Integrated Report **2017**

About this report

Report scope and boundary
The report is for the year ended 28 February 2017. This is the third Integrated Report issued by Equites and provides an overview of the operations and performance of both the South African and United Kingdom segments of the company.

Materiality
Equites identifies the concept of materiality to represent any item that could substantively affect the company's ability to create value and influence the decisions of stakeholders

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 Equites. Independent assurance has been provided over all financial and certain non-financial information presented in this report. PricewaterhouseCoopers Inc., as external auditors have issued an unqualified audit opinion on the consolidated and separate financial statements.

Property fundamentals

52	R6.2bn	407 688m²	21.2%	99.9%
Properties	Portfolio value	Rentable area (GLA)	Gearing (LTV)	Occupancy rate (GLA)

Puma Sports Distributors, Atlantic Hills, Cape Town

About Equites

Equites is the only specialist logistics property fund on the JSE. The company is a Real Estate Investment Trust ("REIT") with both the property and asset management functions managed internally. The company listed on the JSE on the 18th of June 2014 with a portfolio value of R1 billion and has grown to a portfolio size in excess of R6 billion at 28 February 2017.

The company aims to provide investors with pure exposure to high quality logistics properties let to investment grade tenants both in South Africa and the United Kingdom. The company has a proven ability to identify and acquire well located logistics assets that meet the requirements of large, institutional tenants. In South Africa, this is complemented with the in-house development of modern logistics facilities, enabled by strategic land holdings.

All the company's assets are in proven logistics nodes near large population centres and major transport links that have predictable patterns of strong rental growth. The company focuses on premium "big-box" distribution centres, let to investment grade tenants on long-dated "triple net" leases, built to institutional specifications. The locations of preference are Cape Town and Gauteng in South Africa and the central Midlands and "last-mile" fulfillment centres near major conurbations in the United Kingdom.

The company controls 35.7 hectares of prime industrial land in Gauteng and Cape Town which is being actively marketed.

Equites team

Back row (left to right): Nasreen Mukuddem, Melanie Brown, Monique Karating, Wouter Hanekom, Gary Masombuka, Olivia Velem, Sharon Daka, Belinda Ortman-Lebona
Front row (left to right): Laila Razack, Bram Goossens, Andrea Taverna-Turisan, Riaan Gous, Hilda Grove
Johannesburg Team (not in picture): Brian Bodys, Jeremy Cooper, Mmatebogo Magopane.

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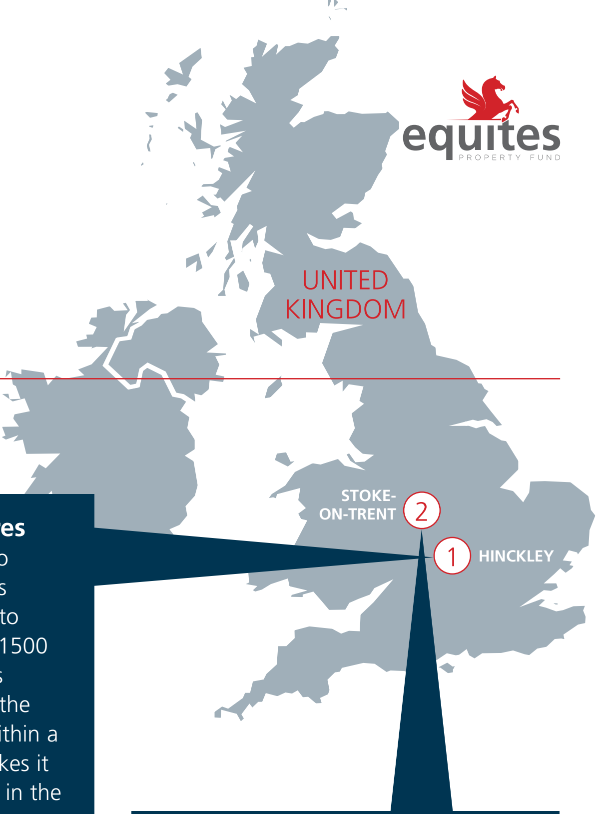
Cummins South Africa, Waterfall, Gauteng

Organisational highlights



United Kingdom expansion

During the current year, Equites expanded into the UK market with the acquisition of two completed distribution centres and another under development.

Equites is seeking to countenance the instability and uncertainty relating to the South African economy, currency and political dispensation, by investing in the UK logistics property sector, a jurisdiction that offers a mature and stable economic and political outlook. The UK property market is one of the most sought after and strongest in the world and the UK is a sophisticated and transparent market with a constant flow of quality information on supply and demand assisting informed decision making.

The UK logistics market has remained resilient through a tumultuous 2016 supported by strong fundamentals in the sector. Demand continues to be driven by the growing demand for online retail sales and growing reliance on e-commerce. Post Brexit, the logistics sector is viewed as a safe haven by property investors due to the defensive nature of the asset class and relatively secure income return.

Equites' investment policy is an exclusive focus on institutional quality big-box logistics assets let to investment grade tenants on long-term leases in key logistics nodes. The group seeks to invest in properties to bolster our existing low-risk defensive logistics portfolio with a strong rental growth profile. The ideal product for Equites International are either key regional warehouses situated in the midlands and "last-mile" fulfilment centres situated near key conurbations.

Regional distribution centres
The Golden Triangle is deemed to be the most sought after logistics hub in the United Kingdom due to its strategic location. More than 1500 logistics and transport businesses operate in the area and 80% of the United Kingdom population is within a 4 hours driving range, which makes it the most desirable logistics node in the United Kingdom.

Last-mile fulfilment centres
There has been a significant growth in occupier demand over the past 36 months which is largely driven by the impact of increasing demand for online retail sales and growing reliance on e-commerce. E-commerce is challenging the traditional supply chain by creating a need to be closer to densely populated areas and as a result distributors have altered their supply chains to supplement regional hubs with "last mile" fulfilment centres. While regional hubs remain important, the "last mile" has become increasingly important and has sparked the desire for Equites to acquire assets in these nodes.

Tesco
GLA 27 725m²
Hinckley

Amazon
GLA 20 410m²
Stoke-on-Trent

DSV
GLA 19 511m²
Stoke-on-Trent
Expected completion in June 2017

Organisation highlights (continued)

Acquisition of EA Waterfall Logistics JV (Pty) Ltd

Effective 1 July 2016, Equites concluded a business venture agreement with Attacq Limited ("Attacq"). This business venture forges a strategic partnership to jointly pursue industrial developments and initially resulted in the acquisition of 8 completed industrial properties for R733 million at Waterfall, Midrand. Equites owns 80% of the business venture and Attacq owns the remaining 20%.

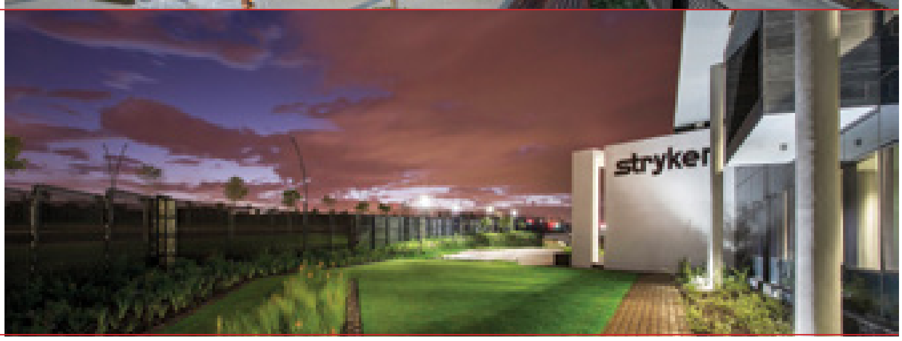
7 of the 8 properties are let to multinationals and the portfolio had an average lease expiry profile of 8.4 years at acquisition and 7.8 years currently. The quality of product, location, covenant and WALE, combined with a very defensive gearing and hedging profile on the portfolio, will result in strong distribution growth for Equites shareholders for many years to come.

Hilti
Winner of SAPOA Industrial Development Category 2016
GLA 3 948m^2

Westcon
GLA 8 087m^2

Drager
GLA 5 090m^2

Stryker
GLA 3 220m^2



equites PROPERTY FUND

Servest
GLA 6 767m^2

Medtronic
GLA 11 082m^2

Angelshack
GLA 4 666m^2

Cummins
50% ownership
GLA 10 504m^2

Organisation highlights (continued)

Building Sustainable Income in South Africa

Equites continues to expand its portfolio in South Africa with the acquisition and development of high-quality logistics properties. During the period under review, the company has completed the development of a cross-docking distribution centre in Epping, which is currently leased to an international tenant and the Africa head office and lead distribution centre for the global footwear apparel company, Puma in Atlantic Hills. Developments currently in process include a head office and distribution centre for Röhlig-Grindrod and a speculative development, which includes the Equites' Gauteng head office. Both these properties are situated in Meadowview, Gauteng. Soon after year end, development commenced on three speculative distribution centres in Atlantic Hills, Cape Town.

Puma Atlantic Hills
Completed development of Puma's new head office and distribution centre in Atlantic Hills, Cape Town in February 2017
GLA 17 598m^2

160 Gunners
Completed cross-docking facility situated in Epping Industria, Cape Town in August 2016.
GLA 8 133m^2

Röhlig-Grindrod

Current development of a head office and distribution centre for Röhlig-Grindrod in Meadowview, Gauteng

GLA 28 527m^2

Expected completion in June 2017

JHB head office and spec build

Current development of a speculative warehouse and office in Meadowview, Gauteng as well as the Equites Gauteng Head Office

GLA 3 280m^2

Expected completion in June 2017

Atlantic Hills Development

Construction of 3 speculative distribution centres in Atlantic Hills, Cape Town, GLA c.16 000m^2

Expected completion in early 2018

Portfolio highlights

"The activities during the period under review were perfectly aligned with the company's strategy of building a sustainable logistics property business based on impeccable property fundamentals that will aim to provide shareholders with stable and sustainable double digit annual distribution growth and strong capital returns." Andrea Taverna Turisan (CEO), May 2017

52 buildings totalling a GLA of 407 688m^2

R6.2bn

Total Portfolio Value of R6.2 billion which includes 35.7 hectares of vacant, zoned industrial land which is available for development

Acquisition of the group's first properties outside South Africa in Hinckley and Stoke-on-Trent in England

Strategic business venture concluded with Attacq, which included the acquisition of 8 Logistics facilities located in Waterfall, Midrand

8.2%

Average RSA valuation yield

6.1%

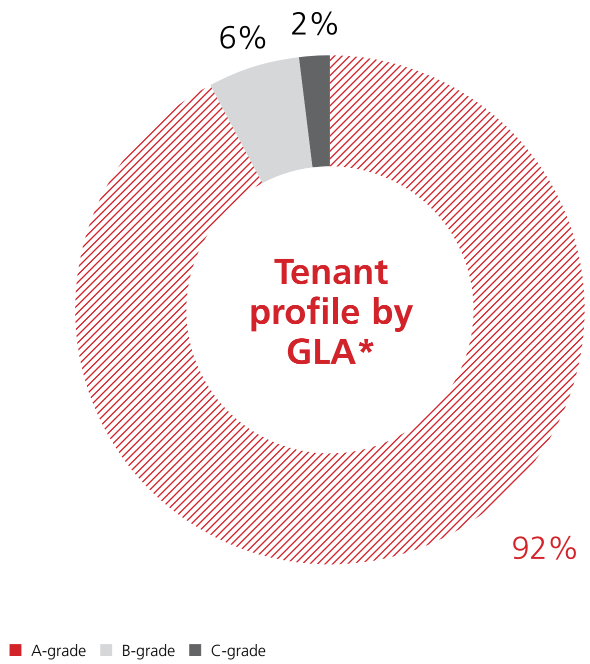
Average UK valuation yield

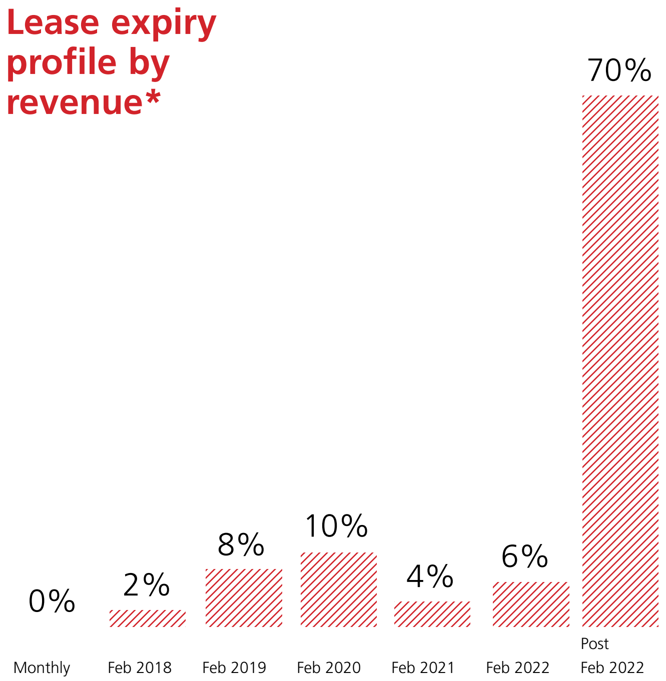
8.0%

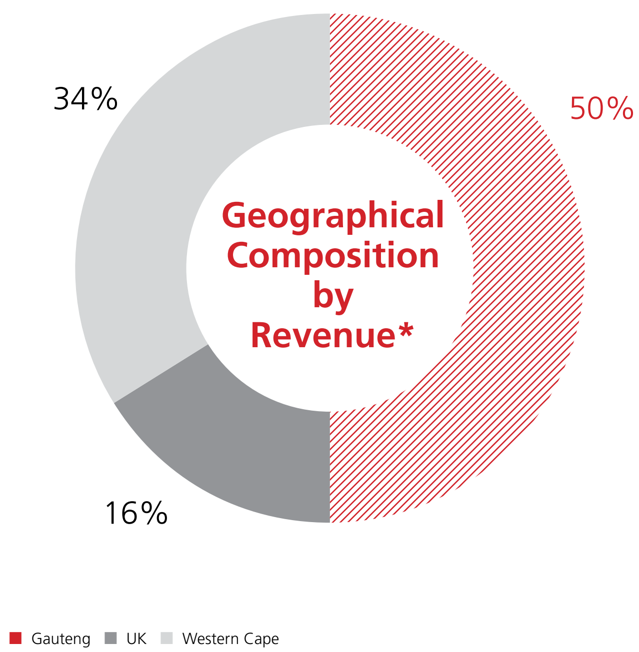
Average escalation

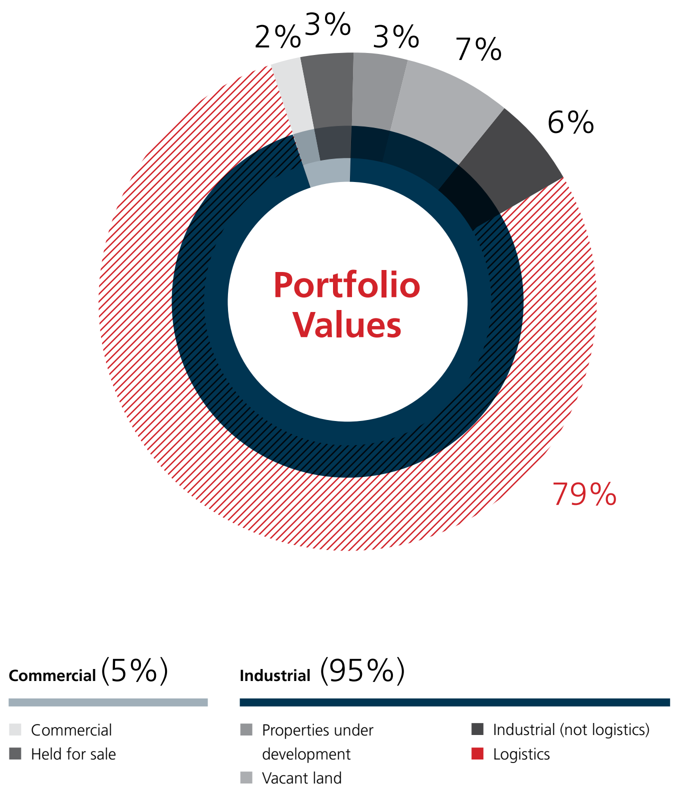
0.1%

Vacancy









*These fundamentals excludes held-for-sale properties.

Financial highlights

9.1%

NAV per share growth of 9.5% from R12.94 to R14.12 for the year

R1 billion

R1 billion capital raised through an accelerated book build in November 2016

14.2%

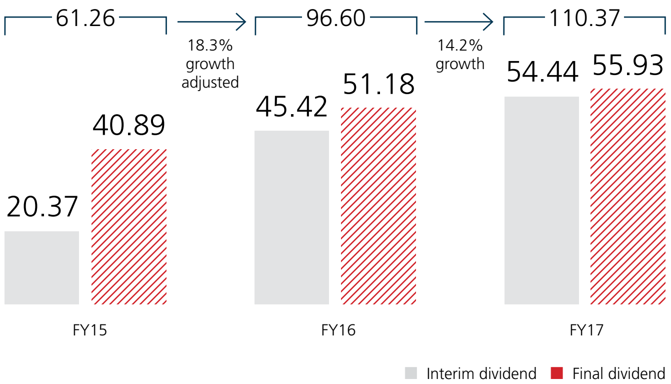
14.2% growth in distribution per share from 96.60 cents to 110.37 cents for the year

21.2%

Gearing ratio grew from 11.8% to 21.2%

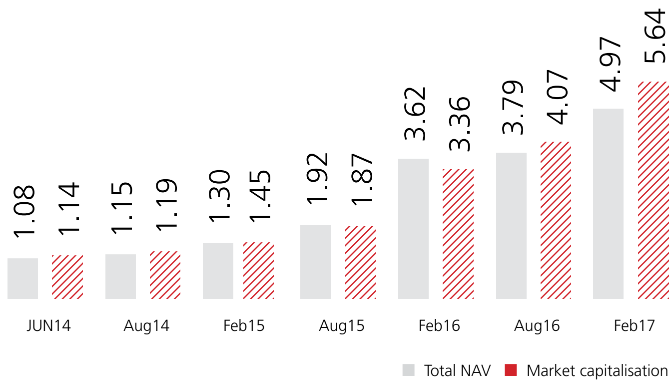
Distribution per share

Cents per share

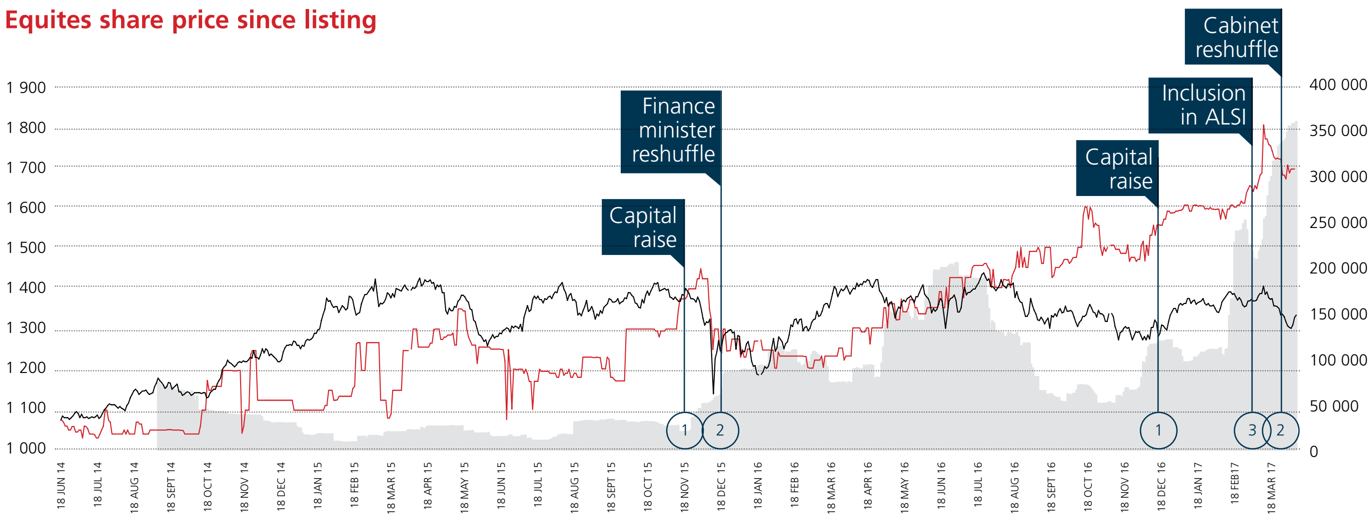


NAV and market capitalisation

R in billions



Equites share price since listing



1. Following the accelerated book builds in November 2015 and November 2016, the trading volumes have increased dramatically

2. The share price has demonstrated resilience despite several shocks to the South African market such as the axing of the finance minister in December 2015 and the recent cabinet reshuffle

3. Equites was included in the ALSI further boosting trading volumes

Volume – 60 day moving average
Closing share price
SAPY

Three year financial review

Equites Property Fund Limited and its subsidiaries

	February 2017 R'000	February 2016 R'000	February 2015 R'000
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Fair value of investment property (excluding straight-lining)	**5 853 590**	4 017 578	1 416 949
Straight-lining lease accrual	**137 803**	93 581	14 928
Property, plant and equipment	**9 186**	1 786	1 847
Derivative financial asset	**134 632**		
Current assets	**383 554**	113 422	12 641
TOTAL ASSETS	**6 518 765**	4 226 367	1 446 365
EQUITY AND LIABILITIES			
Capital and reserves	**4 947 355**	3 620 839	1 301 015
Non-controlling interest	**93 535**	—	—
TOTAL EQUITY	**5 040 889**	3 620 839	1 301 015
Deferred tax liability	**—**	1 424	—
Financial liabilities	**1 383 288**	526 324	127 884
Trade and other payables	**94 587**	77 780	17 466
TOTAL EQUITY AND LIABILITIES	**6 518 765**	4 226 367	1 446 365
STATEMENT OF COMPREHENSIVE INCOME			
PROFIT AND LOSS			
Contractual revenue and tenant recoveries	**458 209**	257 026	115 664
Straight-lining of leases adjustment	**44 222**	78 653	14 928
Other gains	**12 095**	1 248	158
Property operating and management expenses	**(77 408)**	(42 454)	(24 480)
Net property income	**437 118**	294 473	106 270
Administrative expenses	**(27 243)**	(16 627)	(24 075)
Depreciation	**(483)**	(346)	(58)
Operating profit before financing and fair value adjustments	**409 392**	277 500	82 137
Fair value adjustments – investment property	**309 138**	138 529	115 609
Fair value adjustments – financial instruments	**119 687**	4 248	(512)
Operating profit before financing activities	**838 217**	420 277	197 234
Finance costs	**(70 399)**	(40 074)	(15 628)
Finance income	**38 245**	3 667	2 425
Net profit for the year	**806 063**	383 870	184 031

Three year financial review (continued)

Equites Property Fund Limited and its subsidiaries

	February 2017 R'000	February 2016 R'000	February 2015 R'000
STATEMENT OF COMPREHENSIVE INCOME (continued)			
OTHER COMPREHENSIVE INCOME			
Translation of foreign operations	**(173 374)**	—	—
TOTAL COMPREHENSIVE INCOME	**632 689**	383 870	184 031
PROFIT ATTRIBUTABLE TO:			
Owners of the parent	**784 746**	383 870	184 031
Non-controlling interest	**21 317**	—	—
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**611 372**	383 870	184 031
Non-controlling interest	**21 317**	—	—
OTHER INFORMATION			
Distribution per share (cents)	**110.37**	96.60	61.26
Net asset value per share (cents)	**14.12**	12.94	11.37
Headline earnings per share (cents)	**165.26**	147.35	76.08
Loan to value ("LTV") %	**21.2**	12.5	8.8

DSV Healthcare, Meadowview, Gauteng

Board of directors

Independent non-executive directors

Philip Leon Campher (69)

Chairman, BEcon (SU)

After graduating from Stellenbosch University, Leon joined Old Mutual in the investment division in 1973. During the thirteen years with Old Mutual he was an investment analyst and portfolio manager. In 1985 he left Old Mutual to form Syfrets Managed Assets where he was portfolio manager and CEO.

In 1993 Leon Campher left Syfrets and was one of the founding members of Coronation where he was CEO of Coronation Fund Managers and Executive Director of Coronation Holdings. During his time with Coronation he was one of the founders of African Harvest and served as a director of African Harvest. In 2002 Leon retired due to ill health.

In 2003 Leon Campher was instrumental in the formation of the Investment Management Association South Africa (IMASA) where he served as CEO until 2008. In 2008 he played a key role in the formation of the Association for Savings and Investment South Africa (ASISA) and was appointed CEO on 1 October 2008.

Leon currently holds the following directorships:

- ASISA, ASISA Academy, International Investment Funds Association
- Sun International Limited and Brimstone Investment Corporation Limited (All listed on the JSE)
- Business Unity South Africa (BUSA)

Nazeem Khan (61)

BSc (QS) (UKZN), MAQS, PrQS, A.AArb

Nazeem attended the University of Natal (Durban) where he obtained a BSc (QS) degree. He has been in the profession for the past 35 years and has varied experience in all aspects of property development. He is currently a director of the national firm Bham Tayob Khan Matunda (BTKM) Quantity Surveyors with offices throughout South Africa.

Nazeem is a non-executive director at Brimstone Investment Corporation Limited and also serves as the chairman of Brimstone Investment Corporation Limited audit committee.

Ruth Benjamin-Swales (54)

CA (SA) (UCT)

Ruth is currently a senior policy advisor at ASISA, where she is the CEO for the ASISA Foundation and the ASISA Enterprise Development Fund, and serves on the ASISA Transformation Board Committee and the Financial Sector Charter Council.

Ruth is a University of Cape Town graduate and qualified as a CA(SA) in 1989. She was an audit partner with Ernst & Young from 2002 to 2012, where she was responsible for a portfolio of clients primarily in the education and public sectors. Since qualifying, Ruth has served her profession on a number of councils and boards including SAICA and the Independent Regulatory Board for Auditors (IRBA). She has also served on a number of audit and risk committees in the public sector.

Ruth is also a council member of the Cape Peninsula University of Technology where she serves as Chairperson of the Audit and Risk Committee.

Mustaq Brey (63)
BCompt (Hons), CA(SA)

Mustaq is the CEO of Brimstone Investment Corporation Ltd, a company which he co-founded in 1995. A qualified Chartered Accountant by profession, Mustaq currently serves as the chairman of the Oceana Group Ltd, Life Healthcare Ltd and International Frontier Technologies SOC Ltd. He also serves on the boards of AON Re SA (Pty) Ltd, Lion of Africa Insurance Company Ltd, House of Monatic (Pty) Ltd and FPG Property Fund. He serves on and chairs various board committees including the audit committee of the Mandela Rhodes Foundation. Mustaq is an independent director and chairman of the finance committee of Western Province Cricket Association. He is also a trustee of the Jakes Gerwel Foundation.

Gugu Mtetwa (37)
BCom (UCT), PGDA (UCT), CA(SA)

Gugu is a senior executive with over 15 years of experience in the Financial Services and Telecommunications industries, with specific expertise in short and long-term insurance, investment management, real estate and technology. She qualified as a Chartered Accountant in 2004 and was admitted as a partner at PwC in 2008, where her clients included Liberty Properties Limited and Emira Property Fund. In 2012 she became a member of PwC Southern Africa's Management Committee heading up Transformation and Diversity. In 2014 she joined Vodacom as a Managing Executive in Finance. She is currently a non-executive director of the Development Bank of Southern Africa, Santam and Italtile, and serves on some of their audit and risk committees. Gugu was nominated for the "Top 35 CA's under 35 years" in South Africa by SAICA in September 2014.

Board of directors (continued)

Non-independent non-executive directors

Giancarlo Lanfranchi (48)

(Deputy Chair) DipArch (CPUT)

Giancarlo is from a strong civil and building construction background. He is the CEO and founder of Swish Property Group with over 25 years of construction and property experience. Swish Property Group was established in 1995 originating from Lanfranchi Construction, and is a Western Cape focused property group which continues to grow a prestigious portfolio of investments in the industrial, retail, residential, healthcare and renewable energy sectors. Swish Property Group has won numerous NHBRC awards and was accredited for best Brownfields re-development and development initiatives in South Africa over a number of years and for Best High Rise Development in Africa.

