equites
PROPERTY FUND

INTEGRATED REPORT 2023

HIGHLIGHTS

169.60 CENTS
DISTRIBUTION PER SHARE

13.8 YEARS
WEIGHTED AVERAGE LEASE EXPIRY

0.1%
PORTFOLIO VACANCY

"NOTWITHSTANDING TOUGH TRADING CONDITIONS WHICH HAVE BEEN PRECIPITATED BY TURBULENT FINANCIAL AND CAPITAL MARKETS, WE ARE PLEASED WITH A RESILIENT SET OF OPERATIONAL AND FINANCIAL RESULTS."
– ANDREA TAVERNA-TURISAN, CEO

FRONT COVER: EQUITES PARK LORDS VIEW, GAUTENG, SOUTH AFRICA
IFC: EQUITES PARK MEADOWVIEW, GAUTENG, SOUTH AFRICA

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NAVIGATING THE INTEGRATED REPORT

The following icons are used throughout this report to show connectivity between sections.

NAVIGATION

REFERS WITHIN THIS INTEGRATED REPORT

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XX AS REFERENCED IN THE KING IV REPORT

CLIMATE RELATED

CAPITALS

Fc FINANCIAL CAPITAL

Hc HUMAN CAPITAL

Ic INTELLECTUAL CAPITAL

Mc MANUFACTURED CAPITAL

SRc SOCIAL AND RELATIONSHIP CAPITAL

Nc NATURAL CAPITAL

EFFECT ON CAPITALS

▲ VALUE CREATION
◆ VALUE PRESERVATION
▼ VALUE EROSION

ABOUT THIS REPORT

Equites' Integrated Report is an opportunity to provide stakeholders with a concise overview of how the Group's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

SCOPE AND BOUNDARY

The Board is pleased to present the IR for the year ended 28 February 2023. This report covers the Group's performance over the period 1 March 2022 to 28 February 2023. Any material events after this date and up to the date of approval of the IR have been considered.

This report has been compiled in accordance with International Financial Reporting Standards, the requirements of the South African Companies Act No. 71 of 2008, the JSE Listings Requirements, International <IR> Framework (2021), the King IV Report on Corporate Governance, SA REIT BPR 2nd addition, and disclosure recommendations of the TCFD.

This report covers the Group's operations in SA and the UK.

ALIGNING TO THE INTERNATIONAL <IR> FRAMEWORK (2021)

The Group aspires to continuously improve the quality of the IR to provide a concise and balanced overview of the Group's value creation journey. Equites restructured its 2023 IR to align with the guiding principles and content elements of the International Integrated Reporting Council's Integrated Reporting Framework (the <IR> Framework).

To ensure consistency and comparability during this transition, comparative information has been included where relevant.

INTEGRATED ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The Group continues to infuse environmental and social targets into the Group's business approach and operations and are committed to transparency and accountability to ESG goals and progress.

The Group has embedded ESG reporting throughout the content elements of this IR and no longer presents a separate sustainability report within this IR.

FORWARD-LOOKING STATEMENTS

This IR contains forward-looking statements about the Group's future performance and prospects. These forecasts involve risk and uncertainty, as they relate to events and circumstances that occur in the future. Actual results may differ materially from those expressed or implied by these forward-looking statements and readers are cautioned not to place undue reliance on them. Forward-looking statements have not been reviewed by the auditors and reflect the Group's expectations as at 31 May 2023.

MATERIALITY

The IR includes all matters that substantively affect value creation, preservation and erosion. The Group's material matters cover all aspects of the business including strategy, governance, performance, prospects and the six capitals. The Group's materiality determination process and matters identified are disclosed under **material matters**.

FEEDBACK
Your feedback is important to us and we welcome your input to enhance the quality of our IR: investors@equites.co.za

ASSURANCE

- Independent assurance has been provided over all financial and certain non-financial information presented in this report.
- PricewaterhouseCoopers Inc., as the external auditors, have issued an unqualified **audit opinion** on the consolidated annual financial statements.
- The following accredited service providers and agencies have verified selected non-financial performance metrics contained in this report:
  - **Honeycomb BEE Ratings Proprietary Limited** independently verified the Group's contributor rating in accordance with the Broad-Based Black Economic Empowerment Act, No. 53 of 2003 and the amended property sector code (Gazette No 40910 of June 2017).
  - **GCX Sustainability and Beyond** makes use of customised tools for the assessment process that follow international best practice methodologies of the GHG Accounting Protocol (WBCSD & WRI) and comply with ISO 14001.
  - **EBS Advisory** independently verified the sustainability performance targets of the Standard Bank sustainability-linked loan (SLB) that was issued in line with International Capital Market Association's SLB Principles.

BOARD RESPONSIBILITY STATEMENT AND APPROVAL

The Board, supported by the audit committee, acknowledges its responsibility for the integrity of the IR and approved this report.

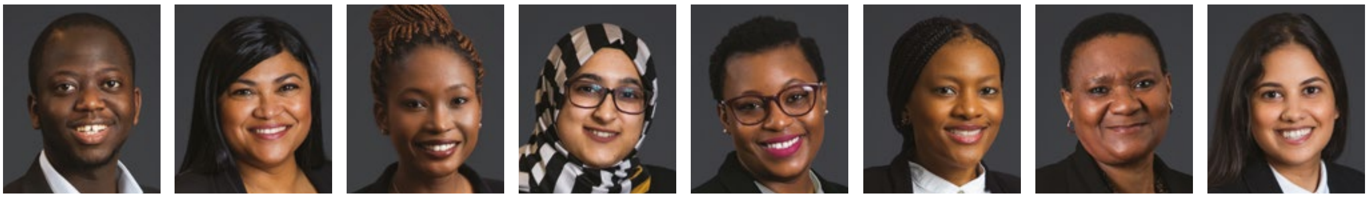
The Board has applied its collective mind to the preparation and presentation of the IR, and concluded that the report addresses all material matters and offers a balanced view of the Group's strategy and how this relates to its ability to preserve and create value in the short, medium and long term.

The IR was prepared under the supervision of executive and senior management and was subjected to rigorous internal review.

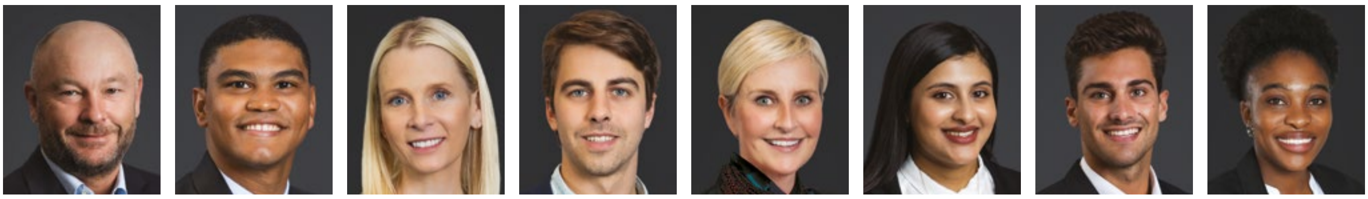
AKUA KORANTENG | ANDREA TAVERNA-TURISAN | ANTHONY CAKEBREAD | BELINDA ORTMAN-LEBONA | CARINA BOTHA | CHRIS VAN ZYL | DIANNA BENEKE | EARL WOLDSON

ESETU NDLWANA | GIRLY MOATSHE | GRACE KABULU | GUSTAV FICHARDT | IRSHAAD WADVALLA | ISAAC MOLEPO | JADE MCFARLANE | JAUN KNOESEN

JULIA SHAW | JUSTIN SNITCHER | KEVIN SIKWEZA | LAILA RAZACK | LORENCIA RANALA | LOUIS WOLHUTER | MANDLA MGCINWA | MELANIE BROWN



MPUMELELO AYIREBI | MONIQUE KARATING | MPILO NTULI | NASREEN MUKUDDEM | NOMBONGO MAGWA | NOMSA JAMANI | OLIVIA VELEM | RAZAAN ISAACS



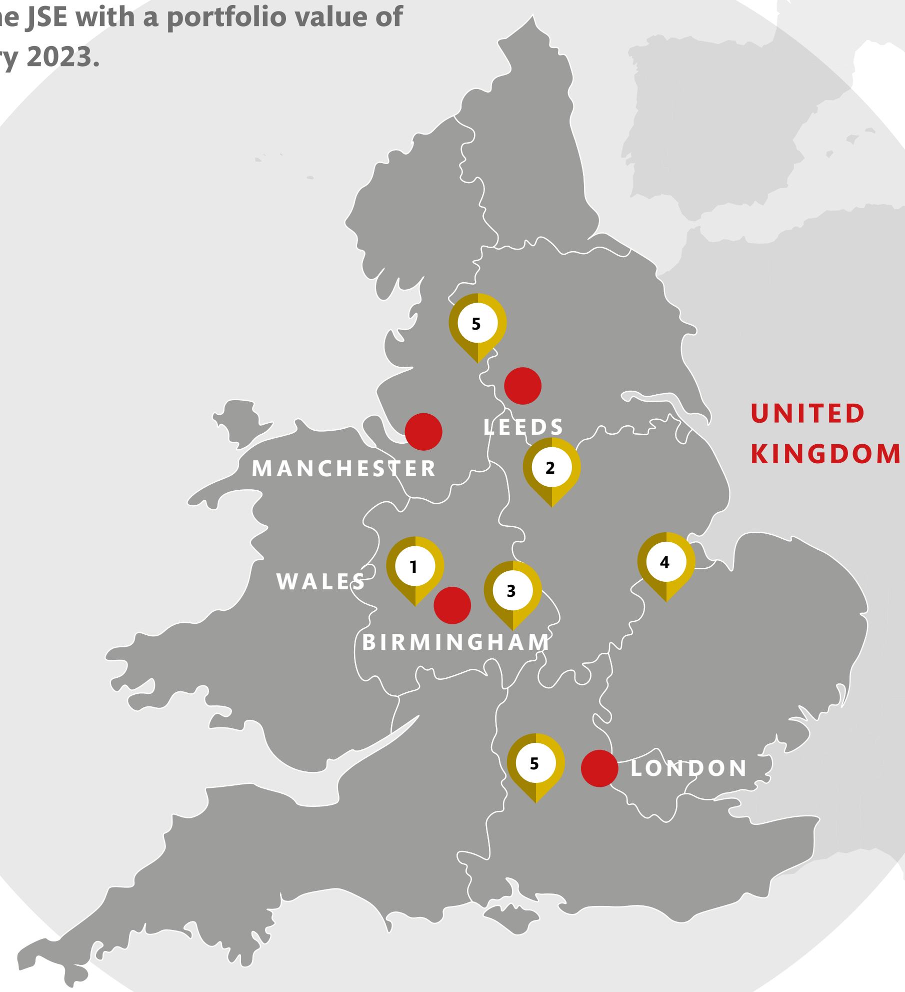
RIAAN GOUS | RODRIQUEZ ROBERTSON | SHIRLEY WOLMARANS | STEVEN PIHA | SUSAN SMALBERGER | TANYETTE CHETTY | TRISTAN FERNANDES | TSHEGOFATSO LEBESE

TULISA MBESE | WARREN DOUGLAS | WOUTER HANEKOM | WYNAND SMIT | ZANTELLI KRUEGER | ZIYANDA MKHWANE

ORGANISATIONAL OVERVIEW

EQUITES PORTFOLIO

Equites is an SA REIT with a focus on developing and acquiring best-in-class logistics facilities in prime locations in SA and the UK. Equites is listed on the JSE with a portfolio value of R26.9 billion as at 28 February 2023.

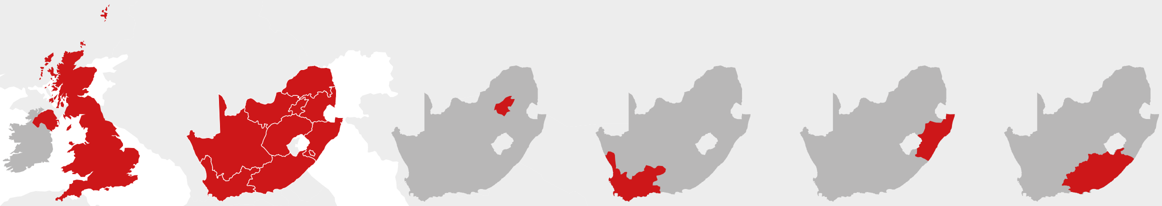


UK PORTFOLIO

The UK portfolio is valued at £416.9 million and includes 10 income-producing properties and freehold land.

TOP 5 TENANTS – BY REVENUE

1. TESCO
   - HINCKLEY
2. EVRi delivery made for you
   - HOYLAND
3. GXO
   - COVENTRY
4. amazon
   - PETERBOROUGH
5. DHL
   - READING
   - LEEDS



	UK PORTFOLIO	SA PORTFOLIO	GAUTENG	WESTERN CAPE	KWAZULU-NATAL	EASTERN CAPE
GLA	**10%**	**90%**	60%	29%	0%	1%
REVENUE	**18%**	**82%**	58%	22%	2%	–

SA PORTFOLIO

The SA portfolio is valued at R17.6 billion and includes 60 income-producing properties with 58% of the rental income derived from Gauteng. The Group continues to grow the SA portfolio through acquisitions and developments concentrated in Gauteng, from a geographical perspective. Equites views this region as the hub of SA logistics and continues to focus growth efforts there.

TOP 5 TENANTS – BY REVENUE

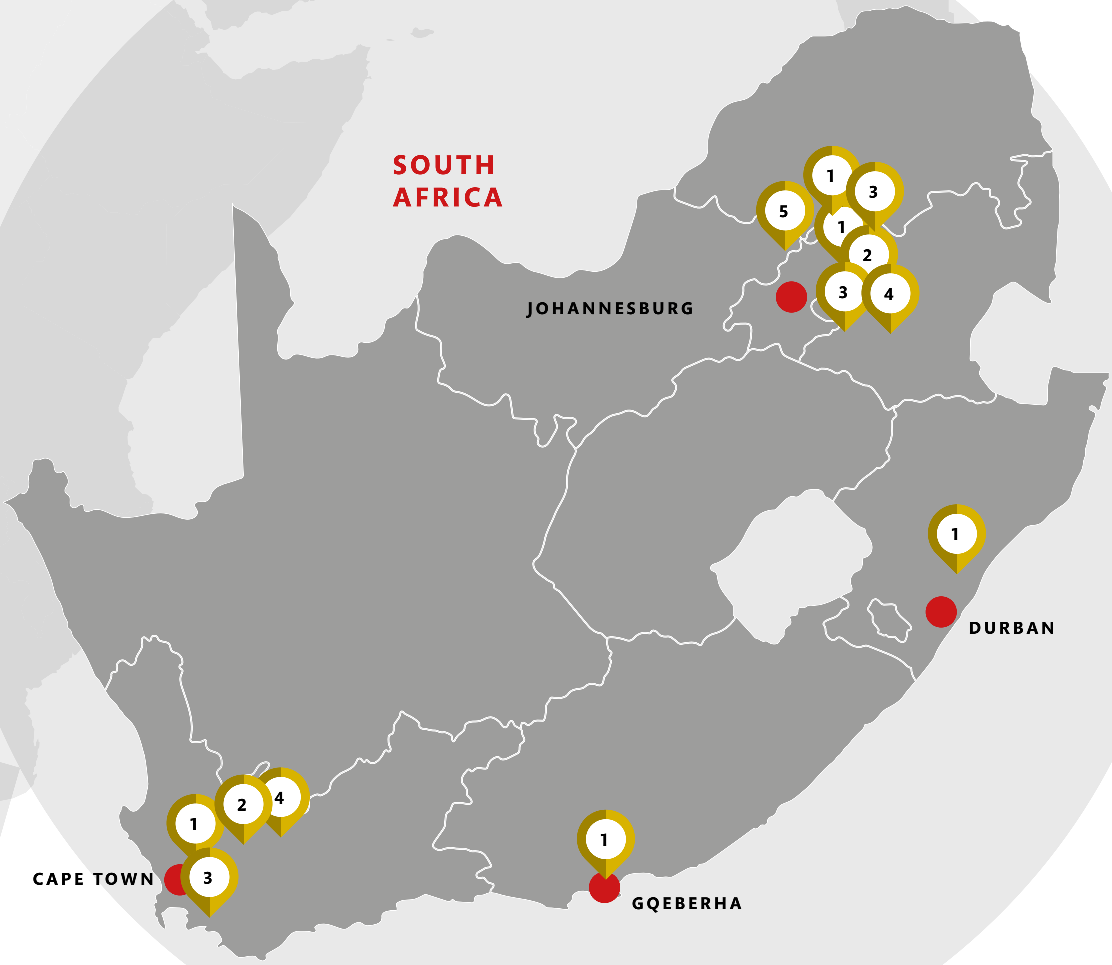
1 SHOPRITE HOLDINGS LTD
- BRACKENFELL
- LORDS VIEW
- CANELANDS
- WELLS ESTATE
- CENTURION

2 TFG
- PAROW
- LORDS VIEW

3 DSV
- PHILIPPI
- PLUMBAGO
- MEADOWVIEW

4 Simba
- PAROW
- GERMISTON

5 Nestlé
- LONGMEADOW



ORGANISATIONAL OVERVIEW
PROPERTY FUNDAMENTALS

13.8
YEARS
GROUP WEIGHTED AVERAGE LEASE EXPIRY BY REVENUE

6.5%
ESCALATION
WEIGHTED AVERAGE ESCALATION ACROSS THE SA PORTFOLIO BY GLA, WHILST THE UK PORTFOLIO IS SUBJECT TO QUINQUENNIAL RENT REVIEWS

R26.9
BILLION
THE PORTFOLIO VALUE INCREASED BY 4.6% ON A YEAR-ON-YEAR BASIS

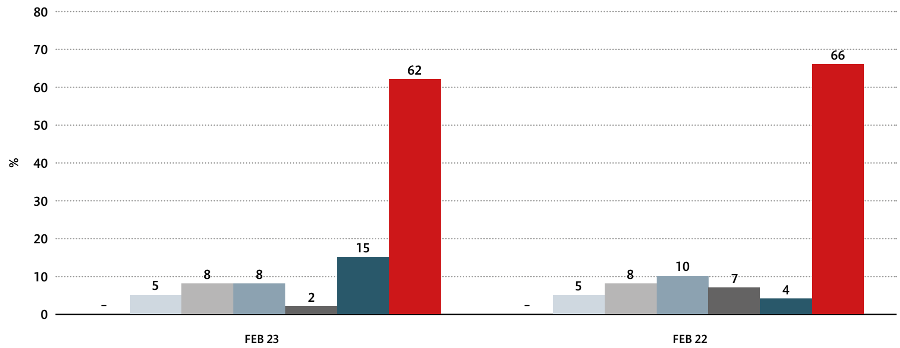
Equites' WALE of 13.8 years, combined with the quality of its tenants, represents a high degree of income certainty over a sustained period. The Group understands the value of low-risk tenants, which is reflected in the fact that 97.8% of its revenue is derived from A-grade tenants.

The Group is actively engaging with tenants where leases are due to expire within the next two years. All leases expiring in the next financial year have been renewed, except for a lease relating to a 16 000m^2 property in the Western Cape, for which negotiations are ongoing.

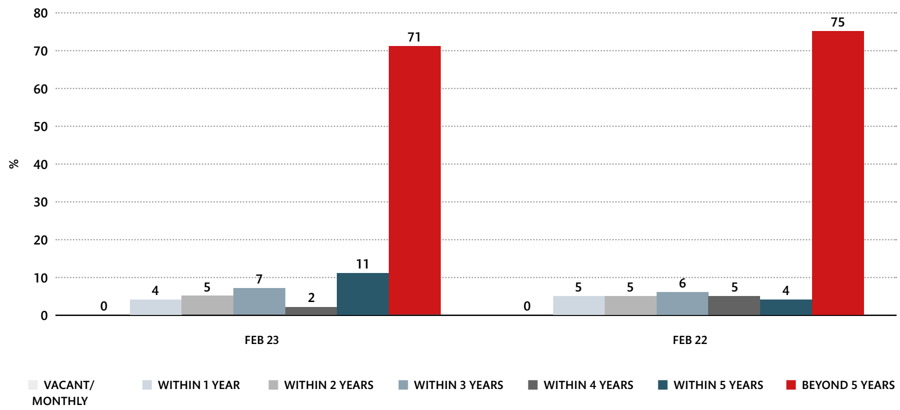
The SA portfolio is fully let with all speculative developments completed during the year having been let to A-grade tenants. The only remaining vacancy in the portfolio relates to a single ancillary unit of 1 401m^2 located in the UK.

LEASE LONGEVITY

LEASE EXPIRY BY REVENUE



LEASE EXPIRY BY GLA



WEIGHTED AVERAGE LEASE EXPIRY BY REVENUE (YEARS)	2023	2022
SA – Logistics	13.2	13.8
SA – Industrial	11.1	10.7
SA WEIGHTED AVERAGE LEASE EXPIRY	**13.1**	**13.7**
UK – Logistics	15.8	13.6
GROUP WEIGHTED AVERAGE LEASE EXPIRY	**13.8**	**13.7**

0.1%

VACANCY

THE PORTFOLIO HAS ONE ANCILLARY VACANCY

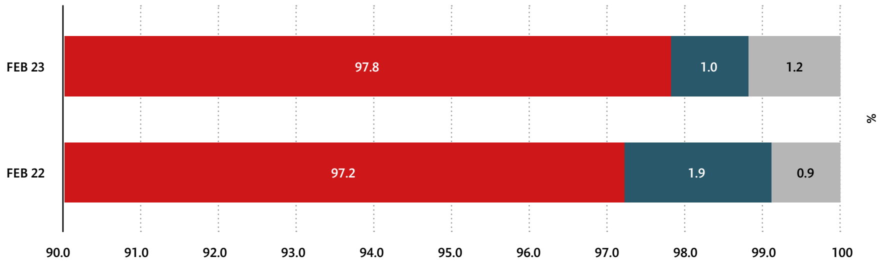
97.8%

A-GRADE

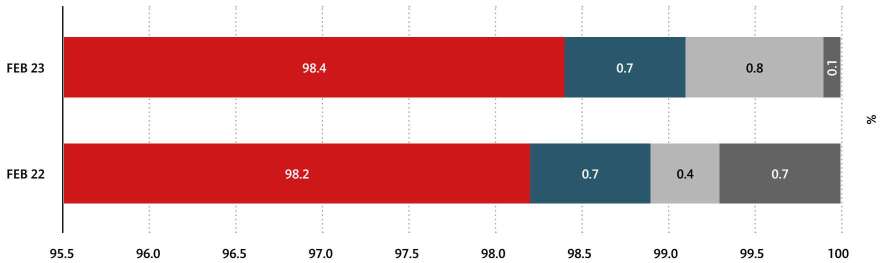
MAJORITY OF TENANTS ARE LARGE MULTINATIONAL, NATIONAL OR LISTED COMPANIES

TENANT QUALITY

TENANT PROFILE BY REVENUE

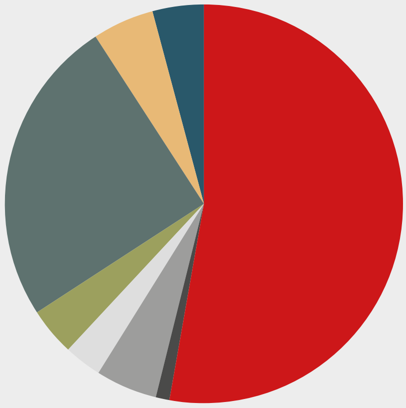


TENANT PROFILE BY GLA



- A: LARGE NATIONALS, LARGE LISTED AND GOVERNMENT
- B: SMALLER INTERNATIONAL AND NATIONAL TENANTS
- C: OTHER LOCAL TENANTS AND SOLE PROPRIETORS
- D: VACANT

WEIGHTED AVERAGE ESCALATION BY GLA (%)	2023	2022
SA – Logistics	6.5	6.6
SA – Industrial	7.3	7.3
SA WEIGHTED AVERAGE ESCALATION	**6.5**	**6.6**



PORTFOLIO SPLIT BY VALUE

SA LOGISTICS	53%
SA NON-CORE ASSETS	1%
SA DEVELOPMENTS	5%
SA LAND	3%
SA HELD-FOR-SALE	4%
UK LOGISTICS	25%
UK DEVELOPMENTS	0%
UK LAND	5%
UK HELD-FOR-SALE	4%

Equites' average escalation rate has declined marginally as a result of the new Shoprite leases being concluded at lower escalation rates (5% per annum). From a total return perspective, Equites is compensated for the reduction in escalation rates through longer lease terms.

