial year. Since granting the deferrals the Group has seen a promising recovery, with no material defaults and 48% of total deferred rent having been repaid by 28 February 2021. Of the R21.9 million remain outstanding (R19.6m in SA and £109k in the UK), R18.1m is due to be repaid in the next 12 months. At this point in time it is not envisaged that further rent deferrals will be granted to our tenants. A detailed ECL assessment was performed on deferred rent and is disclosed in Note 11: Trade and other receivables.

27.5 Financial liabilities and finance costs

The impact of COVID-19 did not materially impact the ability of the Group to raise debt in the past 12 months, and with the Group expanding investment properties by almost R5bn in the past 12 months, the Group successfully accessed both new bank funding and the primary debt market to raise an additional R2.0bn of funding during the period. Of the funding raised, R1.1bn related to unsecured debt; R0.9bn was raised through debt issued in the primary debt market with a weighted average term to maturity of 2.7 years and R0.2bn accessed from an unsecured general banking facility. In Aug 2020 the Group successfully raised R0.8bn of sustainability-linked funding through the Standard Bank of South Africa. The Group has maintained strong relationships with its bankers and debt investors and fully appreciates the support received from these stakeholders ensuring that the Group remained well funded over the past 12 months.

28 Going concern

Based on an assessment of the Group's current cashflow forecast, its operational environment, geographical diversity and industry trends, the Group believes it will remain both solvent and liquid for the next 12 months, and intends to pay out at least 75% of distributable income. The Directors believe, based on their assessment of the group's financial performance and financial position there is no reasonable material uncertainties about the entity's ability to continue as a going concern for the next 12 months. The Directors remain committed to maintaining its REIT status over the next financial period.

29 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.

30 Property analysis

30.1 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						
Centurion	Centurion, Gauteng	SA	169 966	Note 1	1 400 000	28 Feb 2021
Brackenfell 2	Brackenfell, Western Cape	SA	140 048	Note 1	1 150 000	28 Feb 2021
Scimitar Way	Coventry	UK	19 880	Note 1	953 136	29 Feb 2020
Equites Park – Meadowview 8	Meadowview, Gauteng	SA	42 601	Note 1	897 235	29 Feb 2020
Dodwells Road	Hinckley	UK	27 725	Note 1	872 144	31 Aug 2020
Super G	Wakefield	UK	24 340	Note 1	741 500	28 Feb 2021
Peterborough Gateway 1	Peterborough	UK	28 124	Note 1	736 089	28 Feb 2021
Brackenfell 1	Brackenfell, Western Cape	SA	109 568	Note 1	684 000	28 Feb 2021
Island Road West	Reading	UK	11 027	Note 1	661 050	28 Feb 2021
Germiston 1	Germiston, Gauteng	SA	40 428	Note 1	479 092	29 Feb 2020
Longmeadow	Meadowview, Gauteng	SA	37 834	Note 1	373 455	31 Aug 2020
Equites Park – Meadowview 18	Meadowview, Gauteng	SA	28 527	Note 1	366 100	28 Feb 2021
Peterborough Gateway 2	Peterborough	UK	12 608	Note 1	342 962	28 Feb 2021
The Hub – Unit 3	Burgess Hill	UK	4 961	Note 1	308 874	Note 2
Total Park	Leeds	UK	5 432	Note 1	290 812	Note 2
The Hub – Unit 1	Burgess Hill	UK	3 985	Note 1	290 529	29 Feb 2020
Parc Felindre	Swansea	UK	5 500	Note 1	270 489	31 Aug 2020
New Germany	New Germany, KwaZulu-Natal	SA	28 383	Note 1	260 887	29 Feb 2020
Equites Park – Meadowview 19B	Meadowview, Gauteng	SA	23 010	Note 1	258 782	Note 2
Waterfall 22B	Waterfall, Gauteng	SA	21 043	Note 1	256 404	28 Feb 2021
Equites Park – Lords View 1	Lords View, Gauteng	SA	22 100	Note 1	242 091	31 Aug 2020
Equites Park – Atlantic Hills 1	Atlantic Hills, Western Cape	SA	17 607	Note 1	224 000	28 Feb 2021
Equites Park – Meadowview 19A	Meadowview, Gauteng	SA	21 901	Note 1	223 445	Note 2
Equites Park – Meadowview 11	Meadowview, Gauteng	SA	14 159	Note 1	218 004	29 Feb 2020
Equites Park – Lords view 4	Lords View, Gauteng	SA	15 155	Note 1	211 563	28 Feb 2021
Equites Park – Riverfields 2	Witfontein, Gauteng	SA	17 894	Note 1	197 527	Note 2
Waterfall 8A	Waterfall, Gauteng	SA	12 638	Note 1	189 117	28 Feb 2021
Waterfall 9B	Waterfall, Gauteng	SA	6 650	Note 1	180 065	29 Feb 2020
Philippi 1	Philippi, Western Cape	SA	15 798	Note 1	153 706	29 Feb 2020
Parow Industria 3	Parow, Western Cape	SA	10 226	Note 1	139 529	31 Aug 2020
Waterfall 9D	Waterfall, Gauteng	SA	8 087	Note 1	136 515	29 Feb 2020
Equites Park – Meadowview 3	Meadowview, Gauteng	SA	10 470	Note 1	131 922	28 Feb 2021
Germiston 2	Germiston, Gauteng	SA	13 802	Note 1	124 307	31 Aug 2020