Giancarlo holds directorships in:

- Swish Property Group of Companies, (including development management, property management and investment companies);
- My Domain Student Residence;
- Mulilo Renewable Energy and Partners; and

Kevin Dreyer (55)

Kevin runs the development arm of the Cape Town International Airport based consortium and is also a major shareholder in the property portfolio of this consortium. He has substantial knowledge of the Western Cape industrial property sector and has negotiated and implemented several significant transactions in the airport node.

Kevin also owns Automotion Airport Parking Proprietary Limited, which renders valet parking services at the Cape Town International Airport.

André Jacques Gouws (44)

B.Com, B.Compt (Hons), CA(SA)

André qualified as a Chartered Accountant in 1997 and served his articles at Fisher Hoffman Stride. He joined the DigiCore Group on their listing in December 1998 where he was the Financial Director of DigiCore Fleet Management.

He joined Intaprop in 2003 shortly after Intaprop established Kagiso Property Holdings in a joint venture with Kagiso Trust Investments and was the Financial Director of Kagiso Property Holdings from 2004 to 2007.

Following a management buy-out of the property development division from the Kagiso Group in 2007, André was appointed the Managing Director of Intaprop.

He joined the board of Equites Property Fund Ltd in 2015 as a non-executive director following the acquisition by Equites of a portfolio of assets from Intaprop.

Executive directors

Andrea Taverna-Turisan (48) (CEO)
BSc (Honours) (Mathematics and Management) (Kings College, London)

Andrea graduated with a BSc Hons degree in Mathematics and Management from King's College, London. He emigrated to South Africa in 1995 and initially worked as a commercial property broker in Bellville. He was one of the founding members of Rialto Foods, a food import business and was instrumental in growing this business into the Italian food importer of choice of Woolworths.

In 2006, Andrea sold his shares in Rialto and started specialising in the development of distribution warehouses for his own account. He formed Chiluan Holdings Proprietary Limited through which he developed 6 A-grade distribution facilities all of which now form part of the Equites portfolio.

Riaan Gous (51) (COO)
BA (Law), LLB (SU)

Riaan graduated with BA (Law) and LLB degrees from the University of Stellenbosch after which he joined one of SA's leading law firms, Hofmeyr Herbstein Gihwala Inc. (now known as Cliffe Dekker Hofmeyr Inc.). As a director of the firm Riaan practised in the commercial department with a strong focus on mergers and acquisitions and property transactions. In 2001 Riaan joined the Arabella Group as an executive director where he was intimately involved in the development and operational phases of the Arabella property portfolio.

During 2011, Riaan joined Andrea and Giancarlo in their property businesses in anticipation of the Equites listing. During this period he also partnered with them in several property developments and acquisitions.

Bram Goossens (39) (CFO)
BCom (Hons), PGDA (UCT), CA(SA)

Bram completed his tertiary education at the University of Cape Town and undertook his articles with PwC in Cape Town where he was later admitted as a partner. During more than 12 years with PwC he gained wide ranging experience with retail, property and industrial clients, both in South Africa and internationally.

He was responsible for some of PwC's key clients in the Western Cape including Shoprite Holdings Limited. He was also the audit partner for Tradehold Limited – a property company listed on the JSE with a portfolio of commercial properties in the UK. He joined Equites shortly after listing on 1 September 2014.

Chairman's report

"This third Integrated Report reflects a continuation of the excellent financial performance of the company since its listing in June 2014. It also provides the reader with an insight into the group's future strategy."

Hilti South Africa, Waterfall, Gauteng

Leon Campher
Chairman

Delivering Shareholder Value

Equites managed to grow distribution per share by 14.2% compared to the previous financial period. The group has also increased the value of its portfolio of quality assets from R4.1 billion to R6.2 billion. Importantly, this growth in distribution and increased portfolio value have been achieved in combination with an increase in net asset value per share by 9.1% from R12.94 at 29 February 2016 to R14.17 at 28 February 2017. HEPS also grew by a pleasing 12.1% over the same period. This illustrates strong distribution growth without sacrificing long-term shareholder value, not an easy feat in a difficult economic environment.

Our Economic Environment

The South African economy is facing uncertain times with the recent recall of the minister of finance as part of the cabinet reshuffle having compromised the possibility of a more benign inflation and interest rates environment. The depressed economy will invariably have a negative impact on the property sector and lead to a slowdown in development activity.

The Equites board has considered the possible impacts of the current economic climate on our business and has formulated certain strategies to mitigate the risks.

Firstly, the sovereign downgrade has already impacted on the credit ratings of our banks and the resultant increase in their cost of capital will be passed onto the listed property sector, which is a large user of debt capital.

Secondly, the economic uncertainty and lack of economic growth will certainly impact certain sectors of the property industry more than others.

The response of the Equites board to these realities has remained consistent with what was communicated to shareholders in our previous Integrated Report, namely:

- The continuous strength of our balance sheet, and ability to raise capital via both share placements and bank debt, will be of the utmost importance in navigating the storm. The board's decision to embark on a R1 billion capital raise during the latter part of 2016 has resulted in a very healthy loan-to-value ratio of 21.2% at year-end. In addition, 100% of our debt is hedged with a weighted average term to maturity of close to 5 years.
- The company is focused on the logistics sector, which is expected to experience continued strong occupier demand even in a weaker macro climate.
- Equites is actively striving to improve the property fundamentals of its already sound portfolios as follows:
  - All new properties are in the logistics sector.
  - Equites has sold 3 of its 5 office properties and will continue to seek buyers for the remaining 2.
- The company has implemented its previously communicated diversification strategy by acquiring three high-quality logistics properties in the United Kingdom, which is a sophisticated and developed logistics property market.

Governance

Equites is committed to the highest standards of corporate governance. The board regularly reviews the group's structures and systems in a quest for continuous improvement. During the period under review, two additional independent directors were appointed to the board. The 2 new directors, Mustaq Brey and Gugu Mtetwa, come with a wealth of board experience and business acumen and I am sure that they will make a significant contribution to the company.

In Closing

Despite the recent economic setbacks in South Africa, the board is confident that, in the absence of further unforeseen external events, Equites should continue to deliver solid financial results. The board is pursuing a strategy of creating long-term, sustainable financial success. In doing so, it is essential that the group continues to acquire and develop high-quality logistics properties. Such investments may as a result of the current cost of capital take some time to translate into yield accretive properties, but will ultimately ensure the long-term financial sustainability of the group.

In closing, I wish to thank our board of directors and our management team for their invaluable contribution over this past year. Without their hard work and dedication the company would not have achieved so much in less than three years from listing. Equites has had an excellent third financial year and the board remains committed to growing the company to its full potential and delivering value to shareholders.

Leon Campher
Chairman

Cape Town

9 May 2017

Chief executive officer's report

"Equites is building a track record of sector beating annual distribution growth and meaningful growth in net asset value per share."

The Foschini Group distribution centre, Lords View, Gauteng

Andrea Taverna-Turisan
Chief executive officer

Introduction

Since listing in June 2014, the company has delivered a total return of 87.8% to initial shareholders, grown its property portfolio from R1 billion to R6.2 billion and increased its market capitalisation from R1.1 billion to R5.6 billion at year-end.

The company's business is all about creating long-term sustainable growth that will not be compromised for short-term, transient gains. This report will focus on the important aspects of the business and also elaborate on Equites' future strategy.

Financial Performance

Equites' total distributions declared to shareholders for the year ended 28 February 2017 amount to R348.7 million. This is equivalent to 110.37 cents per share, which represents a 14.2% growth in DPS compared to 96.60 cents per share in the prior year. During this period net asset value per share increased by 9.1% from R12.94 at 29 February 2016 to R14.12 at 28 February 2017. Importantly, HEPS also grew by 12.1% during this period. The strong growth in net asset value and HEPS is testimony to our efforts to improve the fundamentals of the property portfolio. Vacancies have dropped to near zero and out of a portfolio of some 407 688m^2 of GLA, the group now only has one small office of 239m^2 vacant.

The South African industrial portfolio contributed some 11.0% to the overall DPS growth of 14.2%. The commercial portfolio proved resilient in a generally reversionary office market, but had a 1.0% negative impact on the overall DPS growth. The balance of the growth is attributable to the UK portfolio. This reinforced the board's previous decision to sell all the company's commercial properties over the medium term. 64.0% of our commercial properties by value were sold during the year, which now make up 1.3% of the portfolio and had a positive effect on our WALE and growth projections. We continue to increase the proportion of "triple net" leases with blue chip tenants, which has led to a reduction in our net property expense ratio from 3.5% in the prior year to 2.5% in the current year. This also reflects the benefits of scale the company is starting to reap from being internally asset and property managed.

Although the company has a stated LTV target range of between 25% – 35%, the board has taken a conservative approach to debt levels as a result of the challenging economic environment and ended the year on an LTV of 21.2%.

Property Fundamentals

Equites has from its inception been determined to build a property portfolio with impeccable property fundamentals. The property fundamentals of the Equites industrial portfolio are probably unrivalled when considering that:

- all our industrial properties are located in proven industrial locations;
- the WALE of the portfolio is 7.1 years with 70.1% of leases by revenue expiring post February 2022;
- there are no vacancies in our industrial portfolio;
- 88.3% of our tenants by revenue are classified in terms of the JSE Listings Requirements as A-grade tenants;
- 37 of the properties (91.0% of the industrial portfolio by value) are modern, A-grade, logistics facilities, which remains Equites asset class focus.

This uncompromising approach may in the short-term inhibit portfolio growth as the lack of economic growth and political uncertainty will impact the pace at which Equites rolls out its development pipeline.

All the acquisitions, disposals and new developments undertaken in this period are consistent with this strategy. Herein below follows a short summary of these activities:

Acquisitions

In May 2016 Equites concluded a joint venture agreement with Attacq Limited ("Attacq"). This joint venture forges a strategic partnership to pursue industrial developments jointly and initially resulted in the acquisition of 8 completed industrial properties for R733 million in the highly visible Waterfall precinct opposite Mall of Africa and Waterfall Commercial District on the Buccleuch interchange.

Equites owns 80% of the joint venture and Attacq owns the remaining 20%. 7 of the 8 properties are let to multinationals and the portfolio had an average lease expiry profile of 8.4 years at acquisition and 7.8 years currently. The quality of product, location, covenant and WALE, combined with a very defensive gearing and hedging

Chief executive officer's report (continued)

profile on the portfolio, will result in strong distribution growth for Equites shareholders for many years to come.

Further acquisitions of high quality logistics property assets are key to our strategy of creating long-term, sustainable cash flows, with a view to enhancing the defensive nature of the portfolio and mitigating the impact of possible future vacancies. Such investments may as a result of the current cost of capital take some time to translate into yield accretive properties, but will ultimately ensure the long-term financial sustainability of the group.

Disposals

In line with the company's strategy to focus exclusively on the logistics sector 3 of its 5 office properties were sold during the period under review. Due to certain outstanding formalities, these properties had not transferred at year end and are classified as "held-for-sale" on the statement of financial position. The remaining 2 offices will also be sold in due course.

Developments

The company has completed the following developments during the past year:

- 8 133m² cross-docking distribution centre in Epping, which is currently let to an international tenant; and
- the 17 598m² Africa head office and main distribution centre let to global footwear apparel company, Puma, in Atlantic Hills, Cape Town.

Developments currently in progress include a 28 527m² head office and distribution centre for Röhlig-Grindrod and a 3 280 m² speculative development as well as the Equites Gauteng regional office. Both these developments are situated in Meadowview Business Estate,Gauteng.

Soon after year end, development also commenced on 3 mid-sized speculative distribution centres in Atlantic Hills, Cape Town.

Equites currently owns 35.7 hectares of land, available for immediate development. Management is currently working on and hope to announce several new developments on these land parcels. The development pipeline is an important part of Equites ability to create quality assets, built to the highest specification, on long-term leases thereby ensuring sustainable income growth for the fund.

UK Expansion

The previous report advised stakeholders that Equites is seeking to counteract the instability and uncertainty relating to the South African economy, currency and political dispensation, by investing in the UK logistics property sector, a jurisdiction that offers a mature and stable economic and political outlook.

During June 2016, Equites acquired a 27 541 m² Tesco distribution centre in Hinckley for £28 million. This property is situated in the heart of the Golden Triangle and let to Tesco, the largest grocery retailer in the UK, until December 2023.

The second acquisition, "Big Stan", is a 20 410 m² fully refurbished and extended distribution centre let on a new 10 year lease expiring in July 2026 to the noteworthy covenant of Amazon, the leading e-retailer in the world. The acquisition price was £17 million. The third property, acquired from the leading global logistics developer, "Prologis", was bought on a development turnkey basis and is let to a high quality tenant, namely DSV, on a 10 year lease expiring in June 2027. This property will achieve practical completion in June 2017.

Recent market research suggests that all three properties will benefit from meaningful rental growth in the years ahead. The Equites management team through its network and knowledge of the UK are working towards having approximately 25% of the portfolio exposed to the UK.

As is evident from the above 3 transactions, the company is following a conservative approach in the UK by focusing on premium built quality big-box distribution centres, tenanted by investment grade tenants on long dated triple net leases, in proven logistics nodes. The locations of preference are the Midlands and "last-mile" fulfilment centres near to major conurbations. The entry into the UK market has afforded Equites exposure to a highly sophisticated logistics market, which is currently benefiting from substantial demand. The current market estimates are that the additional GLA required to fulfil demand over the next 10 years will be approximately 140 million ft^2 (13 million m^2), a 50% increase of total A-grade UK distribution warehousing GLA. This demand coupled with supply side constraints on land, will invariably have a positive impact on rental growth over the next ten years.

This approach is also in line with the group's overall strategy of building a high quality logistics portfolio, consisting of properties with predictable rental growth profiles, that promotes capital growth and increasing income returns in the medium to long-term.

The UK portfolio therefore adds to the quality, defensiveness and income predictability of Equites.

Funding our growth

In the current challenging SA economic climate it is important to maintain a strong balance sheet. Strategically, the company will keep its gearing below 35% and its hedging levels above 80%. At year-end gearing was at 21.2% and 100% of our South African interest-bearing debt was hedged at an average effective all-in marginal rate of 9.11% compared to 8.99% in the prior year. Through applying conservative hedging policies and taking advantage of a depressed yield curve immediately prior to the cabinet reshuffle, the company limited the impact of a 0.25% increase in the repo rate and increased bank margins to 0.12% on its overall marginal cost of South African debt. The group's UK funding is currently 100% hedged at an effective all in rate of 2.78%.

With these low gearing and high hedging percentages Equites is well positioned to capitalise on opportunities that may arise as a result of the difficult trading conditions.

During November 2016 Equites raised R1 billion through an accelerated bookbuild. The company successfully placed 68.97 million shares at 1 450 cents per share with investors. At this level, the bookbuild was fully subscribed.

This capital raise had the effect of broadening the shareholder base, as the company attracted a range of new investors and also received strong support from existing shareholders. During the bookbuild, Equites advised the investors that the proceeds will be utilised to fund its significant acquisition and development pipeline and repay some debt facilities which were used to fund recent acquisitions.

Outlook

The activities during the period under review were perfectly aligned with the company's strategy of building a sustainable logistics property business based on impeccable property fundamentals that will aim to provide shareholders with stable and sustainable double digit annual distribution growth and strong capital returns.

There remains concern regarding the macro economic environment in South Africa, the lack of growth and uncertainty in respect of the outcome of the ruling party's leadership elections. The current volatility will impact on our business as it will in all likelihood impact the cost of capital. Notwithstanding these difficulties, we are confident that as a result of the strong property fundamentals of the Equites portfolio the company will achieve 10% – 12% distribution growth during the next financial period.

This guidance is based on the assumptions that a stable macro-economic environment will prevail, no major corporate failures will occur, the rand / pound exchange rate remains materially unchanged and tenants will be able to absorb the recovery of rising utility costs and municipal rates. This forecast has not been audited or reviewed by Equites' auditors.

Acknowledgements

I want to take this opportunity to express my gratitude to the board for their support during this period, especially our chair Leon Campher for his guidance and advice.

I also want to thank my fellow executives and all employees for all their hard work and dedication.

Finally, a big thank you to all our tenants for their support. Without you we would not have a business.

Andrea Taverna-Turisan
Chief executive officer

Cape Town
9 May 2017

Big Stan, United Kingdom

Social and ethics committee report

As Equites entered its third year of operations, the board sought to place an increased emphasis on social, ethics and transformation issues facing South African businesses, the economy and the country as a whole. The group has always strived to align its business with the principles outlined in the King III Report on Corporate Governance in South Africa (2009) and with the release of the new King IV Report, the group has re-evaluated its position on various key matters and sought to once again align itself with best practice as outlined in the report. The group remains guided by the JSE's Socially Responsibility Investing Index criteria as well as the requirements relating to Social and Ethics Committees as set out in the Companies Act, no 71 of 2008.

The Social, Ethics and Transformation committee ("the committee") is responsible for determining the social, ethics and transformation goals of the group, for stratifying them by order of importance and attainability, and for devising a strategy to ensure the group meets these goals. The committee consists primarily of non-executive directors who collectively possess a vast amount of knowledge and experience in this area. The committee is led by Giancarlo Lanfranchi (Chair of the committee, non-executive), Leon Campher (Chairman of the board, non-executive), Ruth Benjamin Swales (non-executive), Gugu Mtetwa (non-executive) and Riaan Gous.

Terms of reference

The duties and responsibilities of the committee are set out in a formal terms of reference which has been approved by both the committee and the board of directors. The main duties of the committee include, but are not limited to the following:

– Review and approve the policy, strategy and structure to manage social, ethics and transformational matters in the company
– Oversee the monitoring, assessment and measurement of the company's position in terms of the goals and purposes of:
  - The Broad-Based Black Economic Empowerment Act
  - The Employment Equity Act
  - The 10 principles set out in the United Nations Global Compact Principles
  - The OECD recommendations regarding corruption (see the Organisation for Economic Co-operation and Development (OECD) website for further details (www.oecd.org))

– Monitor and assess the group's activities with regard to the following key areas of social responsibility:
  - Transformation – to monitor and oversee the group's transformation policy, keeping abreast of the latest developments in the BBBEE legislation and ensuring that the group adopts a sustainable and impactful approach to transformation.
  - Good corporate citizenship – to monitor and oversee the group's promotion of equality, addressing of corruption, contribution to development of the communities in which its activities are predominantly marketed, and record of sponsorship and donations.
  - Labour and employment – to oversee the monitoring of the group's labour and employment practices.
  - Environmental, health and public safety – oversee the monitoring, assessment and measurement of the company's activities relating to the environment and health and public safety.
  - Consumer relationships – oversee the monitoring, assessment and measurement of the company's consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws in order to ensure that company adheres to its values.
  - Good corporate citizenship – review and approve the policy and strategy pertaining to the company's programme of corporate social investment.
  - Stakeholder engagement – review the adequacy and effectiveness of the company's engagement and interaction with its stakeholders.

Social and ethics committee report (continued)

In fulfilling all of the aforementioned responsibilities, the committee continuously considers substantive national and international regulatory developments as well as best practice in the fields of social, ethics and transformation management.

Initiatives

Transformation

Equites aligns all its broad-based black economic empowerment reporting to the Property Sector Transformation Charter. This year the group achieved a level six rating on the scorecard and while the committee recognises the challenges presented in the proposed draft revised Property Sector codes, the committee have outlined a detailed plan to ensure that the group achieves at least a level four rating in the next review cycle.

In the current year, Equites scored well in two particular areas – that of employment equity and enterprise development. The healthy employment equity score is reflective of a diverse staff base which has primarily been selected on a merit basis and has grown organically to suit the needs of the business. The high enterprise development score is largely as a result of contributions to our enterprise development partner, which is discussed in detail below. These elements will continue to be a priority for the group and we aim to maintain these high standards in the forthcoming year.

Efforts to increase transformation are focused on all the elements of the score card but is initially targeted at equity ownership, management control and skills development as the committee deems these to be the areas in which Equites is able to make the most meaningful contribution towards a transformed society.

Enterprise development

The group has partnered with a local black-owned construction firm, Damon at Sons Construction (Pty) Ltd ("DAS") to provide ongoing financial support, administrative support and professional mentoring. Through its continued support to DAS, Equites has helped the business and its staff base to grow exponentially and the company currently employs fifteen permanent staff and at least forty casual labourers, all of them being previously disadvantaged South Africans. Equites remains DAS's largest client with the Epping warehouse at 160 Gunners Circle being the largest project completed by DAS to date.

Damon at Sons Construction – enterprise development partner.

Skills development

Equites believes that true transformation begins at a grassroots level and that education is the key to a truly transformed society. During the year under review, the group launched the "Equites Learnership" programme which is being piloted with nine previously disadvantaged learners. These learners have embarked on a one year programme which will equip them with various skills and allow them to be absorbed into the workforce at the end of the period.

Equites also continues to develop talent from within the organisation by giving employees the opportunity to acquire skills, knowledge and competencies in their roles. Equites uses a multi-faceted approach which includes on-the-job training, coaching, workshops and bursaries for employees wishing to further their tertiary studies.

Future focus

Equites has embarked on a programme to house all CSR initiatives in a vehicle called the "Equites Foundation". This vehicle will provide the group with the ability to target its CSR spend, collaborate with organizations which have similar objectives in our targeted areas of impact and to monitor these in a more manageable fashion. An annual study bursary will also form part of this programme.

Conclusion

During the period under review, no substantive non-compliance with legislation and regulations, or non-adherence with the codes of best practice, relating to the areas within the mandate of the committee, has been brought to its attention. The committee is satisfied that the group continues to recognize its social responsibility and is constantly seeking to evolve its processes to effect meaningful change.

The process of making a meaningful contribution in any one of these arenas is by no means a short-term initiative and the committee fully asserts that investments in these areas will bear fruits which will become increasingly evident in years to come.

Giancarlo Lanfranchi
Chair: Social and Ethics Committee

Cape Town
9 May 2017

Sustainability report

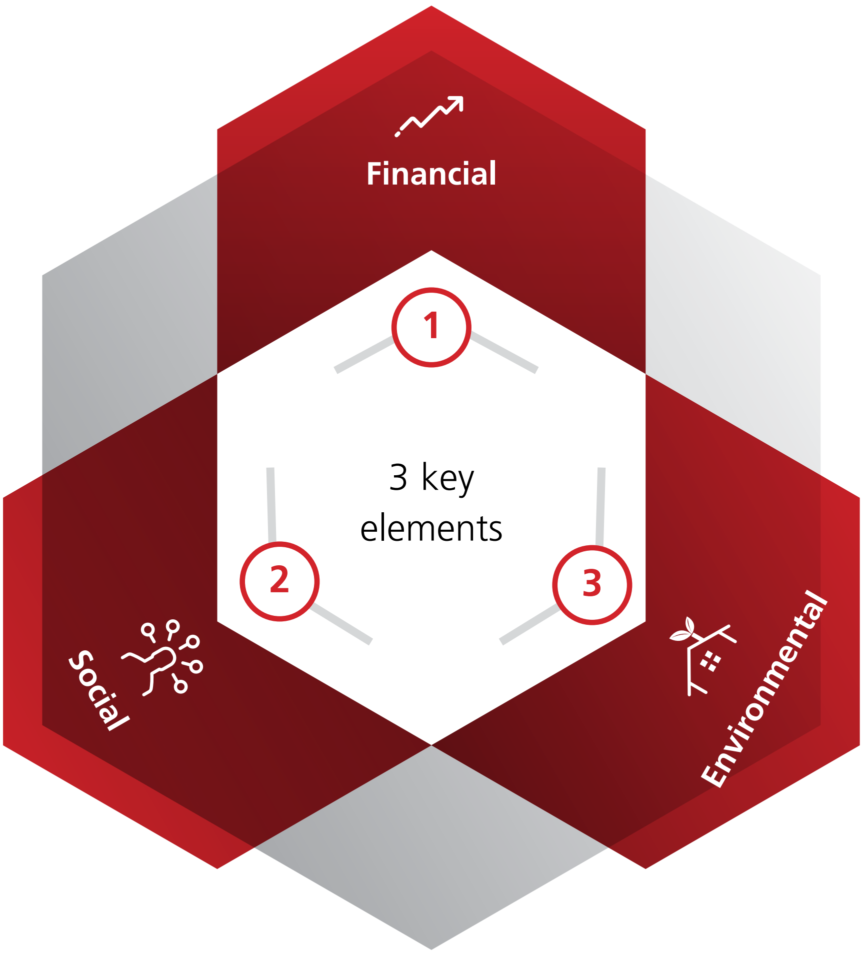
Introduction

Sustainability reporting combines economic performance with social responsibility and environmental care. It aims to help businesses set goals. It also measures performance and manages change towards sustainability. In commerce, sustainability is often defined with reference to the "triple bottom line" concept. This concept encourages the measurement of sustainability with reference to financial, social and environmental aspects. Equites strongly believes that for a company to prosper over the long-term, we must create value for shareholders and for society.

Triton Express, Meadowview, Gauteng

Guided by our focus on developing buildings and portfolios in key nodes in South Africa, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through job creation, focusing on education in previously disadvantaged communities, building supplier and enterprise development partnerships and leveraging the value in our diverse employee and stakeholder base. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that reduces the negative impact our planet.

Sustainability at Equites is focused on 3 key elements



The financial elements of our business has been dealt with extensively throughout this Integrated Report, and as such, this report focuses primarily on the remaining two elements of sustainability.

1. Financial

- Building a sustainable business model to position the group's long-term growth and stability;
- Strong focus on property fundamentals to ensure that we remain true to our core business;
- Identifying potential macro-economic risks and effectively hedging negative exposures.

2. Social

- Focus on attracting and developing a strong, capable and diverse workforce;
- Creating a work environment and society free from discrimination;
- Upliftment of employees through opportunities to access ongoing training and education;
- Support local communities through promotion of education;
- Promotion of entrepreneurship through focused supplier and enterprise development.

3. Environmental

- Create a safe and healthy workplace and reduce the environmental footprint of our business;
- Incorporate environmental consciousness into all business activities.

Sustainability report (continued)

Social

Human capital

There is no doubt that a large part of the group's success is due to the quality of its people. We have always maintained that in order to achieve the vision of the group, a highly skilled and diverse team is essential. We are confident that we have employed a unique team with the talent and ability to keep taking the group to unpresented heights.

During the year under review, Equites adopted a new performance appraisal and employee engagement process to identify areas of strengths, weaknesses and potential improvements across various areas of the business and specific to the employee as well. Every member of the team has very specific key performance areas which are being managed and reviewed continuously; this process has ensured that the employees are not only monitored by management, but perform critical self-evaluation, which has been proven to be highly effective.
The feedback from employees served as invaluable insight into the minds of the workforce. Overall, the process highlighted that the majority of employees felt appreciated, engaged and motivated and found that Equites served as a perfect breeding ground for self-development and growth.

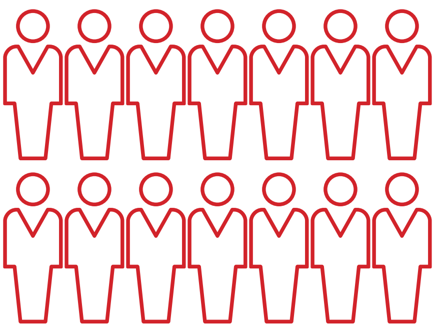
Our focus on employee empowerment has always been of paramount importance. Our group was founded by entrepreneurs and this entrepreneurial spirit remains one of our key philosophies. In an attempt to nurture this spirit in our people, we have implemented a high performance culture where we seek to empower our staff and encourage them to take ownership and make a difference.

We currently employ fourteen people (excluding executive directors), ten of whom are from previously disadvantaged backgrounds. We subscribe to the principle that diversity is essential to create a strong, vibrant and successful enterprise. As a consequence, our recruitment philosophy is to employ the best person for the job, giving preference to previously disadvantaged candidates. Nine of our staff compliment are female and we will also remain mindful of the importance of gender representation as we grow our staff compliment.

In order to attract and retain the right people, we have implemented a remuneration system for all employees that consist of a fixed salary, a short-term incentive and a long-term share based incentive. Funds are also made available for staff training and bursaries are made available to staff members looking to further their tertiary education. Ultimately, the company is seeking an alignment of interests with its staff, with all staff benefitting appropriately as the group creates value for its shareholders.