ORGANISATIONAL OVERVIEW
GREEN BUILDINGS

As a leading specialist logistics REIT, Equites prioritises the implementation of sustainability measures across its entire portfolio. The implementation of these measures not only benefits the tenants but also strengthens the Group's commitment to attaining its sustainability objectives, which are aligned with the United Nations Sustainable Development Goals.

Equites is reducing its carbon footprint by increasing energy efficiency in its buildings and using renewable energy sources. The Group is also reducing its consumption of energy, water and materials through its efficient building designs, waste management practices, green infrastructure and sustainable landscaping.

FEATURED GREEN BUILDINGS

UK – EVRi, HOYLAND

The EVRi building was constructed according to Equites, and the client's requirements. It is a 31 702m^2 parcel sorting facility located in Hoyland, Barnsley and includes a number of sustainability features that have contributed to it achieving a BREEAM Very Good rating. For this brownfield site, which was formerly an opencast coal mine, an extensive programme of ground improvement was undertaken.

HOYLAND COMMON, BARNSLEY, UNITED KINGDOM

SUSTAINABLE BUILDING FEATURES

- 34 electric vehicle charging bays
- On site bio CNG fuelling
- Solar thermal panels and PV system
- Sealed double glazed windows with tinted outer panes and argon filled cavities
- LED lighting
- Rainwater harvesting
- Advanced leak detection that includes 9 individual water meters connected to the building management system
- Water closet PIR detection allowing water to fill cisterns and basins only during periods of occupation
- Biodiversity area with 25 000 trees and hedgerows
- Rigorous environmental and waste management processes during construction
- 1 400 jobs created

BREEAM RATING: VERY GOOD

BREEAM®

Saved 5 kilolitres of water per person per annum through water performance

Avoided 310 tCO_2e per annum through energy performance

Equivalent to carbon sequestered by 4 650 tree seedlings grown for 10 years

The Group's Green Buildings are those properties that have been certified as sustainable in terms of the Building Research Establishment Environmental Assessment Method in the UK, and Excellence in Design for Greater Efficiencies in SA. The majority of the Group's Green Buildings are rated as "Very Good" under BREEAM or "Advanced" under EDGE.

Equites has been recognised by the International Finance Corporation EDGE as an EDGE Champion, for accelerating the adoption of Green Buildings in the portfolio. The Group surpassed the prescribed guidelines achieving an average efficiency of 56% for energy, 30% for water and 47% for embodied emissions. To promote good governance and uphold the Group's ambitious standards, Equites has formalised sustainability initiatives in its **baseline specification** ensuring that all new SA developments are, at a minimum, EDGE "Advanced" certified.

During the year, the Group achieved Green Building certifications on two additional UK properties and eight additional SA properties.

SA – CARGO COMPASS, EQUITES PARK JET PARK

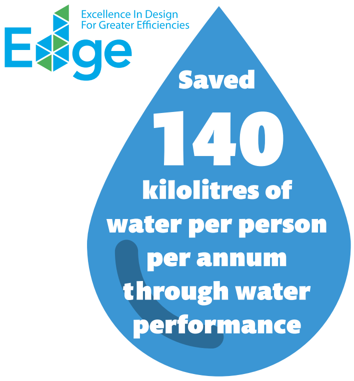
The 29 188m^2 Cargo Compass SA facility was formerly a brownfield site that hosted offices and workshops. The concrete from the demolished structural columns, walls, and foundations were crushed and used as fill material for the bulk earthworks, on which the development and the parks main road was built. The preliminary certification targets reflect savings of 32% in water usage, 51% in energy consumption, and 45% in the embodied energy in materials.

EQUITES PARK JET PARK, GAUTENG, SOUTH AFRICA

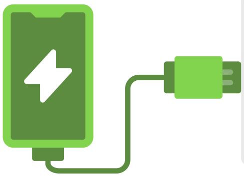
SUSTAINABLE BUILDING FEATURES

- 600 kWp solar PV system
- 2 electric vehicle charging bays
- LED lighting
- Rainwater harvesting
- Translucent sheeting on vertical surfaces to reduce dependence on daytime lighting
- Water-efficient closets, dual-flush cisterns, aerators and auto shut-off taps in bathrooms
- Intelligent ventilation and air-conditioning design
- 46 indigenous trees and 1 731m^2 or 8 000 indigenous plants
- Rigorous environmental and waste management processes during construction

EDGE RATING: ADVANCED



Avoided 1 836 tCO_2e per annum through energy performance



Equivalent to CO_2 emissions from 202 569 042 smartphones charged

Avoided 12 350 tCO_2e through material performance

Equivalent to greenhouse gas emissions avoided by 3.2 wind turbines running for a year

EXTERNAL OPERATING ENVIRONMENT

EXTERNAL ENVIRONMENT

Global events over the past five years have dramatically reshaped trading in the world economy. Logistics property markets in SA and the UK are expected to remain healthy, as logistics real estate is a critical component of modern supply chains.

CHANGING MACROECONOMIC ENVIRONMENT

- Unprecedented global events including the Russian invasion of Ukraine, surge in inflation, trade tensions between China and the US, and disruptions to supply chain.
- Central banks have increased interest rates globally to combat inflation.
- Investors' required returns have increased for all asset classes, resulting in higher dividend yields for REITs and higher cost of capital.
- SA listed property trade at valuations that are not supportive of equity issuances.
- REITs are forced to undertake alternative strategies to unlock capital for defensive and expansion capital expenditure.

UK LOGISTICS MARKET

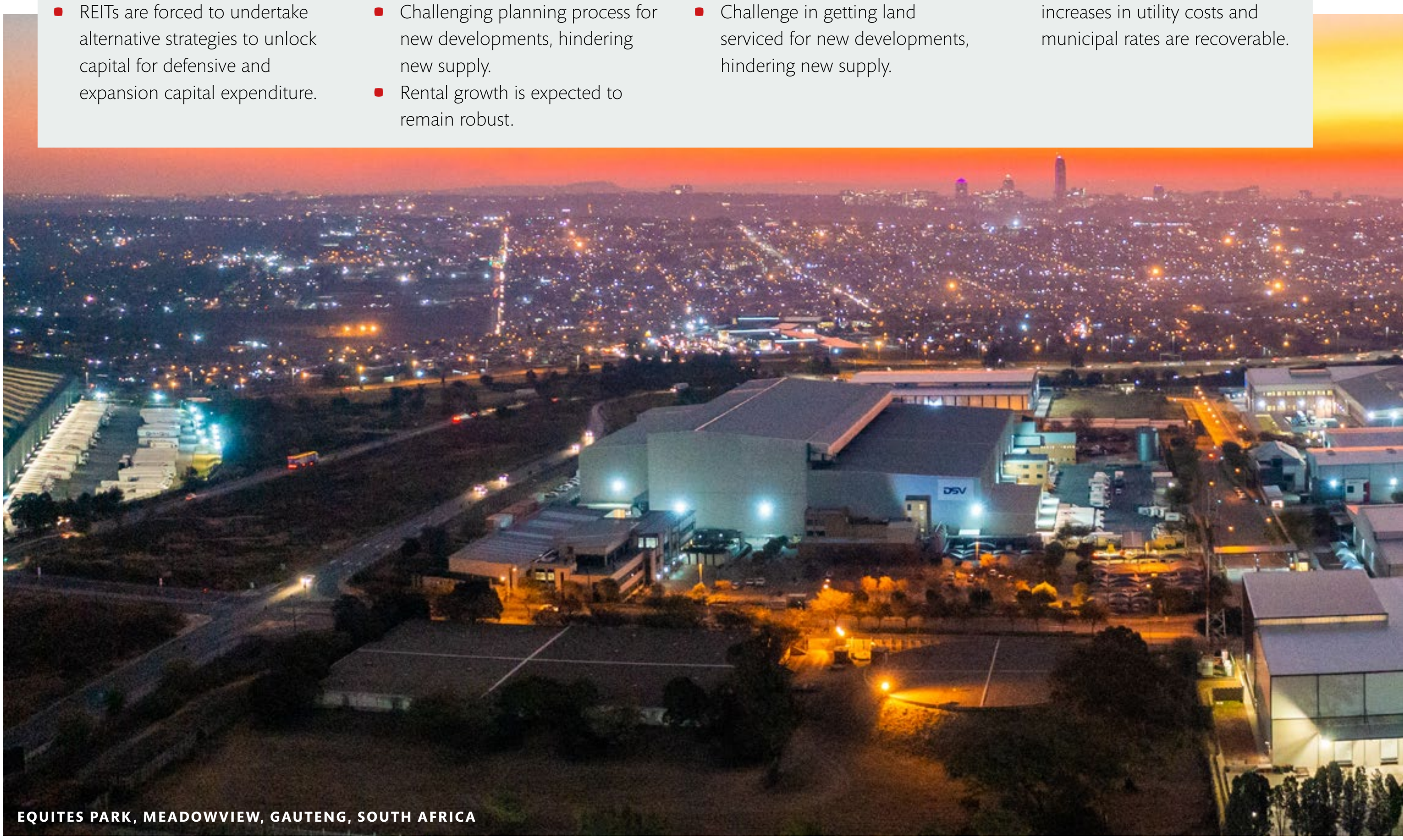
- Robust occupational market for UK logistics.
- Companies mitigate the risk of disruption by structurally changing their supply chains:
  - Onshoring and nearshoring/ friend-shoring of production and suppliers;
  - Increased inventory levels, resilient, technologically advanced, and closer to end-consumers to reduce delivery times and carbon emissions.
- UK logistics prime yield expanded by 175bp during the year, increasing from 3.25% to 5.0%.
- Positive impact of debt on geared yields has diminished.
- Challenging planning process for new developments, hindering new supply.
- Rental growth is expected to remain robust.

SA LOGISTICS MARKET

- Rental growth of approximately 20% for A-grade warehousing in 2022.
- Vacancy rate for the top-end of the market remains at record-low levels.
- Expect SA to follow the global trend of real estate decisions being materially influenced by e-commerce.
- Retailers solidify their omnichannel capabilities.
- Demand remains strong as occupiers focus on supply chain optimisation.
- High and persistent levels of loadshedding forcing occupiers to prioritise buildings with alternative sources of energy.
- Challenge in getting land serviced for new developments, hindering new supply.

OUTLOOK

- The Group embarked on several strategic activities which are central to the operations in the upcoming year.
- The potential disposal of the ENGL platform is the largest of such activities.
- The Group will continue to distribute 100% of its distributable earnings.
- The Board expects DPS of between 130 and 140 cents for FY24 (FY23: 169.60).
- DPS guidance is based on a stable macroeconomic environment, no major corporate failures, GBP/ZAR exchange rate remaining materially unchanged, and increases in utility costs and municipal rates are recoverable.



EQUITES PARK, MEADOWVIEW, GAUTENG, SOUTH AFRICA

HOW THIS AFFECTS THE GROUP'S STRATEGY

Equites' exposure to world-class tenants on long-term leases offers a high degree of income predictability, supported by the quality of its portfolio and sustainability credentials. The Group is responding proactively to this changing macroenvironment, undertaking strategic imperatives to position the Group for sustainable growth in distributable earnings over the long term.

OFFSHORE STRATEGY

- The Group's ability to fund large-scale developments in the UK has become challenging, as Equites' market valuation is not currently supportive of new equity issuances.
- Due to the diminished benefit of gearing in the UK market as well as decreased valuation uplifts on new developments, expected equity returns on developments do not meet Equites' adjusted hurdle rate, which takes the higher cost of capital into consideration.
- Equites is therefore no longer allocating capital to ENGL and has appointed Rothschilds & Co. to assist with unlocking value from its 60% shareholding in ENGL.
- Equites is currently planning to retain the bulk of its core income-producing portfolio in the UK.

CCIRS

- Since entering the UK logistics market in 2016, the Group has utilised CCIRS as a net hedge to foreign currency risk as well as to hedge the interest rate differential between the two jurisdictions.
- The decision to dispose of certain income-producing assets in the UK and to no longer undertake large-scale developments in the UK, reduces the requirement for CCIRS.
- The Group has therefore decided to mature the CCIRS instruments.

LTV RATIO

- Capital has become a scarce commodity and the Group did not undertake any bookbuilds during the year.
- The Group has funded most of its investments from undrawn and new debt facilities, resulting in an increase in gearing levels with an LTV ratio of 39.7%.
- The Group is prioritising a robust capital structure and is therefore undertaking a disposal programme to improve LTV.

MATERIAL MATTERS

Material matters are those issues that have the potential to substantively impact the Group's ability to create, preserve or erode sustainable value for stakeholders and forms the basis of boardroom discussions.

The Group applies the principle of materiality in assessing what information should be included in the IR. Identifying material matters is a groupwide exercise and requires input from all business units, an assessment of risks and opportunities within the operating environment, and input and feedback from key stakeholders.

Material matters influence the Group's strategy and governance, and inform short-, medium- and long-term targets.

1 RISING INTEREST RATES

WHY THIS IS IMPORTANT

The exit from the low interest rate environment has been dramatic, with 425bp and 415bp of increases in central bank rates in SA and the UK, respectively.

This changing interest rate environment has impacted the Group's property valuations in the UK and influenced its capital allocation decisions, especially relating to the Group's **offshore strategy**.

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

STAKEHOLDER IMPACTED	RISKS & OPPORTUNITIES	STRATEGIC OBJECTIVE
2 FINANCIAL INSTITUTIONS	1 LOGISTICS SECTOR EXPOSURE	1 MAXIMISE SHAREHOLDER VALUE
3 INVESTORS	5 FUNDING AND LIQUIDITY	4 BALANCE SHEET MANAGEMENT
	6 MARKET RISK	5 DISPOSAL OF ENGL
		6 CCIRS TERMINATION

SDGs

8 DECENT WORK AND ECONOMIC GROWTH
17 PARTNERSHIPS FOR THE GOALS

2 RENEWABLE ENERGY

WHY THIS IS IMPORTANT

The SA operating environment is challenged by intensifying levels of loadshedding impacting tenant business continuity, and fast tracked the demand for sustainable **Green Buildings**.

During the year, the City of Cape Town announced the launch of its electricity wheeling pilot project to diversify its electricity supply going forward.

Equites was accepted into the pilot project and is in advanced discussions with potential offtakers for a short-term power purchase agreement.

This project will afford the Group the opportunity to play an active role in transforming the energy landscape in SA and generate revenue from surplus energy production in the medium-term.

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

STAKEHOLDER IMPACTED	RISKS & OPPORTUNITIES	STRATEGIC OBJECTIVE
1 TENANTS	02 ENVIRONMENTAL IMPACT	03 PORTFOLIO GROWTH
2 FINANCIAL INSTITUTIONS	03 SOCIO-ECONOMIC OPERATING ENVIRONMENT	
3 INVESTORS	07 CREDIT RISK	
4 VENDORS AND BUYERS	10 SA PROPERTY DEVELOPMENT	
7 ENVIRONMENT		

SDGs

7 AFFORDABLE AND CLEAN ENERGY
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
17 PARTNERSHIPS FOR THE GOALS

3 BASELINE SPECIFICATION

WHY THIS IS IMPORTANT

The Group established itself as a market leader in logistics development in SA through its strict baseline specification which is inspired by global best practice and remains one of Equites' competitive advantages.

The Group is constantly improving the quality of its portfolio through recycling old assets with sub-optimal sustainability credentials, to state-of-the-art facilities.

Equites' baseline specification incorporates EDGE Green Bruilding certification requirements which supports the use of sustainability-linked funding.

CAPITALS IMPACTED

Fc Ic Mc SRc Nc

STAKEHOLDER IMPACTED	RISKS & OPPORTUNITIES	STRATEGIC OBJECTIVE
1 TENANTS 2 FINANCIAL INSTITUTIONS 4 VENDORS AND BROKERS 7 ENVIRONMENT	1 LOGISTICS SECTOR EXPOSURE 2 ENVIRONMENTAL IMPACT 5 FUNDING AND LIQUIDITY 6 MARKET RISK 7 CREDIT RISK 10 SA PROPERTY DEVELOPMENT UK PROPERTY DEVELOPMENT	1 MAXIMISE SHAREHOLDER VALUE 3 PORTFOLIO GROWTH 6 UTILISE LAND HOLDINGS

SDGs

6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS

4 EMPLOYEE WELLBEING

WHY THIS IS IMPORTANT

Equites' employees are one of the driving forces behind the Group's performance.

Each employee brings a set of skills and insights which are integral to the Group operations and implementation of its strategic objectives.

Employee morale, retaining key talent and creating an environment that enables employees to reach their full potential, ensures sustainable value creation.

CAPITALS IMPACTED

Hc Ic Mc SRc

STAKEHOLDER IMPACTED	RISKS & OPPORTUNITIES	STRATEGIC OBJECTIVE
6 EMPLOYEES	9 TRANSFORMATION GOALS 11 HUMAN RESOURCING	9 EMPOWER EMPLOYEES

SDGs

3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES

5 SOCIO-ECONOMIC FACTORS

WHY THIS IS IMPORTANT

A thriving society drives economic activity and is essential to the Group's long-term sustainable value creation.

In SA, communities are faced with poverty, unemployment and corruption amid government infrastructure failures and poor service delivery, which increases the risk of civil unrest.

This has the potential to result in project delays, damage to property and infrastructure, as well as heightened security risks.

CAPITALS IMPACTED

Mc SRc

STAKEHOLDER IMPACTED	RISKS & OPPORTUNITIES	STRATEGIC OBJECTIVE
1 TENANTS 4 VENDORS AND BROKERS 5 COMMUNITIES	3 SOCIO-ECONOMIC OPERATING ENVIRONMENT 9 TRANSFORMATION GOALS	8 UPLIFT COMMUNITIES

SDGs

1 NO POVERTY; 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

MATERIAL MATTERS

6 ZONING AND SERVICING LAND

WHY THIS IS IMPORTANT

Town planning, the bureaucracy thereof, and obtaining approvals significantly impacts the Group's ability to prepare land parcels and utilise them in a timeous manner that meets Equites' commercial requirements.

In SA, obtaining utility connections and bulk servicing for land parcels that can accomodate boxes larger than 40 000m^2, is proving especially challenging.

Climate change is driving cities to reduce the number of vehicles in city centres and constrain carbon emissions. This increases demand for delivery of goods but is impeded by a lack of warehouse space, an inability to demolish and rebuild, and an overloaded road infrastructure network.

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

STAKEHOLDER IMPACTED	RISKS & OPPORTUNITIES	STRATEGIC OBJECTIVE
1 TENANTS	1 LOGISTICS SECTOR EXPOSURE	2 COMPETITIVE ADVANTAGE
4 VENDORS AND BROKERS	10 SA PROPERTY DEVELOPMENT	3 PORTFOLIO GROWTH
5 COMMUNITIES	UK PROPERTY DEVELOPMENT	6 UTILISE LAND HOLDINGS
7 ENVIRONMENT		

SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES


EQUITES PARK RIVERFIELDS, GAUTENG, SOUTH AFRICA

CHAIRMAN'S REPORT

Equites continues to execute its vision of delivering sustainable shareholder value. Given the latest set of results, Equites has maintained the trend of achieving its financial targets every single year since listing.

FINANCIAL RESULTS

Equites grew DPS by 4.1% compared to the previous financial year. This was in line with its guidance to the market. Sharp increases in interest rates during the second half of the year led to significant cap rate expansion in the UK logistics market. This adversely effected the value of the UK portfolio which was the main cause for the 10.5% decrease in NAV per share to R16.65. The SA portfolio value performed well and increased by 4.3% during the year under review. In line with our policy, all income-producing properties are independently valued every six months. Furthermore, the Group continues to attract A-grade tenants willing to enter long-term leases, and now has a WALE of 13.8 years with only a 0.1% vacancy rate.

Given the Equites share price relative to its NAV, it was not appropriate to access the equity market. The Group thus had to rely exclusively on the debt markets to finance its development pipeline. This led to an increase in LTV from 31.5% to 39.7% at year end. As this is at the top-end of the target LTV range, the Board is targeting an LTV ratio of 35% by February 2024. A disposal programme of mainly non-core properties has been launched to achieve this objective.

The results presented in this report were achieved because of the Group having, and continuously pursuing, a clearly defined vision and strategy that is a harmonious alignment of interests between the Company, its Board and shareholders (with an absence of conflicts of interest).

STRATEGIC CHANGES

During 2016 the Board approved a strategy for Equites which included the intention to build scale in the top-end of the UK logistics property market. Following the acquisition of several properties, in 2019 Equites concluded a partnership with Newlands Developments to develop best-in-class logistics assets in key nodes within the UK. The pipeline of potential developments would have enabled Equites to grow its UK portfolio to over £1 billion over the next two to three years.

Over the past 12 months, the global macroeconomic landscape has shifted markedly with the surge in inflation causing sharp increases in interest rates globally. This significant change has had an adverse impact on the Group resulting in:

- the cost of equity increasing to an extent that it is not currently possible to raise equity on the JSE on an accretive basis;
- the LTV increasing to the upper end of the target range; and
- DPS growth being impacted negatively due to increased funding costs.

As a result, investing in the UK logistics market currently no longer meets the required return on invested capital, due to high funding rates and subsequent lower geared property yields.