Annual financial statements

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

30 Property analysis continued

30.1 Property schedule continued

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						
Waterfall 8B	Waterfall, Gauteng	SA	8 690	Note 1	122 690	29 Feb 2020
Parow Industria 1	Parow, Western Cape	SA	10 308	Note 1	121 000	28 Feb 2021
Equites Park – Bellville 2	Bellville, Western Cape	SA	9 861	Note 1	115 823	31 Aug 2020
Equites Park – Lords View 2	Lords View, Gauteng	SA	11 366	Note 1	103 800	28 Feb 2021
Waterfall 22C	Waterfall, Gauteng	SA	5 027	Note 1	93 577	28 Feb 2021
Airport Industria 1	Airport Industria, Western Cape	SA	9 388	Note 1	91 686	28 Feb 2021
Epping Industria	Epping, Western Cape	SA	8 177	Note 1	91 287	31 Aug 2020
Parow Industria 2	Parow, Western Cape	SA	7 930	Note 1	76 590	31 Aug 2020
Equites Park – Meadowview 7	Meadowview, Gauteng	SA	8 230	Note 1	71 463	28 Feb 2021
Waterfall 9C	Waterfall, Gauteng	SA	3 219	Note 1	69 444	29 Feb 2020
Waterfall 9A	Waterfall, Gauteng	SA	3 963	Note 1	67 676	29 Feb 2020
Equites Park – Atlantic Hills 2	Atlantic Hills, Western Cape	SA	4 874	Note 1	65 791	29 Feb 2020
Equites Park – Belville 3	Bellville, Western Cape	SA	5 983	Note 1	65 379	31 Aug 2020
Equites Park – Meadowview 6	Meadowview, Gauteng	SA	6 205	Note 1	64 984	29 Feb 2020
Airport Industria 2	Airport Industria, Western Cape	SA	5 661	Note 1	59 473	28 Feb 2021
Equites Park – Atlantic Hills 5	Atlantic Hills, Western Cape	SA	5 844	Note 1	57 145	29 Feb 2020
Waterfall 22A	Waterfall, Gauteng	SA	4 666	Note 1	52 971	31 Aug 2020
Equites Park – Meadowview 4	Meadowview, Gauteng	SA	5 000	Note 1	52 300	28 Feb 2021
Airport Industria 3	Airport Industria, Western Cape	SA	4 855	Note 1	50 602	31 Aug 2020
Milnerton 2	Milnerton, Western Cape	SA	5 150	Note 1	46 897	29 Feb 2020
Equites Park – Atlantic Hills 3	Atlantic Hills, Western Cape	SA	4 200	Note 1	46 400	28 Feb 2021
Airport Industria 5	Airport Industria, Western Cape	SA	2 919	Note 1	44 057	31 Aug 2020
Airport Industria 4	Airport Industria, Western Cape	SA	3 936	Note 1	42 013	31 Aug 2020
Milnerton 3	Milnerton, Western Cape	SA	4 900	Note 1	39 318	29 Feb 2020
Equites Park – Atlantic Hills 4	Atlantic Hills, Western Cape	SA	3 200	Note 1	38 200	28 Feb 2021
Equites Park – Meadowview 2	Meadowview, Gauteng	SA	3 280	Note 1	31 364	28 Feb 2021
Total logistics properties			**1 128 309**	**75.8**	**15 747 264**	
Non-logistics properties						
Industrial						
Equites Park – Belville 1	Bellville, Western Cape	SA	5 239	Note 1	150 719	31 Aug 2020
Airport Industria 76	Airport Industria, Western Cape	SA	5 549	Note 1	82 997	29 Feb 2020
Equites Park – Saxdowne 1	Bellville, Western Cape	SA	4 066	Note 1	61 454	29 Feb 2020
Equites Park – Saxdowne 2	Bellville, Western Cape	SA	1 895	Note 1	33 000	28 Feb 2021
Equites Park – Meadowview 16	Meadowview, Gauteng	SA	1 117	Note 1	22 993	29 Feb 2020
Equites Park – Meadowview Cell Tower 12	Meadowview, Gauteng	SA	98	Note 1	1 270	Note 3
Equites Park – Meadowview Cell Tower 11	Meadowview, Gauteng	SA	81	Note 1	981	Note 3
Total non-logistic properties			**18 045**	**184.3**	**353 414**	
Total income earning properties[1]			**1 146 354**	**77.5**	**16 100 678**	