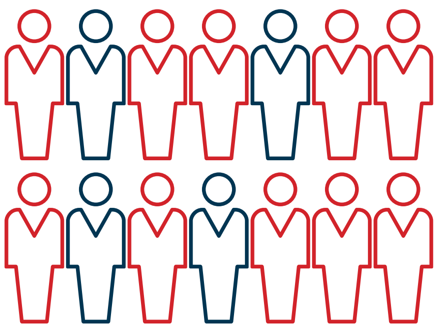
14

Full time employees



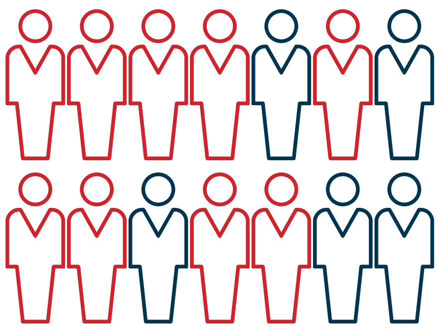
71%

Previously disadvantaged employees



64%

Female employees



Contribution to society

Our approach to corporate social spend focuses mainly on education and entrepreneurship. We believe that to focus on education and entrepreneurship is an effective way to create opportunities for employment, wealth creation and to stimulate socio-economic growth in our struggling economy.

We have embarked on the "Equites Learnership" programme which is currently focused on equipping nine previously disadvantaged learners gain valuable skills to enable them to be absorbed into the workforce. We hope to run this programme on an annual basis and will continue to support unskilled, disadvantaged learners to seek meaningful positions of employment.

Our strong belief in the values of entrepreneurship has led us to partner with a construction company, Damon at Sons Construction (Pty) Ltd to grow a small construction company into a large scale business which provides employment to more than thirty employees, all from previously disadvantaged backgrounds.

Environmental impact and health and safety

Equites is committed to creating a safe and healthy workplace and reducing the environmental footprint of our business. We are invested in a long-term asset class and are fully aware of the fact that the reckless use of our natural resources today will negatively impact our ability to create value in the future.

We recognise that we live in a water scarce country and that we are facing a growing gap between water supply and demand being perpetuated by a changing global climate. We also recognise that there is growing uncertainty relating to sustainable electricity supply and pricing and as such we need to keep abreast of all developments in this sector and investigate energy saving mechanisms and alternative energy sources which make commercial sense. Lastly, we believe that climate change is a reality and we need assess our climate change risks on an ongoing basis and identify opportunities that may have an impact on the country, its people and our organisation.

The founders of the group all strived to develop in an environmentally sustainable manner and we will embrace this philosophy as we develop new products. In this regard, we will include environmental best practice principles in our brief to our development team and ensure that these principles are incorporated into the final design. Our environmental strategy focuses on facilitating the reduction of our environmental footprint while maintaining a positive effect on asset values. We also wish to share positive practices and influence our stakeholders and business partners towards greater sustainability activity.

The first fully completed green fields development undertaken by Equites is located on the Lords View Industrial Park in Midrand, which has been planned as an environmentally friendly, eco-sensitive industrial logistics park. This industrial park makes use of the latest developments in green township development and boasts landscaped central storm water attenuation ponds eliminating the need for tenants to attenuate themselves. These functional ponds will form the 'Green Lung' of the development and provide running tracks, park benches and other facilities for staff to enjoy.

Moreover, negotiations for the development of a Municipal Solid Waste Plant are at an advanced stage. Once built this plant will make available a further 20MVA of electricity supply which in turn could be made available to users within the park. The carbon emission from this plant would be equivalent to the carbon emission of 6 cars.

We have consistently focused on reducing the water and energy consumption at our various buildings. We are exploring photo-voltaic technology and other energy efficient saving methods to curtail electricity costs and we strive to optimise water usage through efficient equipment and recycling opportunities such as the use of grey water where possible.

Our approach to corporate social spend focuses mainly on education and entrepreneurship. We believe that to focus on education and entrepreneurship is an effective way to create opportunities for employment, wealth creation and to stimulate socio-economic growth in our struggling economy.

Corporate governance report

The board is committed to upholding good ethical standards and the application of corporate governance principles. Except as explained, the company has fully applied the King Code on Corporate Governance for South Africa ("King III") and as required by the JSE, a full register of King III compliance is available on the company's website – www.equites.co.za

Board of directors

The board comprises 11 directors, of which 8 are non-executive and 3 are executive. Of the non-executive directors, 5 (62.5%) are independent. To strengthen corporate governance and board oversight, two new independent non-executive directors were appointed during the year. Mustaq Brey was appointed on 26 September 2016 and Gugu Mtetwa was appointed on 1 February 2017.

Executive directors have service contracts with 6 month notice periods. The board members have a diverse range of qualifications and experience, which enables them to contribute meaningfully to the management of the group. The board is satisfied with the depth of the collective experience of the non-executive directors and is satisfied that there is sufficient independence of mind on the board. Conflicts of interest, as they arise, are also appropriately dealt with.

One third of the non-executive directors must resign and stand for re-election at each annual general meeting.

All board appointments are motivated by the nomination committee in terms of their formal terms of reference and policy on appointments. All appointments are subject to approval by the board as a whole.

The board has considered and applied a policy incorporating gender diversity in the nomination and appointment of directors.

Two directors were appointed during the year, one of which being female. This is within the targets set by the board and will remain a key consideration in future appointments.

The board meets at least 4 times a year, but will meet more often if circumstances so require. The table below sets out the board meetings that were held during the reporting period and their attendance.

Date	05/05/2016	26/09/2016	12/10/2016	26/01/2017
Director				
Leon Campher*	●	●	●	●
Nazeem Khan*	●	●	●	●
Ruth Benjamin-Swales*	○	●	●	●
Mustaq Brey*	+	●	●	●
Gugu Mtetwa*	+	+	+	+
Giancarlo Lanfranchi	●	●	●	●
Kevin Dreyer	●	●	●	●
André Gouws	●	●	●	●
Andrea Taverna-Turisan**	●	●	●	●
Riaan Gous**	●	●	●	●
Bram Goossens**	●	●	●	●

* Independent
** Executive director
● Attended
○ Absent with apologies
\+ Not a director at the time

Chairman and chief executive officer

The roles of the chairman of the board and the chief executive officer are separated and clearly defined.

The chief executive officer (Andrea Taverna-Turisan), is responsible for the day-to-day management of the group and implementation of the strategy and objectives adopted by the board. He is assisted by the other 2 executive directors and members of senior staff.

The chairman of the board (Leon Campher) is an independent non-executive director and he takes overall responsibility for managing the relationship between the board, the chief executive officer and the various board committees. He sets the agendas for the board meetings and ensures adequate time is devoted to developing the group's strategy.

Board Committees

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

Composition of committees

The members of all the board committees are set out below.

Audit and risk committee	Investment committee	Remuneration committee	Nomination committee	Social and ethics committee
Ruth Benjamin-Swales (Chair)	Leon Campher (Chair)	Nazeem Khan (Chair)	Leon Campher (Chair)	Giancarlo Lanfranchi (Chair)
Leon Campher	Nazeem Khan	Leon Campher	Nazeem Khan	Leon Campher
Nazeem Khan	Giancarlo Lanfranchi	Ruth Benjamin-Swales	Ruth Benjamin-Swales	Riaan Gous
Mustaq Brey	Kevin Dreyer		Gugu Mtetwa	Gugu Mtetwa
Gugu Mtetwa	André Gouws			

Audit and risk committee

The primary responsibility of the audit and risk committee is to assist the board in overseeing integrated reporting and ensuring the financial integrity of the annual financial statements and other financial reporting. This committee is chaired by Ruth Benjamin-Swales, an independent non-executive director, whose previous experience, especially as an audit partner for Ernst & Young, makes her ideally suited for this responsibility.

Investment committee

In the light of the increased volume and magnitude of transactions being evaluated by the company, the investment committee was constituted in August 2015. This committee is chaired by Leon Campher and its primary role is to review material transactions identified by the executive (including material acquisitions, developments, mergers and disposals) on an ongoing basis and make recommendations to the board in this regard. The committee also assists and advises the executive on such transactions.

Remuneration committee

The remuneration committee is chaired by Nazeem Khan, an independent non-executive director, and ensures that the group adopts a remuneration policy that is fair and transparent and attracts and retains executive talent that contributes to the achievement of the group's objectives.

Nomination committee

The chairman of the board, Leon Campher, also chairs the nomination committee. This committee assists with the appointments of directors.

Social and ethics committee

The social and ethics committee is a statutory committee whose focus is to monitor compliance with labour legislation and group's corporate social responsibilities. This committee is chaired by Giancarlo Lanfranchi, a non-executive director.

Corporate governance report (continued)

Attendance of board committee meetings

Director	Leon Campher	Nazeem Khan	Ruth Benjamin-Swales	Mustaq Brey	Gugu Mtetwa	Giancarlo Lanfranchi	Kevin Dreyer	André Gouws	Riaan Gous
Committee									
Audit and risk committee									
3 May 2016	●	●	●	+	+	*	*	*	*
10 October 2016	●	●	●	+	+	*	*	*	*
14 October 2016	●	●	●	●	+	*	*	*	*
Investment committee									
21 April 2016	●	●	*	*	*	●	●	●	*
26 August 2016	●	●	*	*	*	○	●	●	*
10 October 2016	●	●	*	*	*	○	●	●	*
Remuneration committee									
3 May 2016	●	●	●	*	*	*	*	*	*
10 October 2016	●	●	●	*	*	*	*	*	*
23 January 2017	●	●	●	*	*	*	*	*	*
Nomination committee									
10 October 2016	●	●	●	*	+	●	*	*	*
23 January 2017	●	●	●	*	+	*	*	*	*
Social and ethics committee									
23 January 2017	●	*	●	*	+	●	*	*	●

● Attended
○ Absent with apologies
+ Not a director at the time
* Not a member of this committee

Conflicts of interest and directors' personal interests

Directors are required to declare their personal financial interests and those of related persons in contracts with the group. A register in this regard is maintained and reviewed at each board meeting.

Directors are asked to recuse themselves from any discussions and decisions where they have a material financial interest.

Company Secretary

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

Risk management report

Assisted by the audit and risk committee, the board has adopted a risk management policy based on mitigating identified risks to the group to acceptable levels and in line with industry practice. The policy specifically prohibits the group from entering into any derivative transactions that are not in the ordinary course of the group's business as required by the JSE.

Risk management is an integral part of the group's strategic management and is essential to ensure quality growth in the net asset value of the group, which will translate into sustainable distribution growth.

The group employs a risk management framework to:

– Identify risk factors which may have a material impact on the group's operations.
– Formulate a mitigating response for each area of impact.
– Monitor progress against mitigating targets.
– Review and revise identified risks on an ongoing basis.

The audit and risk committee oversees the risk management framework and has an ongoing responsibility to monitor the group's risk management process.

The table below summarises the key risk factors identified and how these have been mitigated:

Risk Factor	Areas of impact	Company response	Status
Development risk	– Revenue generation – Increased costs which are not recoverable by tenants	– QS involvement in all developments – Appointment of external project managers – Protective provisions in leases	– Fully implemented on current projects
Bankruptcy risk	– Inability to settle creditors and funding obligations as they become due	– Strong balance sheet with long dated leases in place to generate sustainable cash flows – Continue to manage overheads and improve project performance	– Current LTV of 21.2%, which is well below the 60% allowable limit – Over R1 billion of undrawn facilities available from reputable banks – No breach in financial covenants to date
Stakeholder risk	– Access to capital – Share price and liquidity – Market credibility – Tenant satisfaction	– Regular meetings with major shareholders – Close interaction with Corporate advisors (Java Capital, auditors, CDH) – Regular engagement with key tenants to monitor satisfaction with building and operational standards	– Ongoing

Risk management report (continued)

Risk Factor	Areas of impact	Company response	Status
Macro-economic environment	– Access to capital – Interest rate risk – Tenant defaults	– Conservative LTV target of 25-35% and maintenance of adequate banking facilities – Hedging target of 80% – Focus on blue-chip tenants and generic buildings	– Current LTV 21.2% – Over R1 billion of undrawn facilities available from reputable banks – Currently 100% hedged – Majority of tenants are large listed, national or international tenants – No bad debts
Rapid increase in utility costs, especially property taxes and electricity	– Pressure on tenants for recovered utilities – Pressure on profitability for non-recovered costs	– Investigating use of renewable energy sources and energy saving technology – Focus on tenants with fully recovering and maintaining leases	– Lord's View in Midrand industrial park has a waste-to-energy facility – 88% of lettable space comprises industrial tenants with fully recovering leases
Tenant default	– Sustainability or revenue and distribution – Vacancies	– Credit vetting process and preference for blue chip tenants – Active client engagement and regular review of arrears	– No material bad debts – Total vacancies less than 0.1%
Retention of key staff and adequate human resourcing	– Loss of key staff or being under resourced will impact the ability to achieve the group's objectives	– Assessing the capacity of available staff and closely monitoring staffing requirements as the business grows – Implementation of long-term and short-term incentive schemes	– Employed additional staff members in both the finance and operational sides of the business – Share awards granted in terms of the long-term incentive scheme – Short-term bonus scheme implemented in the prior year

Risk Factor	Areas of impact	Company response	Status
Gradual or sudden destruction of properties	– Buildings destroyed by acts of God – Properties not properly maintained and deteriorate over time	– Ensure adequate insurance cover is maintained – Ensure properties are continuously maintained	– Comprehensive commercial insurance in place. Full insurance replacement valuation undertaken in prior year to ensure adequacy of cover – Property operational team employed and detailed maintenance schedule drafted
Compliance with laws and regulations	– Penalties, operational risk from non-compliance with legislation – Sanctions and risks associated with non-compliance with JSE regulations – Risk of losing REIT status	– Employment of suitably skilled and experienced staff and executive – Engage external specialists – Adequate internal and external training – Active monitoring of regulatory requirements for REITs	– Executives and staff considered to be more than adequately qualified and experienced – Corporate advisors and auditors very experienced in listed property companies – Employees regularly attend conferences and relevant training – Group complying with current REIT requirements
Foreign currency risk	– Translation of foreign subsidiaries – Cross-border transactions	– Monitor exchange rate exposures regularly – Actively hedge against foreign currency exposures	– Cross-currency swaps to the value of R600 million have been concluded
Transformation risk	– Social responsibility – Retention of key clients	– Actively monitor transformation in the group and develop a plan to implement true transformation as envisaged by the BBBEE codes	– Currently rated level 6 on the scorecard with measures implemented to boost score to level 4 in the next reporting period – Several projects including Equites learnership and enterprise development programme implemented in the current year

Remuneration report

This report sets out the group's remuneration policy including short-term and long-term incentives and how this policy has been implemented in the current year.

Remuneration committee
In line with best practice set out in King III, the group's remuneration committee is appointed by the board of directors and has delegated authority, in accordance with its terms of reference, to review and make decisions regarding the group's remuneration policies and implementation thereof. The terms of reference were formally adopted by the board of directors during the current reporting period and the three members of the committee were appointed as follows:

- Nazeem Khan (Chairman)
- Leon Campher
- Ruth Benjamin-Swales

All members of the committee are independent non-executive directors and they met three times during the current reporting period. Other members of the board of directors and external consultants attend the meetings on invitation.

The remuneration committee appointed an external reward consultant, Pricewaterhouse-Coopers Advisory Services, to assist in the formulation and implementation of the group's remuneration policy.

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

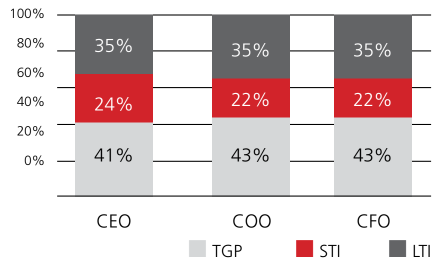
- Review and formulation of the group's remuneration policy, which encompasses recruitment, retention and termination of senior executives.
- Approval of overall pay mix for executive directors, including long-term incentives ("LTI") and short-term incentives ("STI").
- Approval of the group's LTI as a conditional share plan ("CSP") and approval of the related performance and service vesting conditions.
- Approval of short-term bonus scheme and related performance metrics.
- Approval of non-executive directors' emoluments and increases for the following reporting period.
- Approval of executive directors' guaranteed pay and increases.

Remuneration policy
The group's guiding philosophy is to attract and retain, high-calibre, appropriately skilled and experienced executives. Highly skilled and motivated executives are considered key to the group's long-term objectives and to maximising stakeholder value. Ensuring management and shareholder alignment through meaningful equity participation is considered an integral part to this philosophy. Executive remuneration should also be fair and reasonable having regard to the company's and individual performance as well as market trends.

Benchmarking and pay mix
To ensure that the group's total remuneration packages and pay mix is appropriate within the market in which it operates the group has a policy to perform external benchmarking every 3 years. The remuneration committee will apply reasonable inflationary adjustments to all categories of pay in years 2 and 3. External benchmarking was initially performed during 2014, which formed the basis for total remuneration over the past 3 years. In line with group policy, external benchmarking was repeated in the current year, the results of which will be implemented during the following financial year.

The executives' remuneration was balanced between total guaranteed pay ("TGP"), STI and LTI. To encourage retention and align executives interests' with other shareholders, the on-target LTI is 35% of the remuneration mix, as set out in the table below:

Equites pay mix



On-target variable pay, made up of the STI and LTI, also makes up more than half of total remuneration.

Total guaranteed pay
TGP comprises guaranteed cash salary and benefits and is determined by the scope of the role, performance and experience. The TGP paid to the executive directors in the reporting period is detailed in note 20.4 to the annual financial statements.

After careful consideration, the remuneration committee has approved a 7% (2015: 6%) aggregate increase in TGP for general staff for the following financial year.

Short-term incentives

Overview of STI
The group has adopted a multiplier-based STI plan which incorporates both business and individual modifiers. Multiplier STIs, which are calculated as a percentage of TGP, are in line with best practice trends, as a multiplicative approach allows for both company financial objectives and individual (and strategic objectives) to be considered when determining bonuses.

STIs are payable annually after being approved by the remuneration committee and the release of the audited financial results on which the financial modifiers are based.

STI targets

The remuneration committee sets the economic targets for the STI on an annual basis. For the year under review, the only economic metric used to measure the STI was DPS, as measured against the annual budget. The scheme is self-funding, which means that the on-target DPS is the budgeted DPS plus the equivalent cents per share that equates to the rand value of the on-target STI bonus pool. As illustrated below, the STI pool is nil if only the budgeted DPS is achieved. The table summarises the on-target and stretch DPS target set for the financial year ended 29 February 2016:

The remuneration committee agreed 4 personal objectives (2015: 4) with each executive director with equal weighting at the beginning of the financial year. Personal objectives are assessed at the beginning of the year and result in a multiplier from 0-150%. The maximum STI payable to an individual director is, however, limited to the amount determined with reference to the financial targets above. This means that the outcome of these personal performance targets can only reduce and not increase the STI payable.

In the current and prior year, all three executive directors achieved between 100% – 150% of their personal performance targets, which resulted in 100% of the STI determined with reference to the financial targets being payable.

The STI payable to the executive directors for the current period is detailed in note 20.4 to the annual financial statements and is payable at the end of May following the financial year to which it relates.

STI targets

Level of performance	Measure	Target as % of budgeted DPS	Rand value of STI pool*	Total STI pool as % sharing of total DPS
Budget	Budgeted DPS	100%	nil	0%
On-target	Budgeted DPS + 1.1%**	101%	3 595 604 (2016: 2 912 800)	1.1% (2016: 1.6%)
Stretch	Budgeted DPS + 5%	105%	7 150 869 (2016: 5 788 500)	2.2% (2016: 2.9%)

* Includes amounts awarded to staff other than executive directors.
** Value of on-target bonus pool as a percentage of total DPS

STI individual targets and outcomes

Name	Title	Target as % of cash pay	Stretch as % of cash pay	Outcome as % of stretch target 2017	2016
Andrea Taverna-Turisan	CEO	60%	120%	**100%**	100%
Riaan Gous	COO	50%	100%	**100%**	100%
Bram Goossens	CFO	50%	100%	**100%**	100%

Long-term incentives

The CSP is designed to attract, retain and reward executives through the annual and ad-hoc award of conditional shares. It will provide the executive directors with the opportunity to share in the success of the company and to be incentivised to deliver the business strategy of Equites over the long-term. This will provide alignment between key employees and shareholders. Currently 40% of CSP awards are subject to a 3-year service condition only and 60% are subject to a 3-year service condition, as well business and personal performance conditions in order to balance retention and reward objectives. The total quantum of shares 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.

The company has made four tranches of awards to the executive directors for the years ending 2017, 2018, 2019 and 2020 respectively (see tabel of following page).

LTI targets

60% of the CSP awards are subject to performance conditions. These performance conditions were previously weighted 60% for achieving the distribution per share budgets for each of the 3 financial years during the vesting period and 40% for the company's share performance relative to NAV and forward yield.

During the prior year the remuneration committee agreed to change the performance conditions so that they are based on distribution per share and net asset value per share growth only – with no linkage to the company's share price. To improve the executives' alignment with long-term sustainable growth, it was agreed that a reference to the market price of the company's shares may lead to unintended consequences.

Remuneration report (continued)

Long-term incentives

Name	Grant date	Issue price	Number of shares On-target	Matching shares	Total
Tranche 1					
Andrea Taverna-Turisan	29 October 2014	R10.65	110 404	36 801	147 205
Gerhard Riaan Gous	29 October 2014	R10.65	66 911	22 304	89 215
Bram Goossens	29 October 2014	R10.65	51 756	17 252	69 008
Total conditional shares awarded and balance at 28 February 2015			229 071	76 357	305 428
Tranche 2					
Andrea Taverna-Turisan	15 July 2015	R11.92	139 480	46 493	185 973
Gerhard Riaan Gous	15 July 2015	R11.92	104 027	34 676	138 703
Bram Goossens	15 July 2015	R11.92	104 027	34 676	138 703
Tranche 3					
Andrea Taverna-Turisan	29 February 2016	R12.38	144 580	48 193	192 773
Gerhard Riaan Gous	29 February 2016	R12.38	108 003	36 001	144 004
Bram Goossens	29 February 2016	R12.38	108 003	36 001	144 004
Total conditional shares awarded during the year ended 29 February 2016			708 120	236 040	944 160
Balance of conditional shares awarded as at 29 February 2016			937 191	312 397	1 249 588
Tranche 4					
Andrea Taverna-Turisan	20 February 2017	R15.97	164 997	54 999	219 996
Gerhard Riaan Gous	20 February 2017	R15.97	115 216	38 405	153 621
Bram Goossens	20 February 2017	R15.97	115 216	38 405	153 621
Total conditional shares awarded during the year ended 28 February 2017			395 429	131 809	527 238
Balance of conditional shares awarded as at 28 February 2017			1 332 620	444 206	1 776 826

Share matching plan

A 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 company's employment for these further 24 months.

Non-executive directors' emoluments

Non-executive directors do not have employment contracts and do not receive any benefits associated with permanent employment. Their fees as directors are determined as a base fee and attendance fee based on their board and committee obligations. Non-executive directors receive annual board retainers. In addition, a fee is paid for attending board and committee meetings. Equites pays for all travelling and accommodation expenses in respect of board meetings. The fees paid to the non-executive directors in the reporting period is detailed in note 20.3 to the annual financial statements.

Fees paid to non-executive directors were benchmarked with the assistance of an external service provider during the year. The recommendations received were reviewed for reasonableness by the remuneration committee and the board and will be proposed to shareholders for approval at the AGM. The recommendations included restructuring directors' fees to emphasise the importance of the audit and risk committee. It was also recommended that the chairman receive a fixed annual fee that is inclusive of all board and committee attendances as well as all other tasks performed on behalf of the group. The proposed fees are detailed below and will be implemented from 1 September 2017 if they are approved by shareholders at the AGM.

2017 / 2018	**Base fee**	**Attendance fee**
Chairperson of the board	R500 000	—
Board member	R80 000	R20 000
Chairperson of the audit and risk committee		R40 000
Member of the audit and risk committee		R25 000
Chairperson of other sub-committees		R25 000
Member of other sub-committees		R15 000

The fees for the financial year under review were approved at the previous AGM as follows:

2016 / 2017	**Base fee**	**Attendance fee**
Chairperson of the board	R176 550	R21 400
Board member	R107 000	R10 700
Chairperson of sub-committee		R13 375
Member of sub-committee		R10 700

Based on the currently planned meeting schedule, the above fees total R2.215 million (2016: R1.338 million) for the coming reporting period. This is a result of increase in fees, two additional board members and increase in the number of meetings for the coming year.

Nazeem Khan
Chair: Remuneration committee

Cape Town
9 May 2017

Medtronic Africa, Waterfall, Gauteng

Annual financial statements

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

Contents

The annual financial statements for the year ended February 2017 have been audited by PricewaterhouseCoopers Inc., in compliance with the applicable requirements of the Companies Act, 2008. The audited annual financial statements were prepared by Mr B Goossens, CA(SA).

Director’s responsibility

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

The company’s directors are responsible for the preparation and fair presentation of the consolidated annual financial statements and separate annual financial statements, comprising the statements of financial position at 28 February 2017, and the statement of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors’ report, in accordance with International Financial Reporting Standards (“IFRS”), the JSE Listings Requirements and the requirements of the South African Companies Act 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 and the company’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 and separate parent annual financial statements of Equites Property Fund Limited were approved by the board of directors on 9 May 2017 and are signed on its behalf by:

Leon Campher
Chairman

Andrea Taverna-Turisan
Chief Executive Officer

Declaration by the company secretary

In terms of section 88(e) and in my capacity as company secretary, I hereby confirm, in terms of the Companies Act of South Africa that, for the year ended 28 February 2017, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

Riaan Gous
Company Secretary

Audit and risk committee report

The Audit and Risk Committee ("audit committee") takes pleasure in presenting its report for the financial year ended 28 February 2017.

Terms of reference
The audit committee is a formal committee of the board and has adopted written terms of reference. These terms of reference include the statutory requirements of the Companies Act, the recommendations of the King Code on Governance ("King III") as well as certain responsibilities delegated by the board.

The main responsibilities of the audit committee include:

- Review the ongoing effectiveness of the internal financial controls.
- Review the interim and preliminary results, the annual financial statements as well as other content in the Integrated Report and make a formal recommendation to the board to adopt the same.
- Ensure compliance with International Financial Reporting Standards and the relevant requirements of the Companies' Act and the JSE Listings Requirements with respect to financial reporting.
- Oversee the appointment and independence of the external auditor and review their external audit reports
- Determine a policy for the provision of non-audit services by the external auditors.
- Monitor the risk management framework adopted by the group and review any risk management reports in this regard.
- Review management's assessment of the company and group to continue as a going concern.

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

Members of the audit committee, attendance of meetings and evaluation
The audit committee comprises the 4 (2016: 3) independent non-executive directors as detailed in the corporate governance report and is chaired by Ruth Benjamin-Swales. Meetings and attendance is also detailed in the corporate governance report. The executive directors as well as the external auditors attended audit committee meetings by invitation.

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

External auditors
In line with good corporate governance, the audit committee issued a request for proposal to four external audit firms in October 2016. After careful consideration, the audit committee nominated PricewaterhouseCoopers Inc. as the external auditors for the current year.

The audit committee satisfied itself that the auditors are independent of the company. The audit committee further noted Anton Wentzel as the designated auditor and confirmed that both he and PricewaterhouseCoopers Inc. are accredited with the JSE Limited as required.

The audit committee approved the terms of the auditors' engagement letter, their audit plan and budgeted audit fees for the audit of the annual financial statements for the year ended 28 February 2017.

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

Internal audit
The audit committee has satisfied itself that the size and complexity of the company does not warrant an internal audit function.

Financial director
In terms of JSE Listings Requirement paragraph 3.84 (h), the audit committee has considered the expertise and experience of the financial director, Bram Goossens, and are satisfied that these are appropriate for his role.

Internal financial controls
The audit committee oversaw the implementation of a combined assurance model and the external auditors and management reported to the audit committee as to the efficacy of the group's internal financial controls. The audit committee reviewed these and other available reports regarding the group's risk management framework and confirm that no material breakdown of internal financial controls were identified during the current financial year.