After careful consideration of the impact of the macroeconomic environment on the Group's business, the Board decided to make two significant changes to its communicated strategy.

Firstly, Equites will no longer undertake large-scale developments in the UK. Therefore, the Group has appointed Rothschild & Co to assist with the disposal of the ENGL development pipeline. It is important to note that the UK remains an integral part of our business with our income-producing UK portfolio currently worth £305 million. From an Equites perspective, the sale of the development pipeline (which includes two parcels of land and several options on land) will lead to the repayment of our loan account and unlock the value of the land options acquired over the duration of the Newlands partnership. Importantly, Equites will only sell its 60% shareholding in the partnership if the Board believes the offer will maximise value to Equites' shareholders. Alternatively, Equites will undertake forward-funded transactions to create additional development profits with a limited allocation of capital.

LEON CAMPHER
CHAIRPERSON

Secondly, the recent decision to dispose of certain income-producing assets in the UK (the DSV and Coloplast properties in Peterborough were disposed after year end) and to no longer undertake large-scale developments in the UK, reduces the requirement for CCIRS. In the past, and in line with the Group's treasury policy, Equites utilised CCIRS as a net hedge to foreign currency risk as well as to hedge the interest rate differential between the two jurisdictions. The Board has decided to close all CCIRS derivative positions as they reach their maturity date. This decision will have a considerable impact on DPS, shareholders will benefit from improved growth in NAV per share, as the rand weakens against the pound over the medium to long term.

The Board has not made the above decisions lightly and believes the impact of these two changes on our strategy are in the best interest of the Group and its shareholders in the longer term.

CHAIRMAN'S REPORT CONTINUED

GOVERNANCE

In line with King IV, Equites believes that effective corporate governance and comprehensive disclosure serve the long-term interests of the Group and all its stakeholders.

As reported over the past two years, the Group undertook several important initiatives to improve its corporate governance practices, which included the appointment of several new independent directors and the retirement of directors in line with the 9-year tenure principle enunciated in King IV.

The following further changes need to be highlighted -

- Ruth Benjamin-Swales, who has been an independent non-executive director of Equites since inception, will, in line with the 9-year tenure principle referred to above, be retiring from the Board at the upcoming AGM;
- Fulvio Tonelli has been appointed as an non-executive director, effective from 5 October 2022. Fulvio's status will change to an independent non-executive on 1 June 2023. Fulvio has been earmarked to replace Ruth as chair of the Audit Committee;
- Todd Colin Petersen resigned as Company Secretary on 31 December 2022, and Dianna Beneke was appointed as his replacement, effective 1 March 2023; and
- Several changes to the composition of Board committees.

The Nomination Committee and the Board will continue to monitor the succession planning and independence of the Board and, in doing so, adhere to the guidelines in King IV.

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

REMUNERATION

In anticipation of the 2022 AGM, we engaged with shareholders regarding the remuneration policy, and we were grateful that the resolutions relating to the remuneration policy received overwhelming support from shareholders at the 2022 AGM. This was in my view an example of constructive engagement with the Company taking on board, where appropriate, suggestions made by shareholders.

The **remuneration policy**, which has been implemented in FY23, supports the achievement of the Group's strategic objectives in a fair and responsible way and is in line with our policy of rewarding sound performance.

In advance of the 2023 AGM, we will resume our engagements with shareholders regarding the remuneration policy to ensure that it is fair and reasonable to all stakeholders.

IN CLOSING

I wish to thank our Board, our management team and staff for their important contribution over this past year. I believe the Equites Board has a wide range of appropriate skills, and the right blend of diversity, which benefits the business. A particular word of thanks to Ruth, who will be retiring at the upcoming AGM. Ruth has made an important contribution to the Board over the past nine years, and she will be missed. The effective, proactive, and sustainable management of Equites has enabled the Group to navigate a challenging economic environment and our business is well-placed to continue to deliver value to shareholders. We would like to continue this path of success and the Board remains committed to growing the Group to its full potential and delivering value to stakeholders.

LEON CAMPHER
CHAIRMAN

Cape Town
31 May 2023

EQUITES PARK LORDS VIEW, GAUTENG, SOUTH AFRICA

EQUITES PARK MEADOWVIEW, GAUTENG, SOUTH AFRICA

SUSTAINABLE VALUE CREATION

FIVE-YEAR FINANCIAL REVIEW

R'000	2023	2022	2021	2020	2019
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Investment Property	26 898 823	25 723 731	19 243 031	14 874 624	11 957 597
Other non-current assets	239 141	239 488	233 306	181 495	117 988
Current assets	1 407 292	1 776 911	1 380 862	146 706	163 182
TOTAL ASSETS	**28 545 256**	**27 740 130**	**20 857 199**	**15 202 824**	**12 238 767**
EQUITY AND LIABILITIES					
Capital and reserves	12 887 563	14 451 714	10 843 183	9 729 590	8 519 793
Non-controlling interest	3 384 200	3 059 872	2 166 757	40 434	149 919
TOTAL EQUITY	**16 271 763**	**17 511 586**	**13 009 940**	**9 770 024**	**8 669 712**
Non-current liabilities	8 040 681	8 540 996	6 057 147	4 864 462	3 257 432
Current liabilities	4 232 812	1 687 548	1 790 112	568 338	311 623
TOTAL EQUITY AND LIABILITIES	**28 545 256**	**27 740 130**	**20 857 199**	**15 202 824**	**12 238 767**
STATEMENT OF COMPREHENSIVE INCOME					
PROFIT AND LOSS					
Gross property revenue	3 212 750	1 688 147	1 185 380	993 699	766 158
Cost of sales from trading properties and developments	(908 111)	–	–	–	–
Other net (losses) / gains	(292 448)	155 207	127 341	(20 162)	(81 959)
Property and administrative costs	(539 944)	(318 457)	(219 995)	(169 010)	(149 797)
Fair value adjustments – investment property	(1 607 261)	1 168 317	(224 874)	21 764	220 212
OPERATING (LOSS)/PROFIT BEFORE FINANCING ACTIVITIES	**(135 014)**	**2 693 214**	**867 852**	**826 292**	**754 614**
Finance costs	(52 128)	31 994	(287 008)	(218 529)	(70 731)
Finance income	56 454	14 021	17 367	6 494	3 223
NET (LOSS)/PROFIT BEFORE TAX	**(130 688)**	**2 739 229**	**598 211**	**614 257**	**687 106**
Tax expense	25 911	(382 809)	(108 160)	76 996	28 854
NET (LOSS)/PROFIT FOR THE YEAR	**(104 777)**	**2 356 420**	**490 051**	**691 252**	**715 960**
OTHER COMPREHENSIVE INCOME					
Translation of foreign operations	422 920	(19 147)	208 507	262 239	293 062
TOTAL COMPREHENSIVE INCOME	**318 143**	**2 337 273**	**698 558**	**953 491**	**1 009 022**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the parent	(231 121)	2 011 765	615 996	944 431	962 918
Non-controlling interest	549 264	325 508	82 562	9 085	46 104
OTHER INFORMATION					
Distribution per share (cents)	169.60	162.99	155.00	151.39	138.43
Headline earnings per share (cents)	155.96	129.10	99.41	125.93	109.36
Net asset value per share (Rands)	16.65	18.61	17.25	17.55	16.92
Closing share price (Rands)	15.46	21.05	18.31	17.27	20.08
Market capitalisation (R'000)	11 967 425	16 346 870	11 511 782	9 575 200	10 108 609
Loan-to-value (%)	39.7	31.5	31.2	26.1	26.9
NON-FINANCIAL INFORMATION					
Number of properties	70	67	64	62	58
Total gross lettable area (m^2)	1 372 156	1 363 900	1 146 354	700 149	643 965
Weighted average lease expiry (years)	13.8	13.7	15.4	10.2	8.9
Vacancy (%)	0.1	0.7	0.1	3.4	3.9

CHIEF EXECUTIVE OFFICER'S REPORT

"We remain optimistic for the years ahead, as we benefit from being in a sector that still has massive demand drivers behind it, both from an operational point of view and from an investor point of view."

– Andrea Taverna-Turisan, CEO of Equites Property Fund

OPERATING IN A STRONG PROPERTY SEGMENT

STRONG DEMAND DRIVERS WILL PERSIST

Global events over the past five years have dramatically reshaped trading in the world economy, as there is a broad realisation that resilience is more important than the efficiency of trade.

Companies are responding to this trend by structurally changing their approach to their supply chains, resulting in onshoring and nearshoring/friend-shoring, especially in the UK and Europe, to decrease the risk of disruptions from systemic shocks in the world economy.

We are of the view that the structural changes in supply chains will drive demand for logistics real estate, given the shift of supply chains towards operations that are larger in size (increased inventory levels), resilient, technologically advanced, and closer to end-consumers to reduce delivery times and carbon emissions.

A second key demand driver is retailers' ambitions to solidify their omni-channel capabilities, which require real estate facilities that can efficiently support online purchases and even in some cases have direct delivery/pick-up capabilities. These facilities are therefore no longer only seen as supporting the storage of goods, but play an integral role in packaging, processing, and the efficient fulfilment of goods to the end consumer.

These tailwinds are continuing to support the demand for high-quality logistics facilities in both SA and the UK, which coupled with challenges of unlocking land for big box facilities in both jurisdictions, bodes well for rental growth.

Notwithstanding challenging macroeconomic conditions, we expect the occupational markets to remain buoyant in both regions.

FY23 RESULTS SUPPORTED BY HIGH QUALITY PROPERTY PORTFOLIOS

The past financial year has been the most challenging year for the Group since listing, as the world returned to a normalised interest rate environment, putting significant pressure on property values globally.

ANDREA TAVERNA-TURISAN
CHIEF EXECUTIVE OFFICER

Although interest rates in SA and the UK increased rapidly during the year, the Group managed to deliver DPS growth in line with initial guidance provided to the market in May 2022. This is a testament to the strength of the underlying portfolio, exposure to blue-chip tenants, effective hedging policy, and the fact that the Group entered the rising interest rate environment with a conservative capital structure.

The Bank of England increased its base rate by 3.5% during the year, with the prime logistics yield increasing by 175bp to 5.0%. Although market rental growth mitigated a portion of the loss in value, Equites' UK portfolio declined by 21% in value, reversing all the pandemic-related gains over the last three years. The decline in the portfolio value was the biggest driver of the Group's 10.5% negative movement in NAV per share.

In SA, rental growth of approximately 20% has more than offset the impact of rising discount rates, thereby resulting in our property valuations increasing by 4.3% over the year.

Due to the Group's inability to raise capital on the JSE, the Group funded its investments with debt, thereby temporarily increasing the LTV ratio to 39.7%. The Group is currently embarking on a disposal programme, which we unpack as part of Strategy.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

A CHANGE IN STRATEGY

The rising interest rate environment and change in capital market conditions have resulted in Equites reassessing its offshore strategy.

The Group has previously communicated its intention to build scale in the top-end of the UK logistics property market, through its partnership with Newlands Developments. Post a detailed assessment of this strategy, the Group has decided to no longer undertake large-scale developments in the UK, given current market conditions and capital constraints. This decision has resulted in Equites investigating the disposal of ENGL, through an outright sale of the entire development platform. If the transaction does not materialise, Equites will undertake forward-funded deals in the short-to-medium term, thereby unlocking development profits whilst allocating limited capital to the platform.

As a consequence of no longer growing the UK investment platform through large-scale developments, as well as potentially selling a few more properties in the UK during FY24, the Group decided to terminate the CCIRS derivatives and exclude any income relating to these instruments from distributable earnings in FY24. This has a large impact on distributable earnings but will increase the rand hedge qualities of the balance sheet.

JSE MARKET PERFORMANCE

Equites delivered a negative total return of 19.2% (change in share price plus dividends) during the financial year, underperforming the SA Property Sector, which delivered a positive return of 5.1%.

However, this brings the total return since listing (18 June 2014) to 12.1%, on an annualised basis, significantly outperforming the sector which delivered a 1.5% annualised return over the same period. It is also worth noting that Equites has outperformed the JSE All Share Index since listing, which recorded an 8.6% annualised total return over the same comparable period.

At the end of the financial year, the market capitalisation of the Group was R12 billion, making it the 6th largest South African REIT on the JSE.

PROPERTY FUNDAMENTALS

Our property fundamentals continue to be industry-leading across major metrics; our WALE is 13.8 years, 98% of income is derived from A-grade tenants and the SA portfolio was fully occupied as of 28 February 2023. Except for an ancillary unit of 1 401m^2, the UK portfolio is also fully occupied. This brings the overall portfolio to an occupancy rate of 99.9%, which demonstrates the demand for our properties in both jurisdictions.

GROUP DEVELOPMENT PIPELINE

The Group continues to execute on attractive opportunities in the top-end of the SA logistics property market, which continues to be a top priority from a capital allocation point of view.

RLF, a controlled subsidiary of Equites, finalised two transactions with Shoprite, to acquire and extend two distribution facilities, located in Canelands and Wells Estate, for more than R2 billion in total, creating two world-class distribution campuses. Equites further concluded an agreement with Shoprite for the development of a campus in Riverfields, Gauteng, on a land parcel wholly owned by the Group. The total estimated development cost is R1.2 billion. Equites' exposure to the Shoprite assets will be a cornerstone to growth over the medium to long term.

The Group is also executing various other developments for existing and new tenants, including TFG, Cargo Compass SA and Spar Encore. There is strong demand for our logistics parks, especially in Jet Park and Witfontein near the R21 in Gauteng. We continue to focus our efforts on logistics parks, where we can offer clients a secure and efficient environment in which to operate.

The total pipeline of development and acquisition opportunities in SA amounts to R3.7 billion across 304 228m^2 of prime logistics space (Equites' share).

Our view is that SA is under-warehoused, and retailers and logistics companies will continue to expand their warehousing footprint to optimise their supply chain capabilities.

In the UK, Equites is currently not allocating capital to any developments.

UTILISATION OF LAND HOLDINGS

The Group is prioritising the utilisation of existing land holdings in SA. Post year-end movements, the Group has 49 hectares of land ready for development, affording the Group with R3 billion of potential bulk.

The Group has therefore unlocked more than 50% of its land bank since FY21, when it consisted of 112 hectares of land in SA.

The land holdings in the UK comprise primarily of Newport Pagnell (R1.0 billion) and Basingstoke (R0.6 billion), making up the majority of the c. R1.7 billion loan account to ENGL. The remainder comprises of options on land parcels that have been acquired over the last two years. Should Equites proceed to sell the ENGL platform, the Group expects the balance of UK land to be zero as of 29 February 2024.

The Group is targeting land exposure to be less than 5% of its total portfolio value.

STRATEGIC TENANT RELATIONSHIPS

Equites is cementing its position as one of the key developers of choice for logistics developments in SA, by building a track record of delivering a world-class product for blue-chip clients.

There are many examples of how our relationships with tenants led to repeat business, with TFG, Shoprite, Premier FMCG, Digistics, PepsiCo and Cargo Compass SA being key examples.

The tenant-driven approach of Equites creates a solid foundation for building trust with clients, transforming once-off development projects or deals into long-term mutually beneficial relationships.

PHILIPPI, WESTERN CAPE, SOUTH AFRICA

SUSTAINABILITY

Equites made significant strides towards its ESG framework and implementation thereof.

The installed solar capacity increased by 65% compared to the prior year, reaching 9.4 MW. This generated 11.4 million kWh of energy, resulting in 11 846 tCO_2e avoided. Equites' new builds will continue to be rated by EDGE in SA and BREEAM in the UK.

The Group will continue to be a beneficiary of the global shift towards ESG, as the type of product that Equites develops and owns, supports the sustainability requirements of multinational and national companies in SA and the UK.

PROSPECTS

The underlying logistics property markets in SA and the UK are expected to remain healthy, as logistics real estate is undoubtedly a critical component of modern supply chains.

Our exposure to world-class tenants on long-term leases offers a high degree of income predictability, and we are constantly improving the quality of our underlying portfolio through the recycling of assets from older properties with shorter lease terms and sub-optimal sustainability credentials, to state-of-the-art facilities with long-term leases.

The Group is also responding proactively to a changing macroenvironment, and I believe that the strategic imperatives that we are undertaking will position the Group for sustainable growth in distributable earnings over the long term.

The Group is planning to continue distributing 100% of its earnings and is guiding toward a DPS of between 130-140 cents for the next financial year.

ACKNOWLEDGEMENTS

I want to take this opportunity to express my gratitude to the Chairman and the Board for their support, guidance and advice.

I would also like to extend my gratitude to Ruth Benjamin-Swales, who as a Board member has made an invaluable contribution to the Group over the last nine years.

A big thank you to all our business partners for their support.

Finally, I also want to thank my fellow executives, Riaan Gous and Laila Razack, and all employees, for all their hard work and dedication.

ANDREA TAVERNA-TURISAN
CHIEF EXECUTIVE OFFICER

Cape Town
31 May 2023

STRATEGY

The Board reviews the Group's strategy annually with the aim of ensuring that the strategy is aligned to the core values of the Group, risks identified and long-term stakeholder interests. The Board delegates authority to the Executive Directors, to implement operational activities in line with the strategic objectives.

STRATEGIC OBJECTIVES

STRATEGIC OBJECTIVES	EFFECT ON CAPTIALS	RISKS & OPPORTUNITIES	STAKEHOLDER IMPACTED
1 MAXIMISE SHAREHOLDER VALUE	SRc, Mc	3 SOCIO-ECONOMIC OPERATING ENVIRONMENT; 5 FUNDING AND LIQUIDITY; 6 MARKET RISK	3 INVESTORS
2 BALANCE SHEET MANAGEMENT	Fc, Mc, Nc	1 LOGISTICS SECTOR EXPOSURE; 5 FUNDING AND LIQUIDITY; 6 MARKET RISK; 10 SA PROPERTY DEVELOPMENT; UK PROPERTY DEVELOPMENT	1 TENANTS; 2 FINANCIAL INSTITUTIONS; 3 INVESTORS
3 PORTFOLIO GROWTH	Mc, Nc, SRc	2 ENVIRONMENTAL IMPACT; 7 CREDIT RISK; 10 SA PROPERTY DEVELOPMENT	1 TENANTS; 2 FINANCIAL INSTITUTIONS; 3 INVESTORS; 4 VENDORS AND BROKERS; 7 ENVIRONMENT

1 MAXIMISE SHAREHOLDER VALUE

The Group's primary strategic objective is to maximise shareholder value on a risk-adjusted basis.

Equites will continue to focus on the quality of its underlying property fundamentals through its strict investment criteria of best-in-class logistics assets, let to blue-chip tenants on long-term leases.

2 BALANCE SHEET MANAGEMENT

Equites continues to pursue its strategic objective of maintaining a robust capital structure.

The Group commenced a strategic disposal programme in FY23 which supports lowering its LTV ratio, whilst generating capital internally to invest in its development pipeline.

These assets include properties with a degree of specialisation, suboptimal sustainability credentials and/or shorter lease terms.

Recycling capital will allow Equites to replace these older assets with modern state-of-the-art logistics facilities, further supporting sustainable growth over the long term.

3 PORTFOLIO GROWTH

The development pipeline in SA will continue to be a top priority from a capital allocation point of view as retailers and logistics companies expand their warehousing footprint to optimise their supply chain capabilities.

The integration of key sustainability metrics are paramount to global multi-nationals and large SA listed organisations, which is supported by the Equites **baseline specification.**

SA DEVELOPMENT PIPELINE:

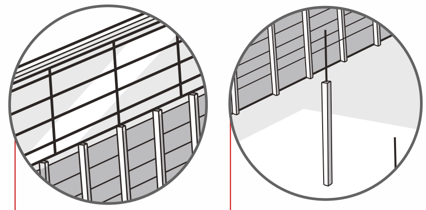
The total pipeline of development and acquisition opportunities in SA amounts to R3.7 billion across 304 228m^2 of prime logistics space. The pipeline will be funded from cash on hand, undrawn debt facilities, debt raised against completed developments, and equity that will be released from property disposals. The full extent of the pipeline has been factored into the projected LTV target of 35%. The Group has increased its target yield on new developments from 8.0% - 9.0% to 8.5% - 9.5%, which supports a robust capital allocation framework.