[1] Excludes properties that are held for sale as at 28 February 2021

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 yet.

Note 3: These properties are not part of our core portfolio and are cell towers on our exisiting sites. Due to its size and the nature of the structure, these are not externally valued by the Group.

Property name	Location	Country	Value (R'000)
Properties under development			
Hoylands Common	Hoylands	UK	413 895
Equites Park Riverfields 1	Witfontein, Gauteng	SA	297 196
Peterbourgh Gateway 3	Peterborough	UK	190 472
Equites Park – Lords View 3	Lords View, Gauteng	SA	61 852
Philippi 2	Philippi, Western Cape	SA	61 384
Airport Industria 6	Airport Industria, Western Cape	SA	35 030
Equites Park – Meadowview 12	Meadowview, Gauteng	SA	33 459
Equites Park – Saxdown 3	Saxdown, Western Cape	SA	26 380
Total properties under development			**1 119 668**
Vacant land			
Zoned industrial land			
Gauteng	Witfontein, Meadowview, Lords view	SA	767 554
United Kingdom	Hoyland	UK	165 805
Western Cape	Saxdown, Parow	SA	159 856
KwaZulu-Natal	Cornubia, Canelands	SA	101 627
Total zoned industrial land			**1 194 843**
Strategic land holdings			
Gauteng	Witfontein, Meadowview	SA	482 897
United Kingdom	Milton Keynes, Peterbourgh, Junction 24 Northampton	UK	803 986
Total strategically held land			**1 286 883**
Total land holdings			**2 481 726**
Total properties, developments and vacant land			**19 702 072**

30.2 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	1 080 425	95.0%	1 100 628	95.9%	66	86.8%
B – Smaller international and national tenants	32 675	2.9%	27 684	2.4%	5	6.6%
C – Other local tenants and sole proprietors	24 236	2.1%	16 641	1.5%	5	6.6%
Vacant lettable properties	–	–	1 401	0.1%	–	–
	1 137 336	**100.0%**	**1 146 354**	**100.0%**	**76**	**100.0%**

30.3 Sectoral profile (including vacancy profile)

	Revenue (R'000)	Revenue (%)	Gross lettable area (m^2)	Gross lettable area %	Vacancy area (m^2)	Vacancy (%)
Logistics	1 079 003	94.9%	1 128 309	98.4%	1 401	0.1%
Industrial	53 380	4.7%	18 045	1.6%	–	–
Office	4 954	0.4%	–	–	–	–
	1 137 336	**100.0%**	**1 146 354**	**100.0%**	**1 401**	**0.1%**

Annual financial statements

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

30 Property analysis continued

30.4 Geographical profile

	Revenue (R'000)	Revenue (%)	Gross lettable area (m^2)	Gross lettable area %
Gauteng	542 833	47.7%	567 207	49.5%
Western Cape	261 307	23.0%	407 182	35.5%
KwaZulu-Natal	29 356	2.6%	28 383	2.5%
United Kingdom	303 840	26.7%	143 582	12.5%
	1 137 336	**100.0%**	**1 146 354**	**100.0%**