Approval of annual financial statements
The audit committee confirms that it formally recommended the adoption of the group and separate annual financial statements to the board of directors.

R Benjamin-Swales

Ruth Benjamin-Swales
Chair: Audit and Risk Committee

Cape Town
9 May 2017

Director's report

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

Nature of business

Equites Property Fund Limited listed as a Real Estate Investment Trust ("REIT") on the Johannesburg Stock Exchange ("JSE") on 18 June 2014 and its main business is the investment in and development of commercial properties predominantly in the industrial logistics sector.

The company carries on its business directly and through a number of subsidiaries, (collectively referred to as the "group"). During the current year, the group acquired two distribution centres in the United Kingdom and concluded an agreement to acquire a third on completion. All income producing properties are currently in the Western Cape, Gauteng and the United Kingdom.

Subsidiaries

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

- Applemint Properties 93 (Pty) Ltd (100%)
- Dormell Properties 711 (Pty) Ltd (100%)
- Equites Lords View Development (Pty) Ltd (100%)
- Galt Property One (Pty) Ltd (100%)
- Galt Property Two (Pty) Ltd (100%)
- Kovacs Investments 715 (Pty) Ltd (100%)
- Nascispan (Pty) Ltd (100%)
- Prop for list (Pty) Ltd (100%)
- Swish Property Seven (Pty) Ltd (100%)
- Equites Investments 1 (Pty) Ltd
- Chamber Lane Properties 3 (Pty) Ltd (100% subsidiary of Equites Investments 1 (Pty) Ltd)
- Equites Atlantic Hills (Pty) Ltd (100%)
- EA Waterfall Logistics JV (Pty) Ltd (80%)
- Equites International Ltd* (100%)
- Equites UK SPV 1 Limited* (100%)
- Equites UK SPV 2 Limited* (100%)
- Equites UK SPV 3 Limited* (100%)
- Equites UK SPV 4 Limited* (100%)
- Equites UK SPV 5 Limited* (100%)

*Incorporated in the Isle of Man (UK).

Financial results

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

Borrowings

Equites Property Fund Limited has unlimited borrowing powers in terms of the memorandum of incorporation ("MOI"), 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 currently subject to a 50% loan-to-value covenant on its bank borrowings. The group's overall borrowings was R1 373 million (2016: R526 million) at the reporting date as detailed in note 15 to the annual financial statements.

Stated capital

The authorised shares 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 350 465 000 (2016: 279 862 466) ordinary shares of no par value. All movements in issued shares are detailed in note 12 to the financial statements.

Distribution to shareholders

The total distribution for the year ended 28 February 2017 of 110.37 cents per share is 14.3% higher than for the comparative period. This is made up of the interim dividend declared on 15 October 2016 (dividend number 6) of 54.44 cents per share and the final dividend declared on 9 May 2017 (dividend number 7) of 55.93 cents per share.

Dividend declared

Dividend number 7 for 55.92574 cents per share was declared on 9 May 2017 with the following salient dates:

	2017
Last day to trade cum dividend	Tuesday, 30 May
Shares trade ex dividend	Wednesday, 31 May
Record date	Friday, 2 June
Payment date	Monday, 5 June

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

Going concern

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

Directors

The directors of the company are detailed on pages 14 to 17 of the Integrated Report. As detailed in the corporate governance report, Mustaq Brey and Gugu Mtetwa were appointed to the board during the current year.

In terms of the memorandum of incorporation the following directors retire at the forthcoming annual general meeting and are eligible for re-election: Leon Campher and Nazeem Khan.

Company secretary

Gerhard Riaan Gous was appointed as the company secretary on 1 December 2014.

Directors' interest in ordinary shares

Directors' interest as at 28 February 2017

Directors	Directly	Indirectly	Beneficially held Associates	Total	%
Leon Campher	—	—	—	—	—
Giancarlo Lanfranchi	—	**20 089 481**	—	**20 089 481**	**5.7%**
Andrea Taverna-Turisan	—	**17 284 000**	—	**17 284 000**	**4.9%**
Riaan Gous	**516 280**	**1 866 000**	—	**2 382 280**	**0.7%**
Bram Goossens	—	**1 504 000**	—	**1 504 000**	**0.4%**
Nazeem Khan	**100 000**	—	—	**100 000**	**<0.1%**
Ruth Benjamin-Swales	**20 000**	—	**33 500**	**53 500**	**<0.1%**
Kevin Dreyer	—	**5 532 496**	—	**5 532 496**	**1.6%**
André Gouws	**2 000**	**7 020 512**	—	**7 022 512**	**2.0%**
Mustaq Brey*	—	**910 628**	**10 000**	**920 628**	**0.3%**
Gugu Mtetwa*	—	—	—	—	—
Total	**638 280**	**54 207 117**	**43 500**	**54 888 897**	**15.7%**

*Appointed during the year

Directors' interest as at 29 February 2016

Directors	Directly	Indirectly	Beneficially held Associates	Total	%
Leon Campher	—	—	—	—	—
Giancarlo Lanfranchi	—	22 588 880	—	22 588 880	8.1%
Andrea Taverna-Turisan	200 000	14 600 000	—	14 800 000	5.3%
Riaan Gous	516 280	1 866 000	—	2 382 280	0.9%
Bram Goossens	—	1 504 000	—	1 504 000	0.5%
Nazeem Khan	100 000	—	—	100 000	<0.1%
Ruth Benjamin-Swales	10 000	—	33 500	43 500	<0.1%
Kevin Dreyer	—	5 532 496	—	5 532 496	2.0%
André Gouws*	—	6 778 067	—	6 778 067	2.4%
Total	826 280	52 869 444	33 500	53 729 224	19.2%

*Appointed 1 September 2015

The conditional shares awarded to executive directors during the year, as set out in note 13 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 2017 and the approval of the financial statements.

Auditors

PricewaterhouseCoopers Inc. was appointed in accordance with Section 90 (1) of the Companies Act.

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.

Holding company

Equites Property Fund Limited has no holding company and the main shareholders are detailed in Appendix A to the annual financial statements.

Independent auditor's report

To the Shareholders of Equites Property Fund Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Equites Property Fund Limited (the company) and its subsidiaries (together the group) as at 28 February 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Equites Property Fund Limited's consolidated and separate financial statements set out on pages 54 to 97 comprise:

- the consolidated and separate statements of financial position as at 28 February 2017;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements 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 and separate 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach

Overview

Overall group materiality

- R50 400 000, which represents 1% of net assets.

Group audit scope

- The group consists of 20 property owning companies, which includes industrial properties and office properties in both South Africa and the United Kingdom (UK). We performed full scope audits at three of the South African companies. We performed specified audit procedures over two UK property owning companies. In addition we performed analytical procedures over the remaining property owning companies.

Key Audit Matters

- Valuation of investment properties
- Group's and company's compliance with the Real Estate Investment Trust (REIT) guidance

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate 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.

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	R50 400 000
How we determined it	1% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, the net asset value and the dividend yield, which is distribution divided by the market capitalisation, are the key benchmark against which the performance of the group is most commonly measured by users. We chose 1% which is consistent with quantitative materiality thresholds used for funds in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group consists of 20 property owning companies, which includes industrial properties and office properties in South Africa and the United Kingdom (UK). The majority of the property portfolio consists of single tenant industrial or logistical properties. The consolidated financial statements are a consolidation of the 20 companies in the group, one of which has a 20% non-controlling interest.

Based on the financial significance and audit risk, we performed full scope audits at three of the South African companies, Equites Property Fund Limited, EA Waterfall Logistics JV Proprietary Limited and Chamber Lane Properties 3 Proprietary Limited. We performed specified audit procedures over two UK property owning companies, Equites UK SPV1 Limited and Equites UK SPV2 Limited. 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.

Independent auditor's report (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate 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 and the company's investment property portfolio is split between industrial and office properties in South Africa and industrial properties in the UK, with a total valuation including the straight-lining lease accrual in the consolidated statement of financial position of R5.991 million (company R995 million). The fair value gain recorded for the year amounts to R309 million (company R30 million). The investment properties are stated at their fair values based on directors' valuations and external valuations as deemed appropriate. The valuation of the group's and company's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. For developments, factors include projected costs to complete and timing of practical completion. In determining a property's valuation the directors and the valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. For developments, the residual appraisal method is used, by estimating the fair value of the completed project using a capitalisation method less estimated costs to completion and a risk premium. We consider the valuation of investment properties a matter of most significance to the current year audit because of the significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual yields, when aggregated, could result in a material misstatement. The group and the company capitalises borrowing cost on new developments that are deemed to be qualifying assets at management's discretion	We read the valuation reports for all the properties valued externally in the current year and confirmed that the valuation approach for each was in accordance with IFRS and suitable for use in determining the carrying value for the purpose of the financial statements. We assessed the valuers' qualifications and expertise and read their terms of engagement with the group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fee arrangements between the valuers and the group and other engagements which might exist between the group and the valuers. We found no evidence to suggest that the objectivity of the valuers in their performance of the valuations was compromised. We tested the data inputs in the directors valuation as well as the valuation prepared by the valuers. We focussed on the data inputs underpinning the investment property valuation for a selection of investment properties, including rental income, tenancy schedules, capital expenditure details and square meter details, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof. Our audit procedures focused on testing the estimated lease income and payments through comparison to agreements, business plans and historical performance. For developments, we confirmed that the supporting information for construction contracts and budgets, was also consistent with supporting documentation such as contracts and invoices. In addition we with our internal valuation experts attended meetings with the valuers, at which the valuations and the key assumptions therein were discussed. Our work focused on the largest properties in the portfolio and those properties where the assumptions used and/or year-on-year capital value movement suggested a possible outlier versus market data for the relevant sector. We compared the investment yields used by the directors or valuers with an estimated range of expected yields, determined via reference to published benchmarks. Finally, we evaluated year-on-year movements in capital value with reference to published benchmarks.

Key audit matter	How our audit addressed the key audit matter
There were also a number of specific factors affecting the valuations in the current year: – a number of developments that were completed in the year are now valued as standing investment properties so we have paid particular focus to the valuation methodology applied to those assets; and – the UK sector is new in the current year and this is an area of focus given the different market conditions and yields compared to South Africa. Refer to notes 5 and 6 of the financials for details on the valuation of investment properties and straight-lining lease accrual and note 30 for property analysis schedule. This matter relates to the consolidated and separate financial statements levels.	Where assumptions were outside the expected range or valuations showed unexpected movements, we discussed these with the directors and obtained additional audit evidence to support the explanations received e.g. copies of lease agreements to support new lettings that have increased valuation during the period. We recalculated on a sample basis the borrowing costs capitalised and also assessed management judgment in assessing when an asset becomes a qualifying asset. We further reviewed the appropriateness of the disclosures in the financial statements concerning the key assumptions to which the valuations are most sensitive to, and the inter-relationship between the assumptions and the valuation amounts. Based on the procedure performed we obtained evidence that the assumptions used in the valuations were supportable in light of available and comparable market evidence.
Group's and company's compliance with the Real Estate Investment Trust (REIT) guidance	
The group's and company's status as a REIT underpins its business model and shareholder returns. In order to be registered as a REIT management need to comply with the REIT guidance which in some instances is open for management's own interpretation. For this reason, we consider it to be a matter of most significance. The director's manage this risk through careful consideration of the REIT rules and any changes in the rules, while also seeking legal and tax expert advice where deemed necessary. Refer to accounting policy 21 for more information on the group's REIT status and note 24 of the financials for details on the tax provision. This matter relates to the consolidated and separate financial statements levels	We re-performed the group's and company's annual REIT compliance tests. We used our tax specialists to assess the requirement in relation to the nature of the group and company's income being from property ownership. We read the relevant correspondence between the group, the company, the South African Revenue Services (SARS) and the group's external tax advisors, which confirmed its status as a REIT. Based on our work performed, we agreed with management's assessment of compliance with the REIT guidance and that no tax provision was required for the current year.

Independent auditor's report (continued)

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report, the company Secretary's Certificate as required by the Companies Act of South Africa, the Social and Ethics Committee Report, Sustainability Report, Corporate Governance Report, Risk Management Report and Remuneration Report, which we obtained prior to the date of this auditor's report, and the Integrated Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 and separate 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 and separate 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 and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and the company'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 and/or the company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate 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 and separate 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 and the company'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 and the company'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 and separate 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 and / or company to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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 1 year.

PricewaterhouseCoopers Inc.
Director: Anton Wentzel
Registered Auditor

Cape Town
9 May 2017

Statement of financial position

Equites Property Fund Limited and its subsidiaries at 28 February 2017

COMPANY 29 February 2016 R'000	COMPANY 28 February 2017 R'000		Notes	GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
		ASSETS			
		Non-current assets			
855 315	**994 691**	Investment properties		**5 991 393**	4 111 159
842 252	**977 870**	Fair value of investment property (excluding straight-lining)	5	**5 853 590**	4 017 578
13 063	**16 821**	Straight-lining lease accrual	6	**137 803**	93 581
1 786	**2 974**	Property, plant and equipment	7	**9 186**	1 786
—	**134 632**	Derivative financial asset	10	**134 632**	—
791 892	**1 797 723**	Investment in subsidiaries	8	**—**	—
1 648 993	**2 930 020**			**6 135 211**	4 112 945
		Current assets			
—	**234 381**	Investment property held-for-sale	5	**234 381**	—
35 591	**86 716**	Trade and other receivables	9	**134 778**	62 360
47 100	**3 353**	Financial assets held at fair value	10	**3 353**	47 100
1 230	**4 960**	Cash and cash equivalents	11	**11 042**	3 962
1 979 366	**1 909 258**	Loans to subsidiaries	8	**—**	—
2 063 287	**2 238 668**			**383 554**	113 422
3 712 280	**5 168 688**	**TOTAL ASSETS**		**6 518 765**	4 226 367
		EQUITY AND LIABILITIES			
		Equity and reserves			
3 180 784	**4 193 749**	Stated capital		**4 193 749**	3 180 784
20 876	**69 346**	Accumulated profit		**919 099**	438 689
—	**—**	Foreign currency translation reserve		**(173 374)**	—
1 366	**7 881**	Share-based payment reserve	13	**7 881**	1 366
3 203 026	**4 270 976**	**Total attributable to owners**		**4 947 355**	3 620 839
—	**—**	Non-controlling interest	28	**93 535**	—
3 203 026	**4 270 976**			**5 040 890**	3 620 839
		Liabilities			
		Non-current liabilities			
—	**—**	Deferred tax liability	14	**—**	1 424
—	**9 047**	Derivative financial liability	16	**11 208**	—
396 303	**511 655**	Financial liabilities	15	**1 086 097**	432 221
396 303	**520 702**			**1 097 305**	433 645
		Current liabilities			
78 796	**268 932**	Financial liabilities	15	**285 983**	94 103
—	**51 883**	Loans from subsidiaries	8	**—**	—
34 155	**56 195**	Trade and other payables	17	**94 587**	77 780
112 951	**377 010**			**380 570**	171 883
509 254	**897 712**	**TOTAL LIABILITIES**		**1 477 875**	605 528
3 712 280	**5 168 688**	**TOTAL EQUITY AND LIABILITIES**		**6 518 765**	4 226 367

Statement of comprehensive income

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

COMPANY 29 February 2016 R'000	COMPANY 28 February 2017 R'000		Notes	GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
59 882	**82 409**	Contractual revenue and tenant recoveries	18	**458 209**	257 026
8 195	**3 758**	Straight-lining of leases adjustment		**44 222**	78 653
92 416	**221 529**	Dividends received from subsidiaries		**—**	—
160 493	**307 696**	**Revenue**		**502 431**	335 679
758	**6 872**	Other gains	19	**12 095**	1 248
(15 889)	**(26 842)**	Property operating and management expenses	20	**(77 408)**	(42 454)
145 362	**287 726**	**Net property income**		**437 118**	294 473
(16 137)	**(22 278)**	Administrative expenses		**(27 243)**	(16 627)
(346)	**(483)**	Depreciation		**(483)**	(346)
128 879	**264 965**	**Operating profit before financing and fair value adjustments**		**409 392**	277 500
8 662	**30 370**	Fair value adjustments – investment property	21	**309 138**	138 529
4 248	**121 849**	Fair value adjustments – financial instruments	21	**119 687**	4 248
141 789	**417 184**	**Operating profit before financing activities**		**838 217**	420 277
(44 789)	**(108 642)**	Finance costs	22	**(70 399)**	(40 074)
3 332	**36 608**	Finance income	23	**38 245**	3 667
100 332	**345 150**	**Net profit before tax**		**806 063**	383 870
—	**—**	Income tax expense	24	**—**	—
100 332	**345 150**	**Profit for the period**		**806 063**	383 870
		OTHER COMPREHENSIVE INCOME			
—	**—**	Items that may subsequently be reclassified to profit or loss – translation of foreign operations		**(173 374)**	—
100 332	**345 150**	**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**		**632 689**	383 870
		PROFIT ATTRIBUTABLE TO:			
100 332	**345 150**	Owners of the parent		**784 746**	383 870
—	**—**	Non-controlling interest		**21 317**	—
100 332	**345 150**			**806 063**	383 870
		TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
100 332	**345 150**	Owners of the parent		**611 372**	383 870
—	**—**	Non-controlling interest		**21 317**	—
100 332	**345 150**			**632 689**	383 870
		Basic earnings per share (cents)	1	**264.4**	230.6
		Diluted earnings per share (cents)	1	**263.3**	229.9

Statement of cash flows

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

COMPANY				GROUP	
29 February 2016 R'000	**28 February 2017 R'000**		**Notes**	**28 February 2017 R'000**	**29 February 2016 R'000**
		Cash flows from operating activities			
100 332	**345 150**	Profit before tax		**806 063**	383 870
		Adjusted for:			
44 789	**108 642**	Finance costs		**70 399**	40 074
(3 332)	**(36 608)**	Finance income		**(38 245)**	(3 667)
(8 195)	**(3 758)**	Straight-lining of leases adjustment		**(44 222)**	(78 653)
(8 662)	**(152 219)**	Fair value adjustments		**(428 825)**	(138 529)
—	**—**	Foreign exchange differences		**28 974**	—
346	**483**	Depreciation		**483**	346
1 165	**6 515**	Share based payment charge		**6 515**	1 165
(37 597)	**(51 125)**	Increase in trade and other receivables		**(70 242)**	(44 573)
(5 491)	**22 040**	Increase / (decrease) in trade and other payables		**15 993**	16 566
83 355	**239 120**	**Cash generated from operations**		**346 893**	176 599
(44 963)	**(108 642)**	Finance costs paid	25.1	**(134 050)**	(65 484)
645	**36 608**	Finance income received	25.2	**38 245**	606
—	**—**	Tax paid	25.3	**—**	91
(105 396)	**(296 680)**	Dividends paid	25.4	**(305 134)**	(105 396)
(66 359)	**(129 594)**	**Net cash flows from operating activities**		**(54 046)**	6 417
		Cash flows utilised by investing activities			
(271 925)	**(269 875)**	Acquisition of investment properties	25.5	**(1 356 594)**	(398 246)
—	**(69 754)**	Development of investment property		**(341 130)**	—
—	**—**	Proceeds from disposal of investment property		**232 746**	—
—	**(985 368)**	Acquisition of subsidiary		**—**	—
—	**—**	Cash acquired as part of acquisition		**—**	20 807
(180 000)	**—**	Investment in financial instrument		**—**	(180 000)
144 000	**—**	Amount including interest received from sale of financial instrument		**—**	144 000
(285)	**(1 671)**	Purchase and development of Property, Plant and Equipment		**(6 231)**	(285)
(308 210)	**(1 326 668)**	**Net cash flows utilised by investing activities**		**(1 471 209)**	(413 725)
		Cash flows from financing activities			
1 491 268	**992 502**	Proceeds from share issue (net of costs)		**992 502**	1 491 268
1 431 307	**2 045 017**	Proceeds from bank loans		**2 288 722**	1 482 532
(1 083 580)	**(1 746 978)**	Bank loans repaid		**(1 797 837)**	(2 566 112)
(1 464 251)	**121 991**	Movement in intercompany loans		**—**	—
—	**43 747**	Proceeds from financial instruments held at fair value		**43 747**	—
—	**(3 737)**	Disposal of financial instruments held at fair value		**(3 737)**	—
—	**7 450**	Increase in other borrowings		**8 938**	—
374 744	**1 459 992**	**Net cash flows from financing activities**		**1 532 335**	407 688
175	**3 730**	Net increase in cash and cash equivalents		**7 080**	380
—	**—**	Effect on exchange rate movements in cash and cash equivalents		**—**	—
1 055	**1 230**	Cash and cash equivalents at the beginning of the period		**3 962**	3 582
1 230	**4 960**	**Cash and cash equivalents at the end of the year**		**11 042**	3 962

Statement of changes in equity

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

	Note	Stated capital R'000	Retained earnings R'000	Foreign currency trans-lation reserve R'000	Equity reserve R'000	Total attri-butable to parent R'000	Non-control-ling Interest R'000	Total R'000
GROUP								
Balance at 1 March 2015		1 140 599	160 215	—	201	1 301 015	—	1 301 015
Total comprehensive income		—	383 870	—	—	383 870	—	383 870
Shares issued for cash		1 500 000	—	—	—	1 500 000	—	1 500 000
Shares issued for property and subsidiary acquisitions		548 917	—	—	—	548 917	—	548 917
Equity-settled share-based payment charge		—	—	—	1 165	1 165	—	1 165
Dividends distributed to shareholders		—	(105 396)	—	—	(105 396)	—	(105 396)
Share issue costs		(8 732)	—	—	—	(8 732)	—	(8 732)
Balance at 29 February 2016		3 180 784	438 689	—	1 366	3 620 839	—	3 620 839
				—				
Balance at 1 March 2016		3 180 784	438 689	—	1 366	3 620 839	—	3 620 839
Total comprehensive income		—	784 746	—	—	784 747	21 317	806 063
Other comprehensive income		—	—	(173 374)	—	(173 374)	—	(173 374)
Shares issued for cash		1 000 000	—	—	—	1 000 000	—	1 000 000
Shares issued for property and subsidiary acquisitions		20 463	—	—	—	20 463	—	20 463
Equity-settled share-based payment charge		—	—	—	6 515	6 515	—	6 515
Acquisition of EA Waterfall Logistics JV (Pty) Ltd		—	—	—	—	—	73 016	73 016
Dividends distributed to shareholders		—	(304 336)	—	—	(304 337)	(798)	(305 134)
Share issue costs		(7 498)	—	—	—	(7 498)	—	(7 498)
Balance at 28 February 2017		**4 193 749**	**919 099**	**(173 374)**	**7 881**	**4 947 356**	**93 536**	**5 040 890**
COMPANY								
Balance at 1 March 2015		1 140 599	25 940	—	201	1 166 740	—	1 166 740
Total comprehensive income			100 332	—	—	100 332	—	100 332
Shares issued for cash		1 500 000		—	—	1 500 000	—	1 500 000
Shares issued for property and subsidiary acquisitions		548 917		—	—	548 917	—	548 917
Equity-settled share-based payment charge		—		—	1 165	1 165	—	1 165
Dividends distributed to shareholders		—	(105 396)	—	—	(105 396)	—	(105 396)
Share issue costs		(8 732)		—	—	(8 732)	—	(8 732)
Balance at 29 February 2016		3 180 784	20 876	—	1 366	3 203 026	—	3 203 026
Balance at 1 March 2016		3 180 784	20 876	—	1 366	3 203 026	—	3 203 026
Total comprehensive income		—	345 150	—	—	345 150	—	345 150
Shares issued for cash		1 000 000	—	—	—	1 000 000	—	1 000 000
Shares issued for property and subsidiariy acquisitions		20 463	—	—	—	20 463	—	20 463
Equity-settled share-based payment charge		—	—	—	6 515	6 515	—	6 515
Dividends distributed to shareholders		—	(296 680)	—	—	(296 680)	—	(296 680)
Share issue costs		(7 498)	—	—	—	(7 498)	—	(7 498)
Balance at 28 February 2017		**4 193 749**	**69 346**	—	**7 881**	**4 270 976**	—	**4 270 975**

Accounting policies

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below and are consistent with those applied in the previous year, unless otherwise stated. The group's consolidated and company's separate financial statements were authorised for issue by the Board of Directors on 9 May 2017.

1. Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRIC Interpretations, the SAICA Financial Reporting Guidelines, the JSE Listing requirements and the requirements of the South African Companies' Act (Act 71 of 2008) as amended.

2. Use of judgements and estimates

The preparation of the financial statements in accordance with IFRS requires management to exercise its judgement in the process of applying the group's accounting policies and make estimates and assumptions concerning the future. The most significant judgements, estimates and assumptions that may have a material impact on the financial statements are as follows:

a. Valuation of investment property

The board has used the best available evidence to determine the fair value of investment properties as set out in note 5 to the financial statements. This includes current market prices for properties with similar characteristics and leases and cash flow projections. As available information is not directly comparable, the amounts are determined within a reasonable range of fair value.

The principle assumptions underlying the Board's estimation of fair value are the receipt of contracted rentals, lease renewals, maintenance requirements, operational costs and appropriate discount and capitalisation rates.

b. 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. Management concluded that all acquisitions of properties in the current financial year were of this nature. Therefore these were accounted in terms of IAS 40 Investment Properties.

c. Other areas of significant judgement and estimation:

– Impairment of trade and other receivables (note 9)
– Fair value of financial asset held at fair value (note 10)
– Computation of equity-settled share-based payment (note 13)

3. Foreign currency translation

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 group's consolidated financial statements are presented in South African rand, which is Equites Property Fund Ltd'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 month. These average exchange rates approximate the spot rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates, are recognised in the statement of comprehensive income.

The results and the financial position of all subsidiaries that have a functional currency that is different from the presentation currency of the group are translated into the presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
– Income and expenditure for each statement of comprehensive income presented are translated at the average exchange rates for the period; and
– all resulting translation differences are recognised in other comprehensive income and presented as a separate component of equity in the foreign currency translation reserve (FCTR).

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

4. Changes in accounting policy and disclosures

a. Standards, amendments and interpretations effective for the first time at 28 February 2017

The standards, amendments and interpretations effective for the first time in the current financial year have been summarised below. None of these had a material impact on the results or disclosures in the annual financial statements.

International Financial Reporting Standards and amendments effective for the first time for 28 February year-end

Number	Effective date
Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation.	1 January 2016
Annual improvements 2012-2014	1 January 2016

b. Standards, amendments and interpretations issued but not yet effective at 28 February 2017

The table below summarise the standards, amendments and interpretations that have been published, but that are not yet effective in the current financial year and have not been early adopted. None of these standards, amendments and interpretations are expected to have a material impact on the results of the group, the Directors are currently in the process of determining the impact of the new standards on the entity.

International Financial Reporting Standards, interpretations and amendments issued but not effective for 28 February 2017 year-end

Number	Effective date: (periods beginning on or after)
Amendment to IAS 12 – Income taxes Recognition of deferred tax assets for unrealised losses.	1 January 2017
Amendment to IAS 7 – Cash flow statements Statement of cash flows on disclosure initiative	1 January 2017

International Financial Reporting Standards, interpretations and amendments issued but not effective for 28 February 2017 year-end

Number	Effective date: (periods beginning on or after)
Amendments to IFRS 2 – 'Share-based payments' Clarifying how to account for certain types of share-based payment transactions.	1 January 2018
IFRS 15 – Revenue from contracts with customers.	1 January 2018
Amendment to IFRS 15 – Revenue from contracts with customers.	1 January 2018
IFRS 9 – Financial Instruments (2009 &2010) – Financial liabilities – Derecognition of financial instruments – Financial assets – General hedge accounting	1 January 2018
Amendment to IFRS 9 – 'Financial instruments', – on general hedge accounting	1 January 2018
IFRS 16 – Leases	1 January 2019
IAS 40, 'Investment property' Transfers of investment property	1 January 2018
Annual improvements 2014-2016	1 January 2017

5. Consolidation

a. 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.

b. Treatment of intergroup 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.

6. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"), which comprises the three executive directors. The CODM allocates resources and assesses the performance of the operating segments of the group.