	TOTAL	GAUTENG	WESTERN CAPE	KWAZULU-NATAL	EASTERN CAPE
DEVELOPMENT COST (R'MILLION)	3 729	2 472	204	502	551
GLA ('000 M²)	304.2	189.6	18.2	51.6	44.8
ESTIMATED COMPLETION		JUN-24	APR-23	DEC-23	OCT-24

	EFFECT ON CAPTIALS	RISKS & OPPORTUNITIES	STAKEHOLDER IMPACTED
4 DISPOSAL OF ENGL The Group will no longer undertake large-scale developments in the UK and is investigating the disposal of ENGL, through an outright sale of the entire development platform. If the transaction does not materialise, Equites will undertake forward-funded deals in the short-to-medium term, thereby unlocking development profits whilst allocating limited capital to the platform.	Fc SRc Mc	1 LOGISTICS SECTOR EXPOSURE 5 FUNDING AND LIQUIDITY 10 UK PROPERTY DEVELOPMENT	1 TENANTS 2 FINANCIAL INSTITUTIONS 3 INVESTORS
5 CCIRS TERMINATION The Group has decided to mature the CCIRS derivatives and exclude any income relating to these instruments from distributable earnings in FY24. Shareholders will benefit from improved growth in NAV per share, as the rand weakens against the pound over the long term.	SRc Fc	5 FUNDING AND LIQUIDITY	2 FINANCIAL INSTITUTIONS 3 INVESTORS
6 UTILISE LAND HOLDINGS The Group is prioritising the utilisation of its 49 hectares of land holdings, ready for development in SA. Equites expects to convert a signficant portion of this into income-producing assets in the short-term. Should Equites proceed to sell the ENGL platform, the Group expects the balance of UK land to be zero as of 29 February 2024.	Mc Nc	1 LOGISTICS SECTOR EXPOSURE 5 FUNDING AND LIQUIDITY 10 SA PROPERTY DEVELOPMENT UK PROPERTY DEVELOPMENT	3 INVESTORS 4 VENDORS AND BROKERS 5 COMMUNITIES 7 ENVIRONMENT
7 UPLIFT COMMUNITIES The Group will continue to uplift communities through the following initiatives: ▪ Educating learners from disadvantaged backgrounds through **social development**. ▪ Providing learning and mentorship through **enterprise and supplier development**. ▪ The Group's **transformation** strategy to facilitate the creation of black property-owning businesses.	SRc	3 SOCIO-ECONOMIC OPERATING ENVIRONMENT 9 TRANSFORMATION GOALS 10 SA PROPERTY DEVELOPMENT	5 COMMUNITIES
8 EMPOWER EMPLOYEES The Group will continue to empower its employees through investing in employee training and skills development, mentorship and support, and a transformed workforce when hiring and promoting.	Hc	4 COMPLIANCE WITH LAWS AND REGULATIONS 8 INFORMATION TECHNOLOGY 9 TRANSFORMATION GOALS 11 HUMAN RESOURCING	6 EMPLOYEES

STRATEGY CONTINUED

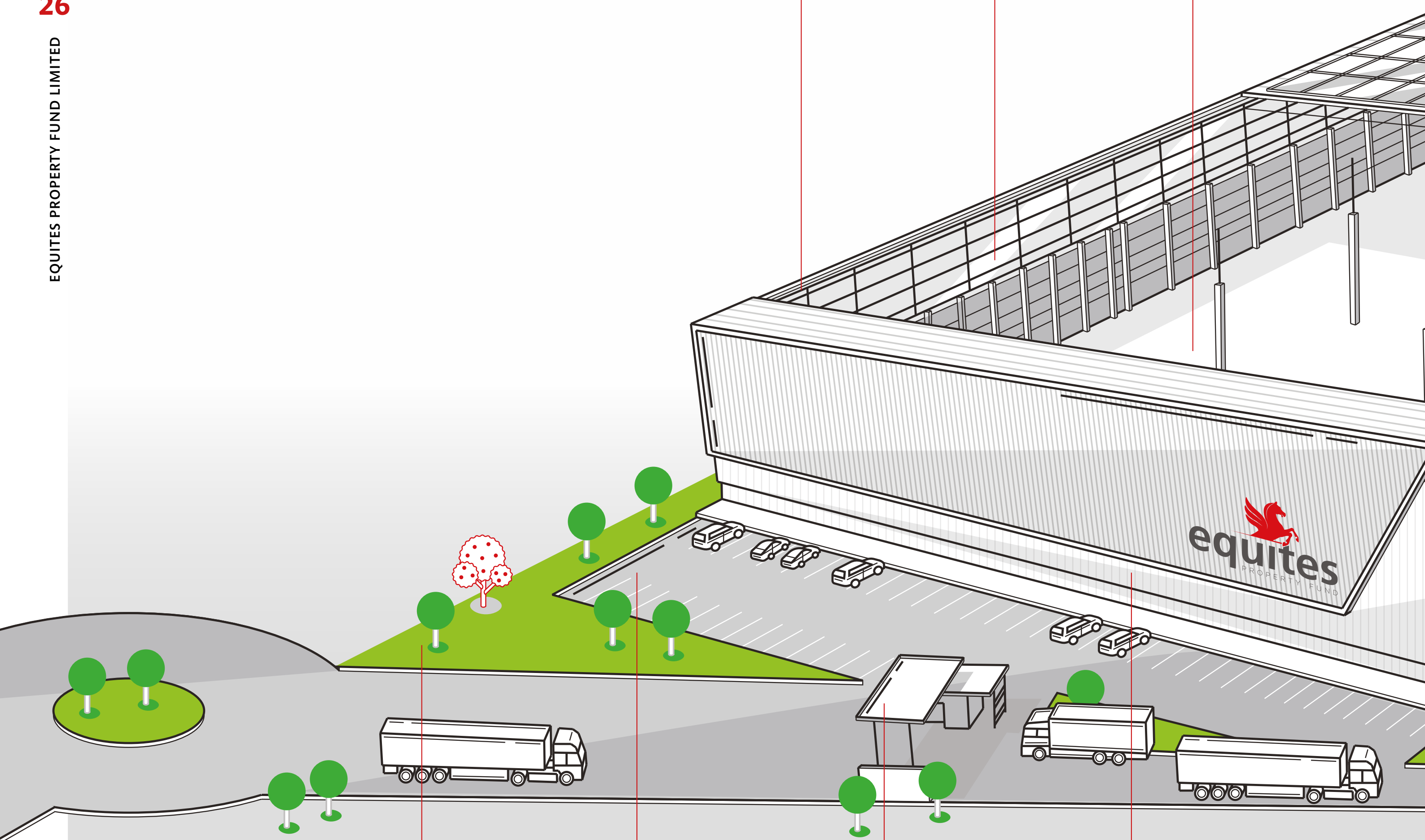
SA BASELINE SPECIFICATION
MODERN DISTRIBUTION CENTRE



- PERIMETER WALLS CONSTRUCTED USING TILT-UP PANELS

- 15.5M CLEAR SPRINGING/EAVE HEIGHT
- ALLOWS FOR MORE PALLET POSITIONS PER AISLE
- BUSINESSES ARE DRIVEN BY THEIR COST PER PALLET, SO VOLUME IS KEY

- FM2 FLOORS MAKE RACKING UP TO 9 PALLETS HIGH POSSIBLE

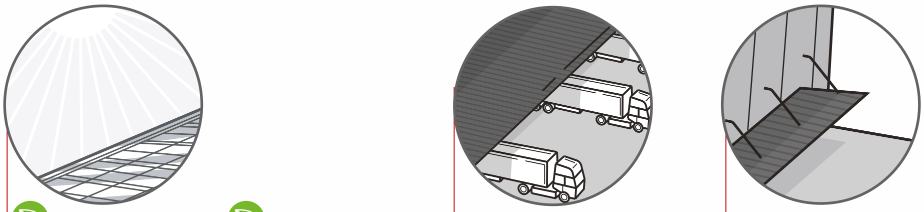


- WATERWISE INDIGENOUS LANDSCAPING

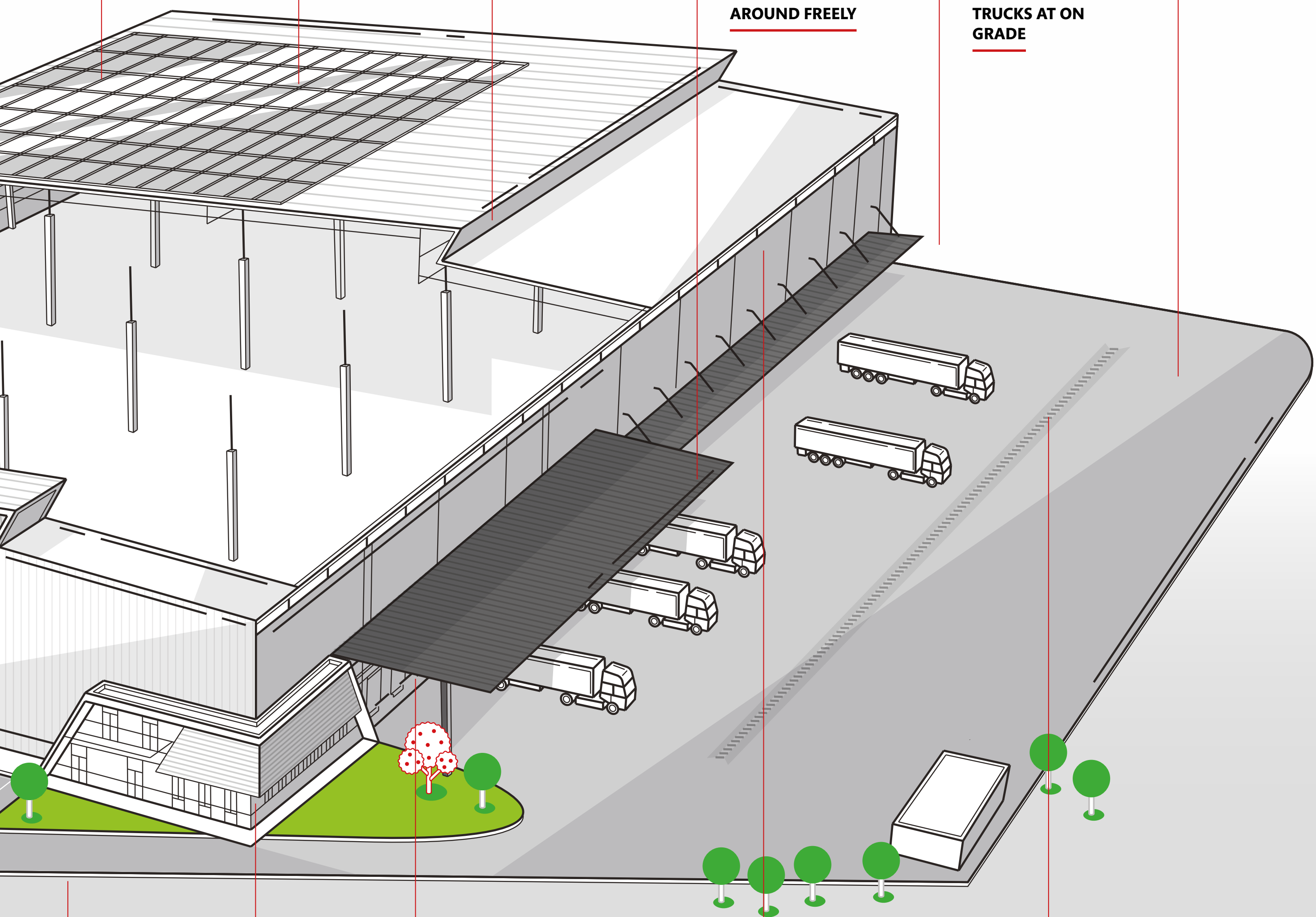
- PARKING FOR STAFF AND TRUCKS ARE SPLIT AT THE GUARDHOUSE TO ENSURE SAFETY OF PEDESTRIANS AND VEHICLES
- VISITORS AND STAFF DROP-OFFS HAPPEN AWAY FROM THE HEAVY TRUCKS AND BUSY OPERATIONS

- GUARDHOUSE WITH FULL KITCHEN AND ABLUTIONS FOR SECURITY
- INTEGRATED WITH RECEPTION AND CAMPUS GUARDHOUSE FOR PRECINCT WIDE SECURITY AND ACCESS CONTROL FLEXIBILITY

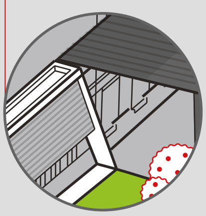
- TILT UP BELOW SHEETING TO ENSURE SAFETY AND SECURITY
- SHEETING 2.5M OFF THE GROUND MAKING IT IMPOSSIBLE TO PENETRATE BUILDING PERIMETER



- ENERGY-EFFICIENT LED LIGHTING IN WAREHOUSE
- SOLAR PV SYSTEMS
- MECHANICALLY-VENTILATED WAREHOUSE
- 18M CANOPIES OVER ON-GRADE DOORS
- ON-GRADE CANOPY COVERS THE FULL TRAILER WITH ENOUGH SPACE FOR A FORKLIFT TO MOVE AROUND FREELY
- 7M CANOPIES OVER DOCK LEVELLING DOORS
- DOCK LEVELLERS ON FURTHEST SIDE OF YARD TO ALLOW MORE TURNING SPACE FOR BIGGER TRUCKS AT ON GRADE
- 50M MINIMUM YARD DEPTH



- ENTRANCE ROAD REINFORCED CONCRETE TO CATER FOR HEAVY VEHICLES AND HIGH TRAFFIC
- SURFACE BED INSTALLED BY SPECIALIST CONTRACTOR
- DOUBLE-GLAZING FOR REDUCED ENERGY CONSUMPTION
- KELLEY DOCK-LEVELLERS
- SECTIONAL DOORS WITH VIEWING PANELS
- POLYCARBONATE SHEETING ALIGNED WITH THE AISLES TO MAXIMIZE NATURAL LIGHT
- ACO DRAINS TO SIMPLIFY THE HARDSTAND CREATING MAXIMUM FLEXIBILITY AND MINIMUM LEVEL VARIABILITY



BUSINESS MODEL

OUR CAPITALS

FINANCIAL CAPITAL

Equites has a strong capital base and diversified sources of funding and borrowing available. This includes natural hedges and derivative financial instruments to hedge exposure to interest rate risk.

Inputs:
- Entered into a number of interest rate derivatives.
- Utilised R74 million of excess funding to execute share buybacks.
- Refinanced debt facilities both in SA and the UK.
- Raised R1.25 billion in the SA debt capital market in a public auction off the JSE-listed DMTN Programme.

MANUFACTURED CAPITAL

High-quality logistics portfolio that is sustainable, well-located, and occupied by A-grade tenants on long-dated leases. This includes the Group's development pipeline.

Inputs:
- Finalised two sale-and-leaseback transactions with Shoprite for R650 million.
- Formalised the Equites baseline specification.
- Commenced eight developments in SA.
- Concluded new leases on vacating properties and renegotiated leases with existing tenants.
- Initiated a disposable programme.

HUMAN CAPITAL

Organisationsal culture, collective knowledge, skills and expertise of employees.

Inputs:
- 44 employees (43 in SA and 1 in the UK) as at 28 February 2023.
- Internship programme.
- 9 staff bursaries awarded during the year.
- Empowered staff by providing training opportunities.

SOCIAL & RELATIONSHIP CAPITAL

The quality of relationships with key stakeholders.

Inputs:
- Responding to the legitimate **needs and interests** of Equites' key stakeholders.
- Open communication via various platforms.
- **Enterprise and supplier development**
- **Social development**

INTELLECTUAL CAPITAL

Intellectual property, information technology, brand and reputation, underpinned by ethical foundation.

Inputs:
- Expanded the integration between the operating system and banks.
- Continued with up-to-date cyber security and awareness training.
- Created a safe space for any stakeholder to report unethical behaviour and wrongdoing.

NATURAL CAPITAL

Natural resources being soil, water and renewable energy used or impacted by business activities. Includes land under management in strategic locations.

Inputs:
- Used 525 126 kl of water (2022: 302 919 kl).
- Used 111 914 MWh of conventional electricity (2022: 114 396 MWh).
- Installed additional solar capacity of 6 MW.
- Land proclaimed for industrial use.

STRATEGY, PERFORMANCE AND OUTLOOK
EXTERNAL OPERATING ENVIRONMENT
GOVERNANCE

DEVELOPMENTS

Focus on constructing high quality, environmentally conscious buildings that are both functionally designed and aesthetically pleasing. A strict **baseline specification** is applied which is inspired by global best practice and this remains one of the Group's competitive advantages. The Group prides itself on being a sector specialist in SA, and is able to provide valuable insights and recommendations to clients' warehousing and supply chain requirements.

ACQUISITION OF TENANTED PROPERTY

Through comprehensive feasibilities and due diligence procedures, the Group identifies strategic acquisition opportunities and ventures to add to its world-class portfolio.

CAPITAL MANAGEMENT

Conservatively manage capital funding to ensure minimising the current cost of capital using an optimal mix of debt and equity, maintain a robust balance sheet which offers flexibility for future growth opportunities, diversify the sources of finance employed to fund operations, phase the maturity of outstanding financial liabilities, ensure that strong liquidity is maintained, and appropriately manage significant financial risks.

PROPERTY MANAGEMENT

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

ACQUISITION OF VACANT LAND

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

RISKS & OPPORTUNITIES
VALUE CREATED FOR OUR STAKEHOLDERS

OUTPUTS		OUTCOMES
		Fc
■ Interest rate derivatives successfully kept the cost of debt at relatively lower levels. ■ The Group secured debt in both ZAR and GBP at historically low rates, of which R3.4 billion has a maturity of between 5 to 10 years. ■ The weighted average debt maturity profile has increased from 2.7 years to 3.4 years.	◆ Fc ▲ Sc ▲ Sc ▲ Fc ▼ Fc ◆ Fc ▲ Fc	LTV ratio of 39.7%, maintained within target range of 30% - 40%. Public auction of the DMTN programme was 1.9 times over-subscribed with the involvement of 21 bidders across the three notes. GCR long- and short-term rating of Equites at $AA_{-(ZA)}$ and $A1_{+(ZA)}$ respectively and revised the outlook to Positive. Increased diversification in lenders and funding mix. Cost of ZAR debt increased to 8.58% (2022: 7.78%) and GBP debt to 4.15% (2022: 3.01%) Access to undrawn facility of R1.3 billion. Refinanced a £105 million debt facility with Aviva and extended it to 2032, ensuring long-dated funding.
		Mc
■ LfL increase in SA portfolio value of 4.3%. ■ LfL decrease in UK portfolio value of 21.4%, in sterling. ■ WALE of 13.8 years (2022: 13.7 years). ■ Completed 7 developments in SA and 1 in UK, all of which are now income-producing. ■ Completed the turnkey land sale and development relating to Hoylands Plot 2, Barnsley.	▲ Mc ▼ Fc ▼ Fc ▼ Fc ▲ Sc ▲ Nc ▲ Mc	R26.9 billion property portfolio (2022: R25.7 billion). NAV per share decreased by 10.5% to R16.65. Decline in UK property valuation increased LTV ratio by 2.3%. UK and SA development pipeline increased LTV ratio by 1.6% and 3.8%, respectively. LfL net rental growth in the SA portfolio of 5.4% contributed to 3.8% DPS growth. 2 additional BREEAM certified and 8 additional EDGE certified **Green Buildings**. R3.0 billion of developments completed during the year and are now generating rental income.
		Hc
■ 10% increase in staff compliment. ■ Transformed workforce. ■ Promoted one intern to a full-time employee. ■ Internal promotions. ■ Successful completion of short-courses and progression achieved for staff studying towards a tertiary degree.	▼ Hc ▲ Hc ▲ Ic ▲ Mc	5 resignations. 9 appointments (4 relate to new positions created and 2 as a result of internal promotions). Staff training provided (technical, soft skills, and relating to new systems implemented). Grew the property development and property management teams to service the Group's tenants.
		Sc
■ New development opportunities from existing tenant relationships. ■ Community involvement in the development process. ■ 7 small businesses added to the AmpCore programme.	▲ Sc ▼ Fc ◆ Sc ▲ Mc	**Value created** for the Group's stakeholders. Increased ESD spend by 122%. Maintained a Level 3 B-BBEE rating with a verified black ownership of 76%. Total **development pipeline** of R3.7 billion.
		Ic
■ Recommendation of the sustainability audits implemented on existing buildings. ■ Successful host-to-host integration between a second bank and the operating system. ■ One case of misconduct submitted via EthicsDefender which was investigated and resolved internally.	▲ Ic ▲ Nc ▲ Hc ▲ Ic	Solidified the Equites brand and reputation. Achieved water usage reduction of up to 30% from sustainability audit recommendations. 403 man-hours spent on cyber-security, ethics and governance-related training. 98.9% success rate preventing simulated phishing attacks.
		Nc
■ Avoided 11 846 tCO_2e (2022: 6 101 tCO_2e). ■ Achieved all sustainability-linked funding KPIs. ■ Generated 11.4 million kWh of renewable energy (2022: 5.7 million kWh). ■ Land is serviced and readily available for a development to commence.	▲ Fc ▲ Nc ▼ Nc ▲ Ic ▲ Mc	Achieved preferential interest rates on sustainability-linked funding. Solar capacity in the portfolio reached 9.4 MW, representing a 65% increase. 104 949 tCO_2e (2022: 110 306 tCO_2e) from Scope 2 and 3 grid controlled electricity. Sustainalytics rating improved by 19% to 9.0. 2 land parcels proclaimed during the year.

▲ VALUE CREATION
◆ VALUE PRESERVATION
▼ VALUE EROSION

PERFORMANCE AGAINST STRATEGY

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	VALUE DRIVER	EXECUTIVE REMUNERATION
1 MAXIMISE SHAREHOLDER VALUE	Total return to exceed WACC (measured over a 3-year period)	Financial performance	CPM
	Total return to exceed benchmark (measured over a 3-year period)	Financial performance	CPM
	DPS versus budget	Financial performance	CPM *
	Group portfolio WALE (years)	Operational metrics	
	Vacancy ratio	Operational metrics	PPC CPM
	Growth in gross revenue	Business growth	PPC
	Property expense ratio	Operational metrics	PPC CPM
	Operating expense ratio	Operational metrics	PPC CPM
	Arrears as a percentage of total revenue	Operational metrics	PPC
2 BALANCE SHEET MANAGEMENT	Debt expiry (years)	Financial management	PPC
	LTV ratio	Financial management	PPC CPM
	Interest cover ratio	Financial management	CPM *
	Credit rating with GCR	Financial management	PPC
	Portfolio growth whilst maintaining target LTV ratio (measured over a 3-year period)	Financial management	CPM

* From FY24

CLIMATE RELATED TARGETS
PPC PERSONAL MODIFIER LINKED TO STI
CPM COMPANY PERFORMANCE MEASURE LINKED TO STI AND LTI
ACHIEVED · PARTIALLY ACHIEVED · NOT ACHIEVED

VALUE CREATION
VALUE PRESERVATION
VALUE EROSION

ACHIEVED		TARGET		
2022	2023	2023	2024 - 2026	OUTCOMES IN FY23
10.96%	**-1.04%**	**Equal WACC or exceed WACC by 15%**	70% to 110% of WACC	Fc SRc
10.96%	**-1.04%**	**> or =10% to 14%**	N/a	Fc SRc
Achieved	Achieved	**N/a**	90% to 110% of budget	
13.7	**13.8**	**N/a**	>14	Mc
0.7%	**0.1%**	**<5.0%**	<5.0% to <2.0%	Mc
32%	**25%**	**>8%**	>8%	Fc
16.0%	**16.1%**	**<15%**	<17% to <15%	Fc
21.2%	**19.8%**	**<20%**	<24% to <20%	Fc
1%	**1%**	**<1%**	<1%	Fc
2.7 years	**3.4 years**	**> 3 years**	> 3 years	Fc
31.5%	**39.7%**	**30% to 40%**	35% to 40%	Fc
4.9x	**2.8x**	**N/a**	2 to 2.5x	Fc
Improved	**Maintained**	**Maintain or improve**	Maintain or improve	Ic
73%	**31%**	**5% to 15% portfolio growth**	N/a	Mc Fc

PERFORMANCE AGAINST STRATEGY CONTINUED

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	VALUE DRIVER	EXECUTIVE REMUNERATION
3 PORTFOLIO GROWTH	Growth in income-producing properties	Business growth	PPC
	Portfolio activity versus budget (incl. conversion of land holding to income-producing properties)	Business growth	CPM
	Number EDGE** / BREEAM certified properties	Sustainability	
	Existing properties (by value) that are EDGE** / BREEAM certified	Sustainability	
	New developments EDGE** / BREEAM certified	Sustainability	
	Improvement in ESG score as measured by Sustainalytics (yoy)	Sustainability	CPM
	Renewable energy consumption ratio (renewable energy consumption as a percentage of total consumption)	Sustainability	
	Additional solar energy generated	Sustainability	CPM*
4 DISPOSAL OF ENGL	LTV ratio	Financial management	PPC
5 CCIRS TERMINATION	CCIRS utilisation	Financial management	
6 UTILISE LAND HOLDINGS	SA land (% of Group portfolio)	Business growth	
7 UPLIFT COMMUNITIES	B-BBEE score	Transformation	PPC
	Ownership score	Transformation	PPC
8 EMPOWER PEOPLE	Staff satisfaction survey	Leadership, cohesion, staff management and company culture	PPC
	Percentage of new hires in line with EE plan		PPC
	Staff retention		PPC

* From FY24

** A water usage reduction of 20% on baseline is required to obtain EDGE certification.

CLIMATE RELATED TARGETS

PPC PERSONAL MODIFIER LINKED TO STI

CPM COMPANY PERFORMANCE MEASURE LINKED TO STI AND LTI

ACHIEVED PARTIALLY ACHIEVED NOT ACHIEVED

VALUE CREATION

VALUE PRESERVATION

VALUE EROSION

	ACHIEVED 2022	ACHIEVED 2023	TARGET 2023	TARGET 2024 - 2026	OUTCOMES IN FY23
	24%	**3%**	**>10%**	>10%	▼ Mc
	N/a	**N/a**	**N/a**	R1.5 to R2.5 billion (STI) R3.0 to R6.0 billion (LTI)	
	11	**21**	**N/a**	35 - 40	
	N/a	**N/a**	**N/a**	R1 billion	
	All	**All**	**All**	All	▲ Mc ▲ Nc
	34.9%	**18.6%**	**Maintain or improve by 10% (STI) Maintain or improve by 10% over 3-year period (LTI)**	Maintain or improve by 3% (STI) Maintain or improve by 5% over a 3-year period (LTI)	▲ Ic
	3.6%	**9.0%**	**4.1%**	6.2%	▲ Mc ▲ Nc
	5 400 MWh p/a	**5 600 MWh p/a**	**N/a**	500-700 MWh p/a over a 3 year period	
	31.5%	**39.7%**	**30% - 40%**	35% to 40%	▼ Fc
	29%	**22%**	**N/a**	None	▼ Fc
	7%	**3%**	**N/a**	<5%	▼ Nc
	Level 4	**Level 3**	**Maintain or improve**	Level 2	▲ SRc
	66.1%	**75.7%**	**>51%**	>51%	
	85%	**90%**	**>90% overall satisfaction**	>90% overall satisfaction	▲ Hc
	76.9%	**87.5%**	**100%**	100%	
	90.0%	**95.5%**	**>90% staff retention**	>90% staff retention	

STAKEHOLDER ENGAGEMENT

KEY STAKEHOLDERS

The success of the Group and its stakeholders are intrinsically linked.