30.5 Lease expiry profile

Lease expiry profile based on gross lettable area	Logistics	Industrial	Total
Vacant	0.1%	–	0.1%
Expiry in the year to 28 February 2022	2.3%	0.4%	2.3%
Expiry in the year to 28 February 2023	6.2%	0.0%	6.1%
Expiry in the year to 29 February 2024	7.1%	30.8%	7.5%
Expiry in the year to 28 February 2025	5.9%	46.3%	6.5%
Expiry in the year to 28 February 2026	6.5%	0.0%	6.4%
Thereafter	71.8%	22.5%	71.0%
	100.0%	**100.0%**	**100.0%**

Lease expiry profile based on revenue	Logistics	Industrial	Total
Expiry in the year to 28 February 2022	1.7%	0.2%	1.6%
Expiry in the year to 28 February 2023	7.4%	0.0%	7.1%
Expiry in the year to 29 February 2024	10.8%	25.7%	11.3%
Expiry in the year to 28 February 2025	10.0%	54.9%	11.7%
Expiry in the year to 28 February 2026	4.7%	0.0%	4.5%
Thereafter	65.4%	19.2%	63.6%
	100.0%	**100.0%**	**100.0%**

30.6 Weighted average escalations, lease expiry and initial yield

Sector	Yield (%)[3]	Lease Expiry (years)[4]	Escalation (%)[5]
South Africa – Logistics	8.6	15.6	6.4
South Africa – Industrial	12.0	4.1	8.0
		15.5	**6.4**
United Kingdom – Logistics[2]	4.5	15.1	n/a
Average annualised portfolio		**15.4**	

[2] Majority of the leases for properties in the United Kingdom are structured with five year annual rent reviews and not fixed annual escalations

[3] Based on property valuation

[4] Based on revenue

[5] Based on gross lettable area

Appendix 1

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

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

	Unaudited 28 February 2021 R'000	**Unaudited 29 February 2020 R'000**
Profit or loss for the period (attributable to owners of the parent)	407 499	682 167
Adjusted for:		
Fair value adjustments to investment properties	224 874	(21 764)
Less: Fair value adjustment to investment properties (NCI)	9 553	6 664
Profit or loss on sale of non-current assets	(31 913)	
Headline earnings	**615 960**	**667 067**
Adjusted for:		
Straight-lining of leases adjustment	(48 044)	(80 420)
Fair value adjustments to derivative financial assets and liabilities	230 001	279 316
Equity-settled share-based payment reserve	11 752	11 150
Capital items non-distributable	15 341	2 017
Deferred taxation	108 160	(79 471)
Attributable to NCI	26 632	3 809
Antecedent dividend[1]	20 618	35 899
Distributable earnings	**974 473**	**839 367**

[1] **Antecedent dividend**
In the determination of distributable earnings, an adjustment is made where equity capital is raised during the financial year to avoid diluting the returns of existing shareholders prior to the share issue. During the reporting period, the Group issued the majority of the shares pursuant to the accelerated bookbuild on 3 March 2020 and the two dividend reinvestment programmes in May and October 2020 which gave rise to antecedent earnings included above.

Appendix 1 continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

	28 February 2021 R'000	29 February 2020 R'000
The following inputs impacted the antecedent earnings adjustment:	**Number of shares**	**Number of shares**
Opening balance – shares in issue	554 441 236	503 416 786
Increase in shares in issue as a result of accelerated bookbuild	42 780 748	37 091 989
Dividend reinvestment programme	27 300 638	13 391 072
Shares issued in terms of conditional share plan	813 821	541 399
Share issue in respect of property acquisition	3 379 130	–
Closing balance – shares in issue	**628 715 573**	**554 441 246**

Dividends declared and distribution per share

Total distribution for the year – 2021	**Cents per share**	**R'000**
Interim dividend declared on 12 October 2020 (Dividend number 14)	74.44	457 572
Final dividend declared on 3 May 2021 (Dividend number 15)	80.56	516 901
Total distribution for the year ended 28 February 2021	**155.00**	**974 473**