The segments were determined with reference to the following aspects:

Asset class
The fund has a clear focus on industrial properties, which are usually characterised by single-tenanted, large buildings in key logistics nodes. Through various acquisitions, the portfolio includes office buildings which are multi-tenanted buildings, usually not on fully recovering leases. The asset classes are distinctive, each valued differently using unique capitalisation rates and require a different allocation of resources.

Geographical aggregation
During the year under review, the fund expanded its asset base to include assets in the United Kingdom. The South African and United Kingdom markets are vastly different 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.

7. Financial instruments

The group classifies its financial instruments in the following categories: loans and receivables, financial assets at fair value through profit and loss, financial liabilities and derivatives at fair value through profit or loss. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates such designations when circumstances indicate that reclassification is permitted.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the contractual obligation is discharged, cancelled, expires or when a substantial modification of the terms occur.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included within current assets unless the expected recovery is more than 12 months from the end of the financial year. The group loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position. They are initially recognised at fair value (including transaction costs) and subsequently at amortised costs using the effective interest rate method.

b. Financial assets at fair value through profit or loss

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 assets are described as financial assets at fair value in statement of financial position. Such assets are classified as current or non-current based on their expected maturity.

c. Financial liabilities

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

d. Derivative financial instruments

The group's derivatives at fair value through profit or loss comprise interest rate swaps and are either assets or liabilities and are classified as current due to the potential short-term maturity of the carrying amount. 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 in fair value adjustments in profit and loss.

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

e. Impairment of financial assets

The group assesses each financial asset for objective evidence of impairment at the end of each reporting period. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more events that have occurred since initial recognition of the asset, which has a negative impact on the future cash flows thereof which can be reliably measured.

Where objective evidence of impairment exists, the impairment loss is calculated as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Impairment losses are reversed where these objectively relate to an event occurring after the original impairment was recognised.

Impairment losses and reversals are recognised in profit or loss.

8. 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 asset 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.

9. Investment property

Property held for rental income and capital appreciation (and not occupied by the group) is classified as investment property. Investment property includes properties under development.

Investment property under construction is measured at fair value. However, where the fair value of the investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date of construction is completed or the date at which the fair value becomes reliably measurable.

Investment property is initially measured at cost, including all related transactions and borrowing costs. Subsequently, investment property is carried at fair value and all movements in fair value are recognised in profit or loss. The directors determine fair value of investment property at each reporting period. External valuations are obtained as deemed appropriate and each property is externally valued at least once every three years. Adjustments to the fair value of investment properties are computed net of the impact of accounting for lease income on 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.

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

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.

10. Investment property held for sale

The following conditions must be met for an asset (or 'disposal group') 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 plan will be significantly changed or withdrawn

All properties, once the group has a buyer for them, are classified as held for sale as management intends to sell the property and it is highly probable that the property will be sold within 12 months. 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 us or through a broker.

Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable IFRSs. Resulting adjustments are also recognised in accordance with applicable IFRSs. The building is recognised in terms of IAS40 and is measured at fair value.

Non-current assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell (fair value less costs to distribute in the case of assets classified as held for distribution to owners). Once a buyer has been identified and the expected selling price is lower than the carrying value, the asset will be written down to fair value less costs to sell.

11. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. None of the companies within the group are party to finance leases.

a. Where a company in the group is the lessor

Rental income is the group's primary source of revenue as detailed in accounting policy 19.

b. Where a company in the group is the lessee

Lease payments, including prepayments are charged to profit or loss on a straight-line basis over the period of the lease.

12. Property, plant and equipment

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
– Buildings	20 years

Management 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.

Accounting policies (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

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.

13. Investment in subsidiaries

The company's investments in subsidiary companies are carried at cost (including transaction costs) less impairment losses. Acquisitions and disposals are recognised on the trade date.

14. Trade and other receivables

Trade and other receivables are recognised at trade date at fair value and subsequently at amortised cost using the effective interest rate method, less impairment. 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.

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when the collectability is considered to be doubtful. Management believes that the impairment write-off is conservative and there are no significant trade receivables that are doubtful and have not been written off.

15. Cash and cash equivalents

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.

16. Stated capital

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.

17. Borrowings

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

18. Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are discounted to their present value where the effect of the time value of money is material and the notional interest of unwinding this discount is included within finance costs if applicable.

19. Revenue

Revenue comprises contractual rental income and tenant recoveries exclusive of Value Added Tax. Contractual rental income is recognised on straight-line basis over the term of the lease taking into account fixed escalation clauses. This does not affect distributable earnings. Tenant recoveries are recognised as they are earned in line with the contractual rights in the leases. Lease incentives, such as tenant installation allowances, are recognised together with rental income over the lease period.

Equites acts as a principal on its own account when recovering operating costs from tenants.

Rental income received in advance is recognised as a current liability as part of trade and other payables in statement of financial position.

Revenue for the company also includes dividends received from subsidiary companies, which is recognised in the period in which they are declared.

20. Employee benefits

a. 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.

b. 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.

c. Employee share scheme

The group operates a conditional share plan, which is classified as an equity-settled share-based payment plan, under which is receives services from employees as consideration for equity instruments of the company. 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.

21. Income tax

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 company is a Real Estate Investment Trust ("REIT") and all subsidiaries in the group are "controlled companies" (as defined in the Income Tax Act). After deducting "qualifying distributions" from taxable income, no income tax is payable in the current year.

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.

22. Finance income and costs

a. Finance income

Finance income comprises interest earned on positive bank balances and short-term investments. Interest is recognised in profit or loss using the effective interest rate method.

b. Finance costs

Finance costs comprise interest accrued on borrowings, related capitalised fees and fair value movements on interest rate derivative instruments.

General and specific borrowing costs directly attributable to the acquisition, construction or development of qualifying assets, are capitalised as part of the cost of these assets, until they are substantially ready for their intended use. All loans are with financial institutions and bears market-related interest. These loans are pooled and the general borrowings formula is applied to allocate the expenses against each development (project). A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale which could be property, plant, and equipment and investment property during the construction period, intangible assets during the development period, or "made-to-order" inventories. The qualifying assets for Equites are all buildings under development intended for generating rental income. Qualifying assets necessarily take a substantial period of time to get ready for their intended use.

Where funds are borrowed specifically, costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate will be the weighted average of the borrowing costs applicable to the general pool.

Costs taken into account in the calculation involve: costs invoiced and captured to the projects, time spent by the directors on these projects and any costs directly attributable to the acquisition or development of the project.

For general borrowings:

- The weighted average borrowing rate for all borrowings taking into account the average rate on interest rate swaps is used as the capitalisation rate.
- This capitalisation rate is then applied to the weighted average costs for the development, for that month.
- This calculation is performed and processed monthly by the financial manager and reviewed and discussed with the CFO

Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. The capitalisation rate is arrived at with reference to the actual rate for borrowings incurred for the specific asset or the weighted average cost of borrowings where the development is financed out of general funds.

All finance costs which are not capitalised are recognised in profit or loss.

23. Earnings and Headline earnings per share

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 is 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 are calculated in terms of the requirements set out in Circular 2/2015 issued by SAICA.

24. Dividend distribution

Distributable earnings is a measure of sustainable income and is determined in line with best practices as issued by the SA REIT Association guidelines. Dividend distributions are recognised as a liability in the statement of financial position in the period in which the dividends are declared.

1. Earnings per share – group

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

1.1 Basic earnings per share

Shares in issue	**2017 Number of shares**	**2016 Number of shares**
Number of shares in issue at end of year	**350 465 000**	279 862 466
Weighted average number of shares in issue	**296 765 842**	166 498 769
Add: weighted potential dilutory impact of conditional shares (note 13)	**1 279 089**	466 308
Diluted weighted average number of shares in issues	**298 044 931**	166 965 077
Basic earnings per share	**cents**	**cents**
Basic earnings per share	**264.4**	230.6
Diluted earnings per share	**263.3**	229.9

1.2 Headline earnings per share

Reconciliation between basic earnings and headline earnings:	**R'000**	**R'000**
Earnings (profit attributable to owners of the parent)	**784 746**	383 870
Adjusted for:		
Fair value adjustments to investment properties (excluding non-controlling interest of R14 816 000)	**(294 322)**	(138 529)
Headline earnings	**490 424**	245 341
Headline earnings per share:	**Cents**	**Cents**
Headline earnings per share	**165.3**	147.4
Diluted headline earnings per share	**164.5**	146.9

2. Reconciliation between earnings and distributable earnings – group

2.1 Distributable earnings

	12 months 28 February 2017 R'000	12 months 29 February 2016 R'000
Earnings (profit attributable to owners of the parent)	**784 746**	383 870
Adjusted for:		
Fair value adjustments to investment properties (excluding non-controlling interest of R14 816 000)	**(294 322)**	(138 529)
Headline earnings	**490 424**	245 341
Adjusted for:		
Straight-lining of leases adjustment (excluding non-controlling interest of R2 689 872)	**(41 532)**	(78 653)
Fair value adjustments to financial instruments	**(119 687)**	(4 248)
Equity-settled share-based payment reserve	**6 515**	1 165
Income of a capital nature not distributable	**(8 993)**	—
Antecedent dividend*	**21 930**	37 759
Distributable earnings	**348 657**	201 364

*In the determination of distributable earnings, the group elects to make an adjustment for the antecedent dividend arising as result of the issue of shares during the period for which the company did not have full access to the cash flow from such issue. The group issued shares pursuant to the accelerated book-build on 1 December 2016 and in relation to certain property acquisitions. These transactions gave rise to antecedent dividends included above.

Number of shares in issue at period-end	**350 465 000**	279 862 466

2.2 Dividends declared and distribution per share

Total distribution for the year – 2017

	Cents per share	R'000
Interim dividend declared on 15 October 2016 (Dividend number 6)	**54.44**	**152 523**
Final dividend declared on 9 May 2017 (Dividend number 7)	**55.93**	**196 001**
Total distribution for the year ended 28 February 2017	**110.37**	**348 524**

Total distribution for the year – 2016

	Cents per share	R'000
Special clean-out distribution declared on 10 September 2015 (Dividend number 3)	29.03	33 218
Interim dividend declared on 15 October 2015 (Dividend number 4)	16.39	24 924
Final dividend declared on 5 May 2016 (Dividend number 5)	51.18	143 222
Total distribution for the year ended 29 February 2016	96.60	201 364

Notes (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

3. Segment information

Segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker ("CODM"), which comprises the three executive directors. With the expansion into the UK market, the CODM reviews the operating segments based on location as well as asset class and reviews an additional segment which includes treasury, corporate and other administrative functions. The UK operations commenced in April 2016, therefore there are no comparative segmental results.

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

The Industrial and Office segments derive their revenue primarily from rental income from leases.

All treasury functions, corporate costs and other expenses that are not specifically attributable to individual properties, are included in the "Non-Property" segment.

The measurement of results reviewed by the CODM is consistent with those presented in the annual financial statements ("AFS").

The segment information for the group for the year ended 28 February 2017 is set out below:

	Operating segments				
R'000	SA Industrial	SA Office	UK Industrial	Non-Property	Total
Statement of profit or loss and other comprehensive income					
Segment revenue	383 293	43 803	31 113	—	458 209
Operating profit	396 402	23 304	16 929	(27 243)	409 392
Fair value adjustments – investment property	275 818	4 090	29 230	—	309 138
Fair value adjustments – financial instruments	—	—	—	119 687	119 687
Finance income	—	—	44	38 201	38 245
Finance costs	—	—	(955)	(69 444)	(70 399)
Depreciation	—	—	—	(483)	(483)
Statement of financial position					
Investment property	4 958 189	366 133	763 649	—	6 087 971
Acquisition of investment property	827 223	—	991 007	—	1 818 230
Non-current assets held for sale	—	234 381	—	—	234 381
Total assets	5 314 766	392 769	794 823	16 407	6 518 765
Total liabilities	1 231 012	11 316	235 547	—	1 477 875

The segment information for the group for the year ended 29 February 2016 is set out below:

R'000	Operating segments				
	SA Industrial	**SA Office**	**UK Industrial**	**Non-Property**	**Total**
Statement of profit or loss and other comprehensive income					
Segment revenue	214 777	42 249	—	—	257 026
Operating profit	267 958	26 515	—	(16 627)	277 846
Fair value adjustments – investment property	146 773	(8 244)	—	—	138 529
Fair value adjustments – financial instruments	—	—	—	4 248	4 248
Finance income	—	—	—	3 667	3 667
Finance costs	—	—	—	(40 074)	(40 074)
Depreciation	—	—	—	(346)	(346)
Statement of financial position					
Investment property	3 657 014	360 564	—	—	4 017 578
Acquisition of investment property	1 748 097	107 491	—	—	1 855 588
Non-current assets held for sale	—	—	—	—	—
Total assets	4 022 776	152 529	—	51 062	4 226 367
Total liabilities	566 412	6 896	—	32 220	605 528

4. Financial risk management and fair value measurement

Financial risk arises from the group's exposure to financial instruments and comprises market risk (interest rate risk, currency risk and price risk), credit risk and liquidity risk.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has delegated this responsibility to the audit and risk committee, which considers the adequacy of the group's risk management framework and monitors management's implemention of risk management policies and procedures.

The group's risk management policies are established to ensure improved risk management and control, to determine appropriate risk limits have been set for financial risks and that funds are allocated efficiently to maximise returns.

4.1 Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

4.1.1 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.

Debt funding was increased during the period under review through the draw down on available facilities with the Standard Bank of South Africa. New loans were negotiated with Nedbank, Rand Merchant Bank and Sanlam which are all associated with the acquisition of the assets included in the EA Waterfall Logistics JV portfolio.

The group has ZAR demoninated facilities with the following maturities:

Maturity	Available facility
2017	R389 million
2018	—
2019	R715 million
2020	R450 million
2021	R917 million

Prime-linked, ZAR denominated loans, bear interest at an average rate of prime less 1.47% while JIBAR-linked, ZAR denominated loans, bear interest at an average rate of JIBAR plus 2.2%.

The group has GBP dominated facilities with the following maturity:

Maturity	Available facility
2017	—
2018	—
2019	—
2020	—
2021	£14 million

LIBOR linked, GBP denominated loans bear interest at an average rate of LIBOR plus 2.05%.

The group has adopted a policy of fixing at least 80% of its permanent floating-rate borrowings by entering into interest rate swaps and other derivative instruments (refer note 16).

At the end of the current year, the company had five open interest rate swaps as set out in note 16. Subsequent to year end, three of these swaps were restructured in Equites Property Fund to fix R550 million of debt to 7.61% for the period 31 March 2017 to 31 March 2022.

The group currently receives Prime less 4.4% (2016: Prime less 4.4%) on short-term cash balances. Subsequent to the accelerated book build in November 2016, the company first applied surplus cash to annex facilities on outstanding loans. The remainder of the funds were placed in a low risk money market fund with Nedbank.

The group's sensitivity to interest rate fluctuations as at 28 February 2017 is illustrated below:

Sensitivity analysis to interest rates – 2017	**COMPANY R'000**	**GROUP R'000**
Increase in earnings if interest rates had been 1% lower during the year	**5 067**	**10 751**
Decrease in earnings if interest rates had been 1% higher during the year	**(5 067)**	**(10 751)**

Sensitivity analysis to interest rates – 2016	**COMPANY R'000**	**GROUP R'000**
Increase in earnings if interest rates had been 1% lower during the year	805	873
Decrease in earnings if interest rates had been 1% higher during the year	(805)	(873)

The sensitivity analysis assumes all other items remain unchanged and is based on the borrowings and cash balances at the end of the reporting period. The sensitivity analysis includes the impact of the interest rate hedge.

4.1.2 Currency risk

The group has expanded into the United Kingdom during the year under review. As such, the group is exposed to currency risk, predominantly that relating to the South African Rand and the British Pound.

Sensitivity analysis to exchange rates – 2017	**COMPANY R'000**	**GROUP R'000**
Increase in earnings if exchange rate was R1.00 lower during the year	**—**	**8 410**
Decrease in earnings if exchange rate was R1.00 higher during the year	**—**	**(8 410)**

Currency hedging

The group is exposed to currency risk on its initial capital exposure as well as the underlying earnings as a result of operations in the United Kingdom. During the year under review, the group introduced cross-currency interest rate swaps to our treasury management, effectively matching the currency of debt with the currency of an asset. The cross-currency swap entered into during the year, is structured to receive a fixed LIBOR-linked rate and pay a floating JIBAR-linked rate, thereby also providing hedging against interest rate movements in South Africa.

Hedging of capital investment

The expansion into the United Kingdom was financed through a combination of capital from South Africa, as well as bank loans from banks in the United Kingdom. To date 100% of the group's capital exposure to foreign investments has been hedged until October 2021 by means of a cross-currency interest rate swap. The spot rate at inception of the swap in May 2016 was 22.92 – prior to the rand rallying against the major reserve currencies for the remainder of the financial year. The original swap had a maturity of September 2019. At the time of making a further capital investment into the United Kingdom to fund the Amazon and DSV properties in October 2016, the derivative was restructured to extend the maturity to October 2021.

Hedging of cashflow

Equites's cashflow from its operations in the United Kingdom are exposed to movements in the rand/pound exchange rate. To manage the impact of currency volatility, the group has adopted a policy of hedging at least 80% of its 12 month projected forward net cashflow and 40% of its 12-24 month projected forward net cashflow derived in foreign currency. At year end, the actual effective hedging was 89% and 44% for 12 month and 12-24 month respectively.

Hedging of distributable earnings

Due to loan servicing commitments, the net cashflow projected from the United Kingdom is lower than the projected distributable earnings. At year end 44% of projected distributable earnings for the next 12 months and 29 % of the projected distributable earnings for the next 12-24 months had effectively been hedged. The group does not enter into any further arrangements to hedge the impact of currency fluctuations on distributable earnings.

Valuation of cross currency swap

Refer to note 4.5. for details of the valuation techniques applied to value the cross currency swap.

Notes (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

4. Financial risk management and fair value measurement (continued)

4.2 Credit risk

The group is principally exposed to credit risks as a result of its receivables balances from tenants and short-term investments and cash balances with financial institutions. The carrying values as at 28 February 2017 in the statement of financial position represent the maximum exposure to credit risk, the maximum exposure being related to the cross currency swap with Nedbank as the counterparty.

The group has a receivable from Damon@Sons, its enterprise development partner. Equites remains Damon@Sons' largest customer and the majority of the receivable has been settled after year end through the payment of invoices for costs incurred in developing the new warehouse for Equites at 160 Gunner's Circle in Epping. The group ensures that the loans advanced to the enterprise development partner are within the parameters of the project which is under construction – and as such, the counterparty should be in a position to settle the loan once it invoices for the respective project.

4.2.1 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.

The group's exposure to credit risk arising from trade and other receivables is set out in note 9.

4.2.2 Cash and cash equivalents and short-term-investments

All short-term funds are invested with reputable financial institutions. Cash balance are only retained for working capital requirements. Refer note 11 for detail of cash balances at year end.

Credit ratings of counter parties:

	Moody's short-term	Moody's long-term	S&P short-term	S&P long-term	Fitch short-term	Fitch long-term
Nedbank Limited	P-2	Baa2	BB+	B	NR	NR
ABSA Bank Limited	P-2	Baa2	zaA-1	zaA	F1+ (zaf)	AA (zaf)
Rand Merchant Bank Limited	P-2	Baa2	BB+	B	F1+ (zaf)	AA (zaf)
Standard Bank of South Africa Limited*	P-2	Baa2	NR	NR	F1+ (zaf)	AA (zaf)

*NR – these are not rated by the rating agency

4.2.3 Financial asset held at fair value

At the end of the current financial year, the group is exposed to credit risk of R3.4 million (2016: R4.9 million) relating to its investment in a Nedbank Limited unit trust as detailed in note 10. The investment is reflected at its estimated recoverable value, which is the current amount realisable, dependent on African Bank Investments Limited's resuming senior debt repayments.

As at 28 February 2017, the group has R95 000 (2016: R38.5 million) in a Corporate Money Market Fund with Nedbank as detailed in note 11. This amount is reflected at fair value and is immediately realisable.

The greatest exposure relates to a cross currency swap which was entered into to hedge the currency and interest rate differential between South Africa and the United Kingdom. This is detailed in note 10.

4.3 Liquidity risk

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

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

As at 28 February 2017	COMPANY		GROUP	
R'000	Less than 1 year	Between 2 and 5 years	Less than 1 year	Between 2 and 5 years
Financial liabilities (Borrowings)	**267 868**	**512 719**	**285 983**	**1 086 097**
Interest repayments	**23 653**	**49 670**	**25 252**	**104 591**
Trade and other payables	**48 621**	**—**	**77 572**	**—**
	340 142	**562 388**	**388 807**	**1 190 688**

As at 29 February 2016	COMPANY		GROUP	
R'000	Less than 1 year	Between 2 and 5 years	Less than 1 year	Between 2 and 5 years
Financial liabilities (Borrowings)	396 303	1 366	94 103	432 221
Interest repayments	34 994	132	8 309	41 871
Trade and other payables	78 796	—	77 780	—
	510 093	1 498	180 192	474 092

4.4 Capital management

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

As a Real Estate Investment Trust ("REIT"), the company is required to declare 75% of its distributable profit as a dividend. The board has decided (subject to the availability of cash resourse and legislative requirements) to declare 100% of the distributable profit of the group as a dividend on a bi-annual basis for the foreseeable future.

As a result of the group's dividend policy, capital expansion is funded through a combination of bank debt and equity funding. The group is subject to a loan convenant which limits the loan to value ("LTV") to 50% and targets a LTV of not more than 40% over time.

LTV ratio at 28 February 2017	COMPANY R'000	GROUP R'000
Total borrowings	**789 634**	**1 383 289**
Fair value of total assets	**5 168 688**	**6 518 765**
LTV ratio	**15.3%**	**21.2%**

LTV ratio at 29 February 2016	COMPANY R'000	GROUP R'000
Total borrowings	509 254	605 528
Fair value of total assets	3 712 280	4 226 367
LTV ratio	13.7%	14.3%

4. Financial risk management and fair value measurement (continued)

4.5 Fair value measurement

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

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

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

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

Assets at fair value at 28 February 2017	**COMPANY R'000**	**GROUP R'000**
Level 1		
None	—	—
Level 2		
Financial assets at fair value (note 10)	**3 353**	**3 353**
Derivative financial asset (note 10)	**134 632**	**134 632**
Derivative financial liability (note 16)	**9 047**	**11 208**
Level 3		
Non-financial assets at fair value – investment properties (note 5)	**1 039 294**	**5 492 795**

Details of valuation techniques

Investment property

Refer to note 5 investment property for investment property valuation techniques

Derivative assets and liabilities

Interest rate and cross-currency swaps

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

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

Sensitivity analysis to capitalisation rates	COMPANY R'000	GROUP R'000
Increase in fair value if capitalisation rates are decrease by 0.1%	**14 618**	**76 461**
Decrease in fair value if capitalisation rates are increased by 0.1%	**(14 195)**	**(74 346)**

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

Assets at fair value at 29 February 2016	COMPANY R'000	GROUP R'000
Level 1		
None		
Level 2		
Financial assets at fair value (note 10)	47 100	47 100
Derivative financial asset (note 10)	3 737	3 737
Level 3		
Non-financial assets at fair value – investment properties (note 5)	855 315	4 111 159

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

Sensitivity analysis to capitalisation rates	COMPANY R'000	GROUP R'000
Increase in fair value if capitalisation rates are decrease by 0.5%	39 197	317 098
Decrease in fair value if capitalisation rates are increased by 0.5%	(34 869)	(274 546)

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

Notes (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

COMPANY 29 February 2016 R'000	28 February 2017 R'000			GROUP 28 February 2017 R'000	29 February 2016 R'000
		5.	**Investment property**		
677 472	**804 913**		Investment property (note 5.1)	**5 287 942**	3 524 981
20 483	**—**		Investment property under development (note 5.2)	**188 768**	126 296
144 297	**172 957**		Freehold land available for development (note 5.3)	**376 880**	366 301
—	**234 381**		Investment property held for sale (note 5.4)	**234 381**	—
13 063	**16 821**		Straight-lining lease accrual (note 6)	**137 803**	93 581
855 315	**1 229 072**			**6 225 774**	4 111 159
		5.1	**Reconciliation of investment property**		
503 877	**677 472**		**Opening balance**	**3 524 981**	1 402 549
183 033	**255 843**		Additions arising from acquisitions	**1 818 230**	1 855 588
—	**5 135**		Capitalised costs	**115 954**	—
—	**70 474**		Completed projects transferred from investment property under development	**214 124**	146 415
(18 100)	**—**		Redevelopment site transferred to investment property under development	**—**	(18 100)
—	**(234 381)**		Investment property transferred to held for sale	**(234 381)**	—
—	**—**		Disposal of Investment Property	**(232 746)**	—
—	**—**		Foreign exchange movement	**(227 358)**	—
8 662	**30 370**		Fair value adjustment	**309 138**	138 529
677 472	**804 913**		**Fair value of investment properties (excluding straight-lining)**	**5 287 942**	3 524 981
		5.2	**Investment properties under development**		
—	**20 483**		Opening balance	**126 296**	—
18 100	**—**		Land cost and transfer of redevelopment site	**147 940**	159 677
2 383	**49 991**		Construction and development costs	**128 656**	113 034
—	**(70 474)**		Completed projects transferred to investment property	**(214 124)**	(146 415)
20 483	**—**		**Cost of investment properties under development**	**188 768**	126 296
		5.3	**Freeheld land available for development**		
—	**144 297**		Opening balance	**366 301**	14 400
141 206	**14 033**		Acquisition of Land	**14 033**	349 518
—	**—**		Land transferred to Property, Plant and Equipment	**(1 652)**	—
—	**—**		Land transferred to Investment property under development	**(147 940)**	—
3 091	**14 627**		Construction and development costs	**146 138**	2 383
144 297	**172 957**		**Cost of freeheld land available for development**	**376 880**	366 301

COMPANY				GROUP	
29 February 2016 R'000	28 February 2017 R'000			28 February 2017 R'000	29 February 2016 R'000
		5.4	**Investment property held for sale**		
—	—		Opening balance	—	—
—	**234 381**		Transferred from investment property	**234 381**	—
—	**234 381**		Fair value of investment properties held for sale*	**234 381**	—

*investment property held for sale consist of 3 commercial buildings which are expected to be transferred shortly after year-end

Investment properties to the value of R5.068 billion are encumbered as security against the group's loan facilities (note 15).

Investment properties with a fair value of R733 million were acquired as part of the acquisition of EA Waterfall Logistics JV (Pty) Ltd which was effective 1 July 2016. All these properties were independently valued by MRB Gibbons of Mills Fitchet Magnus Penny Proprietary Limited at year end.

The fair value of investment properties is updated at each reporting period either by way of external valuations or directors' valuations. External valuations by registered valuators are obtained as required, but at least once every three years for each property.

Capitalisation rates used to determine the fair value of investment properties were risk adjusted for all factors that influence the sustainability of cash flows from each property. The capitalisation rate is dependent on a number of factors, such as location, the condition of the improvements, current market conditions, the lease covenants and the risk inherent in the property. Capitalisation rates varied between 7.75% and 12% for South African properties and between 5.5% and 6.5% for UK properties. The sensitivity of the fair values to changes in the capitalisation rate is illustrated in note 4.5.

All investment properties, excluding land and properties under development generated rental income during the reporting period.

All properties have been assessed for impairment at year end. There is no objective evidence to illustrate any evidence of impairment.