1 TENANTS

WHY IS IT IMPORTANT

Tenant relationships are the cornerstone of Equites' growth, as the Group cements its position as one of the key developers of choice for logistics developments in SA.

The tenant-driven approach of Equites creates a solid foundation for building trust with clients, transforming once-off development projects or deals into long-term mutually beneficial relationships.

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

QUALITY OF RELATIONSHIPS

FALLING SHORT — 2023 — EXCELLING

The quality of the relationship was assessed by taking into account:

- Outcome of bi-annual tenant meetings
- Annual occupier satisfaction survey which covers various aspects of the tenant experience, including maintenance, service delivery and responsiveness
- Market leading logistics facilities
- Generating new business from existing tenants

STAKEHOLDER NEEDS AND INTERESTS

- High quality, well maintained, logistics facilities that meet their exacting requirements
- Low maintenance, cost efficient facilities
- Alternative sources of energy and sustainable building features
- Safety and security
- A structure designed to improve operations and reduce lead times
- Location within prime logistics node

MATERIAL MATTERS

2 RENEWABLE ENERGY
3 BASELINE SPECIFICATION
5 SOCIO-ECONOMIC FACTORS
6 ZONING AND SERVICING LAND

EQUITES' RESPONSE

- Proactively work with tenants to provide logistics facilities that meet their exacting requirements
- Use of leading EDGE technology to maximise indoor comfort while optimising mechanical ventilation and lighting
- A **green building** provides reduced utility costs, lower carbon emissions and supports tenant's own sustainability objectives
- Tenant engagements are prioritised, and their needs are supported and accommodated as far as possible
- Assisted maintenance programme aids tenants to meet their obligations in respect of the lease
- Provide education on the importance of Occupational Health and Safety regulations to tenants

STRATEGIC OBJECTIVES

3 PORTFOLIO GROWTH

SDGs

VALUE CREATED IN FY23

- ▲ Expanded existing facilities for Shoprite and TFG and developing new facilities for them
- ▲ Solar benefit extended to tenants located in parks with access to solar energy
- ▲ In the process of implementing recommendations of sustainability audits on the properties
- ▲ Enhanced security measures at logistics parks

▲ VALUE CREATION
◆ VALUE PRESERVATION
▼ VALUE EROSION

2 FINANCIAL INSTITUTIONS

WHY IS IT IMPORTANT

Financial institutions include the banks, listed debt market and other institutions. They safeguard the Group's financial capital, facilitate its transactions and provide the Group with access to funding to grow its portfolio.

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

QUALITY OF RELATIONSHIPS

FALLING SHORT 2023 EXCELLING

The quality of the relationship was assessed by taking into account:

- Oversubscribed debt auction
- Refinancing of debt
- Lengthened debt maturity
- Increase in the number of debt providers

STAKEHOLDER NEEDS AND INTERESTS

- Strong balance sheet and reliable returns
- Good credit rating
- Quality and sustainability of assets to be pledged as security
- Ability to service interest and related costs

MATERIAL MATTERS

1 RISING INTEREST RATES
2 RENEWABLE ENERGY
3 BASELINE SPECIFICATION

EQUITES' RESPONSE

- Employ a conservative financial risk management policy and capital structure
- Continuously monitor loan covenants and sustainability-linked KPIs
- High-quality logistics assets with long-dated leases
- Maintain a conservative target LTV ratio

STRATEGIC OBJECTIVES

2 BALANCE SHEET MANAGEMENT
3 PORTFOLIO GROWTH
4 DISPOSAL OF ENGL
5 CCIRS TERMINATION

SDGs

17 PARTNERSHIPS FOR THE GOALS

VALUE CREATED IN FY23

- ▲ Met all financial covenants and sustainability KPIs
- ◆ Maintained the Group's GCR credit rating
- ▼ Lower ICR as a result of rising interest rates

3 INVESTORS

WHY IS IT IMPORTANT

Shareholders and potential investors are a source of financial capital and enable Equites to grow the business.

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

QUALITY OF RELATIONSHIPS

FALLING SHORT 2023 EXCELLING

The quality of the relationship was assessed by taking into account:

- Executive remuneration linked to investor returns
- Frequent communication with investors
- Steady returns in the form of bi-annual dividends, which have always been in line with guidance
- Increase in black ownership from 66.1% to 75.7%
- Proactive consultation with investors prior to the AGM to incorporate their feedback and which results in all resolutions being passed

STAKEHOLDER NEEDS AND INTERESTS

- Long-term capital appreciation and stable dividend income
- Optimal capital allocation
- Transparent reporting and disclosure, including sustainability disclosure
- Sound corporate governance principles

MATERIAL MATTERS

1 RISING INTEREST RATES
2 RENEWABLE ENERGY

EQUITES' RESPONSE

- Proactively communicate with investors
- Strict investment criteria and strategic direction
- Aligning with the requirements of **King IV Code** and **TCFD**
- Subscribe to an independent, anonymous **whistleblower platform**
- **Internal audit** function
- 100% dividend payout ratio
- Clear focus on maintaining REIT status
- Compliance with **SA REIT BPR**

STRATEGIC OBJECTIVES

1 MAXIMISE SHAREHOLDER VALUE
2 BALANCE SHEET MANAGEMENT
3 PORTFOLIO GROWTH
4 DISPOSAL OF ENGL
5 CCIRS TERMINATION
6 UTILISE LAND HOLDINGS

SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

VALUE CREATED IN FY23

- ▲ Delivered DPS growth in line with guidance
- ▲ Share buyback programme
- ▼ One instance of alleged misconduct by an employee which was investigated and resolved internally
- ◆ Maintained a 100% dividend payout ratio

STAKEHOLDER ENGAGEMENT CONTINUED

PAROW INDUSTRIA, WESTERN CAPE, SOUTH AFRICA

4 VENDORS AND BROKERS

WHY IS IT IMPORTANT

Suppliers, brokers, and development contractors are part and parcel to offering a high-quality product.

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

QUALITY OF RELATIONSHIPS

FALLING SHORT — 2023 — EXCELLING

The quality of the relationship was assessed by taking into account:

- AmpCore programme
- Formal vendor onboarding
- Settlement of payments within contracted payment terms
- Internal review of work performed by service providers before approvals
- Frequent communication regarding standard of work

STAKEHOLDER NEEDS AND INTERESTS

- Precise brief of work required
- Timely payment
- Sufficient lead-time, where possible
- Service-level agreements, where applicable
- Adequate health and safety measures

MATERIAL MATTERS

2 RENEWABLE ENERGY
3 BASELINE SPECIFICATION
5 SOCIO-ECONOMIC FACTORS
6 ZONING AND SERVICING LAND

EQUITES' RESPONSE

- Regular progress updates
- Strict procurement process
- Zero-tolerance approach to non-compliance
- SLAs signed for all recurring services
- Timely review of work performed
- Effective planning and budgetting

STRATEGIC OBJECTIVES

3 PORTFOLIO GROWTH

SDGs

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
17 PARTNERSHIPS FOR THE GOALS

VALUE CREATED IN FY23

- ▲ Seven ESD vendors onboarded to the AmpCore programme
- ◆ 30-day payment terms
- ▲ Introduced software to promote the collaboration between the Group and its contractors and consultants
- ▲ Additional work advanced to vendors as a result of increased operations and quality of services provided
- ▲ Job creation

5 COMMUNITIES

WHY IS IT IMPORTANT

Community upliftment and job creation is essential to overcoming poverty and building a sustainable, symbiotic relationship.

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

QUALITY OF RELATIONSHIPS

FALLING SHORT — 2023 — EXCELLING

The quality of the relationship was assessed by taking into account:

- Positive impact of the **AmpCore programme**
- Community involvement on all development sites
- Subcontracting to community workers
- Academic progression made by the MLF bursary students
- Increased donations to schools and non-profit organisations

STAKEHOLDER NEEDS AND INTERESTS

- Job creation
- Understanding the impact the facility and its operations will have on the community
- Open lines of communication
- Financial support
- Safety and security on active development sites

MATERIAL MATTERS

5 SOCIO-ECONOMIC FACTORS

6 ZONING AND SERVICING LAND

EQUITES' RESPONSE

- Community leaders are engaged on all development sites
- Local service providers are used to service properties
- An inclusive participation plan ensures community involvement is equitable and transparent
- Sourcing local materials and strongly encouraging the use of labour from the communities
- Investment in ESD through the **AmpCore programme**
- All prospective vendors are required to be B-BBEE compliant
- **MLF learnership programme**

STRATEGIC OBJECTIVES

7 UPLIFT COMMUNITIES

SDGs

1 No poverty; 2 Zero hunger; 3 Good health and well-being; 4 Quality education; 8 Decent work and economic growth; 10 Reduced inequalities; 16 Peace, justice and strong institutions

VALUE CREATED IN FY23

- ▲ Increased ESD spend by 122%
- ▲ Seven bursaries awarded through the MLF learnership programme
- ▲ More than doubled donations to non-profit organisations
- ▲ Increased verified black ownership to 75.7%
- ◆ Maintained a Level 3 B-BBEE rating
- ▲ Concluded the Group's second Statement 102 Transaction

B-BBEE SCORECARD	2023	2022
Ownership	26.00	26.00
Management and control	8.33	8.00
Employment equity	6.69	6.63
Skills development	11.34	13.61
Enterprise and supplier development	32.67	30.16
Socio-economic development	–	2.00
Economic development	5.00	5.00
TOTAL	**90.03**	**91.40**

STAKEHOLDER ENGAGEMENT CONTINUED

6 EMPLOYEES

WHY IS IT IMPORTANT

The Group's ability to succeed as an organisation is made possible by its employees.

Equites' strength lies in the consistent ability to bring together unique talents and capabilities in a collaborative environment where they can formulate innovative and effective solutions.

The Group's workforce is primarily based in SA, with a small office in the UK.

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

QUALITY OF RELATIONSHIPS

FALLING SHORT — 2023 — EXCELLING

The quality of the relationship was assessed by taking into account:

- Investment in training and development
- Progress towards transformation
- Internal promotions and new positions created
- Low staff turnover
- Successful share incentive scheme
- Employee satisfaction survey

STAKEHOLDER NEEDS AND INTERESTS

- A positive, safe and healthy work environment supported by flexible work practices
- Fair remuneration and incentives
- Effective performance management and recognition
- Career development and advancement opportunities
- Ability to contribute towards the growth of the business

MATERIAL MATTERS

4 EMPLOYEE WELLBEING

EQUITES' RESPONSE

- In-house training programme
- Encourage staff to further their education and provide funding and support to employees who wish to study further
- Appraisal platform to ensure that employee specific goals and aspirations are managed and achievements are recognised and rewarded
- Regular team building and social events, and encourage a lifestyle-based corporate culture with frequent outdoor activities and get togethers
- Employees have access to ICAS, an independent service provider, that provides the employees and their direct family members with unlimited free access to counsellors, legal and medical professionals to assist them through any personal difficulties they may be experiencing
- HR policy is designed to promote a workforce that is representative of the demographic of the country, and is regularly assessed to ensure an inclusive work environment
- All employees are included in the long-term incentive scheme

STRATEGIC OBJECTIVES

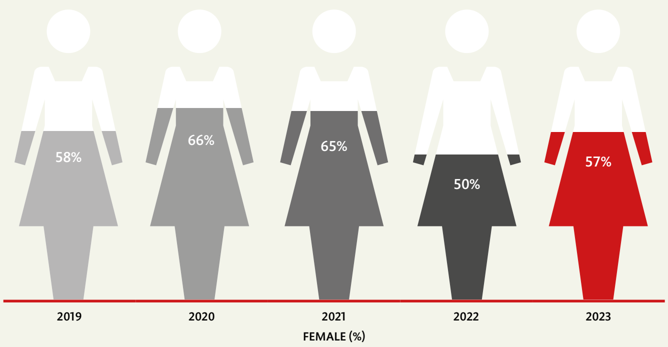
8 EMPOWER EMPLOYEES

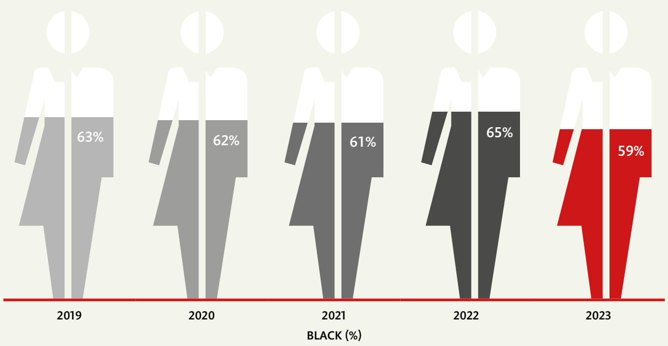
SDGs

3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

VALUE CREATED IN FY23

- Two employees were granted bursaries to pursue a three-year degree with an accredited tertiary institution
- Seven employees were granted funding to complete short-courses aimed at better understanding various elements of their role and to improve their soft skills
- R10k average training spend per employee (excluding bursaries)
- 2 700 hours spent on training (of which 71% relates to black employees)
- Promoted an intern to a permanent employee
- No work-related injuries were reported during the year





7 ENVIRONMENT

WHY IS IT IMPORTANT

The environment consists of scarce resources which need to be preserved to ensure the sustainable future of Equites.

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

QUALITY OF RELATIONSHIPS

FALLING SHORT — 2023 — EXCELLING

The quality of the relationship was assessed by taking into account:

- Reduced carbon emissions and progress towards achieving net zero
- Scarcity of suitable land
- Increased number of **Green Buildings**

STAKEHOLDER NEEDS AND INTERESTS

- Responsible development practices
- Environmental regulatory compliance
- Urgent action to tackle climate change

MATERIAL MATTERS

- 2 RENEWABLE ENERGY
- 3 BASELINE SPECIFICATION
- 6 ZONING AND SERVICING LAND

EQUITES' RESPONSE

- **Equites baseline specification**
- Rigorous environmental and waste management processes during construction
- All SA developments comply with NEMA and are subject to Environmental Impact Assessments
- Construction only commences upon the approval of an EIA by the prevailing authority and a site-specific EMP
- All active SA development sites are monitored by an independent Environmental Control Officer who submits a monthly report to the Group's Property Development team
- The Group has a dedicated ESG function to drive its sustainability agenda under the guidance of the Social, Ethics and Transformation Committee
- The Group participates in industry sustainability initiatives through its representation on the ESG advisory committee of the SA REIT Association

STRATEGIC OBJECTIVES

- 3 PORTFOLIO GROWTH
- 6 UTILISE LAND HOLDINGS

SDGs

VALUE CREATED IN FY23

- ▲ Increased number of **Green Buildings** in the portfolio
- ▲ Improved Sustainalytics rating
- ▲ Energy intensity measured in kWh/m²/year improved from 100 to 98

		TCO2E	
SCOPE	**SOURCE**	**FY23**	**FY22**
SCOPE 1	Stationary Fuels (Diesel)*	3.8	1.4
SCOPE 2	Purchased electricity – location based**	118	98
SCOPE 3	**Category 2:** Capital goods – construction	44 625	57 226
	Category 13: Downstream leased assets – stationary combustion*	7 782	889
	Category 13: Downstream leased assets – Purchased electricity***	104 831	110 208

* Loadshedding related
** Office expansion
*** Net impact of portfolio growth offset by increased solar generation capacity

RISKS AND OPPORTUNITIES

RISKS AND OPPORTUNITIES

The primary objective of Equites is to generate sustainable returns for its shareholders while managing risks to protect the value of its investments. We recognise that there are inherent risks in the property industry, and as such, we have developed this risk appetite and tolerance statement to provide a clear framework for managing risks and making strategic business decisions.

The Board believes that the approach adopted to identify and appropriately manage risks ensures that sustainable value is generated by the Group for its stakeholders.

RISK APPETITE

The Group's risk appetite is defined as the level of risk that it is willing to accept in pursuit of its business objectives. As a SA REIT, the Group accepts that there are inherent risks associated with the property industry, including economic and market-related risks, regulatory risks, operational risks, and environmental risks. The Group's risk appetite is balanced against its desire to generate sustainable returns for its shareholders, and are committed to taking a prudent and disciplined approach to risk management.

TOLERANCE TO RISKS

Equites' tolerance to risks is defined as the level of risk that it's willing to accept before taking corrective action to mitigate risk or change its strategy. The Group has established risk limits for each of the key risk categories that it faces, and regularly monitors the Group's risk exposure against these limits. The Group's tolerance to risks is informed by its risk appetite, the strength of its balance sheet, its ability to manage risks effectively, and its commitment to acting in the best interests of its stakeholders.

RISK MANAGEMENT FRAMEWORK

The Board recognises that effective risk management is critical to the achievement of strategic objectives and the long-term growth of the business. The head of each business function is responsible for identifying and managing risks in their area of responsibility. Executive management is tasked with implementing mitigating actions as soon as they become aware of an identified risk.

The Board is ultimately responsible for ensuring that risks facing the business are effectively managed, and it has delegated oversight to the Risk and Capital Committee. The Committee reviews significant risks and mitigating factors at each meeting and reports back to the Board. Based on the feedback from the Committee and reports from executive management, the Board approves the Group's risk management, mitigating activities and monitoring processes as an effective risk response.

Equites is committed to managing risks effectively to protect the value of investments and generate sustainable returns for shareholders. The risk appetite and tolerance statement provides a clear framework for managing risks and making strategic business decisions. Equites will continue to monitor risk exposure and adjust risk management strategies as required to ensure that the Group remains within risk appetite and tolerance limits.

CLIMATE RELATED RISKS

The ESG Steering Committee monitors and reports all climate related risks under the guidance of the **Social, Ethics and Transformation Committee**. This function is responsible for ensuring that climate risks and opportunities are identified and assessed in order to implement the necessary interventions that will mitigate these risks and unlock additional enterprise value.

RISK MANAGEMENT APPROACH

The risk management approach of the Group is designed to inculcate a culture of risk awareness and risk management throughout the Group. The systemic approach adopted involves the following objectives:

IDENTIFICATION OF RISKS ▶ **ASSESSMENT OF THE LIKELIHOOD AND IMPACT ON THE GROUP** ▶ **FORMULATION OF MITIGATING RESPONSES TO THE RISKS** ▶ **REVIEW AND REVISION OF IDENTIFIED RISKS ON AN ONGOING BASIS**

The effective application of the risk management process ensures that management understands the risks to which it is exposed and deals with them in an informed, proactive manner.

ACTIVITY DURING THE YEAR

The Risk and Capital Committee is made up of independent non-executive directors and has met three times during the year. The members of the Committee have the detailed knowledge and expertise of the operational, financial, legal and corporate aspects of Equites to ensure effective oversight of the risk management of the Group.

The Group has a Head of Risk to lead the risk management activities and an Internal Auditor to provide independent assurance on the effectiveness of the Group's risk management activities. The Board, and the Head of Risk, attended a risk workshop, conducted by an external IRMSA facilitator.

The Risk and Capital Committee monitored compliance with the risk management framework, and reported that the Group had, in all material respects, complied with the framework during the year.

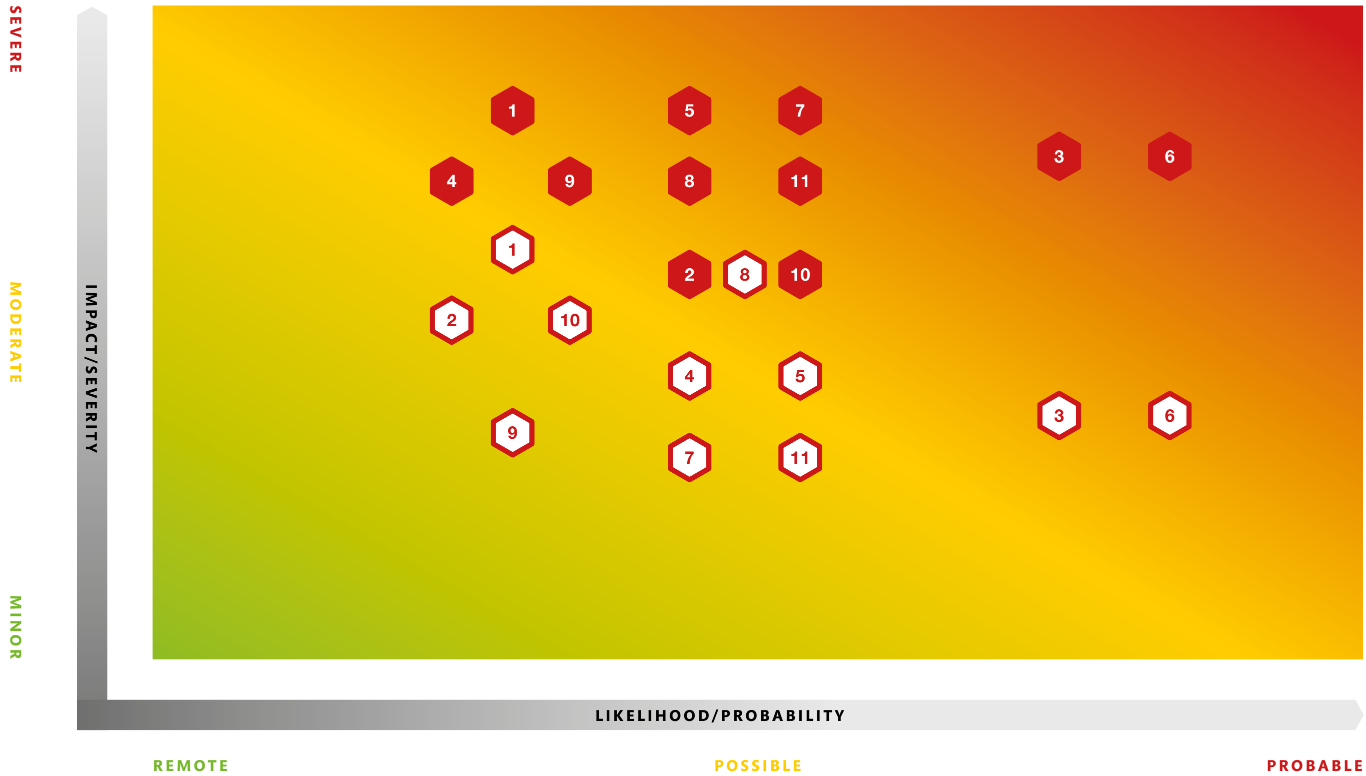
RISK ASSESSMENT MATRIX

Each risk is identified based on a sound understanding of the business and is assessed based on its likelihood and impact. The risk assessment matrix describes the risks and details the mitigating actions undertaken by the Group to reduce or transfer the risk, such that the remaining residual risk is acceptable to the Group.