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**

Appendix 2

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

	Unaudited 28 February 2021 R'000	Unaudited 29 February 2020 R'000
SA REIT Funds from Operations (SA REIT FFO) per share		
Profit for the period (attributable to owners of the parent)	**407 499**	**682 167**
Adjusted for:		
Accounting/specific adjustments:	286 858	(179 805)
Fair value adjustments to:		
Investment property	224 874	(21 764)
Depreciation and amortisation	1 868	1 851
Deferred tax movement recognised in profit or loss	108 160	(79 471)
Straight-lining operating lease adjustment	(48 044)	(80 420)
Adjustments arising from investing activities:	(31 913)	–
Gains on disposal of:		
Subsidiaries	(31 913)	–
Foreign exchange and hedging items:	239 281	279 316
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	230 001	279 316
Foreign exchange losses relating to capital items – realised and unrealised	9 280	
Other adjustments:	56 803	46 371
Non-controlling interests in respect of the above adjustments	36 185	10 473
Antecedent earnings adjustment	20 618	35 899
SA REIT FFO:	**958 528**	**828 049**
Number of shares outstanding at end of period (net of treasury shares)	628 715 573	554 441 246
SA REIT FFO per share (cents):	**152.46**	**149.35**
Company-specific adjustments per share (cents)	2.54	2.04
Payroll costs incurred of a capital nature	0,68	0.42
Equity settled share based payment charge	1.87	2.01
Sundry income of a capital nature	(0.01)	(0.39)
Distributable earnings per share (cents):	**155.00**	**151.39**
SA REIT Net Asset Value (SA REIT NAV)		
Reported NAV attributable to the parent	**10 843 183**	**9 729 590**
Adjustments:		
Dividend to be declared	(516 901)	(433 790)
Fair value of certain derivative financial instruments	202 721	113 133
Deferred tax	(60 643)	(159 870)
SA REIT NAV:	**10 468 360**	**9 249 062**
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	628 715 573	554 441 246
Effect of dilutive instruments	9 803 834	2 050 970
Dilutive number of shares in issue	**638 519 407**	**556 492 216**
SA REIT NAV per share (Rand):	**16.39**	**16.62**

Appendix 2 continued

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

	28 February 2021 R'000
SA REIT cost-to-income ratio	
Expenses	
Operating expenses per IFRS income statement (includes municipal expenses)	163 098
Administrative expenses per IFRS income statement	56 897
Exclude:	
Depreciation expense in relation to property, plant and equipment	(1 868)
Operating costs	**218 127**
Rental income	
Contractual rental income per IFRS income statement (excluding straight-lining)	970 404
Utility and operating recoveries per IFRS income statement	166 932
Gross rental income	**1 137 336**
SA REIT cost-to-income ratio	**19.2%**
SA REIT administrative cost-to-income ratio	
Expenses	
Administrative expenses as per IFRS income statement	56 897
Administrative costs	**56 897**
Rental income	
Contractual rental income per IFRS income statement (excluding straight-lining)	970 404
Utility and operating recoveries per IFRS income statement	166 932
Gross rental income	**1 137 336**
SA REIT administrative cost-to-income ratio	**5.0%**
SA REIT GLA vacancy rate	
Gross lettable area of vacant space	1 401
Gross lettable area of total property portfolio	1 146 354
SA REIT GLA vacancy rate	**0.1%**

Cost of debt	SA	UK
Variable interest-rate borrowings		
Floating reference rate plus weighted average margin	5.35%	1.87%
Fixed interest-rate borrowings		
Weighted average fixed rate	5.32%	2.64%
Pre-adjusted weighted average cost of debt	**5.35%**	**2.35%**
Adjustments:		
Impact of interest rate derivatives	2.00%	0.25%
Impact of cross-currency interest rate swaps	(0.81%)	(0.71%)
Amortised transaction costs imputed into the effective interest rate	0.00%	0.00%
All-in weighted average cost of debt	**6.54%**	**1.89%**

All rates are nominal annual compounded quarterly (nacq)