COMPANY 29 February 2016 R'000	COMPANY 28 February 2017 R'000		GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
		6. Straight-lining lease accrual		
		Contractual lease receivables are as follows:		
39 947	**75 800**	Within one year	**363 010**	248 742
111 119	**216 466**	Between one and five years	**1 373 429**	692 918
39 577	**36 669**	Beyond 5 years	**661 879**	877 315
190 643	**328 935**		**2 398 318**	1 818 975
(185 775)	**(312 114)**	Less: lease revenue on straight-line basis	**(2 260 515)**	(1 725 394)
4 868	**16 821**	Straight-lining lease accrual	**137 803**	93 581

7. Property, plant and equipment

Group for the year ended 28 February 2017

R'000	Furniture and fittings	Computer equipment	Motor vehicles	Buildings under development	Land	Total
Cost						
Opening balance	**2 008**	**183**	**—**	**—**	**—**	**2 191**
Additions	**1 317**	**44**	**310**	**4 560**	**—**	**6 231**
Transfer from investment property	**—**	**—**	**—**	**—**	**1 652**	**1 652**
Closing balance	**3 325**	**227**	**310**	**4 560**	**1 652**	**10 074**
Accumulated depreciation						
Opening balance	**(342)**	**(63)**	**—**	**—**	**—**	**(405)**
Charge for the year	**(394)**	**(72)**	**(17)**	**—**	**—**	**(483)**
Closing balance	**(736)**	**(135)**	**(17)**	**—**	**—**	**(888)**
Book value						
Opening balance	**1 666**	**120**	**—**	**—**	**—**	**1 786**
Additions	**1 317**	**44**	**310**	**4 560**	**1 652**	**7 883**
Depreciation charge for the year	**(394)**	**(72)**	**(17)**	**—**	**—**	**(483)**
Closing balance	**2 589**	**92**	**293**	**4 560**	**1 652**	**9 186**

Group for the year ended 29 February 2016

R'000	Furniture and fittings	Computer equipment	Motor vehicles	Buildings under development	Land	Total
Cost						
Opening balance	1 795	110	—	—	—	1 905
Additions	213	73	—	—	—	286
Closing balance	2 008	183	—	—	—	2 191
Accumulated depreciation						
Opening balance	(42)	(16)	—	—	—	(58)
Charge for the year	(300)	(47)	—	—	—	(347)
Closing balance	(342)	(63)	—	—	—	(405)
Book value						
Opening balance	1 753	94	—	—	—	1 847
Additions	213	73	—	—	—	286
Depreciation charge for the year	(300)	(47)	—	—	—	(347)
Closing balance	1 666	120	—	—	—	1 786

Company for the year ended 28 February 2017

R'000	Furniture and fittings	Computer equipment	Motor vehicles	Total
Cost				
Opening balance	**2 008**	**183**	**—**	**2 191**
Additions	**1 317**	**44**	**310**	**1 670**
Transfer from investment property	**—**	**—**	**—**	**—**
Closing balance	**3 325**	**227**	**310**	**3 862**
Accumulated depreciation				
Opening balance	**(342)**	**(63)**	**—**	**(405)**
Charge for the year	**(394)**	**(72)**	**(17)**	**(483)**
Closing balance	**(736)**	**(135)**	**(17)**	**(888)**
Book value				
Opening balance	**1 666**	**120**	**—**	**1 786**
Additions	**1 317**	**44**	**310**	**1 670**
Depreciation charge for the year	**(394)**	**(72)**	**(17)**	**(483)**
Closing balance	**2 589**	**92**	**293**	**2 974**

7. Property, plant and equipment (continued)

Company for the year ended 29 February 2016

R'000	Furniture and fittings	Computer equipment	Motor vehicles	Total
Cost				
Opening balance	1 795	110	—	1 905
Additions	213	73	—	286
Closing balance	2 008	183	—	2 191
Accumulated depreciation				
Opening balance	(42)	(16)	—	(58)
Charge for the year	(300)	(47)	—	(347)
Closing balance	(342)	(63)	—	(405)
Book value				
Opening balance	1 753	94	—	1 847
Additions	213	73	—	286
Depreciation charge for the year	(300)	(47)	—	(347)
Closing balance	1 666	120	—	1 786

8. Interest in subsidiaries

COMPANY	Acquisition date	Effective interest	Company 28 February 2017 Investment R'000	Company 29 February 2016 Investment R'000	Company 28 February 2017 Amount owing by /(to) R'000	Company 29 February 2016 Amount owing by / (to) R'000
Applemint Properties 93 (Pty) Ltd	1 March 2014	100%	**4 271**	4 271	**14 417**	14 105
Chamber Lane Properties 3 (Pty) Ltd#	1 July 2015	100%	**165 464**	162 652	**852 757**	1 082 310
Dormell Properties 711 (Pty) Ltd	1 June 2014	100%	**40 802**	40 802	**47 286**	50 637
EA Waterfall Logistics JV (Pty) Ltd	1 July 2016	80%	**292 064**	—	**(15 613)**	—
Equites Atlantic Hills (Pty) Ltd	1 October 2015	100%	**38 045**	38 010	**164 171**	7 202
Equites International Limited*	19 April 2016	100%	**723 829**	—	**—**	—
Equites Investments 1 (Pty) Ltd	1 July 2015	100%	**468 763**	316 209	**364 272**	251 234
Equites Lords View Development (Pty) Ltd	1 March 2014	100%	**—**	—	**(36 271)**	108 025
Equites UK SPV1 Limited*	19 April 2016	100%	**—**	—	**—**	—
Equites UK SPV2 Limited*	8 June 2016	100%	**—**	—	**—**	—
Equites UK SPV3 Limited*	17 June 2016	100%	**—**	—	**—**	—
Equites UK SPV4 Limited*	31 October 2016	100%	**—**	—	**—**	—
Equites UK SPV5 Limited*	31 October 2016	100%	**—**	—	**—**	—
Galt Property One (Pty) Ltd	1 March 2014	100%	**50 500**	50 500	**80 468**	83 708
Galt Property Two (Pty) Ltd	1 March 2014	100%	**64 445**	64 445	**125 401**	124 576
Kovacs Investments 715 (Pty) Ltd	1 March 2014	100%	**60 610**	60 610	**53 772**	52 381
Nascispan (Pty) Ltd	1 September 2014	100%	**8 737**	8 737	**34 392**	30 824
Prop for list (Pty) Ltd	1 June 2014	100%	**—**	—	**90 493**	90 814
Swish Property Seven (Pty) Ltd	1 March 2014	100%	**45 656**	45 656	**81 830**	83 551
			1 963 186	791 892	**1 857 375**	1 979 367

*Companies are incorporated in the Isle Of Man. Equites Property Fund holds 100% of the shares in Equites International Limited. Equites International Limited holds 100% of the shares in Equites UK SPV1 Limited, Equites UK SPV2 Limited, Equites UK SPV3 Limited, Equites UK SPV4 Limited and Equites UK SPV5 Limited.

#All subsidiaries, except those listed above are incorporated in South Africa and are held directly by the company through ordinary shares, except Chamber Lane Properties 3 (Pty) Ltd which is held through Equites Investments 1 (Pty) Ltd. There are no unconsolidated subsidiaries or share investments.

All amounts owing by subsidiaries are unsecured, interest free and payable on demand.

EA Waterfall Logistics JV (Pty) Limited was acquired in July 2016 through the subscription of 80% of the shares in the company. All companies formed in the Isle Of Man were formed during the year under review.

Acquisitions of underlying investment properties were accounted for in terms of IAS 40 Investment Properties in the statement of financial position of the group.

COMPANY				GROUP	
29 February 2016 R'000	**28 February 2017 R'000**			**28 February 2017 R'000**	**29 February 2016 R'000**
		9.	**Trade and other receivables**		
1 266	**2 921**		Trade receivables (tenants)	**7 613**	7 618
4 463	**—**		Rental guarantees receivable	**—**	14 214
519	**—**		Property utility receivables	**32**	2 953
—	**—**		Deposit on property acquisition	**29 351**	—
37	**915**		Municipal deposits	**7 308**	3 979
5 341	**57 338**		Supplier development loan (note 9.4)	**57 338**	5 341
23 759	**24 870**		VAT receivable	**25 561**	27 995
—	**531**		Sundry debtors relating to property management fees	**6 733**	—
206	**141**		Other receivables	**842**	260
35 591	**86 716**			**134 778**	62 360

All trade and other receivables, other than the deposit on the property acquisition, is denominated in South African rand and the carrying amounts approximate the fair values.

9.1 Credit quality of trade receivables

The credit quality of trade receivables is evaluated with reference to available financial information and history with the company and can be categorised into the following groups:

COMPANY 29 February 2016 R'000	COMPANY 28 February 2017 R'000		GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
502	**2 792**	A – Large nationals, large listeds and government	**7 272**	4 381
197	**91**	B – Smaller international and national tenants	**207**	2 165
567	**38**	C – Other local tenants and sole proprietors	**134**	1 071
1 266	**2 921**		**7 613**	7 618

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

COMPANY 29 February 2016 R'000	28 February 2017 R'000			GROUP 28 February 2017 R'000	29 February 2016 R'000
		9.	**Trade and other receivables (continued)**		
		9.2	**Ageing of trade receivables**		
			The ageing of trade receivables as at year end was follows:		
909	**2 551**		Current – up to 30 days	**6 361**	6 966
240	**307**		Past due – between 31 and 90 days	**460**	379
117	**63**		Past due – 91 days and longer	**792**	273
1 266	**2 921**			**7 613**	7 618
			None of the past due amounts are considered impaired and there is no allowance for impairment of trade receivables at year end.		
		9.3	**Property utility receivables**		
519	**—**		Property utility receivables relate to amounts paid to local authorities, which are recoverable from the applicable tenant in terms of the lease agreements. All these amounts were recovered during March 2017.	**32**	2 953
		9.4	**Supplier development loan**		
5 341	**57 338**		Damon at Sons Construction (Pty) Ltd	**57 338**	5 341
			These amounts were advanced to one of our small suppliers as part of our supplier development programme and are unsecured, do not bear interest and have no fixed terms of repayment.		
		10.	**Financial assets held at fair value**		
4 868	**3 353**		ABIL retention fund (note 10.1)	**3 353**	4 868
38 495	**—**		Money market investment (note 11.3)	**—**	38 495
3 737	**134 632**		Derivative financial asset (note 16)	**134 632**	3 737
47 100	**137 985**			**137 985**	47 100
		10.1	**ABIL retention fund**		
4 489	**4 868**		**Opening balance**	**4 868**	4 489
—	**—**		Amount invested in Nedbank Core Income Fund	**—**	—
379	**—**		Interest accrued	**—**	379
—	**(1 515)**		Amount withdrawn	**(1 515)**	—
4 868	**3 353**		**Closing balance**	**3 353**	4 868

Surplus funding subsequent to listing were invested in Nedbank Limited's Core Income Fund, which had an exposure to African Bank Investments Limited ("ABIL") senior debt. All funds were subsequently withdrawn and used to settle property acquisitions, other than the balance that was ring-fenced in the "ABIL retention fund".

The investment is classified as a financial asset at fair value through profit and loss and is expected to be realised within 12 months of the reporting date.

COMPANY 29 February 2016 R'000	COMPANY 28 February 2017 R'000		GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
		11. Cash and cash equivalents		
		11.1 Composition of cash and cash equivalents		
1 039	**2 478**	Current accounts	**8 558**	3 573
165	**2 351**	Cash on call	**2 353**	363
—	**95**	Money market investment (note 11.3)	**95**	—
26	**36**	Petty cash	**36**	26
1 230	**4 960**		**11 042**	3 962
		11.2 Credit exposure of cash and cash equivalents		
		Amounts in current accounts and in call are invested with reputable institutions as follows:		
1 204	**4 924**	Nedbank Limited	**10 997**	3 925
—	**—**	ABSA Bank Limited	**9**	11
1 204	**4 924**		**11 006**	3 936
		Cash and cash equivalents comprise amounts which are immediately available and the carrying amounts are equivalent to the fair values.		
		11.3 Money market investment		
—	**38 495**	**Opening balance**	**38 495**	—
180 000	**—**	Amounts invested in Corporate Money Market Fund	**—**	180 000
2 495	**4 327**	Interest accrued	**4 327**	2 495
(144 000)	**(42 727)**	Amounts withdrawn	**(42 727)**	(144 000)
38 495	**95**	**Closing balance**	**95**	38 495
		12. Stated capital		
		12.1 Authorised shares		
		2 000 000 000 (two billion) ordinary shares, of the same class and no par value.		
		12.2 Issued shares		
3 180 784	**4 193 749**	350 465 000 (2016: 279 862 466) ordinary shares, of the same class and no par value.	**4 193 749**	3 180 784
		The unissued shares are under the control of the directors (subject to limitations set by shareholders' resolutions) until the next annual general meeting.		

COMPANY 29 February 2016 R'000	COMPANY 28 February 2017 R'000			GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
		12.	**Stated capital (continued)**		
		12.3	**Reconciliation of issued shares – value**		
1 140 599	**3 180 784**		**Opening balance**	**3 180 784**	1 140 599
486 435	**20 463**		Shares issued for acquisition of subsidiaries[1]	**20 463**	486 435
62 482	**—**		Shares issued for acquisition of Lord's View land[2]	**—**	62 482
1 500 000	**1 000 000**		Shares issued for cash in accelerated book build[3]	**1 000 000**	1 500 000
(8 732)	**(7 498)**		Share issue costs	**(7 498)**	(8 732)
3 180 784	**4 193 749**		**Closing balance**	**4 193 749**	3 180 784
Number of shares	**Number of shares**	**12.4**	**Reconciliation of issued shares – number**	**Number of shares**	Number of shares
114 410 255	**279 862 466**		**Opening balance**	**279 862 466**	114 410 255
40 536 243	**1 637 017**		Shares issued for acquisition of subsidiaries[1]	**1 637 017**	40 536 243
4 915 968	**—**		Shares issued for acquisition of Lord's View land[2]	**—**	4 915 968
120 000 000	**68 965 517**		Shares issued for cash in accelerated book build[3]	**68 965 517**	120 000 000
279 862 466	**350 465 000**		**Closing balance**	**350 465 000**	279 862 466

[1]Shares issued to Intaprop Investments (Pty) Ltd at a price of R12.50 per share (2016: R12.00 per share).

[2]Shares issued to Lords Trust Developers (Pty) Ltd at a price of R12.71 per share.

[3]General share issue at a price of R14.50 per share (2016: R12.50 per share).

13 Share-based payment reserve

13.1 Description of executive share plan

The group operates an executive share plan in terms of which it has granted conditional shares to directors and management. The full share grant may be forfeited if participants do not meet the vesting conditions as detailed in the remuneration report.

These awards have been recognised as equity-settled share-based payments as a separate category within equity. The fair value of the award was determined with reference to the following assumptions:

Assumptions	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
Number of shares (on-target excluding matching shares)	235 174	366 119	387 667	464 827
Grant date	29 October 2014	15 July 2015	29 February 2016	20 February 2017
Vesting date	31 May 2017	31 May 2018	31 May 2019	31 May 2020
Issue price (30 day VWAP)	R10.65	R11.92	R12.38	R15.97
Forfeiture rate	0.0%	2.5%	5.0%	5.0%
Dividend yield	8.2%	8.2%	8.0%	7.5%
Performance condition factor	155.0%	124.0%	112.0%	90.0%

Assumptions are adjusted with the availability of objective evidence. Where these result in changes in the non-market conditions of the scheme, the cummulative impact is charged to profit and loss in the year the adjustment is made.

13.2 Detail of grants

The details of conditional shares awarded are set out below:

Name	Grant date	Issue price	Number of shares: On-target	Number of shares: Matching shares	Number of shares: Total
Tranche 1					
Andrea Taverna-Turisan	29 October 2014	R10.65	110 404	36 801	147 205
Gerhard Riaan Gous	29 October 2014	R10.65	66 911	22 304	89 215
Bram Goossens	29 October 2014	R10.65	51 756	17 252	69 008
Total conditional shares awarded and balance at 28 February 2015			229 071	76 357	305 428
Tranche 2					
Andrea Taverna-Turisan	15 July 2015	R11.92	139 480	46 493	185 973
Gerhard Riaan Gous	15 July 2015	R11.92	104 027	34 676	138 703
Bram Goossens	15 July 2015	R11.92	104 027	34 676	138 703
Tranche 3					
Andrea Taverna-Turisan	29 February 2016	R12.38	144 580	48 193	192 773
Gerhard Riaan Gous	29 February 2016	R12.38	108 003	36 001	144 004
Bram Goossens	29 February 2016	R12.38	108 003	36 001	144 004
Total conditional shares awarded during the year ended 29 February 2016			708 120	236 040	944 160
Balance of conditional shares awarded as at 29 February 2016			937 191	312 397	1 249 588
Tranche 4					
Andrea Taverna-Turisan	20 February 2017	R15.97	164 997	54 999	219 996
Gerhard Riaan Gous	20 February 2017	R15.97	115 216	38 405	153 621
Bram Goossens	20 February 2017	R15.97	115 216	38 405	153 621
Total conditional shares awarded during the year ended 28 February 2017			395 429	131 809	527 238
Balance of conditional shares awarded as at 28 February 2017			1 332 620	444 206	1 776 826

40% of the conditional shares are subject to a 3-year service period only and 60% are subject to a 3-year service period as well as certain group and individual performance conditions. No conditional shares vested or were forfeited during the year.

Notes (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

COMPANY 29 February 2016 R'000	COMPANY 28 February 2017 R'000			GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
		13	**Share-based payment reserve (continued)**		
		13.3	**Reconciliation of share-based payment reserve**		
201	**1 366**		**Opening balance**	**1 366**	201
1 165	**6 515**		Expense recognised in profit or loss	**6 515**	1 165
1 366	**7 881**		**Closing balance**	**7 881**	1 366
		14.	**Deferred tax liability**		
—	**—**		Opening balance	**1 424**	—
—	**—**		Acquired as part of acquisition of Intaprop	**—**	1 424
			Realised in current year	**(1 424)**	—
—	**—**			**—**	1 424
			Due to a change in the expected tax consequences of the recovery of the asset to which this deferred tax relates, this deferred tax asset was written down to zero.		
		15.	**Financial liabilities**		
			Non-current		
—	**115 002**		Standard Bank of South Africa	**115 002**	36 401
396 303	**396 653**		Nedbank Limited	**605 708**	395 820
—	**—**		RMB Limited	**121 102**	—
—	**—**		Sanlam Limited	**38 000**	—
—	**—**		Loan: Royal Bank of Scotland*	**206 285**	—
396 303	**511 655**			**1 086 097**	432 221
			Current		
78 796	**79 887**		Nedbank Limited	**79 887**	78 796
—	**187 000**		Standard Bank of South Africa	**187 000**	—
—	**—**		Loan: Royal Bank of Scotland*	**16 179**	—
—	**2 046**		Related party loans	**2 917**	15 307
78 796	**268 933**			**285 983**	94 103

*The loan amounting to £13.75 million was entered into with the Royal Bank of Scotland is a fixed term, interest bearing loan which was utilised to fund expansion into the United Kingdom.

The group is in the process of renegotiating the Nedbank loan 30155268 which expires in May 2017.

15.1 Security for Nedbank loans

First covering mortgage bond for R47 000 000.00 by Prop for list (Pty) Ltd over Erf 34632 Milnerton and Erf 36530 Milnerton.

First sectional covering mortgage bond for R13 000 000.00 by Prop for list (Pty) Ltd over the sectional title unit(s) consisting of section number(s) 1 of the sectional title scheme known as "Erf 20843 Milnerton" together with an undivided share in the common property of such sectional title scheme and includes the right to exclusive use of the exclusive use areas pertaining thereto.

First covering mortgage bond for R20 000 000.00 by Galt Property One (Pty) Ltd over Erf 24589 Parow.

First covering mortgage bond for R30 000 000.00 by Galt Property One (Pty) Ltd over Erf 12669 Parow.

Second covering mortgage bond for R50 000 000.00 by Galt Property One (Pty) Ltd over Erven 12669 and 24589 Parow.

First covering mortgage bond for R100 000 000.00 by Kovacs Investments 715 (Pty) Ltd over R/Erf 161537 Cape Town.

Covering mortgage bond for R17 000 000.00 by Applemint Prop 93 (Pty) Ltd over Erf 159592 Cape Town as a first charge and by Kovacs Investments 715 (Pty) Ltd over R/Erf 161537 Cape Town as a second charge.

First covering mortgage bond for R100 000 000.00 by Swish Prop Seven (Pty) Ltd over Erf 176382 Cape Town.

First covering mortgage bond for R110 000 000.00 by Galt Property Two (Pty) Ltd over R/Erf 24033 Bellville.

First covering mortgage bond for R19 000 000.00 over Erf 21278 Milnerton.

First covering mortgage bond for R75 000 000.00 over Erf 23468 Parow.

First covering mortgage bond for R90 000 000.00 over Erf 35221 Bellville.

First covering mortgage bond for R50 000 000.00 over Erf 31292 Bellville.

First covering mortgage bond for R34 800 000.00 over Erf 174490 Cape Town.

First covering mortgage bond for R30 200 000.00 over R/Erf 170665 Cape Town.

First covering mortgage bond for R29 750 000.00 over Erf 167077 Cape Town.

First sectional covering mortgage bond for R90 000 000.00 over section 2 of the sectional title scheme known as "Execujet Business Centre" together with an undivided share in the common property of such sectional title scheme and includes the right to exclusive use of the exclusive use areas pertaining thereto.

First sectional covering mortgage bond by the Borrower for R24 000 000.00 over section 3 of the sectional title scheme known as "Execujet Business Centre" together with an undivided share in the common property of such sectional title scheme and includes the right to exclusive use of the exclusive use areas pertaining thereto

First covering mortgage bond by the Borrower for R700 000 000 over Erven 50, 51, 52, 53, 54 & 55 Linbro Park Ext. 86 (Ptn 3 of erf 100 Linbro Park ext 86), Johannesburg

First covering mortgage bond for R600 000 000 over Erf 86, 89, 91 and 92 Linbro Park, Ext 127, Johannesburg.

First covering mortgage bond for R3 000 000 over Erf 63 Linbro Park, Ext 86, Johannesburg.

First sectional covering mortgage bond for R5 000 000 over Holding 68 Linbro Park AH, Johannesburg.

First sectional covering mortgage bond for R12 000 000 over Holding 131 Linbro Park AH, Johannesburg.

First covering mortgage bond for R5 000 000 over portion 214 of Farm 35 Modderfontein IR, Johannesburg.

First covering mortgage bond for R600 000 000 over Ptn 1 of Holding 86, R/E of Holding 66, Holding 64, Holding 65 Linbro Park AH, Johannesburg.

First covering mortgage bond for R600 000 000 over Erf 87 Linbro Park Ext 127, Johannesburg.

First covering mortgage bond for R706 000 000 over Holding 81, Linbro Park AH, Johannesburg.

15. Financial liabilities (continued)

First covering mortgage bond for R34 100 000 over 50% undivided share in Erf 30 Illovo, Johannesburg.

Second covering mortgage bond for R28 400 000 over 50% undivided share in Erf 30 Illovo, Johannesburg.

First covering mortgage bond for R600 000 000 over Erf 88 Linbro Park Ext 27, Johannesburg.

First covering mortgage bond for R100 000 000 over Ptn 5 of the Farm 1327 Stellenbosch RD, Cape Town.

First covering mortgage bond for R100 000 000 over Ptn 10 of the Farm 1327 Stellenbosch RD, Cape Town.

First covering mortgage bond for R600 000 000 over Proposed erven 98 and 99 Linbro Park Extension 132.

First covering mortgage bond for R600 000 000 over Proposed Erf 90 Linbro Park Extension 127.

First covering mortgage bond for R100 000 000 over proposed Erf 4124 (A ptn of Erf 1752) Hagley, Cape Town.

First covering mortgage bond for R50 000 000 over proposed Erf 4146 (A ptn of Erf 4144) Hagley, Cape Town.

First covering mortgage bond for R34 800 000 over the consolidation of Erf 171021 and Erf 171022, Cape Town.

Mortgage bond in favour of Nedbank as a first ranking over all the Borrower's rights, title and interest in and to the notarial deed of lease enterered into between Jukskei View WUQF (Pty) Ltd and the Borrower over Property One (K7917/2014L), Property Two (K3273/2015L), and Property Four (K3275/2015L) and between Waterfall 8 Industrial Park (Pty) Ltd and Property Three (K7863/2014L).

15.2 Security for Standard Bank loans

First covering mortgage bond for R100 000 000 000 over Erf 11, Durbanville, Cape Town.

First covering mortgage bond for R2 000 000 000 over Portion 159 of the farm Klipfontein No.12, Gauteng.

First covering mortgage bond for R300 000 000 over Erf 497, Tunney Ex 15, Gauteng.

First covering mortgage bond for R100 000 000 over Erf 861, Brooklyn Township, Gauteng.

First covering mortgage bond for R200 000 000 over Erf 32598, Epping Industria, Cape Town.

15.3 Security for RMB loan

Security over lease area no. 4, Erf 428, Buccleuch, Extension 9 under notarial lease K5081/2014L.

Security over area ABCDEFGA on diagram SG 3362/2014, Erf 3545, Jukskei View, Extenstion 78 under notarial lease K8229/2014L.

Undivided half share in and to the agreement of lease registered under notarial lease K3696/2015L in respect of lease area no 5 Erf 428, Buccleuch, Extension 9 and lease area no 6 Erf 429, Buccleuch, Extension 9.

15.4 Security for Sanlam loan

Security over lease area No 2 over Erf 428 Buccleuch Extension 9 township

15.5 Terms and conditions of loans

Interest is calculated daily at the rates listed in note (4.1.1) and is payable monthly. The full outstanding capital is repayable on the marurity dates listed in note (4.1.1).

All loans are subject to a "loan-to-value" covenant of 50%.

COMPANY 29 February 2016 R'000	28 February 2017 R'000				GROUP 28 February 2017 R'000	29 February 2016 R'000
		16. Derivative financial liabilities				
(3 737)	**(9 047)**	Interest rate swap			**(11 208)**	(3 737)
3 737	**134 632**	Amount reflected as financial asset (note 10)			**134 632**	3 737
—	**125 585**				**123 424**	—
		This amount represents the mark-to-market fair value of the interest rate swaps as at 28 February 2017.				
		The details of the interest rate swaps are as follows:				
Nominal Amount	**Nominal Amount**	**Description**	**Maturity**	**Effective rate**	**Nominal Amount**	**Nominal Amount**
—	**100 000**	Interest rate swap 1	31 August 2019	8.85%	**100 000**	—
—	**200 000**	Interest rate swap 2	14 September 2020	8.32%	**200 000**	—
—	**250 000**	Interest rate swap 3	14 September 2020	7.96%	**250 000**	—
—	**—**	Interest rate swap 4	01 September 2021	7.61%	**210 000**	—
100 000	**—**	Interest rate swap 5	01 September 2021	8.08%	**100 000**	100 000
—	**600 000**	Cross currency swap 1	01 October 2021	n/a	**600 000**	—
100 000	**1 150 000**	**Total nominal value of hedging instruments**			**1 460 000**	100 000
		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			**305 379**	306 885
		Average maturity		**31 August 2022**		
		Effective interest rate		**9.00%**		
100 000	**1 150 000**	Total hedge cover			**1 765 379**	406 885
		Term loan balances at year end			**1 352 984**	**511 017**
		Effective hedging at year end			**130.5%**	**79.6%**
		The group has a policy to hedge at least 80% of its exposure to floating interest rates on permanent debt on an ongoing basis.				
		Shortly after the financial year end, the group restructured 3 of its interest rate swaps into a single instrument with an extended maturity and lower fixed rate.				

COMPANY 29 February 2016 R'000	COMPANY 28 February 2017 R'000			GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
		17.	**Trade and other payables**		
1 940	**5 960**		Tenant deposits	**13 084**	11 258
8 901	**46 434**		Trade payables and accruals	**61 224**	14 518
492	**3 140**		Trade receivables with credit balances	**6 611**	3 269
22 786	**729**		Deferred purchase consideration	**1 262**	43 333
—	**—**		UK Rent received in advance	**12 357**	—
36	**—**		Shareholders for dividends	**—**	36
—	**(68)**		Other payables	**49**	—
34 155	**56 195**			**94 587**	72 414

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

The rent received in advance arose as a consequence of rental income paid quarterly in advance in the United Kingdom. The rent received in advance has been received by Tesco and Amazon in respect of the properties let in the United Kingdom. These amounts have been received in GBP and are translated at the closing rate at year end.

Pursuant to the land and letting enterprise acquisitions during the year, certain amounts were retained until certain infrastructure and zoning milestones are achieved. These amounts are commonly known as "agterskot" payments and are included in the deferred purchase consideration amount.

18. Revenue

Revenue comprises gross contractual rentals as well as contractual recoveries of utility costs, property taxes and operating costs as applicable, adjusted for the accounting straight-lining of lease income. For the company, revenue also includes dividends received from subsidiary companies.