The heatmap indicates the impact or severity of identified risks and the likelihood or probability that they would occur (i) prior to mitigating actions by the Group (inherent risk) and (ii) after appropriate control measures have been implemented by the Group (residual risk).

KEY RISK CATEGORIES FOR THE GROUP

INHERENT RISK	RESIDUAL RISK	
1	1	LOGISTICS SECTOR EXPOSURE
2	2	ENVIRONMENTAL IMPACT OF OPERATIONS
3	3	SOCIO-ECONOMIC OPERATING ENVIRONMENT
4	4	COMPLIANCE WITH LAWS & REGULATIONS
5	5	FUNDING AND LIQUIDITY
6	6	MARKET RISK
7	7	CREDIT RISK
8	8	INFORMATION TECHNOLOGY
9	9	TRANSFORMATION GOALS
10	10	SA & UK PROPERTY DEVELOPMENT
11	11	HUMAN RESOURCING



RISKS AND OPPORTUNITIES CONTINUED

1 LOGISTICS SECTOR EXPOSURE

A decline in demand for logistics properties in SA and/or the UK, resulting in difficulties letting or selling speculative developments.

An inability to obtain planning permission due to constraints posed by spatial planning and land use management.

RISK ASSESSMENT

INHERENT	●●	STATIC
RESIDUAL	●	
TIMEFRAME	◷◷◷	

SDGs

11 Sustainable cities and communities; 12 Responsible consumption and production

CAPITALS IMPACTED

Fc, Hc, Ic, Mc, SRc, Nc

MITIGATING ACTIONS

The Investment Committee is tasked with ensuring the investment strategy is executed effectively, including a thorough financial and strategic due diligence on all major transactions using risk-adjusted hurdle rates.

The IC limits speculative development activity in SA to 5% of the portfolio by value. No speculative activity is to be undertaken in the UK.

Land acquisitions are carefully assessed by IC based on forecast requirements, and land holdings where no development agreement has been entered into limited to 10% of the portfolio by value.

IC assesses logistics nodes and land parcels on an ongoing basis (scarcity, demand, productivity and best use).

For the UK, the Group undertakes a detailed feasibility and budgeting process, incorporating observable data and stressing key assumptions, when considering whether to develop on zoned land and when entering into forward-funding agreements, and a careful evaluation between develop-to-hold and turnkey developments.

OPPORTUNITIES

- Repeat business to meet current tenants' future requirements
- Opportunity for sale-and-leaseback transactions
- Growth in e-commerce drive demand as retailers focus on improving their omni-channel distribution capabilities
- Exposure to a diverse tenant base and development opportunities
- Identify and acquire land for future development and expansions

STRATEGIC OBJECTIVE

07 UTILISE LAND HOLDINGS

MATERIAL MATTERS

01 RISING INTEREST RATES

05 ZONING AND SERVICING LAND

2 ENVIRONMENTAL IMPACT

Property construction causes a negative environmental or social impact resulting in reputational or financial damage.

RISK ASSESSMENT

INHERENT	●●	STATIC
RESIDUAL	●	
TIMEFRAME	◷◷◷	

SDGs

6 Clean water and sanitation; 7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 14 Life below water; 15 Life on land

CAPITALS IMPACTED

Fc, Hc, Ic, Mc, SRc, Nc

MITIGATING ACTIONS

The impact of environmental risk is assessed through a dual materiality approach.

All new developments are required to be **Green Buildings**.

The SET Committee adopted the **TCFD** framework in the prior year to improve climate related disclosure, continued sustainability audits to better understand the Group's environmental impact, and monitored compliance with ESG commitments.

OPPORTUNITIES

- The City of Cape Town's energy wheeling project enables Equites to play an active role in transforming the energy landscape in SA
- Capital markets place greater consideration on the sustainability elements of project funding
- Achieve preferential interest rates on sustainability-linked funding
- Sustainability requirements of multinational and national companies drives demand for **Green Buildings**
- Recycling capital from the disposal of old assets with sub-optimal sustainability credentials, to invest in **Green Buildings**

STRATEGIC OBJECTIVE

01 MAXIMISE SHAREHOLDER VALUE

03 PORTFOLIO GROWTH

MATERIAL MATTERS

01 RISING INTEREST RATES

2 RENEWABLE ENERGY

03 BASELINE SPECIFICATION

3

SOCIO-ECONOMIC OPERATING ENVIRONMENT

Political or socio-economic instability in the business environment of operating jurisdictions adversely affects performance.

RISK ASSESSMENT

INHERENT	⬢⬢⬢	▲ **ELEVATED**
RESIDUAL	⬢⬢	▪ Widening inequality gap ▪ Cost of living increase ▪ Rise in unemployment rates ▪ Hightened political tension and corruption of SOEs
TIMEFRAME		

SDGs

1 NO POVERTY · 4 QUALITY EDUCATION · 10 REDUCED INEQUALITIES · 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

MITIGATING ACTIONS

Engage with community forums and associations in the areas within which the Group operates on development sites and through the **AmpCore programme.**

Establish relationships with community forums and other business structures in close proximity to high-risk areas.

Ensure sufficient insurance cover is in place to cover loss from any potential instances of civil unrest.

Develop business parks with adequate security measures in place.

OPPORTUNITIES

- Mutually beneficial relationships with communities
- Demand for safe park environments in which tenants can operate
- Job creation
- Access to tertiary education for underprivileged students

STRATEGIC OBJECTIVE

01 MAXIMISE SHAREHOLDER VALUE

08 UPLIFT COMMUNITIES

MATERIAL MATTERS

06 SOCIO-ECONOMIC FACTORS

4

COMPLIANCE WITH LAWS AND REGULATIONS

Failure to comply with laws and regulations results in fines and penalties, reputational harm, loss of REIT status, tax liabilities or loss of investor confidence.

RISK ASSESSMENT

INHERENT	⬢	**STATIC**
RESIDUAL	⬢	
TIMEFRAME		

SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

MITIGATING ACTIONS

A dedicated in-house secretarial and legal team ensures timely compliance with laws and regulations.

Maintain and regularly review a register of all legislation that impacts the Group. Review and consider the impact of draft legislation that would affect the Group, comment on it and develop contingency plans where necessary.

Monitor factors attributable to REIT status on a monthly basis.

Adoption of a combined assurance framework, including an independent **Internal Audit** function reporting directly to the Audit Committee, to ensure management control, risk control and independent assurance.

The Group's corporate sponsors (equity and debt) actively monitor relevant compliance with listings requirements.

Engage with consultants and specialists on complex matters.

OPPORTUNITIES

- Enhanced corporate governance
- Through maintaining its REIT status Equites is able to provide shareholders with stable dividend income and long-term capital appreciation
- Promotes investor confidence
- Being listed on the JSE provides the Group with access to a wider range of investors

STRATEGIC OBJECTIVE

09 EMPOWER EMPLOYEES

MATERIAL MATTERS

04 EMPLOYEE WELLBEING

RISKS AND OPPORTUNITIES CONTINUED

5 FUNDING AND LIQUIDITY

The volatility of funding in the equity and debt markets results in capital raised at unfavourable levels, negatively impacting the WACC and limiting growth.

Failure to appropriately assess liquidity requirements results in the inability to pay obligations as they fall due.

An increase in the use of leverage increases the cost of debt and results in the breach of internal thresholds (LTV, CFR) and/or financial covenants.

RISK ASSESSMENT

- INHERENT – STATIC
- RESIDUAL
- TIMEFRAME

SDGs

17 PARTNERSHIPS FOR THE GOALS

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

MITIGATING ACTIONS

Monitor the balance sheet to ensure the Group maintains a conservative LTV ratio and remains within the strictest debt covenants.

Remain in compliance with the Treasury Policy, particularly with regards to the CFR and hedging of financial risks.

Maintain sufficient committed undrawn credit facilities and an appropriate CFR.

Ensure sustainable cash flows through income-producing properties with strong fundamentals.

Maintain a long-dated debt maturity profile with diverse sources of funding, including a JSE-listed DMTN Programme, and in-country debt, to the maximum extent possible.

Interact with corporate sponsors, asset managers and other investors on an ongoing basis to gauge appetite for equity and debt funding.

OPPORTUNITIES

- Sale of non-core assets as a means of recycling capital and lowering LTV
- Leverage off of strong credit rating in order to roll and source debt at tighter spreads
- Raise long-dated debt at preferential rates
- Diversify the Group's sources of funding
- Effectively manage liquidity positions

STRATEGIC OBJECTIVE

01 MAXIMISE SHAREHOLDER VALUE

04 BALANCE SHEET MANAGEMENT

05 DISPOSAL OF ENGL

06 CCIRS TERMINATION

MATERIAL MATTERS

01 RISING INTEREST RATES

6 MARKET RISK

Volatility in exchange rates negatively impacts the translation of foreign operations.
Volatility in interest rates results in a negative impact on financial performance.

RISK ASSESSMENT

- INHERENT – ELEVATED
  - Rising interest rates
  - Volatile foreign exchange environment
- RESIDUAL
- TIMEFRAME

SDGs

8 DECENT WORK AND ECONOMIC GROWTH

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

MITIGATING ACTIONS

The Board approved and reviewed Treasury Policy stipulates requirements for interest rate and FX risk hedging, including a progressive GBP distributable earnings hedging policy.

The Board and senior management assess key macroeconomic indicators including GDP, unemployment, interest rates and market volatility as part of the ongoing assessment of the financial stability of the SA and UK economies.

Equites continuously monitors interest rate and exchange rate exposures in real time.

Maintaining sufficient PFE/credit limits with derivative providers allows Equites to execute hedges as and when required.

OPPORTUNITIES

- Hedge interest rate and exchange rate exposure
- Make informed investment decisions
- Solidify liquidity position

STRATEGIC OBJECTIVE

01 MAXIMISE SHAREHOLDER VALUE

04 BALANCE SHEET MANAGEMENT

MATERIAL MATTERS

01 RISING INTEREST RATES

7
CREDIT RISK

Late payment or defaults by tenants driven by macroeconomic conditions, idiosyncratic factors or increased administered costs.

A tenant's business or use of property or actions of tenant management lead to reputational and/or financial damage to the Group by association.

RISK ASSESSMENT

INHERENT	●●●	▲ ELEVATED
RESIDUAL	●	
TIMEFRAME	◷◷	

- Persisting high inflation and loadshedding weigh on tenant business continuity

SDGs

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
17 PARTNERSHIPS FOR THE GOALS

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

MITIGATING ACTIONS

Tenants that comprise more than 10% of total revenue are required to be an A-grade tenant to minimise default risk.

The Group continuously engages with clients to assess their financial status and gauge and facilitate the likelihood that they would renew their lease.

Due diligence, including a detailed understanding of a prospective tenant's business, credit-vetting procedures and a financial-stability evaluation are performed as part of initial negotiations.

Equites provides tenants with access to renewable energy and improved cost efficiencies through its **baseline specification**.

OPPORTUNITIES

- Investment in sustainability shields tenants from loadshedding and reduce running cost, while increasing the demand for these properties
- Low vacancy rate allows the Group to prioritise A-grade tenants

STRATEGIC OBJECTIVE

03 PORTFOLIO GROWTH

MATERIAL MATTERS

01 RISING INTEREST RATES

02 RENEWABLE ENERGY

8
INFORMATION TECHNOLOGY

Disruption to business continuity, loss or corruption of data, misappropriation of data.

RISK ASSESSMENT

INHERENT	●●●	◆ STATIC
RESIDUAL	●●	
TIMEFRAME	◷	

SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

MITIGATING ACTIONS

Engagement of a specialised IT firm to assist in maintaining secure and robust IT infrastructure to eliminate hardware and software failure and IT threats (viruses, malware, security breaches).

Maintain an Information Technology risk register.

Minimal reliance of onsite storage by investing in cloud storage and regular dual off-site back-ups.

Controls to ensure transaction validation and protection against human error, fraud, and dishonesty.

Employees undergo mandatory online security awareness training by an external vendor.

OPPORTUNITIES

By introducing innovative technologies we have the opportunity to:

- Remain at the leading edge of service provision to all stakeholders
- Streamline and automate processes
- Strengthen the control environment
- Improve the accuracy of information
- Access to readily available information enhancing the decision making process

STRATEGIC OBJECTIVE

09 EMPOWER EMPLOYEES

MATERIAL MATTERS

04 EMPLOYEE WELLBEING

RISKS AND OPPORTUNITIES CONTINUED

9 TRANSFORMATION GOALS

Reduction in B-BBEE rating impacts the ability to attract and retain tenants and reduces the ability to compete on development bids with specific B-BBEE criteria.

RISK ASSESSMENT

INHERENT — STATIC

RESIDUAL

TIMEFRAME

SDGs

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

MITIGATING ACTIONS

The **Board** and the **SET Committee** monitor diversity, equity and inclusion initiatives, which improve transformation in a meaningful manner.

An ESD programme has been implemented to assist and develop local maintenance and soft-service SMMEs under the **AmpCore programme**.

Active monitoring of B-BBEE rating metrics and regular assessment of suppliers to improve this rating.

Diversity, equity and inclusion is a key focus in all hiring activities and preference is given to previously disadvantaged candidates.

MLF supports the corporate social initiatives of the Group's educational programme that provides bursaries to previously disadvantaged communities.

The Group adheres to the Property Sector Charter and is committed to the implementation of transformation within the property sector.

OPPORTUNITIES

- Through an improvement in the B-BBEE rating the Group has a higher probability of concluding leases with SA tenants
- Diverse and transformed workforce
- Grow and upskill small black businesses and guide them to becoming self-sustaining
- Dispose of non-core assets to black consortiums in terms of Statement 102 transactions

STRATEGIC OBJECTIVE

08 UPLIFT COMMUNITIES

09 EMPOWER EMPLOYEES

MATERIAL MATTERS

04 EMPLOYEE WELLBEING

06 SOCIO-ECONOMIC FACTORS

10A SA PROPERTY DEVELOPMENT

Lack of a sound budgetary process for compiling and monitoring spend results in misallocation of resources and causes incorrect decisions to be made around cashflow, funding and project timelines.

RISK ASSESSMENT

INHERENT — STATIC

RESIDUAL

TIMEFRAME

SDGs

4 QUALITY EDUCATION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

CAPITALS IMPACTED

Fc Hc Ic Mc SRc Nc

MITIGATING ACTIONS

As part of the due diligence process, project evaluation and risk analysis are undertaken prior to entering into a development.

A detailed itemised budget is produced for every project.

Detailed weekly reporting and budget variance analyses of costs and resources on projects.

A strict approval process is followed for all development costs as part of the Group Decision Making Framework, including vendor vetting, procurement policy focused on fraud prevention, cost savings and compliance with regulations.

Labour disputes are handled proactively.

Client satisfaction surveys are conducted on builds.

All real and remote risks are addressed in project development risk registers.

OPPORTUNITIES

- Develop properties at favourable yields
- Optimal capital allocation
- Recruit and upskill a high-calibre developments team
- Become the logistics developer of choice
- Sourcing land for development in key logistics nodes

STRATEGIC OBJECTIVE

03 PORTFOLIO GROWTH

09 EMPOWER EMPLOYEES

MATERIAL MATTERS

04 EMPLOYEE WELLBEING

06 SOCIO-ECONOMIC FACTORS

10B

UK PROPERTY DEVELOPMENT

Lack of control over UK project developments results in valuation impairments.

RISK ASSESSMENT

INHERENT ●● STATIC

RESIDUAL ●

TIMEFRAME

SDGs

17 PARTNERSHIPS FOR THE GOALS

CAPITALS IMPACTED

Fc Hc Mc

MITIGATING ACTIONS

ENGL acquires options to develop land which requires no major capital commitment until development approval has been granted.

All new developments require approval by Equites' Investment Committee.

The Group's maximum commitment is agreed with the tenant in a development funding agreement before starting work on a development.

Construction contracts contain penalty clauses should costs exceed the budget.

ENGL development spend is co-approved by Equites.

OPPORTUNITIES

- Diversify into land sale and turnkey developments
- Leverage on experts in the UK property sector
- Access to UK capital markets
- Restore land and benefit from land remediation relief

STRATEGIC OBJECTIVE

04 BALANCE SHEET MANAGEMENT

05 DISPOSAL OF ENGL

MATERIAL MATTERS

01 RISING INTEREST RATES

11

HUMAN RESOURCING

Loss of key staff, being under-resourced or project development teams lacking requisite expertise inhibits the ability to achieve objectives.

RISK ASSESSMENT

INHERENT ●●● STATIC

RESIDUAL ●

TIMEFRAME

SDGs

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

CAPITALS IMPACTED

Hc Mc SRc

MITIGATING ACTIONS

All staff members are awarded STI cash bonuses and belong to the LTI share scheme which aligns the interests of staff members with the performance of the Group and assists with the retention of key staff.

Management assesses resourcing of area of responsibility (project development, project management, legal and finance) and appoints suitable staff to cover the requirements.

All candidates are thoroughly assessed for appropriate skills before being appointed and are provided with ongoing training and development.

A clear organisational design and reporting structure is maintained.

OPPORTUNITIES

- Attract high calibre staff
- Invest in the growth and development of employees
- Job creation
- Create an inclusive working environment
- Diversify the workforce

STRATEGIC OBJECTIVE

09 EMPOWER EMPLOYEES

MATERIAL MATTERS

04 EMPLOYEE WELLBEING

PLUMBAGO CAMPUS, GAUTENG, SOUTH AFRICA

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

BOARD OF DIRECTORS

RUTH BENJAMIN-SWALES

QUALIFICATION: BCOM, CTA, CA(SA)

Ruth is a senior policy advisor at ASISA, CEO of the ASISA Foundation and trustee of the ASISA ESD entities. She has served on numerous councils and boards including SAICA and IRBA. With her financial and compliance background, she sets the ethical tone for the Group and spearheads the functions of the Audit Committee.

MUSTAQ BREY

QUALIFICATION: BCOMPT (HONS), CA(SA)

Mustaq is CEO of Brimstone Investment Corporation Ltd. He also serves as the Chairperson of Oceana Group Limited, International Frontier Technologies SOC Limited and Groote Schuur Hospital Trust. He is a director of AON Re SA Proprietary Limited. He serves on the boards and committees of various non-profit organisations. With his vast business experience, he brings unique insights and provides sound guidance to the Board.

PHILIP LEON CAMPHER

CHAIRMAN
QUALIFICATION: BECON

Leon retired as CEO of ASISA during the year. He continues to serve on the Board of Brimstone Investment Corporation Ltd as Lead Independent Director. He also serves as the Chair of the Investment Committee of the ASISA ESD Initiative and the Investment Committee of the Sun International Retirement Fund. With his vast experience in business and investment management, he is able to direct the Board effectively and provide sound guidance to the executive team.

EUNICE CROSS

QUALIFICATION: LLM (COMMERCIAL LAW), LLB

Eunice is a qualified attorney with over 20 years experience in corporate and commercial transactions. She is a founding member and consultant at EC Advisory legal consultancy. Prior to the establishment of EC Advisory, she held pivotal legal and management roles at Absa Bank and IDC. Her areas of expertise include corporate law, commercial law, banking & finance law, mergers and acquisitions, international law and general contract law. She is completing a Doctor of Philosophy at Wits Business School currently and her research interests are rooted in gender relations and equality matters, which informs her academic studies.

RIAAN GOUS

CHIEF OPERATING OFFICER
QUALIFICATION: BA (LAW) LLB

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

ANDRÉ JACQUES GOUWS

QUALIFICATION: B.COM, B.COMPT (HONS), CA(SA)

Andre is the managing director of Intaprop Investments (Pty) Ltd, a leading property development and investment company. With his financial background and many years of experience in the property sector, he provides valuable insights to the Board.

NDABEZINHLE MKHIZE

QUALIFICATION: BSC, CAIA, CFA

Ndabe is Managing Partner and Founder of Mavovo Capital, which is a member of the Capitalworks family, investing in private equity and real estate. He is the former CIO of EPPF. He has worked in the asset management space as portfolio manager of listed property funds at Coronation Fund Managers and STANLIB Asset Management. He is the inaugural chairman of the Asset Owners Forum SA. He is the chairman of the IG Markets SA and chairman of Fairvest Property REIT. He serves on the Infrastructure Investment Committee that advises SA government's Infrastructure Fund. His career in the financial services industry spans over 25 years and covers actuarial science, asset management, and the pension fund industry. He brings this wealth of experience in investment management and a unique asset owners' perspective to the Board.

DOUG MURRAY

QUALIFICATION: BA, CA

Doug serves as a non-executive director on the board of TFG and its subsidiaries, TFG London and RAG Australia. He joined TFG in 1985 and was appointed as CEO in 2007, having previously held various senior positions within TFG. He served as CEO until his retirement in 2018. He has extensive knowledge and experience in local and international financial, retail and logistics markets.

KEABETSWE NTULI

QUALIFICATION: BACC(HONS), CA(SA)

Keabetswe is the Head of Sanlam Private Wealth, Johannesburg region. Sitting on various executive committees and working groups, Keabetswe has a valuable 12 years' experience in related organisations. She previously held positions as the founding CEO and director of Africa Collective Investments (RF) Proprietary Limited; and an independent non-executive and chairperson of the audit committee for Cloud Atlas Investing (RF) Proprietary Limited. She has strong technical skills in investments, accounting, governance, risk, and assurance. She is passionate about cultivating young entrepreneurs, design thinking and innovation.