	28 February 2021 R'000
SA REIT loan-to-value	
Gross debt	6 828 343
Less:	
Cash and cash equivalents (and including short-term deposits)	(612 316)
Add/Less:	
Derivative financial instruments	274 199
Net debt	**6 490 226**
Total assets – per Statement of Financial Position	20 857 199
Less:	
Cash and cash equivalents (and including short-term deposits)	(612 316)
Derivative financial assets	(27 420)
Goodwill and intangible assets	–
Trade and other receivables	(285 700)
Carrying amount of property-related assets	**19 931 763**
SA REIT loan-to-value ("SA REIT LTV")	**32.6%**

Appendix 3

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2021

Shareholder analysis

Shareholder spread	Number of Shareholder Accounts	% of Total Shareholder Accounts	Number of Shares	% of Issued Shares
1 – 1 000	1 850	36.6%	448 295	0.1%
1 001 – 10 000	2 020	39.9%	7 228 717	1.2%
10 001 – 100 000	736	14.5%	23 875 859	3.8%
100 001 – 1 000 000	326	6.4%	115 274 226	18.3%
Over 1 000 000	130	2.6%	481 888 486	76.6%
	5 062	**100.0%**	**628 715 583**	**100.0%**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Shares held	% Held
Banks, Brokers & Nominees	20	0.4%	887 495	0.1%
Close Corporations	41	0.8%	498 263	0.1%
Collective Investment Schemes	330	6.5%	212 182 621	33.8%
Control Accounts and Unclaimed Shares	3	0.1%	14	0.0%
Insurance & Assurance Corporate Funds	17	0.3%	15 088 636	2.4%
Lending, Collateral & Pledged Accounts	26	0.5%	25 582 966	4.1%
Non-SA Custodians	51	1.0%	67 582 954	10.8%
NPO & Charity Funds	70	1.4%	2 026 310	0.3%
Organs of State & Public Entities	15	0.3%	11 931 096	1.9%
Pooled & Mutual Funds	96	1.9%	14 258 948	2.3%
Private Companies	196	3.9%	61 444 042	9.8%
Retail Individuals	3 281	64.8%	18 934 322	3.0%
Retirement Benefit Funds	369	7.3%	171 644 625	27.3%
Trusts & Investment Partnerships	547	10.8%	26 653 291	4.1%
Total	**5 062**	**100.0%**	**628 715 583**	**100.0%**

Shareholder Type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-Public Shareholders	**36**	**0.7%**	**114 506 684**	**18.2%**
Beneficial Holders > 10%	1	0.0%	66 074 085	10.5%
Directors and Associates (Indirect Holdings)	28	0.6%	46 411 629	7.4%
Directors and Associates (Direct Holdings)	7	0.1%	2 020 970	0.3%
Public Shareholders	**5 026**	**99.3%**	**514 208 899**	**81.8%**
Total	**5 062**	**100%**	**628 715 583**	**100%**

Beneficial Shareholders Holding > 3% of Issued Shares	Total shareholding	% Held
Government Employees Pension Fund	74 596 315	11.9%
Old Mutual Group	40 913 184	6.5%
Stanlib	29 325 331	4.7%
Eskom Pension & Provident Fund	25 212 208	4.0%
Sanlam Group	23 847 261	3.8%
JP Morgan (Custodian)	22 642 178	3.6%
State Street Bank (Custodian)	20 127 490	3.2%
	236 663 967	**37.7%**

Fund Managers Holding > 3% of Issued Shares	Total shareholding	% Held
Public Investment Corporation	75 436 670	12.0%
Sesfikile Capital	46 191 279	7.4%
Stanlib Asset Management	42 530 718	6.8%
Old Mutual Investment Group	41 904 442	6.7%
Catalyst Fund Managers	21 654 111	3.4%
	227 717 220	**36.3%**

Beneficial holding by region	Total shareholding	% Held
South Africa	547 348 781	87.1%
United States	60 310 791	9.6%
Mauritius	9 004 000	1.4%
United Kingdom	2 810 553	0.5%
Italy	2 514 677	0.4%
Belgium	2 392 383	0.4%
Balance (not listed above)	4 334 398	0.7%
	628 715 583	**100.0%**

Total number of shareholders	**5 062**
Total number of shares in issue	**628 715 583**