COMPANY 29 February 2016 R'000	COMPANY 28 February 2017 R'000		GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
		Contractual gross rentals and recoveries received or accrued		
50 256	**69 545**	Contractual rentals	**392 291**	223 627
9 626	**12 864**	Recoveries from tenants	**65 918**	33 399
59 882	**82 409**	**Total contractual gross rentals and recoveries**	**458 209**	257 026
8 195	**3 758**	Straight-lining of leases adjustment (note 6)	**44 222**	78 653
92 416	**221 529**	Dividends received from subsidiaries	**—**	—
160 493	**307 696**		**502 431**	335 679

COMPANY 29 February 2016 R'000	28 February 2017 R'000			GROUP 28 February 2017 R'000	29 February 2016 R'000
		19.	**Other gains**		
29	**239**		Insurance recoveries	**922**	66
—	**—**		Levy income	**611**	—
—	**5 164**		Intercompany property management fee	**—**	—
—	**1 347**		Foreign exchange gain	**—**	—
729	**122**		Sundry income	**1 304**	1 182
—	**—**		Income of a capital nature	**9 258**	—
758	**6 872**			**12 095**	1 248
		20.	**Expenses by nature**		
		20.1	**Composition of property operating and management and administrative expenses**		
15 899	**21 350**		Employee benefits (note 20.2)	**15 926**	15 899
16 473	**27 769**		Operating expenses (note 20.5)	**88 725**	43 528
32 372	**49 119**		Total property operating and management and administrative expenses	**104 651**	59 427
		20.2	**Employee benefits**		
2 762	**7 302**		Salaries and wages	**7 302**	2 762
1 432	**1 516**		Non-executive directors' emoluments (note 20.3)	**1 516**	1 432
10 540	**11 390**		Executive directors' emoluments (note 20.4)	**11 390**	10 540
1 165	**6 515**		Equity-settled share-based payment expense (note 13.3)	**6 515**	1 165
—	**(5 373)**		Capitalised to investment property	**(10 797)**	—
15 899	**21 350**			**15 926**	15 899

20.3 Non-executive directors' emoluments

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

Director	Fees – 2017	Fees – 2016
Leon Campher	**404**	403
Nazeem Khan	**276**	248
Ruth Eleanor Benjamin-Swales	**243**	245
Giancarlo Lanfranchi	**174**	183
Kevin Dreyer	**182**	238
Johnny Cullum	**—**	45
André Gouws	**150**	70
Mustaq Brey	**87**	—
Gugu Mtetwa	**—**	—
	1 516	1 432

Notes (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

20. Expenses by nature (continued)

20.4 Executive directors' emoluments

Remuneration paid to executive directors for 2017 comprised:

Director	Salary	Other benefits	Performance bonus	Total	Cumulative IFRS 2 charge
Andrea Taverna-Turisan	**2 106**	**27**	**2 527**	**4 660**	**2 507**
Gerhard Riaan Gous	**1 671**	**27**	**1 671**	**3 369**	**2 345**
Bram Goossens	**1 671**	**19**	**1 671**	**3 361**	**2 345**
	5 448	**73**	**5 869**	**11 390**	**7 197**

Remuneration paid to executive directors for 2016 comprised:

Director	Salary	Other benefits	Performance bonus	Total	Cumulative IFRS 2 charge
Andrea Taverna-Turisan	1 956	12	2 347	4 315	1 826
Gerhard Riaan Gous	1 550	12	1 550	3 112	1 716
Bram Goossens	1 550	13	1 550	3 113	1 716
	5 056	37	5 447	10 540	5 258

*The three Executive Directors listed above are considered to be key management personnel.

COMPANY 29 February 2016 R'000	COMPANY 28 February 2017 R'000		GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
		20.5 Operating expenses		
9 294	**15 461**	Property taxes and utility expenses	**60 478**	31 081
5 929	**10 489**	Property operational costs	**25 409**	11 073
—	**748**	Operating expenses on non-income generating properties	**1 818**	—
346	**483**	Depreciation of property, plant and equipment (note 7)	**483**	346
537	**345**	Auditors remuneration – audit fees	**153**	537
22	**—**	Auditors remuneration – non-audit fees	**—**	22
184	**145**	Bad debts written off	**145**	184
160	**99**	Other operating expenses	**241**	285
16 472	**27 770**		**88 725**	43 528
		21. Fair value adjustments		
8 662	**30 370**	Fair value adjustment on investment property (note 5)	**309 138**	138 529
4 248	**121 849**	Fair value mark-to-market of derivative financial instruments (note 16)	**119 687**	4 248
12 910	**152 219**		**428 825**	142 777

COMPANY 29 February 2016 R'000	28 February 2017 R'000			GROUP 28 February 2017 R'000	29 February 2016 R'000
		22.	**Finance costs**		
44 896	**100 633**		Interest paid on bank loans	**126 041**	65 162
—	**7 996**		Interest paid on derivatives	**7 996**	—
—	**—**		Interest paid on shareholder loans	**—**	—
67	**13**		Interest on utility accounts and other	**13**	322
(142)	**—**		Costs capitalised to land and investment property under development	**(63 651)**	(25 410)
44 821	**108 642**			**70 399**	40 074
		23.	**Finance income**		
379	**34 953**		Interest received on financial asset (note 10)	**34 953**	379
—	**104**		Interest received from tenants	**286**	—
2 495	**—**		Interest received on money market investment (note 10)	**—**	2 495
458	**1 551**		Interest received on call and current account balances	**3 006**	793
3 332	**36 608**			**38 245**	3 667

24. Income tax expense

The company is a Real Estate Investment Trust ("REIT") and all subsidiaries in the group are "controlled companies" (as defined in the Income Tax Act). After deducting "qualifying distributions" from taxable income, no income tax is payable in the current year.

The deduction of the "qualifying distribution" from taxable earnings accounts for the entire difference in the standard tax rate of 28% and the effective tax rate of 0%.

COMPANY 29 February 2016 R'000	28 February 2017 R'000			GROUP 28 February 2017 R'000	29 February 2016 R'000
		25.	**Notes to the cash flow statement**		
		25.1	**Finance costs paid**		
44 963	**108 642**		Incurred and paid during the year	**134 050**	65 484
		25.2	**Finance income received**		
645	**36 608**		Finance income received during the year	**38 245**	980
		25.3	**Tax received**		
—	**—**		Amount refundable at beginning of year	**—**	91
—	**—**		Taxation expense	**—**	—
—	**—**		Amount refundable at end of year	**—**	—
—	**—**			**—**	91

COMPANY 29 February 2016 R'000	28 February 2017 R'000			GROUP 28 February 2017 R'000	29 February 2016 R'000
		25.	**Notes to the cash flow statement (continued)**		
		25.4	**Dividend paid**		
—	—		Dividend declared to vendor shareholders	—	—
46 782	**143 222**		Final dividend prior year paid	**143 222**	46 782
58 142	**152 872**		Interim dividends declared and paid	**152 872**	58 142
472	**586**		Antecedent dividends paid	**586**	472
—	—		Ring-fenced dividend payable to Intaprop Investments (Pty) Ltd	**7 657**	—
—	—		Amount paid to non-controlling interest	**798**	—
105 396	**296 680**			**305 135**	23 816
		25.5	**Investment Property**		
271 925	**269 875**		Investment Property acquired	**1 818 230**	398 246
—	—		Minority interest acquired	**(73 016)**	—
—	—		Loan acquired	**(368 157)**	—
—	—		Shares issued for acquisition	**(20 463)**	—
271 925	**269 875**			**1 356 594**	398 246
		26.	**Capital commitments**		
44 192	—		Authorised and contracted for construction of new industrial property	**303 129**	301 858
—	—		Authorised and contracted for improvements to existing property	**20 966**	—
—	—		Authorised but not contracted	**95 106**	—
44 192	—			**419 201**	301 858

27. Related parties

Related party relationships exist between the company, its subsidiaries, directors as well as their close family members, and key management of the company.

Investments in and amounts owing by subsidiaries are detailed in note 8.

Remuneration paid to directors are set out in note 20.

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 company are provided in the directors report.

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

COMPANY 29 February 2016 R'000	28 February 2017 R'000		GROUP 28 February 2017 R'000	GROUP 29 February 2016 R'000
39 450	**55 840**	Dividend paid to related party shareholders	**55 840**	39 450
—	—	Settlement in respect of Mill Street Floor warrantee from Chiluan (Pty) Ltd and Skymax Trust. (Andrea Taverna-Turisan is a director of Chiluan (Pty) Ltd and Giancarlo Lanfranchi is a trustee of Skymax Trust)	**2 018**	—
632	**700**	Fees paid to BTKM (Pty) Ltd (in which Nazeem Khan is a Director)	**4 587**	1 076

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

28 Non-controlling interests

The NCI of R93.5 million represents 20% of the net asset value of EA Waterfall Logistics JV Pty (Ltd) at 28 February 2017. Apart from EA Waterfall Logistics JV (Pty) Ltd, all other subsidiaries are 100% owned. During the year, Equites acquired the assets and liabilities of EA Waterfall Logistics JV (Pty) Ltd which owned 8 properties at Waterfall, Midrand.

The non-controlling interest balance is reconciled as follows:

20% interest in acquisition net asset value	73 016
Share of distributable profit for the year	21 317
Dividend declared	(798)
Balance at year end	93 535

Summarised statement of financial position	**EA Waterfall Logistics JV (Pty) Ltd 100%**
Investment property	816 400
Current assets	21 841
Total assets	838 241
Equity	
Stated capital	365 080
Accumulated profit	102 597
Total equity	467 677
Interest-bearing borrowings	368 157
Current liabilities	2 407
Total equity and liabilities	838 241
Net assets	467 677
Summarised statement of profit and loss	
Revenue	71 459
Operating costs	(15 437)
Fair value adjustments	74 082
Interest income	383
Interest expense	(23 903)
Profit for the year	106 584

29. Subsequent events

Sale of property

The office property "Belvedere", which is classified as "held for sale" at the reporting date was transferred on 2 March 2017. The purchase price was reflective of the fair value of the property and the sale of the property is in line with Equites's strategy to focus on logistics properties with strong fundamentals.

Changes in hedging activities

Shortly after the financial year end, the group restructured 3 of its interest rate swaps into a single instrument with an extended maturity and lower fixed rate. The group further entered into a forward starting LIBOR swap which locks in exchange rates for five years starting in 2021.

Notes (continued)

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

30 Property analysis

30.1 Property schedule

Property name	Location	Sector	Gross lettable area (m²)	Average rental per m² (rand)	Value (R'000)	Date of last external valuation
Industrial properties – logistics						
DSV Healthcare	Meadowview, Gauteng	Logistics	39 782	Note 1	1 022 099	30 June 2015
Tesco	Hinkley, United Kingdom	Logistics	27 725	Note 1	502 001	30 May 2016
Amazon	Stoke-on-Trent, United Kingdom	Logistics	20 410	Note 1	307 095	1 November 2016
Triton Express	Meadowview, Gauteng	Logistics	14 159	Note 1	215 851	30 June 2015
The Foschini Group	Midrand, Pretoria	Logistics	21 835	Note 1	201 004	29 February 2016
Medtronic	Waterfall, Midrand	Logistics	11 082	Note 1	179 500	28 February 2017
Puma Atlantic Hills	Atlantic Hills, Cape Town	Logistics	17 598	Note 1	163 491	N/A
Servest	Waterfall, Midrand	Logistics	6 767	Note 1	160 000	28 February 2017
Tunney Ridge	Germiston, Gauteng	Logistics	13 808	Note 1	155 070	N/A
DSV Vanguard	Philippi, Cape Town	Logistics	15 798	Note 1	154 986	29 February 2016
Digistics Waterfall	Waterfall, Midrand	Logistics	7 257	Note 1	123 364	N/A
Tekstiel Rd	Parow, Cape Town	Logistics	10 156	Note 1	118 866	29 February 2016
Westcon	Waterfall, Midrand	Logistics	8 087	Note 1	117 300	28 February 2017
Cummins#	Waterfall, Midrand	Logistics	10 504	Note 1	106 900	28 February 2017
Simba	Parow, Cape Town	Logistics	10 308	Note 1	98 357	29 February 2016
Premier Foods	Meadowview, Gauteng	Logistics	8 283	Note 1	91 150	30 June 2015
Drager	Waterfall, Midrand	Logistics	5 090	Note 1	83 000	28 February 2017
Keuhne Nagel	Airport Industria, Cape Town	Logistics	9 098	Note 1	79 108	29 February 2016
160 Gunners Circle	Epping, Cape Town	Logistics	8 133	Note 1	74 473	29 February 2016
Wasteman	Saxdown, Cape Town	Logistics	4 066	Note 1	65 125	30 June 2015
Hilti	Waterfall, Midrand	Logistics	3 948	Note 1	64 450	28 February 2017
Stryker	Waterfall, Midrand	Logistics	3 220	Note 1	63 000	28 February 2017
Geberit	Meadowview, Gauteng	Logistics	6 250	Note 1	59 766	30 June 2015
ESCO Warehouse	Meadowview, Gauteng	Logistics	5 000	Note 1	59 568	30 June 2015
Assegaai Rd	Parow, Cape Town	Logistics	7 931	Note 1	58 534	29 February 2016
Caudwell Marine	Airport Industria, Cape Town	Logistics	7 470	Note 1	53 527	29 February 2016
Paarl Media	Milnerton, Cape Town	Logistics	5 100	Note 1	49 659	1 June 2014
Aviation 57	Airport Industria, Cape Town	Logistics	4 855	Note 1	45 468	29 February 2016
18-22 Montreal	Airport Industria, Cape Town	Logistics	3 800	Note 1	42 509	29 February 2016
Angelshack	Waterfall, Midrand	Logistics	4 666	Note 1	42 250	28 February 2017
JF Hillebrand	Atlantic Hills, Cape Town	Logistics	3 200	Note 1	38 037	N/A
Formscaff	Saxdown, Cape Town	Logistics	1 828	Note 1	35 319	30 June 2015
Execujet Wings	Airport Industria, Cape Town	Logistics	2 700	Note 1	31 305	29 February 2016
Triton Fleet	Meadowview, Gauteng	Logistics	1 117	Note 1	30 812	30 June 2015
Printers Way Erf 34632 Prime Park	Milnerton, Cape Town	Logistics	4 900	Note 1	28 000	1 June 2014
Manhattan 67A	Airport Industria, Cape Town	Logistics	2 800	Note 1	25 996	29 February 2016
MADRID 12	Airport Industria, Cape Town	Logistics	3 000	Note 1	23 408	29 February 2016
Total industrial properties – logistics			341 731	89.4	4 770 348	

Property name	Location	Sector	Gross lettable area (m^2)	Average rental per m^2 (rand)	Value (R'000)	Date of last external valuation
Industrial properties– not logistics						
East Balt	Bellville, Cape Town	Industrial	10 439	Note 1	146 257	29 February 2016
Execujet Hanger	Airport Industria, Cape Town	Industrial	5 347	Note 1	120 106	29 February 2016
Crossroads – Nascispan	Milnerton, Cape Town	Industrial	2 888	Note 1	52 404	29 February 2016
Digistics – KFC	Bellville, Cape Town	Industrial	10 645	Note 1	50 520	29 February 2016
Digistics – McDonalds	Bellville, Cape Town	Industrial	7 367	Note 1	45 165	29 February 2016
Barloworld	Milnerton, Cape Town	Industrial	3 300	Note 1	24 189	29 February 2016
Printers Way Erf 20843 – Offices	Milnerton, Cape Town	Logistics	3 050	Note 1	18 000	1 June 2014
Sans Park	Bellville, Cape Town	Industrial	2 000	Note 1	15 165	29 February 2016
AH73 ATC Tower (281)	Meadowview, Gauteng	Industrial	70	Note 1	1 028	30 June 2015
MTN Mast	Meadowview, Gauteng	Industrial	70	Note 1	831	30 June 2015
Total industrial properties – not logistics			45 176	79.3	473 665	
Total industrial properties			386 907	88.3	5 244 013	
Commercial properties						
8 Melville Rd#	Illovo, Gauteng	Commercial	1 980	231.2	68 790	30 June 2015
Equity Park	Brooklyn, Pretoria	Commercial	3 200	116.4	62 962	30 June 2015
Total commercial properties			5 180		131 752	
Total income earning properties			391 954		5 375 765	
Properties under development						
Röhlig-Grindrod	Meadowview, Gauteng	Logistics	28 527	n/a	159 620	
Meadowview Spec Build	Meadowview, Gauteng	Commercial/ Logistics	3 280	n/a	26 674	
DSV	Stoke-On-Trent, United Kingdom	Logistics	19 511	n/a	1 237	
Atlantic Hills site B & D	Atlantic Hills, Cape Town	Vacant land	31 212*	n/a	1 238	
Total properties under development			82 530		188 768	
Vacant land industrial land						
Land Gauteng	Linbro Park, Gauteng	Vacant land	121 561*	n/a	139 007	
Lords View	Lords View, Gauteng	Vacant land	133 170*	n/a	129 298	
Land Cape Town – Saxdown	Saxdown, Cape Town	Vacant land	53 381*	n/a	48 865	
Lords View – TFG Extension	Lords View, Gauteng	Vacant land	25 422*	n/a	29 574	
UTI Land	Philippi, Cape Town	Vacant land	14 400*	n/a	16 052	
Waterfall vacant land	Waterfall, Midrand	Vacant land	9 600*	n/a	14 084	
Total vacant industrial			357 534		376 880	

*Gross extent of land

#50% ownership

Note 1: The rental per m² for single-tenanted buildings has not been disclosed individually.

Note 2: The majority of industrial properties were externally valued by Mills Fitchet Magnus Penny during the year ended 29 February 2016 as indicated. Where these properties were valued in the preceding year, the values have been adjusted for increases in net income (largely as a result of passing escalations). All properties at Waterfall, which were acquired in July 2016 were externally valued at 28 February 2017. All other properties were valued by the directors at 28 February 2017.

30. Property analysis (continued)

30.2 Sectoral and geographic analysis of revenue

Revenue is derived from properties situated in the Western Cape, Gauteng and the United Kingdom. The segment information (note 4) details the sector split of revenue.

30.3 Tenant profile

	Revenue (R'000)	Revenue (%)	Number of tenants	Number of tenants %
A – Large nationals, large listeds and government	283 501	88.3%	39	68.4%
B – Smaller international and national tenants	11 349	3.5%	7	12.3%
C – Other local tenants and sole proprietors	26 116	8.1%	11	19.3%
	320 966	100.0%	57	100.0%

	Gross lettable area (m^2)	Gross lettable area %	Number of tenants	Number of tenants %
A – Large nationals, large listeds and government	359 688	91.7%	39	68.4%
B – Smaller international and national tenants	22 569	5.8%	7	12.3%
C – Other local tenants and sole proprietors	9 591	2.4%	11	19.3%
Vacant	239	0.1%	—	0.0%
	392 087	100%	57	100.0%

30.4 Sectoral split (including vacancy profile)

	Revenue (R'000)	Gross lettable area (m^2)	Vacant area (m^2)	Vacancy %
Industrial	309 953	386 907	—	0.0%
Commercial	11 013	5 180	239	4.6%
	320 966	392 087	239	0.1%

30.5 Geographical profile

	Revenue (R'000)	Revenue (%)	Gross lettable area (m^2)	Gross lettable area %
Gauteng	160 908	50.1%	182 069	46.4%
Western Cape	110 009	34.3%	161 883	41.3%
United Kingdom	50 049	15.6%	48 135	12.3%
	320 966	100.0%	392 087	100.0%

30.6 Lease expiry profile

Lease expiry profile based on gross lettable area	Industrial	Commercial	Total
Vacant	0.0%	4.6%	0.1%
Expiry in the year to 28 February 2018	7.3%	0.0%	7.2%
Expiry in the year to 28 February 2019	8.0%	3.1%	7.9%
Expiry in the year to 28 February 2020	8.0%	38.2%	8.4%
Expiry in the year to 29 February 2021	2.0%	15.4%	2.2%
Expiry in the year to 29 February 2022	7.5%	0.0%	7.3%
Thereafter	67.3%	38.6%	66.9%
	100.0%	100.0%	100.0%

Lease expiry profile based on revenue	Industrial	Commercial	Total
Monthly	0.0%	0.0%	0.0%
Expiry in the year to 28 February 2018	2.4%	0.0%	2.3%
Expiry in the year to 28 February 2019	7.8%	2.4%	7.6%
Expiry in the year to 28 February 2020	8.5%	51.5%	10.0%
Expiry in the year to 29 February 2021	3.3%	16.9%	3.8%
Expiry in the year to 29 February 2022	6.4%	0.0%	6.2%
Thereafter	71.6%	29.2%	70.1%
	100.0%	100.0%	100.0%

30.7 Weighted average escalations and yield

Sector	Yield	Escalation
South Africa – Industrial	7.9%	7.9%
South Africa – Commercial	8.3%	8.3%
	8.2%	8.0%
United Kingdom – Industrial*	6.1%	n/a
Average annualised portfolio yield	8.1%	

*The leases for properties in the United Kingdom leases are structured with five year annual rent reviews and not fixed annual escalations

Appendix A

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

Shareholder analysis

Shareholder spread	Number of Share-holdings	% of total share-holdings	Shares held	% Held
1 – 1 000 Shares	458	36.35%	91 891	0.03%
1 001 – 10 000 Shares	273	21.67%	1 220 147	0.35%
10 001 – 100 000 Shares	276	21.90%	11 671 311	3.33%
100 001 – 1 000 000 Shares	179	14.21%	61 361 498	17.51%
1 000 001 Shares and over	74	5.87%	276 120 153	78.79%
	1 260	100%	350 465 000	100%

Distribution of shareholders	Number of share-holdings	% of total share-holdings	Shares held	% Held
Assurance Companies	26	2.06%	4 825 535	1.38%
Close Corporations	6	0.48%	117 489	0.03%
Collective Investment Schemes	139	11.03%	134 419 809	38.35%
Custodians	5	0.40%	7 866 975	2.24%
Foundations & Charitable Funds	21	1.67%	1 471 948	0.42%
Hedge Funds	8	0.63%	748 284	0.21%
Insurance Companies	7	0.56%	886 405	0.25%
Investment Partnerships	4	0.32%	301 827	0.09%
Managed Funds	13	1.03%	1 204 227	0.34%
Medical Aid Funds	7	0.56%	908 745	0.26%
Organs of State	1	0.08%	698 138	0.20%
Private Companies	61	4.84%	109 496 227	31.24%
Public Companies	4	0.32%	1 488 192	0.42%
Public Entities	3	0.24%	84 131	0.02%
Retail Shareholders	666	52.86%	13 882 408	3.96%
Retirement Benefit Funds	201	15.95%	34 058 440	9.72%
Scrip Lending	3	0.24%	2 408 486	0.69%
Stockbrokers & Nominees	7	0.56%	1 945 541	0.56%
Trusts	78	6.19%	33 652 193	9.60%
Total	1 260	100%	350 465 000	100%

Shareholder type	Number of share-holdings	% of total share-holdings	Shares held	% Held
Non-public shareholders	37	2.9%	54 888 898	15.66%
Directors and associates of the company (indirect holdings)	33	2.62%	54 250 618	15.48%
Directors and associates of the company (direct holdings)	4	0.32%	638 280	0.18%
Public shareholders	1 223	97.1%	295 576 102	84.34%
	1 260	100%	350 465 000	100%

Investment manager shareholdings (>5%)	Total shareholding	% Held
Foord Asset Management	25 675 478	7.33%
Bridge Fund Managers	21 690 000	6.19%
Kagiso Asset Management	18 326 802	5.23%
Truffle Asset Management	17 593 902	5.02%
	83 286 182	23.76%

Beneficial shareholdings (>5%)	Total shareholding	% Held
Newshelf 1331 (Pty) Ltd (Brimstone)	34 896 552	9.96%
	34 896 552	9.96%

Beneficial holding by region	Total shareholding	% Held
South Africa	327 268 800	93.38%
Mauritius	11 684 000	3.33%
United Kingdom	5 887 750	1.68%
United States	2 028 975	0.58%
Swaziland	1 405 611	0.40%
Namibia	1 243 097	0.35%
Balance (other countries not listed above)	946 767	0.27%
	350 465 000	100.00%

Total number of shareholders	1 260
Total number of shares in issue	350 465 000

Share price performance

List price 18 June 2014	R10.00
Opening price 18 June 2014	R11.00
Closing price 27 February 2015	R12.70
Closing high for the period	R12.70
Closing low for the period	R10.30
Opening price 3 March 2015	R12.70
Closing price 29 February 2016	R12.02
Closing high for period	R14.50
Closing low for period	R10.75
Opening Price 01 March 2016	R11.90
Closing Price 28 February 2017	R16.10
Closing High for period	R16.10
Closing low for period	R12.20
Number of shares in issue	350 465 000
Volume traded during period	34 944 411
Ratio of volume traded to shares issued (%)	9.97%
Market capitalisation at 28 February 2017	5 642 486 500

Notice of annual general meeting

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2017

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

1. Notice of Meeting

Notice is hereby given that the third annual general meeting ("AGM") of Equites will be held at the offices of Cliffe Dekker Hofmeyr Inc. ("CDH"), 5th Floor, 11 Buitengracht Street, Cape Town at 10:00 on Monday, 28 August 2017 for the purposes of conducting the following business:

- considering and adopting the annual financial statements of the company for the year ended 28 February 2017, together with the Director's Report and Audit and Risk Committee Report;
- transacting any other business as may be transacted at an AGM of shareholders of a company; and
- considering and, if deemed fit, adopting with or without modification, the shareholder special and ordinary resolutions set out below, in the manner required by the Companies Act, 71 of 2008, as amended ("**the Companies Act**"), and the JSE Listings Requirements, which AGM is to be participated in and voted at by shareholders registered in the company's securities register as shareholders as at the record date of **Friday, 18 August 2017**.

Please note that if you are the owner of dematerialised shares held through a Central Securities Depository Participant ("CSDP") or broker (or their nominee) and are not registered as an "own name" dematerialised shareholder, then you are not a registered shareholder of the company. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to attend the AGM, you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the AGM, but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the AGM and/or request it to appoint a proxy. You must not complete the enclosed form of proxy. The instruction must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be. CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner should, when authorised in terms of their mandate or instructed to do so by the person on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the AGM or by completing the attached form of proxy in accordance with the instruction thereon and returning it to the transfer secretaries, Terbium Financial Services Proprietary Limited, as set out below.

a. Record Dates

Please note the following important dates with regard to the AGM:

- Record date to receive this notice: Friday, 19 May 2017
- Last day to trade in order to be eligible to participate in and vote at the AGM: Tuesday, 15 August 2017
- Record date to participate in and vote at the AGM (voting record date): Friday, 18 August 2017
- Last day to lodge proxy forms for the AGM: Thursday, 24 August 2017
- AGM to be held at: 10h00 on Monday, 28 August 2017
- Results of the AGM published on SENS: Monday, 28 August 2017

b. Section 63 (1) of the Companies Act: Identification of Meeting Participants

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. In this regard, all Equites shareholders recorded in the registers of the company on the record date for participating in and voting at the AGM will be required to provide identification satisfactory to the chairman of the AGM. Forms of identification include valid identity documents, driving licences and passports.

c. Section 62 (3)(e) of the Companies Act

In terms of section 62 (3)(e) of the Companies Act a shareholder who is entitled to attend and vote at the AGM is entitled to appoint a proxy or two or more proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not be a shareholder of the company.

d. Annual Financial Statements, Audit & Risk Committee Report, Social and Ethics Report & Directors Report

A copy of the consolidated annual financial statements of the company and its subsidiaries for the year ended 28 February 2017 (as approved by the board of directors of the company), incorporating the reports of the external auditors, the Directors' Report, the Audit & Risk Committee, the Social and Ethics Committee, the Remuneration Committee and the board of directors are delivered herewith.

The following proposed resolutions for adoption will be considered by shareholders at the AGM, and if deemed fit, passed with or without modification.