LAILA RAZACK

CHIEF FINANCIAL OFFICER
QUALIFICATION: BBSC (FINANCE & ACCOUNTING), PGDA, CA(SA)

Laila joined Equites in 2015 and has played an integral role in improving internal processes within the Group as well as growing the scale and sophistication of the overall finance function. Prior to joining Equites, she worked in PwC's Advisory division with a focus on mergers & acquisitions. She has a keen interest for ESG initiatives and serves as a director of MLF.

ANDREA TAVERNA-TURISAN

CHIEF EXECUTIVE OFFICER
QUALIFICATION: BSC (HONOURS) (MATHEMATICS AND MANAGEMENT)

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

FULVIO TONELLI

QUALIFICATION: BCOM, BCOM(HONS), CA(SA)

Fulvio serves as a non-executive director of Absa Group Limited and Life Healthcare since retiring as a partner at PwC in 2020. At PwC, he was COO and CRO for Africa for some 12 years. His time at PwC has given him good exposure to the financial services industry, and in particular to two of the largest banks in SA.

INDEPENDENT NON-EXECUTIVE DIRECTORS | **NON-EXECUTIVE DIRECTORS** | **EXECUTIVE DIRECTORS**

CORPORATE GOVERNANCE REPORT

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

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

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

The Group has remained compliant with the Companies Act and operated in conformity with its MOI during the year under review. The Board Charter and the terms of reference of each subcommittee are aligned with relevant provisions of the Companies Act and King IV.

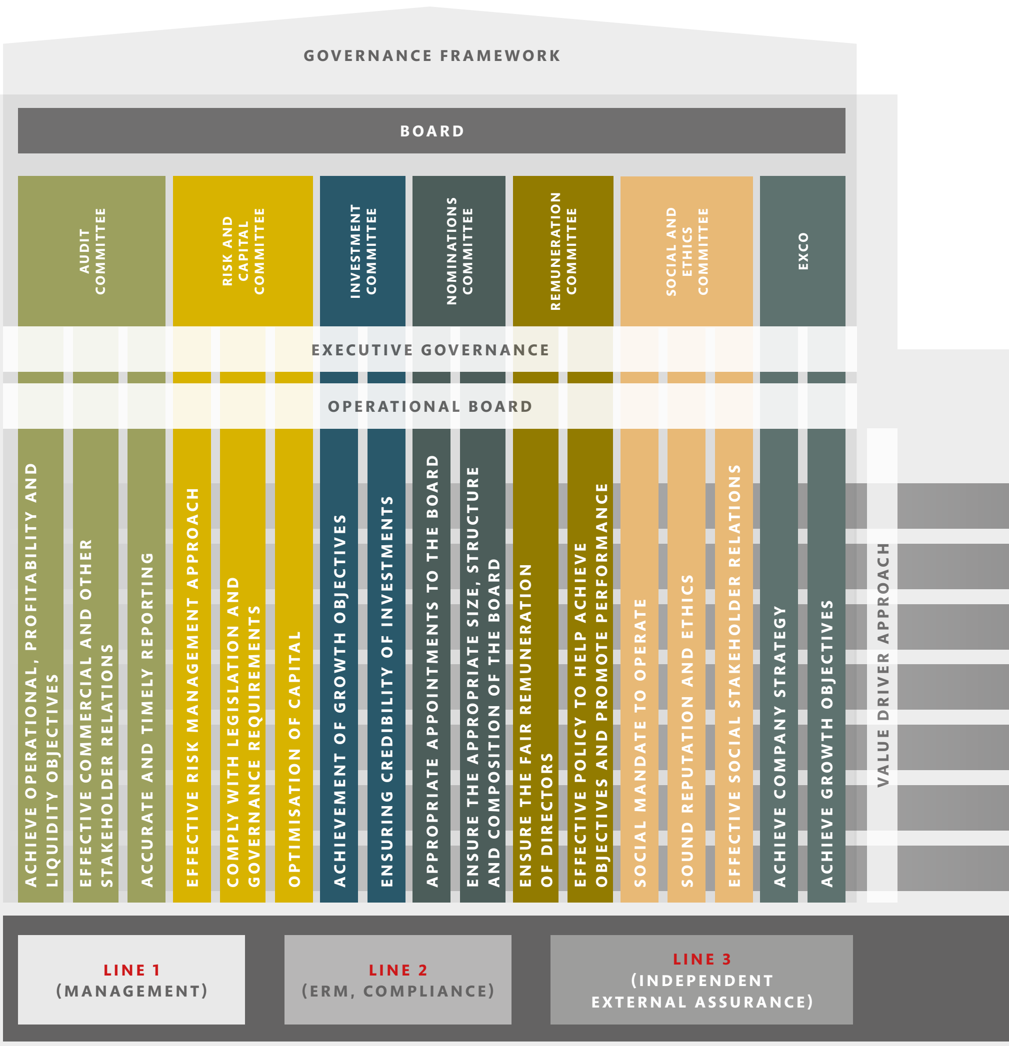
The Board composition, governance framework, and the roles and responsibilities of the subcommittees are not solely focused on compliance with laws and regulations, but also play a vital role in driving outcomes that support the Group's ongoing long-term value creation.

GOVERNANCE FRAMEWORK MODEL

Seven critical elements of governance were considered when drafting the Group's governance framework. These were further disaggregated into specific and measurable goals, with areas of responsibility assigned to either the Board, the subcommittees, or the Executive Directors.

THE BOARD FORMS THE FOUNDATION OF THE CORPORATE GOVERNANCE SYSTEM AND IS ACCOUNTABLE AND RESPONSIBLE FOR THE PERFORMANCE OF THE GROUP. THE FOLLOWING PRINCIPLES HAVE BEEN APPROVED BY THE BOARD, AND TOGETHER WITH THE CHARTERS OF EACH SUBCOMMITTEE, PROVIDE THE FRAMEWORK FOR THE GOVERNANCE OF THE GROUP.

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



ETHICS

The Group subscribes to high ethical standards of business practice. This is led by the Board who leads with integrity, competence, responsibility, and accountability. A set of ethical values is discussed and approved by the Board annually. These policies require all employees to adhere to ethical business practices in their relationships with each other, suppliers, investors, and all other stakeholders.

The Board is responsible for ensuring that the Group's ethics policies are appropriate and that they are enforced; this responsibility is discharged through the SET Committee. This committee monitors the overall ethical culture of the business and ensures that the Board and wider organisation are equipped to deliver on the goal of creating an ethical workplace.

The Remuneration and Nomination Committee is responsible for enforcing ethical standards in recruitment processes, performance evaluation, remuneration of employees and to ensure fair and responsible pay at all levels.

The Risk and Capital Committee is responsible for identifying any ethical and other risks which may face the business, the potential consequences thereof, implementing procedures to mitigate the impact of any identified risk and the subsequent monitoring and assessing the effectiveness of these procedures.

The Group has a "no-tolerance" policy towards fraud and unethical behaviour in the organisation or with any of the counterparties the Group chooses to engage with. The Group subscribes to an anonymous whistle-blower platform, called "EthicsDefender", whereby any instances of fraud or other breaches of ethical behaviour may be reported. Any incidents reported are directed to the Chairperson of the Audit Committee, Chairperson of the Risk and Capital Committee, Chairperson of the SET Committee and Chairperson of the Board and all incidents are investigated. Third-party service providers are employed to perform these investigations, where necessary.

CRITICAL ELEMENTS OF GOVERNANCE

1. STRATEGY & MANAGEMENT
2. GOVERNANCE STRUCTURES AND OVERSIGHT
3. SUSTAINABILITY AND RESILIENCE
4. CORPORATE CITIZENRY FRAMEWORK
5. RISK AND COMPLIANCE FRAMEWORK
6. TRANSPARENCY AND DISCLOSURE
7. ETHICAL LEADERSHIP AND CULTURE

INTEGRATED ASSURANCE

BOARD OPERATIONS

The Board is responsible for evaluating the vision, mission, and values of the Group. The Board also approves Group-wide policies and targets and monitors actual performance against these targets and effectiveness of these policies.

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

The Board is expected to meet at least once a quarter. Directors are expected to attend the Board and subcommittee meetings and to meet as frequently as may be necessary to enable the Board and Directors to properly discharge their statutory and compliance related duties, as well as other responsibilities.

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

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

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

The Company Secretary monitors the effective implementation of the delegated authority and has confirmed that, during the 2023 financial year Executive Directors acted within the authority delegated to them by the Board. There is a clear balance of power and authority at Board level to ensure that no one director has unfettered powers of decision making.

CHAIRMAN
RESPONSIBLE FOR LEADING THE BOARD AND FOR ENSURING THE INTEGRITY AND EFFECTIVENESS OF THE BOARD AND ITS COMMITTEES. ENSURES HIGH STANDARDS OF CORPORATE GOVERNANCE AND ETHICAL BEHAVIOUR.

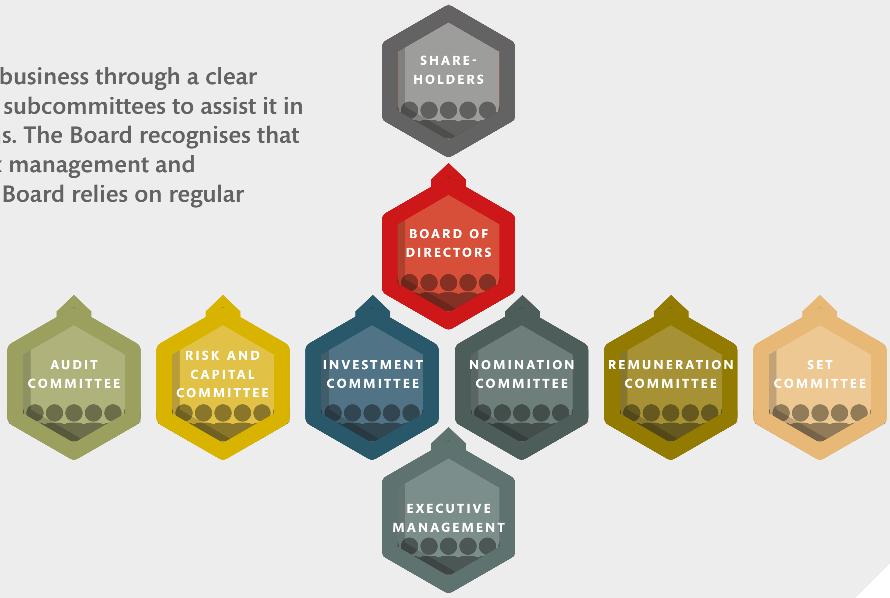
CEO
RESPONSIBLE FOR THE EFFECTIVE MANAGEMENT AND RUNNING OF THE GROUP'S BUSINESS IN TERMS OF THE STRATEGIES AND OBJECTIVES APPROVED BY THE BOARD. CHAIRS THE COMPANY'S EXECUTIVE COMMITTEE, LEADS AND MOTIVATES THE MANAGEMENT TEAM AND ENSURES THAT THE BOARD RECEIVES ACCURATE, TIMELY AND CLEAR INFORMATION ABOUT THE GROUP'S PERFORMANCE.

CORPORATE GOVERNANCE REPORT CONTINUED

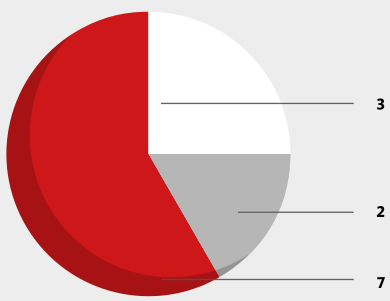
GOVERNANCE STRUCTURE

The Board retains effective control of the business through a clear governance structure and has established subcommittees to assist it in various elements of the Group's operations. The Board recognises that management is an integral part of the risk management and governance structure and to this end, the Board relies on regular management reports and updates 6.

The Board delegates certain defined authorities to the Executive Directors in order to operate the business efficiently, within the appropriate control framework. This framework is tabled at a board meeting, annually, for updates, where necessary, and approval 10.



BOARD COMPOSITION



In terms of the Company's MOI, the Board must comprise a minimum of four Directors and shareholders are entitled to determine the maximum number of directors by ordinary resolution. The Board should comprise of a majority of non-executive directors, and the majority of these non-executive directors should be independent. Independence is regularly assessed by the Board, with an evaluation of each director being performed on an annual basis by the Nomination Committee.

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

The Nomination Committee is responsible for recommending candidates to the Board, in line with its policies and charter. This Committee monitors the rotation of directors in line with the Company's MOI and ensures that the size of the Board is optimised in order to facilitate efficiency and interaction between members. The overriding concern of the Nomination Committee is to ensure that as a collective, the Board is knowledgeable, skilled, experienced, diverse, and independent enough to fully discharge its roles and responsibilities 7.

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

Where any vacancies arise on the Board as a result of a resignation, retirement by rotation or skills gap, the Board makes use of external recruitment service providers to source high-quality directors who have the necessary skills and experience required. The Nominations Committee undergoes an extensive interview process with suitable candidates and recommends an individual for appointment to the Board. Once the Board has approved the appointment of a new director, the appointment is resolved by shareholders at an AGM.

The Nomination Committee periodically reviews succession planning for the Board, Executive Directors and all other key management. Succession planning includes policies and principles for the selection of Board members and Executive Directors, and ongoing planning for circumstances which may require the selection of a new Board member and/or Executive Director.

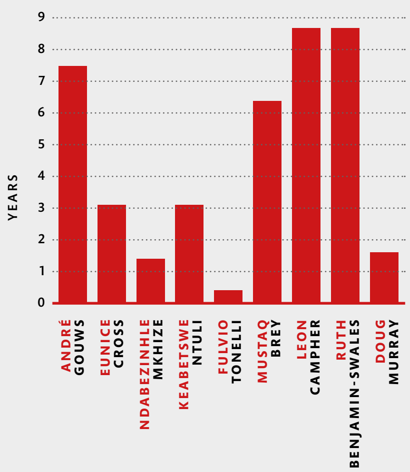
During the year under review, Fulvio Tonelli was appointed as a non-executive director with effect from 5 October 2022. Fulvio's status is expected to change to an independent non-executive director from 1 June 2023.

INDEPENDENCE

The Board consists of 12 directors, of which 9 are non-executive. Of the non-executives, 7 directors are independent. A majority of independent non-executive directors encourages independent thinking amongst all Board members and enables all directors to exercise objective judgement.

To allow a fair nominations process and to maintain the independence of the Board, one third of all non-executive directors must resign and are eligible to stand for re-election at each AGM as required by the MOI. The Committee follows the King IV nine-year tenure principle, as far as practically possible, for non-executive directors, including the Chairperson of the Board, to maintain the independence of the Board.

BOARD TENURE



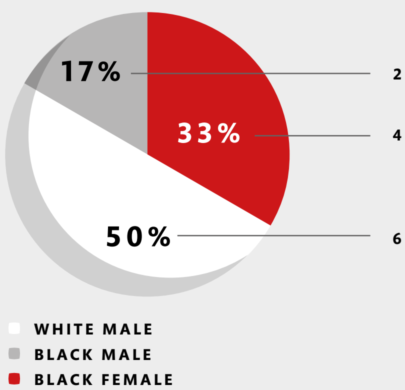
Ruth Benjamin-Swales will retire by rotation at the AGM to be held on 17 August 2023. The Board thanks Ruth for her service and wishes her the best for her future endeavours.

DIVERSITY

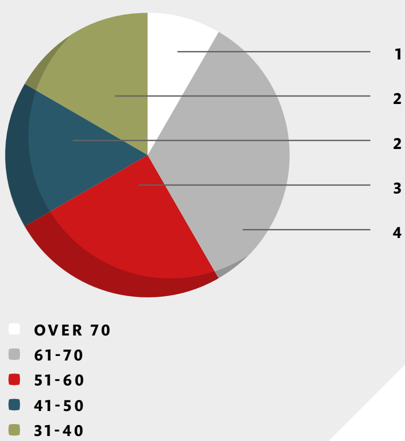
The non-executive directors have been selected to reflect diversity in terms of race, gender, age, culture, areas of knowledge, skills, and experience and tenure.

The Nominations Committee is tasked with maintaining and improving the diversity of the Board. The Board is equipped with a vast array of knowledge, experience and expertise across property, finance and legal sectors, amongst others. The Board currently comprises of 33% black female directors and a further 17% black male directors (2022: 38% black female and 23% black male). The Board remains committed to improve its diversity in terms of gender and race. The Nomination Committee will include an audit on the Board composition which forms part of the independent evaluations performed on the Board and its Committees.

BOARD DIVERSITY



BOARD AGE



DIRECTOR EVALUATIONS

NON-EXECUTIVE DIRECTORS

An independent Board survey was completed in February 2021. An external board evaluation will be commissioned during FY24 in line with the Board's policy to complete an external evaluation every three years, or sooner if the Board deems fit.

EXECUTIVE DIRECTORS

The Board establishes monitoring criteria against which to assess the performance of the Executive Directors which are tabled at every Board meeting. This includes various financial and operating metrics, in addition to successfully implementing growth, acquisition, sustainability and transformational targets.

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

The Nomination Committee conducts regular performance reviews of the Executive Directors. Equites staff regularly partake in an externally conducted survey where they are able to provide feedback anonymously regarding the organisational values, culture and the leadership style of the executive management team.

The staff survey feedback is an important component when assessing the Executive Directors. Based upon the Nomination Committee's evaluation, staff survey results and input received from fellow non-executive directors, the Committee reports to the Board on the overall effectiveness of the Executive Directors.

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD COMMITTEES

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

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

Following the retirement and resignation of Nazeem Khan and Cindy Hess, respectively, and the appointment of Fulvio Tonelli during the year, the composition of the subcommittees were reconstituted to ensure that each subcommittee was suitably equipped with the necessary experience and skills to fully execute their respective terms of reference.

The Board maintains an Audit Committee, Investment Committee, Nominations Committee, Remuneration Committee, Risk and Capital Committee and SET Committee. The Committees are appropriately constituted with relevant expertise and industry experience, and members are appointed by the Board with the exception of the Audit Committee, whose members are nominated by the Board and elected by shareholders at each AGM 8.

After each subcommittee meeting, the relevant Chairperson reports back to the Board, which ensures constant communication between all Directors and guarantees that all aspects of the Board's mandate are addressed. The Board is satisfied that the subcommittees are competent to deal with the Group's current and emerging risks and opportunities and that these subcommittees effectively discharged their duties during the year.

AUDIT COMMITTEE

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

This committee is chaired by Ruth Benjamin-Swales who ensures that all statutory duties are upheld in line with the Companies Act, while overseeing the processes which ensure the integrity of the Group's reporting. For the year under review, *inter-alia*, the committee reviewed the external auditor's effectiveness 15, independence and objectivity; reviewed and approved the fees for the audit and non-audit services; reviewed and approved the external audit plan; requested and received from the auditors all decision letters and findings reports; reviewed the interim and year-end financial results, provided oversight over the internal audit function and made recommendations, regarding the abovementioned items, to the Board for approval.

MEMBERS: RUTH BENJAMIN-SWALES (CHAIRPERSON), MUSTAQ BREY, KEABETSWE NTULI AND DOUG MURRAY. FULVIO TONELLI WILL REPLACE RUTH AS CHAIRPERSON OF THE AUDIT COMMITTEE AFTER SHE RETIRES AT THE AGM.*

* Subject to the outcome of the AGM

RISK AND CAPITAL COMMITTEE 11 4

The Risk and Capital Committee enables the Board to comply with its duties in relation to evaluating and improving the effectiveness of risk management, controls and governance processes within the Group. This committee has been tasked with oversight and input into capital raises, debt funding and treasury-related policies.

This committee is chaired by Mustaq Brey, and its purpose is to ensure the effective development and implementation of the capital and risk management policies within the Group, to ensure that appropriate procedures are in place to identify, assess and manage risk and to report to the Board and shareholders, as necessary.

The Group has a Head of Risk to lead the risk management activities and an Internal Auditor to provide independent assurance on the effectiveness of the Group's risk management activities.

During the year under review, a risk workshop was conducted by an external independent facilitator from IRMSA which was attended by all Board members. The workshop included a self-assessment to determine the risk awareness and maturity of the organisation and a thorough evaluation of corporate risks.

The Committee monitored compliance with the risk management framework, and reported that the Group had, in all material respects, complied with the framework during the year

MEMBERS: MUSTAQ BREY (CHAIRPERSON), RUTH BENJAMIN-SWALES, LEON CAMPHER, EUNICE CROSS, NDABEZINHLE MKHIZE AND FULVIO TONELLI.

INVESTMENT COMMITTEE

The Investment Committee is essential to the growth and long-term value creation of the Group as it reviews capital-allocation decisions identified by the Executive Directors and makes recommendations to the Board in this regard.

This committee is chaired by Leon Campher and consists of directors with vast experience in the property and development sector. For the year under review, the committee was convened to evaluate, *inter alia*, the following transactions:

- Acquisition of two Shoprite facilities in Canelands, KwaZulu-Natal and Wells Estate, Eastern Cape and the planned extension and development on these sites
- Development of a Shoprite logistics property in Riverfields, Gauteng
- Speculative development in Parow, Western Cape
- Additional land acquisition in Riverfields, Gauteng
- Disposal of two logistics assets in Peterborough, UK
- Future of the UK pipeline
- SA disposal programme in relation to non-core assets

The committee analysed the commercial, financial, and operational impacts of these transactions and deemed all of them to be viable and in line with the long-term strategy of the business. The committee therefore recommended these transactions to the Board for approval.

MEMBERS: LEON CAMPHER (CHAIRPERSON), ANDRE GOUWS, DOUG MURRAY AND NDABEZINHLE MKHIZE.

NOMINATION COMMITTEE

The role of the Nomination Committee is to assist the Board with the nomination, election and appointment of directors. The committee also ensures that the Board is suitably comprised in terms of skills and experience as well as in line with the Board's transformation goals.

The committee is chaired by Leon Campher and ensures that the Board is comprised of the optimal diversity, experience, knowledge and skills. For the year under review, the committee reviewed and evaluated the size, structure and composition of the Board and considered how the Board needs to evolve to meet business needs going forward and set Board transformation goals. The committee reconstituted all subcommittees and recommended these to the Board for approval.

MEMBERS: LEON CAMPHER (CHAIRPERSON), MUSTAQ BREY, EUNICE CROSS AND NDABEZINHLE MKHIZE (KEABETSWE NTULI AND FULVIO TONELLI JOINED THE COMMITTEE EFFECTIVE 9 MAY 2023).

REMUNERATION COMMITTEE 14

The Remuneration Committee ensures that the Company remunerates all directors fairly and responsibly and that the disclosure of this remuneration is accurate, complete, and transparent. Furthermore, the committee is responsible for promoting fair, responsible, and ethical employment practices while being mindful of all stakeholders.