Share price performance	
Opening Price 01 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
Opening Price 02 March 2020	R17.80
Closing Price 26 February 2021	R18.31
Closing High for period (22 February 2021)	R18.73
Closing Low for period (19 March 2020)	R13.02
Number of shares in issue	628 715 583
Volume traded during period	376 581 143
Ratio of volume traded to shares issued	59.9%
Market capitalisation at 26 February 2021	R11 511 782 325

Glossary

AGM – Annual General Meeting
B-BBEE – Broad-Based Black Economic Empowerment
B-BBEE Act – Broad-Based Black Economic Empowerment Act 53 of 2003, as amended
Black – Black as defined in the B-BBEE Act
bps – Basis points
Board – Equites Property Fund Limited's board of directors
CAGR – Compound annual growth rate
CCIRS – Cross-currency interest rate swap
CEO – Chief Executive Officer
CFO – Chief Financial Officer
Chair – Chairperson
CIT – UK Corporations Tax
CODM – Chief operating decision maker
Companies Act – the Companies Act, No. 71 of 2008
Company – Equites Property Fund Limited
COO – Chief Operating Officer
COVID-19 – Coronavirus disease
CRM – Customer relatonship manager
CPS – Cents per share
CSP – Conditional share plan
DAS – Damon At Sons Construction (Pty) Ltd
DC – Distribution centre
DCF – Discounted cash flow
DMTN Programme – Domestic Medium Term Note Programme
DRA – deferred rental arrangements
DRIP – Dividend-reinvestment programme
DPS – Dividend per share
ED – Executive directors
EDGE – Excellence in Design for Greater Efficiencies
ENGL – Equites Newlands Group Limited
EOS – Executive outperformance scheme
Equites – Equites Property Fund Limited
ERP – Enterprise resource planning
ESG – Environmental, Social and Governance
Executive Directors – CEO, CFO and COO
FCA – Financial Conduct Authority
FCTR – Foreign currency translation reserve
FX – Foreign exchange
FY – Financial year
GBP – Pound sterling
GBCSA – Green Building Council in South Africa
GCR – Global credit rating
GDP – Gross domestic product
Group – Equites Property Fund Limited and its subsidiaries
HMRC – Her Majesty's Revenue and Customs
IBOR – Interbank offered rate
ICAS – Independent Counselling and Advisory Services
IFRS – International Financial Reporting Standards
IRR – Internal rate of return
ISDA – International Swaps and Derivatives Association
IT – Information technology
JIBAR – Johannesburg Interbank Average Rate
JSE – Johannesburg Stock Exchange
Kgodisong – Kgodisong Early Childhood Learning Centre
King IV – King IV Report on Corporate Governance for South Africa
KZN – KwaZulu-Natal
LED – Light-emitting diode
Lfl – Like-for-like
LIBOR – London Interbank Offered Rate
LTI – Long-term incentive
LTV – Loan-to-value
MLF – The Michel Lanfranchi Foundation NPC
MOI – Memorandum of Incorporation
MSCI – Morgan Stanley Capital International
NAV – Net asset value
NCI – Non-controlling interest
NED – Non-executive director
Newlands – Newlands Property Developers LLP
NPO – Non-profit organisation
NRLS – Non-resident Landlord Scheme
PFE – Potential future exposure
PSP Investments – Public Sector Investment Board
PwC – Pricewaterhouse Coopers Inc.
REIT – Real Estate Investment Trust
RFP – Request for proposal
RLF – Retail Logistics Fund (RF) (Pty) Ltd
SA – South Africa
SAPOA – South African Property Owners Association
SAPY – South African Property Index
SBSA – Standard Bank of South Africa
SET – Social, Ethics and Transformation
Shoprite – Shoprite Checkers (Pty) Ltd
SMME – Small, medium and micro-enterprises
SOFR – Secured Overnight Financing Rate
Standard Bank – The Standard Bank of South Africa Limited
STI – Short-term incentive
Sustainalytics – Sustainalytics UK Ltd.
TCFD – Task Force on Climate-related Financial Disclosure
TERS – Temporary Employer Relief Scheme
TFG – The Foschini Group
TGP – Total guaranteed pay
TSR – Total shareholder return
UK – United Kingdom
US – United States
VWAP – Volume weighted average price
WALE – Weighted-average lease expiry
WACC – Weighted-average cost of capital
ZAR – South African Rand

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