2. Special Resolutions

In order for the special resolutions to be adopted, the support of at least 75% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

2.1 Special Resolution number 1

Non-executive director remuneration

"Resolved that the company be and is authorised, in terms of section 66 of the Companies Act, to pay remuneration to its non-executive directors for their services as directors for a period of up to 24 months after the adoption of this special resolution number 1 or until its renewal, whichever is earliest and with effect from 1 September 2017 that annual retainers and meeting fees payable to non-executive directors be and are fixed as follows:

Retainers

Non-executive director: R80 000 per annum
Chairman of the board: R500 000 per annum

Attendance fees

Board (chairman): Rnil per meeting attended
Board (excluding the chairman): R20 000 per meeting attended
Audit and risk committee chair: R40 000 per meeting attended
Social and ethics committee chair: R25 000 per meeting attended
Remuneration committee chair: R25 000 per meeting attended
Nomination committee chair: R25 000 per meeting attended
Investment committee chair: R25 000 per meeting attended
Audit and risk committee member: R25 000 per meeting attended
Social and ethics committee member: R15 000 per meeting attended
Remuneration committee member: R15 000 per meeting attended
Nomination committee member: R15 000 per meeting attended
Investment committee member: R15 000 per meeting attended.

The above fee excludes Value Added Tax ("**VAT**") which will be added by the directors in terms of current VAT registration, if applicable.

Reason for and effect of special resolution number 1

The reason for special resolution number 1 is to authorise the payment of non-executive directors for their services in accordance with the Companies Act.

2.2 Special resolution number 2

General approval to repurchase shares

"Resolved that the company and/or any subsidiary of the company be and is hereby authorised, by way of a general authority, to acquire ordinary shares in the capital of the company upon such terms and conditions and in such amounts as the directors may from time to time determine in terms of and subject to:

2.2.1 sections 4, 46 and 48 of the Companies Act; and

2.2.2 the JSE Listings Requirements, being, as at the date of this resolution, that:

2.2.2.1 any acquisition of ordinary shares shall be purchased through the order book of the trading system of the JSE, and done without any prior understanding or arrangement between the company and/or the relevant subsidiary and the counterparty, provided that if the company purchases its own ordinary shares from any wholly owned subsidiary of the company for the purposes of cancelling such treasury shares pursuant to this general authority, the above provisions will not be applicable to such purchase transaction;

2.2.2.2 the general repurchase by the company, and by its subsidiaries, of the company's ordinary shares is authorised by its memorandum of incorporation;

2.2.2.3 this general authority shall be valid until the company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;

2.2.2.4 repurchases must not be made at a price greater than 10% above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction is effected and the JSE should be consulted for a ruling if the applicants securities have not traded in such 5 (five) business day period;

2.2.2.5 repurchases of shares in aggregate may not exceed 20% (or 10% where the repurchase is effected by a subsidiary) of the company's issued ordinary share capital as at the date of passing this special resolution;

2.2.2.6 at any point in time the company may only appoint one agent to effect any repurchase on the company's behalf or on behalf of any subsidiary of the company;

2.2.2.7 the passing of a resolution by the board of directors authorising the repurchase, that the company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the group;

2.2.2.8 subject to the exceptions contained in the JSE Listings Requirements, the company and its subsidiaries will not repurchase ordinary shares during a prohibited period (as defined in the JSE Listings

Requirements) unless they have in place a repurchase programme where the dates and quantities of ordinary shares to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period;

2.2.2.9 an announcement complying with paragraph 11.26 of the JSE Listings Requirements will be published by the company (i) when the company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the date of the listing of the ordinary shares in the company on the JSE ("the initial number") and (ii) for each 3% in the aggregate of the initial number of the ordinary shares acquired thereafter by the company and/or its subsidiaries.

Reason for and the effect of Special Resolution Number 2

The company's Memorandum of Incorporation ("**MOI**") contains a provision allowing the company or any subsidiary of the company to repurchase securities issued by the company subject to the approval of the members in terms of the MOI, the requirements of the Companies Act and the JSE Listings Requirements. This special resolution will authorise the company and/or its subsidiaries by way of a general authority from shareholders to repurchase ordinary shares issued by the company.

The directors of the company have no specific intention to give effect to the resolution, but will continually review the company's position, having regard to prevailing circumstances and market conditions, in considering whether to repurchase its own shares.

Once adopted, this special resolution will permit the company or any of its subsidiaries, to repurchase such ordinary share in terms of the Companies Act, its MOI and the JSE Listings Requirements.

Disclosures in terms of paragraph 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures in respect of Special Resolution Number 2, some of which are disclosed in this Integrated Report of which this notice forms part:

– major shareholders of the company – pages 98 to 99
– share capital of the company – page 46

Litigation statement

In terms of paragraph 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 14 to 17 of this Integrated Report, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the company's or group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages 14 to 17 of this Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the Companies Act and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in this Integrated Report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

3. Ordinary Resolutions

In order for the ordinary resolutions to be adopted, the support of more than 50% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

3.1 Ordinary resolutions number 1
Adoption of annual financial statements

"Resolved that the annual financial statements of the company and the group for the year ended 28 February 2017, including the reports of the directors, the report of the external auditor and the audit and risk committee be and are hereby received and adopted."

Motivation/Explanation

The reason for and effect of ordinary resolution number 1 is to adopt the annual financial statements of the company and its group for the year ended 28 February 2017 in accordance with section 30(3)(c) of the Companies Act.

Ordinary resolution number 2
3.2 Appointment of auditors

"Resolved to appoint Pricewaterhouse-Coopers Inc. (with the designated registered auditor being Anton Wentzel) as auditors of the company and its subsidiaries from the conclusion of this AGM."

Motivation/Explanation

The reason for and effect of ordinary resolution number 2 is to appoint PricewaterhouseCoopers Inc. as the independent registered auditors of the company and its subsidiaries. The audit and risk committee have evaluated the performance and independence of Pricewaterhouse-Coopers Inc. and Anton Wentzel and recommend their appointment as auditors of the company and its subsidiaries under section 90 of the Companies Act.

3.3 Ordinary resolution number 3

Re-election of Mr PL Campher

"Resolved that Mr Campher, an independent non-executive director, who is required to retire by rotation as a director of the company at this AGM and who is eligible and available for election, is hereby re-appointed with immediate effect."

A brief curriculum vitae of Mr Campher is set out on page 14 of this Integrated Report of which this notice forms part.

The Nomination Committee has considered Mr Campher's past performance and contribution to the company and recommends that Mr Campher is re-elected as a director of the company.

Motivation/Explanation

The reason for and effect of this ordinary resolution number 3 is to re-elect Mr Campher as a director of the company, his retirement being in accordance with the requirements of the company's MOI.

3.4 Ordinary resolution number 4

Re-election of Mr N Khan

"Resolved that Mr Khan, an independent non-executive director, who is required to retire by rotation as a director of the company at this AGM and who is eligible and available for election, is hereby re-appointed with immediate effect." A brief curriculum vitae of Mr Khan is set out on page 14 of this Integrated Report of which the notice forms part.

The Nomination Committee has considered Mr Khan's past performance and contribution to the company and recommends that Mr Khan is re-elected as a director of the company.

Motivation/Explanation

The reason for and effect of this ordinary resolution number 4 is to re-elect Mr Khan as a director of the company, his retirement being in accordance with the requirements of the company's MOI.

3.5 Ordinary resolution number 5

Confirmation of appointment of Mr M Brey as a director

"Resolved that the appointment of Mr Brey as an independent non-executive director of the company, effective 26 September 2016, is hereby confirmed".

A brief curriculum vitae of Mr Brey is set out on page 15 of this Integrated Report.

The Nomination Committee has considered Mr Brey's relevant experience and recommends that Mr Brey's appointment as a director of the company be confirmed.

Motivation/Explanation

The reason for and effect of this ordinary resolution number 5 is to confirm the appointment of Mr Brey as a director of the company.

3.6 Ordinary resolution number 6

Confirmation of appointment of Ms N Mtetwa as a director

"Resolved that the appointment of Ms Mtetwa as an independent non-executive director of the company, effective 1 February 2017, is hereby confirmed with immediate effect".

A brief curriculum vitae of Ms Mtetwa is set out on page 15 of this Integrated Report.

The Nomination Committee has considered Ms Mtetwa's relevant experience and recommends that Ms Mtetwa's appointment as a director of the company be confirmed.

Motivation/Explanation

The reason for and effect of this ordinary resolution number 6 is to confirm the appointment of Ms Mtetwa as a director of the company.

3.7 Ordinary resolution number 7

Re-election of Ms R Benjamin-Swales to the audit and risk committee

"Resolved that Ms Benjamin-Swales, being an independent director of the company and who meets the requirements of section 94 (4) of the Companies Act, be and are hereby re-elected as the chair and member of the audit and risk committee in terms of section 94 (2) of the Companies Act".

A brief CV of Ms Benjamin-Swales appears on page 14 of this Integrated Report

Motivation/Explanation

The reason for and effect of ordinary resolution number 7 is to re-elect Ms Benjamin-Swales as chair and member of the audit and risk committee of the company.

3.8 Ordinary resolution number 8

Re-election of Mr PL Campher to the audit and risk committee

"Resolved that Mr Campher, being an independent director of the company and who meets the requirements of section 94 (4) of the Companies Act, be and are hereby re-elected as a member of the audit and risk committee in terms of section 94 (2) of the Companies Act".

A brief CV of Mr Campher appears on page 14 of this Integrated Report.

Motivation/Explanation

The reason for and effect of ordinary resolution number 8 is to re-elect Mr Campher as a member of the audit and risk committee of the company.

3.9 Ordinary resolution number 9

Re-election of Mr N Khan to the audit and risk committee

"Resolved that Mr Khan, being an

independent director of the company and who meets the requirements of section 94 (4) of the Companies Act, be and are hereby re-elected as a member of the audit and risk committee in terms of section 94 (2) of the Companies Act".

A brief CV of Mr Khan appears on page 14 of this Integrated Report.

Motivation/Explanation
The reason for and effect of ordinary resolution number 9 is to re-elect Mr Khan as a member of the audit and risk committee of the company.

3.10 Ordinary resolution number 10
Election of Mr M Brey to the audit and risk committee

"Resolved that Mr Brey, being an independent director of the company and who meets the requirements of section 94 (4) of the Companies Act, be and are hereby elected as a member of the audit and risk committee in terms of section 94 (2) of the Companies Act".

A brief CV of Mr Brey appears on page 15 of this Integrated Report.

Motivation/Explanation
The reason for and effect of ordinary resolution number 10 is to elect Mr Brey as a member of the audit and risk committee of the company.

3.11 Ordinary resolution number 11
Election of Ms N Mtetwa to the audit and risk committee

"Resolved that Ms Mtetwa, being an independent director of the company and who meets the requirements of section 94 (4) of the Companies Act, be and are hereby elected as a member of the audit and risk committee in terms of section 94 (2) of the Companies Act".

A brief CV of Ms Mtetwa appears on page 15 of this Integrated Report.

Motivation/Explanation
The reason for and effect of ordinary resolution number 11 is to elect Ms Mtetwa as a member of the audit and risk committee of the company.

3.12 Ordinary resolution number 12
Remuneration policy

"Resolved that, in accordance with the principles of the King III report on governance, through a non-binding advisory vote, the company's remuneration policy and its implementation, as set out on pages 39 to 41 of this Integrated Report be and is hereby approved."

Motivation/Explanation
The reason for and effect of ordinary resolution number 12 is to endorse the company's remuneration policy.

3.13 Ordinary resolution number 13
The report of the Social & Ethics Committee

"Resolved that the report of the Social & Ethics Committee, as set out on pages 25 to 27 of this Integrated Report of the company of which this notice forms part, in accordance with the Companies Regulations, 2011 is hereby published in terms of the Companies Act."

Motivation/Explanation
The reason for and effect of ordinary resolution number 13 is to approve the publication of the report of the Social & Ethics Committee.

3.14 Ordinary resolution number 14
General authority to issue shares for cash

"Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to allot and issue shares in the capital of the company for cash subject to the limitations as set out in the company's memorandum of incorporation and the Companies Act, from time to time on the following basis:

- the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class of shares already in issue;
- there will be no restrictions in regard to the persons to whom the shares may be issued, provided that such shares are to be issued to public shareholders and not to related parties (as defined by the JSE Listings Requirements);
- the total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 35 046 500 shares, being 10% of the company's issued share capital as at the date of this notice of annual general meeting.
- any shares issued under this authority prior to this authority lapsing shall be deducted from the number of shares that the company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority;
- in the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- the maximum discount at which the shares may be issued is 5% (five percent) of the weighted average traded price of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the company and the party/ies subscribing for the shares. The JSE should be consulted for a ruling if the company's securities have not traded in such 30 (thirty) business day period;
- this authority shall not endure beyond the earlier of the next

annual general meeting of the company or beyond 15 (fifteen) months from the date of the date of this resolution, whichever is shorter; and

– upon any issue of ordinary shares which, together with prior issues of ordinary shares within the period that this authority is valid, constitute 5% (five percent) or more of the total number of ordinary shares in issue prior to that issue, the company shall publish an announcement in terms of paragraph 11.22 of the JSE Listings Requirements, giving full details of the issue, including (i) the number of ordinary shares issued, (ii) the average discount to the weighted average traded price of the ordinary shares over the 30 business days prior to the date that the issue is agreed in writing between the company and the party/ies subscribing for the shares; and (iii) a written explanation, including supporting documentation (if any) of the intended use of the funds.

Motivation/Explanation

The reason for and effect of ordinary resolution number 14 is to provide a general authority to the company to issue shares for cash.

In terms of the JSE Listings Requirements, at least 75% of the votes held by shareholders present or represented by proxy at the meeting need to be cast in favour of this resolution in order to give effect thereto

3.15 Ordinary resolution number 15

Unissued shares under control of directors

"Resolved that, subject to the provisions of the Companies Act and the JSE Listings Requirements, all of the authorised but unissued shares of the company be and are hereby placed under the control of the directors of the company, which directors are authorised to allot and issue any such shares at such time or times, to such person or persons, company or companies and upon such terms and conditions as they may determine, such authority to remain in force until amended or revoked by the company's shareholders in an annual general meeting, provided that:

– the number of shares issued hereunder in aggregate in any one financial year will not exceed 35 046 500 shares, which represents 10% of the issued share capital as at the date of this notice of annual general meeting, less any shares issued under the general authority granted to the board of directors to issue shares for cash under Ordinary Resolution Number 14; and
– the maximum discount at which the shares may be issued in terms of this authority is 5% of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price is agreed between the company and the party subscribing for the shares, adjusted for a dividend where the ex-date in respect of the dividend occurs during the 30 day period in question.

Motivation / Explanation

The reason to and effect of ordinary resolution number 15 is to place authorised but unissued shares of the company under the control of the directors of the company, provided that the number of shares that may be issued in any one financial year will not exceed 35 046 500, less any shares issued under the general authority to issue shares for cash in terms of the ordinary resolution number 14.

3.16 Ordinary resolution number 16

Specific authority to issue shares pursuant to a reinvestment option

"Resolved that, subject to the provisions of the Companies Act, the company's MOI and the JSE Listings Requirements, the directors be and hereby are authorised, by way of a specific standing authority, to issue shares, as and when they deem appropriate, for the exclusive purposes of affording shareholders opportunities from time to time to reinvest their dividends in new shares of the company pursuant to a reinvestment option".

Motivation / Explanation

The reason for and effect of ordinary resolution number 16 is to allow the company to offer shareholders the opportunity to reinvest their dividends.

3.17 Ordinary resolution number 17

Implementation of resolutions

"Resolved that any directors or secretary of the company or any other person to whom a director has delegated his/her authority to do so, be and is hereby authorised to sign all documents and any amendments thereto, take all such steps and do all such other things as may be necessary in order to give effect to and/or implement the resolutions contained herein."

Motivation/Explanation

The reason for and effect of ordinary resolution number 17 is to authorise any director or secretary of the company to implement and give effect to all resolutions contained in this notice.

General instructions for shareholders

Shareholders are encouraged to attend, speak and vote at the AGM.

Electronic participation

The company has made provision for Equites shareholders or their proxies to participate electronically in the AGM by way of telephone conferencing. Should you wish to participate in the AGM by telephone conference call as aforesaid, you, or your proxy, will be required to advise the company thereof by no later than 10:00 on Thursday, 24 August 2017 by submitting by email to the company secretary at riaan@equites.co.za, or by fax to +27(0) 21 418 1754 for the attention of Riaan Gous, relevant contact details, including an email address, cellular number and landline as well as full details of the Equites shareholder's title to securities issued by the company and proof of identity, in the form of copies of identity documents and share certificates (in the case of certificated Equites shares) and (in the case of dematerialised Equites shares) written confirmation from the Equites shareholder's CSDP confirming the Equites shareholder's title to the dematerialised Equites shares. Upon receipt of the required information, the Equites shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the AGM. Equites shareholders must note that access to the electronic communication will be at the expense of the Equites shareholders who wish to utilise the facility. Equites shareholders and their appointed proxies attending by conference call will not be able to cast their votes at the AGM through this medium. Such shareholders should they wish to have their vote counted at the AGM, must to the extent applicable, (i) complete the form of proxy; or (ii) contact their CSDP or broker.

Proxies and authority for representatives to act

A form of proxy is attached for the convenience of any Equites shareholder holding certificated shares, who cannot attend the AGM but wishes to be represented thereat.

The attached form of proxy is only to be completed by those shareholders who are:

– holding shares in certificated form; or
– recorded on the company's sub-register in dematerialised electronic form with 'own name' registration.

All other beneficial owners who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the AGM, must instruct their CSDP or broker to provide them with the necessary letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These shareholders must not use a form of proxy. Forms of proxy must be deposited at the Transfer Secretaries, Terbium Financial Services (Pty) Ltd at Beacon House, 31 Beacon Road, Florida-North, 1790 (PO Box 61272, Marshalltown, 2107) or emailed to equites@terbium.global, to be received no later than 10:00 on Thursday, 24 August 2017. Alternatively, the form of proxy may be handed to the chairman of the annual general meeting at the annual general meeting prior to the commencement of the annual general meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM should the member subsequently decide to do so.

A company that is a shareholder, wishing to attend and participate at the AGM should ensure that a resolution authorising a representative to so attend and participate at the AGM on its behalf is passed by its directors. Resolutions authorising representatives in terms of section 57 (5) of the Companies Act must be lodged with the company's transfer secretaries prior to the AGM.

By order of the board
Equites Property Fund Limited

Riaan Gous
Company secretary

Registered office
14th Floor
Portside Tower
4 Bree Street
Cape Town

Transfer secretaries
Terbium Financial Services Proprietary Limited
Beacon House
31 Beacon Road
Florida-North, 1709
0860 222 213
equites@terbium.global

Form of proxy

Annual general meeting of Equites shareholders

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

For use by shareholders, who were registered as shareholders on Friday, 18 August 2017, holding certificated Equites shares, dematerialised shareholders who have elected "own-name" registration, nominee companies of CSDP's and brokers nominee companies ("shareholders"), at the annual general meeting of shareholders to be held at 10:00 on Monday, 28 August 2017 at the offices of Cliffe Dekker Hofmeyr Inc. ("CDH"), 5th Floor, 11 Buitengracht Street, Cape Town, 8000.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE) . . . .

of (Address) . . . .

Telephone number: ( ) . . . . Cellphone number: ( ) . . . .

Email address:. . . . .

Being the holder(s) of . . . . shares in Equites, hereby appoint

1. . . . . or failing him/her

2. . . . . of failing him/her

3. the chairperson of the annual general meeting of Equites shareholders . . . .

as my/our proxy to attend and speak and to vote for me/us on my/our behalf at the general meeting and at any adjournment thereof in the following manner

Not for use by dematerialised shareholders who have not elected "own-name" registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the general meeting and request that they be issued with the necessary letter of representation to do so, or provide the CSDP or broker timeously with their voting instruction should they not wish to attend the general meeting in order for the CSDP or broker to vote in accordance with their instructions at the general meeting.

	NUMBER OF VOTES		
	*For	*Against	*Abstain
Special resolution number 1 – Non-executive director remuneration			
Special resolution number 2 – General approval to repurchase shares			
Ordinary resolution number 1 – Adoption of annual financial statements			
Ordinary resolution number 2 – Appointment of auditors			
Ordinary resolution number 3 – Re-election of Mr P L Campher			
Ordinary resolution number 4 – Re-election of Mr N Khan			
Ordinary resolution number 5 – Confirmation of appointment of Mr M Brey as a director			
Ordinary resolution number 6 – Confirmation of appointment of Ms N Mtetwa as a director			
Ordinary resolution number 7 – Re-election of Ms R Benjamin-Swales to the audit and risk committee			
Ordinary resolution number 8 – Re-election of Mr P L Campher to the audit and risk committee			
Ordinary resolution number 9 – Re-election of Mr N Khan to the audit and risk committee			
Ordinary resolution number 10 – Election of Mr M Brey to the audit and risk committee			
Ordinary resolution number 11 – Election of Ms N Mtetwa to the audit and risk committee			
Ordinary resolution number 12 – Remuneration policy			
Ordinary resolution number 13 – The report of the Social & Ethics Committee			
Ordinary resolution number 14 – General authority to issue shares for cash			
Ordinary resolution number 15 – Unissued shares under control of directors			
Ordinary resolution number 16 – Specific authority to issue shares pursuant to a reinvestment option			
Ordinary resolution number 17 – Implementation of resolutions			

*Mark "For", "Against" or "Abstain" as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

Form of proxy (continued)

Signed this .... day of 2017

....

Signature

Assisted by me (where applicable) ....

(State capacity and full name)...

Unless otherwise instructed my proxy may vote or abstain from voting as he/she thinks fit.

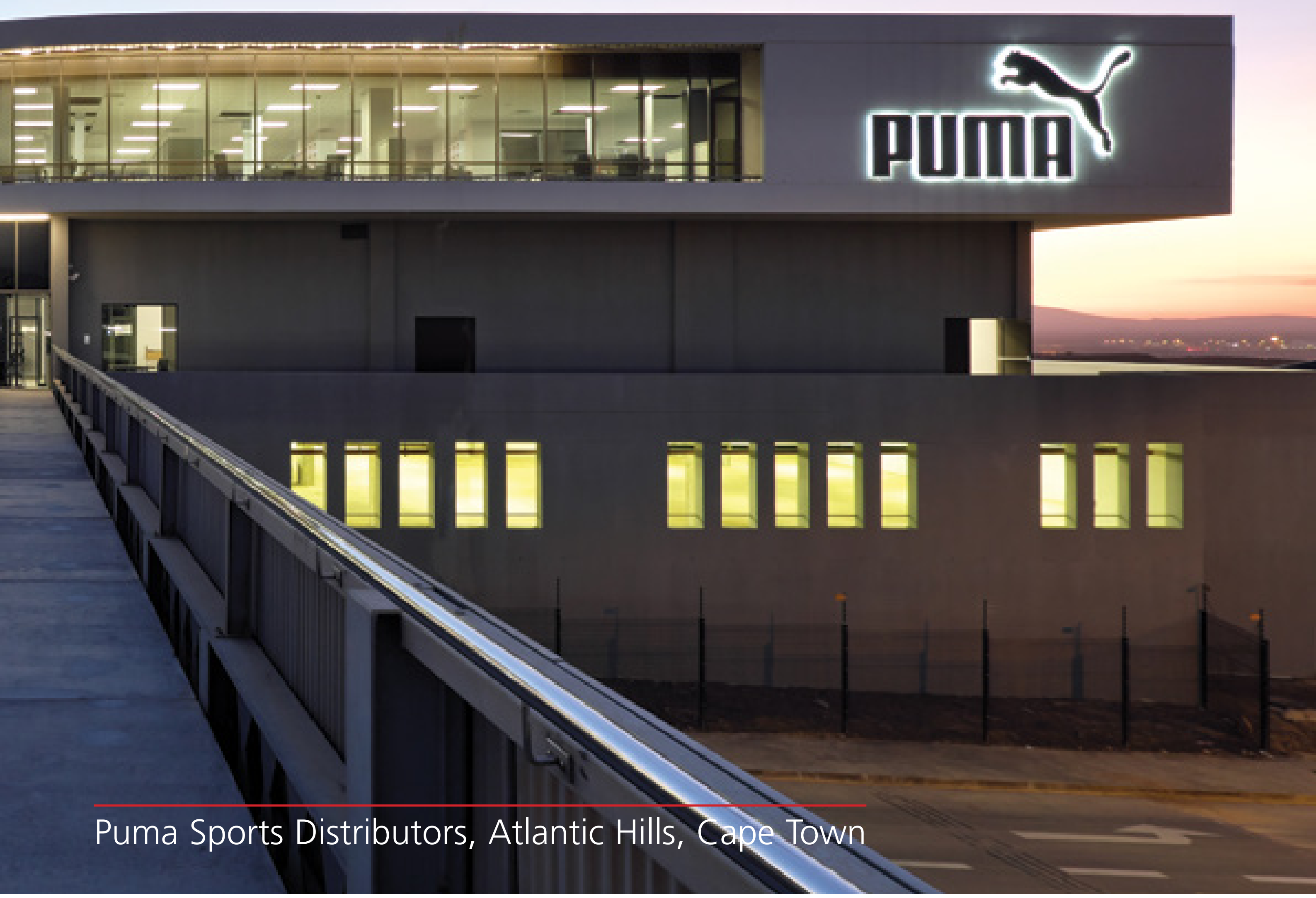
An Equites shareholder is entitled to attend and vote at the abovementioned annual general meeting or to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a shareholder of Equites.

Forms of proxy must be deposited at Terbium Financial Services (Pty) Ltd at Beacon House, 31 Beacon Road, Florida-North, 1709 (PO Box 61272, Marshalltown, 2107) or emailed to equites@terbium.global, so as to arrive by no later than 10:00 on Thursday, 24 August 2017. Alternatively, the form of proxy may be handed to the chairman of annual general meeting at the annual general meeting prior to the commencement of the annual general meeting.

NOTES:

1. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
2. Shareholders that are certificated or own-name dematerialised shareholders, entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder(s). Such proxy/ies may participate in, speak and vote at the annual general meeting in the place of that shareholder at the annual general meeting. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairman, to vote or abstain from voting as deemed fit and in the case of the chairman to vote in favour of the resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. A shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy, and to Equites. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting, notwithstanding the death of the person granting it or the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death or transfer is received by the transfer secretaries not less than 48 hours before the commencement of the annual general meeting.
7. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in compliance with these notes, provided that, in respect of acceptances, the chairman is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by Equites or the transfer secretaries or waived by the chairman of the annual general meeting.
10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by Equites or the transfer secretaries.
11. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of shareholders, will be accepted and only that holder whose name appears first in the register in respect of such shares need to sign this form of proxy.

Equites Property Fund
14th Floor
Portside Building
4 Bree Street
Cape Town
Tel: 021 460 0404
Fax: 021 418 1754
Email: info@equites.co.za



Puma Sports Distributors, Atlantic Hills, Cape Town

GLOSSARY

ABSA	ABSA Bank Limited
AFS	Annual Financial Statements
AGM	Annual General Meeting
Attacq	Attacq Limited
board	Equites Property Fund Limited board of directors
CA(SA)	Chartered Accountant South Africa
CDH	Cliffe Dekker Hofmeyr Inc.
CEO	Chief executive officer
CFO	Chief financial officer
CODM	Chief Operating Decision Maker
company	Equites Property Fund Limited
COO	Chief operating officer
CPI	Consumer Price Index
CSP	Conditional Share Plan
CSR	Corporate social responsibility
DAS	Damon at Sons Construction (Pty) Ltd
DPS	Distribution per share
Equites	Equites Property Fund Limited
GLA	Gross lettable area
group	Equites Property Fund Limited and its subsidiaries
HEPS	Headline earnings per share
IFRS	International Financial Reporting Standards
Intaprop	Intaprop Proprietary Limited
IRBA	Independent Regulatory Board of Auditors
JSE	Johannesburg Stock Exchange
LTI	Long Term Incentives
LTV	Loan-to-value
MOI	Memorandum of incorporation
NAV	Net asset value
NCI	Non-controlling interest
Nedbank	Nedbank Limited
OECD	Organisation for Economic Co-operation and Development
Puma	Puma Sports Distributors Proprietary Limited
QS	Quantity surveyor
REIT	Real Estate Investment Trust (as defined in the Income Tax Act and JSE Listings requirements)
Röhlig-Grindrod	Röhlig-Grindrod Proprietary Limited
SAICA	South African Institute of Chartered Accountants
STI	Short term incentives
TGP	Total guaranteed pay
UK	United Kingdom
VWAP	Volume weighted average price
WALE	Weighted average lease expiry
WCED	World Council for Economic Development

www.freshidentity.co.za

equites
PROPERTY FUND

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