The committee is chaired by Keabetswe Ntuli who 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. The committee signs off on the non-executive remuneration and the executive remuneration policy and implementation plan for approval by the shareholders at the AGM.

During the year under review, the committee focused its efforts on the reasonableness and fairness of the executive LTI and STI scheme.

MEMBERS: KEABETSWE NTULI (CHAIRPERSON), MUSTAQ BREY, LEON CAMPHER, AND DOUG MURRAY.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The SET Committee is a statutory committee in terms of section 72(1) and section 72(4) of the Companies Act. The committee is responsible for the oversight of and reporting on organisational ethics, responsible corporate citizenship 3, sustainable development, and stakeholder relationships and ensuring that the disclosure of the Group's SET values and goals are accurate, complete, and transparent.

The committee is chaired by Eunice Cross and focuses on promoting organisational ethics and enhancing the positive footprint which Equites can make in society. The Committee focused its efforts on Sustainability, ESG and transformation. The committee oversaw the adoption and implementation of the TCFD framework through the Group's in-house ESG function. The committee also focused on the promotion of sustainable business practices and considered sponsorship, donations, and charitable giving, with the aim of community upliftment. During the year, the committee approved a Statement 102 B-BBEE transaction which contributed to Equites maintaining its Level 3 rating.

MEMBERS: EUNICE CROSS (CHAIRPERSON), RUTH BENJAMIN-SWALES, LEON CAMPHER AND FULVIO TONELLI.

CORPORATE GOVERNANCE REPORT CONTINUED

MEETINGS AND ATTENDANCE

	RUTH BENJAMIN-SWALES	MUSTAQ BREY	LEON CAMPHER	EUNICE CROSS	DOUG MURRAY	ANDRÉ GOUWS	RIAAN GOUS	NDABEZINHLE MKHIZE	KEABETSWE NTULI	LAILA RAZACK	ANDREA TAVERNA-TURISAN	FULVIO TONELLI
BOARD MEETINGS												
3 May 2022	●	○	●	●	○	●	●	●	●	●	●	n/a
4 October 2022	●	●	●	●	●	●	●	●	●	●	●	n/a
22 February 2023	●	●	●	●	○	●	●	●	●	●	●	●
AUDIT COMMITTEE												
26 April 2022	●	●	⊘	⊘	●	⊘	⊘	⊘	●	⊘	⊘	n/a
28 September 2022	●	●	⊘	⊘	○	⊘	⊘	⊘	●	⊘	⊘	n/a
15 February 2023	●	●	⊘	⊘	●	⊘	⊘	⊘	●	⊘	⊘	⊘
RISK AND CAPITAL COMMITTEE												
26 April 2022	●	●	●	●	⊘	⊘	⊘	⊘	⊘	⊘	⊘	n/a
28 September 2022	●	●	●	●	⊘	⊘	⊘	⊘	⊘	⊘	⊘	n/a
15 February 2023	●	●	●	●	⊘	⊘	⊘	●	⊘	⊘	⊘	●
INVESTMENT COMMITTEE												
11 April 2022	⊘	⊘	●	⊘	⊘	●	⊘	●	⊘	⊘	⊘	n/a
22 June 2022	⊘	⊘	●	⊘	⊘	●	⊘	●	⊘	⊘	⊘	n/a
29 September 2022	⊘	⊘	●	⊘	●	●	⊘	●	⊘	⊘	⊘	n/a
17 February 2023	⊘	⊘	●	⊘	●	●	⊘	●	⊘	⊘	⊘	⊘
NOMINATION COMMITTEE												
26 April 2022	⊘	●	●	●	⊘	⊘	⊘	⊘	⊘	⊘	⊘	n/a
28 September 2022	⊘	●	●	●	⊘	⊘	⊘	●	⊘	⊘	⊘	n/a
REMUNERATION COMMITTEE												
26 April 2022	⊘	●	●	⊘	●	⊘	⊘	⊘	●	⊘	⊘	n/a
15 February 2023	⊘	●	●	⊘	●	⊘	⊘	⊘	●	⊘	⊘	⊘
SET COMMITTEE												
28 September 2022	●	⊘	●	●	⊘	⊘	⊘	⊘	⊘	⊘	⊘	n/a
15 February 2023	●	⊘	●	●	⊘	⊘	⊘	⊘	⊘	⊘	⊘	●

● **ATTENDED**
○ **ABSENT WITH APOLOGIES**
⊘ **NOT A MEMBER OF THIS COMMITTEE**
N/A **NOT A BOARD MEMBER AT THE TIME**

CONFLICTS OF INTEREST AND DIRECTORS' PERSONAL INTERESTS

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

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

COMPANY SECRETARY

Dianna Beneke was appointed as the company secretary on 1 March 2023 following the resignation of Todd Colin Petersen. The Board is satisfied that her expertise, together with her experience and qualifications, are adequate to fulfil the duties of company secretary.

SOCIAL, ETHICS AND TRANSFORMATION REPORT

RESPONSIBILITIES OF THE SET COMMITTEE

The Companies Act requires that the Board of directors of all listed companies should have a social and ethics subcommittee. This report is prepared in compliance with the Companies Act.

The Committee operates under strict terms of reference, which are reviewed regularly. Under these terms of reference, the SET Committee is responsible for:

- Monitoring the ESG activities of the Group, having regard to all relevant legislation, other legal and regulatory requirements, and prevailing codes of best practice.
- Ensuring good corporate citizenship of the Group, including:
  - Promotion of equality, prevention of unfair discrimination, transparency and integrity;
  - Contribution to development of the communities in which the Group's activities are predominantly conducted, sponsorships and charitable donations;
  - Assessment of the impact that the Group's activities may have on the environment, health and public safety;
  - Monitoring of consumer relationships, including the Group's advertising and public relations, as well as compliance with consumer protection laws; and
  - Consideration of labour and employment practices, including monitoring the Group's employment relationships and its contribution towards the educational development of its employees.
- Ensuring the highest ethical standards for the Group, including:
  - Leadership demonstrating support for ethics throughout the Group;
  - Being accountable for compliance with the Sustainability Framework and its objectives;
  - Monitoring the transformation targets of Equites, including the B-BBEE levels and making recommendations for improvements; and
  - Assisting management with an advisory function to enhance the effectiveness of ESG policies and practices.
- The development and maintenance of a strategy for social and ethics management that is informed by the risks the Group faces.
- Monitoring the implementation of new policies to address sustainability issues identified and applicable to the Group.

COMPOSITION OF THE SET COMMITTEE

The SET Committee members are all non-executive directors. The SET Committee collectively possess a vast knowledge and experience in this area. The SET Committee is chaired by Eunice Cross and comprises Leon Campher, Ruth Benjamin-Swales and Fulvio Tonelli. Ruth Benjamin-Swales will retire from the Board and the SET Committee at the next AGM. The Committee would like to thank Ruth for her service and dedication to the Committee since inception and wishes her the best for her future endeavours. The SET Committee will be reconstituted after the AGM to the extent required.

FUNCTIONING OF THE COMMITTEE

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

During the year under review, sustainability, ESG and transformation continue to be the key areas of focus for the SET Committee. A dedicated ESG officer was appointed in the prior year and the Group successfully implemented TCFD. Moreover, the continued prioritising of transformation has meant that Equites has maintained its B-BBEE score at a level 3 and improved its verified black ownership to 75.7% from 66.1%. The initiatives undertaken for the year are explained in detail in the section below.

1

CODES AND STANDARDS APPLICABLE TO THE GROUP WHICH DIRECT THE SET COMMITTEE'S ACTIVITIES

THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

The Group has identified transformation as a critical success factor for its SA operations. Equites maintained a level 3 B-BBEE score for 2023 and has largely transformed its share register with a verified black ownership of 75.7%. The initiatives undertaken in this respect are discussed in further detail in the **Social** section of this report.

EMPLOYMENT EQUITY ACT OF SOUTH AFRICA & EQUALITY ACT OF THE UK

Equites has a carefully drafted a recruitment policy which focuses on promoting employment equity. The Group considers its workforce, which consists of a total of 44 employees as at 28 February 2023 (43 in SA and 1 in the UK), to be its most important asset. A diverse workforce remains a key element of the Group to fulfil its strategic goals in a holistic and collaborative manner which is informed by the different approaches that can be drawn from the diverse employee backgrounds.

UN GLOBAL COMPACT PRINCIPLES, OECD'S RECOMMENDATIONS AND INTERNATIONAL LABOUR ORGANISATION'S DIRECTIVES

The Group supports and respects the principles as set out in the UN Global Compact Code and the OECD's recommendation on the prevention of corruption. Apart from the Group's compliance with applicable labour legislation, the Group supports ILO's directive on decent work and working conditions.

SOCIAL, ETHICS AND TRANSFORMATION REPORT CONTINUED

TCFD

The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information. In line with global best practice, Equites has adopted the policy framework of the TCFD, which involves Equites aligning its ESG disclosures with TCFD standards. This framework has been adopted by the UK's Financial Conduct Authority legislating mandatory reporting on climate-related financial disclosures by public companies, large private companies and LLPs from April 2022.

SUSTAINALYTICS

Sustainalytics, a Morningstar company, is a global ESG ratings agency that evaluates ESG risk in an organisation. The score measures exposure to industry-specific material ESG risks and how the entity is managing those risks. Equites underwent its fourth consecutive Sustainalytics verification and achieved a score of 9.0. This represents a 19% improvement in its ESG Risk rating compared to the previous financial year, where a rating of 11.0 was received, and has resulted in Equites moving into the "Negligible" ESG risk category.

In FY23, the ESG Risk management rating was 66.9 compared to 58.2 in FY22, reflecting an increase of 15%. Sustainalytics evaluates multiple indicators relating to materiality specific to the industry and has assessed Equites to have a strong management of its ESG risk exposure. The Group will continue to be rated by an independent verification agency as this allows it to benchmark the ESG processes and outcomes against global best practice.

SDGs

The SDGs are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. The 17 goals were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development which set out a 15-year plan to achieve the goals.

The Group has embarked on a journey focused on wider value creation by identifying areas where Equites can make a meaningful contribution to the SDGs. Whilst the SET Committee recognises that the impacts of this will not be immediate, it believes that a steady and consistent effort will yield long-term results.

2

KEY ISSUES CONSIDERED BY THE COMMITTEE DURING THE YEAR

ENVIRONMENTAL

TCFD

The SET Committee adopted the TCFD framework in the prior year. This adoption is a step towards standardising Equites' ESG reporting and disclosures to this framework. Equites has commenced with the practical implementation of the TCFD standard and incorporated various aspects of the TCFD into its internal processes and procedures during the year, with the goal of being fully aligned with the TCFD standard by 2024.

SUSTAINABILITY AUDITS

Sustainability audits continued across the portfolio. This programme is targeted at assessing energy and water usage as well as evaluating the sustainability profile of the portfolio. Through this process, the Group has been able to better understand the environmental impact as well as the measures which can be taken to improve its carbon footprint. This process is collaborative, with many tenants already prioritising sustainability as a strategic imperative.

COMPLIANCE WITH ESG COMMITMENTS

In relation to the sustainability-linked funding obtained in the prior year, the SET Committee monitored compliance with the ESG KPIs linked to these debt facilities. The SET Committee also monitored transactions which would have a material impact on the KPIs. There have been no instances of non-compliance, or breach of contract terms.

SOCIAL

TRANSFORMATION

The SA government has highlighted its commitment to implement B-BBEE to promote greater economic inclusion in the country. Equites aligns all its B-BBEE reporting to the Property Sector Transformation Charter.

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

During the year, the Group disposed of six properties in the Western Cape to Mabel (a black consortium) in terms of a Statement 102 of the Codes of Good Practice on B-BBEE ("Statement 102") Transaction. This transaction contributed to Equites maintaining its level 3 B-BBEE score. The Group has provided Mabel with property management, development and finance training and assistance during the year and this is to continue for a further 18 months after year end. This transaction is to have a positive impact on the Group's B-BBEE ownership score for the next year.

ENTERPRISE AND SUPPLIER DEVELOPMENT

The Group noted the positive impact small businesses have on the SA economy and to assist this area, it undertakes an SMME incubation project under the AmpCore programme. The primary objective of this programme is to provide learning and mentorship to small businesses, particularly in the property service sector. Small businesses were identified and are servicing the Group's income-producing properties . Equites will continue to develop initiatives to promote the development of SMMEs through ESD in property management services with a focus on cleaning, electrical, plumbing and gardening services. The initiative is focused on identifying SMME's which can provide these services, assisting them with training or development, where necessary, providing administrative support (including obtaining relevant health and safety documents, registration with professional bodies and accounting and statutory assistance), and finally promoting them to become registered vendors with Equites. The Group has seven vendors in the AmpCore programme which services properties in the Western Cape and Gauteng.

EMPLOYEES

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

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

The Group's people strategy is focused on ensuring that the Group has created an environment in which staff are involved, engaged and are valued as active contributors of value creation. The Group engages in detailed staff engagement surveys to ascertain whether employees are satisfied with overall working conditions and attempts to resolve any material concerns swiftly and effectively.

SOCIAL DEVELOPMENT

The Group believes that education is the cornerstone to true transformation and empowerment. Through MLF, which administers the Equites bursary programme, there are seven bursary recipients from underrepresented communities currently studying towards their tertiary degrees and a total of seven graduates have completed their degrees, undergraduate and postgraduate, since the programme's inception. The programme provides financial aid, and more importantly, a robust mentoring component throughout the duration of each student's degree, which equips them with the necessary skill sets to prepare them for a career in their chosen field of study.

Additionally, MLF has increased their support to existing initiatives operating within the education sector such as:

- Sponsored a science lab to a primary school in Macassar, Western Cape.
- Contributions to various organisations who provide bursaries to underprivileged children.
- Contributed to school feeding schemes.

GOVERNANCE

ETHICS

The reputation of the Equites business and value of the Equites brand is built on the Group's standing commitment to be a responsible, transparent and ethical business, and to maintain the trust of its stakeholders. Equites adheres to the King IV principles, which outlines the ethical commitments and performance requirements for a socially responsible and profitable business.

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

The SET Committee takes responsibility for overseeing the implementation and compliance of all ethical policies, ensuring they align with the Group's values. With a focus on fostering transparency and openness, the SET Committee promotes a culture that encourages employees and stakeholders to report any instances of unethical behaviour or other violations they may observe.

GROUP-WIDE POLICIES

The SET Committee oversaw implementation of the following policies during the year:

POLICY	STATUS
STAKEHOLDER ENGAGEMENT POLICY	Implemented during the year and a further stakeholder engagement plan is to be drafted and implemented to provide greater specificity and transparency going forward.
POLITICALLY EXPOSED PERSONS POLICY	Under review and will be tabled at the next SET Committee meeting for approval.
ANTI-BRIBERY AND CORRUPTION POLICY	Approved and implemented.
ESG POLICY FRAMEWORK	Approved and implemented.

WHISTLEBLOWING

Through its efforts to promote a culture of openness and transparency throughout the Group, employees and other stakeholders are encouraged to report unethical conduct, fraud and other transgressions through an anonymous, independently monitored whistle-blower hotline hosted by EthicsDefender.

All incidents logged with the hotline are reported directly to the Chairperson of the Board, SET Committee, Audit Committee and Risk and Capital Committee who are responsible for investigating any claims and resolving it swiftly and effectively.

There was a single incident of alleged misconduct by an employee reported on the EthicsDefender platform during the year. This was communicated to the Executives and the matter was investigated and resolved internally.

3 KEY AREAS FOR FUTURE CONSIDERATION

The key focus areas for FY24 include:

- Continue to implement the recommendations of the sustainability audits across the Group and certify the buildings to EDGE or BREEAM standards.
- Enhancing the ESG processes to improve Equites' ESG risk profile.
- Maintain a B-BBEE rating at level 3 and develop a plan to advance to Level 2 over the medium-term.
- Continued focus on diversity in all hiring and procurement practices.
- Further enhance the Group's ethical framework.

The SET Committee is satisfied with the progress made during the year and looks forward to a successful FY24.

REMUNERATION REPORT

for the year ended 28 February 2023

This report sets out Equites' remuneration philosophy and policy for executive and non-executive directors and is presented in three parts:

1. **THE BACKGROUND STATEMENT WHICH PROVIDES CONTEXT TO THE COMPANY'S REMUNERATION POLICY AND PERFORMANCE;**
2. **AN OVERVIEW OF THE FORWARD-LOOKING REMUNERATION POLICY; AND**
3. **THE IMPLEMENTATION REPORT WHICH SETS OUT IN DETAIL HOW THE EXISTING POLICY HAS BEEN IMPLEMENTED, AND DISCLOSES PAYMENTS MADE TO NON-EXECUTIVE AND EXECUTIVE DIRECTORS DURING THE YEAR.**

The Remuneration Committee's mandate is to ensure that Equites' remuneration policies and decisions continue to support the achievement of the Group's strategic objectives in a manner that is fair and responsible, and that encourages individual performance. The policies in place have been developed over a number of years in consultation with shareholders and remuneration specialists, and is founded on an understanding of the unique culture of innovation and excellence at Equites.

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

The Committee consistently benchmarks, monitors and reviews its remuneration policy to ensure that it continues to fulfil its purpose of driving the execution of strategy and the delivery of value for all stakeholders over the short-, medium- and long-term. The policy remains largely unchanged, however, the Committee reviewed the existing performance conditions for the STI and LTI scheme during the year in line with the change in Equites strategy, from FY24 onwards. This is detailed in the **remuneration policy**.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the 2023 financial year and that the remuneration policy achieved its stated objectives.

PART 1

BACKGROUND STATEMENT

INTRODUCTION

Following a tumultuous period in global financial and political markets, many market participants hoped for a period of relative calm from 2022/2023. Despite a relative return to normal following the COVID-19 pandemic, the world witnessed a different type of turmoil with Russia's invasion of Ukraine and steep monetary policy tightening from June 2022. Despite these challenges, Equites delivered healthy DPS growth against a difficult backdrop.

Due to a sharp increase in interest rates during the second half of the year, the UK logistics property market experienced cap rate expansion, with prime logistics yields shifting outwards by 175 bp from 3.25% to 5.00%. Although market rental growth mitigated a portion of the negative impact of rising property yields, Equites' UK portfolio value declined by 21.4% on a LfL basis, in sterling. The SA portfolio value performed in line with expectations, increasing by 4.3%, on a LfL basis. The Group entered one of the most challenging property cycles in the UK with conservative levels of gearing, affording Equites the opportunity to continue executing its development pipeline in both SA and the UK. The LTV ratio increased from 31.5% to 39.7%, which is at the top-end of the target LTV range. As management is targeting an LTV ratio of approximately 35% by February 2024, the Group is planning further property disposals in SA and the UK. The Group has already concluded property disposal transactions with a combined transaction value of R2 billion, post year end.

Given current market conditions as well as the Group's capital structure, Equites resolved to no longer undertake large-scale developments in the UK. The Group is therefore exploring alternative strategies to extract maximum value from the ENGL development platform.

Since entering the UK logistics market in 2016, the Group has utilised CCIRS as a net hedge to foreign currency risk as well as to hedge the interest rate differential between the two jurisdictions. The decision to dispose of certain income-producing assets in the UK and to no longer undertake large-scale developments, reduces the requirement for CCIRS.

The Board has therefore decided to close the derivative positions as they reach their maturity dates. Income from CCIRS will be excluded from distributable earnings in FY24, and although it will have a large impact on DPS, shareholders will benefit from improved growth in NAV per share, as the rand weakens against the pound over the long term.

These changes, namely the disposal of the ENGL platform and the exclusion of CCIRS income from distributable income represent a significant change in the Equites strategy. For this reason, an independent review was conducted in respect of the existing STI and LTI performance conditions to assess the alignment of these performance conditions to the new strategy and their continued appropriateness in driving the execution of this strategy. Following the outcome of this review, the Committee considered the results in detail and have approved new performance conditions for FY24 in alignment with the new strategy. More detail is set out in **Part 2**.

Despite the challenging market conditions, notable achievements for the year under review include:

- Distribution growth of 4.1%, in line with guidance.
- Growing the Investment Property portfolio from R25.7 billion at Feb-22 to R26.9 billion at Feb-23.
- Despite a year with no equity capital raise, the Group has maintained an LTV of 39.7%, below its 40% threshold.
- Maintaining a sector-leading vacancy rate of 0.1%.
- Improving the property fundamentals in the portfolio to comprise 97.8% A-grade tenants with a combined WALE of 13.8 years.
- Concluded three transactions with Shoprite to deliver world-class logistics facilities to support their operations.
- Installed solar capacity in the portfolio reached 9.4 MW, representing a 65% increase from the previous year.

To be successful in implementing its strategy, a business needs its own specialist and dedicated management team, a support team to deliver consistently and on time, and systems that are robust and sustainable. Rewarding and retaining high-performing individuals in a challenging economic environment require a thoughtful, innovative approach to remuneration practices and policies while remaining aligned with the core values and long-term goals of the business. The remuneration policy which aims to address these objectives is detailed in **Part 2**.

FY23 REMUNERATION OUTCOMES

FIXED REMUNERATION

The Committee approved a 6.5% increase for executive directors for FY24.

The salary adjustments approved for other staff in the organisation is based on a 6.5% base-level adjustment, with specific adjustments made to individual employees who had outperformed during the year or where individuals were remunerated below market. Furthermore, all employees who earned below a certain threshold were awarded a 10% increase to combat the impacts of higher inflation, particularly with respect to food, energy and transportation.

VARIABLE REMUNERATION

STI

Two of the company performance measures are linked to total return. Due to the steep decline in UK portfolio values and resultant decrease in the NAV, the total return for the year was -1.4% which resulted in the Executives not achieving the two KPI's linked to total return. Due to achieving "target" on the portfolio growth KPI and "stretch" on the ESG KPI, the resultant company performance modifier achieved amounted to 75% (out of a potential 200%). By applying the personal modifiers to this outcome, the resultant STI award was 59% of TGP for the CEO, 51% of TGP for the COO and 49% of TGP for the CFO, which is significantly lower than the prior year.

LTI

Two of the company performance measures are linked to total return, with the remaining two being linked to portfolio growth and ESG metrics. The decline in NAV in the current year has resulted in the executives not achieving the total return metrics over the three year period. The Executives have, however, achieved the "stretch" on the portfolio growth KPI and ESG KPI. The resultant company performance measure amounts to 100% (out of a potential 200%).

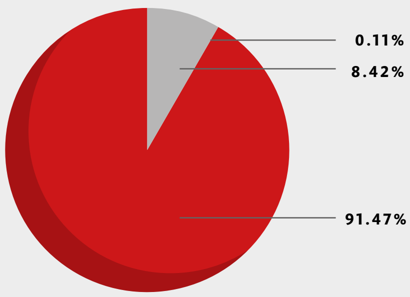
FEEDBACK FROM 2022 ENGAGEMENT

Equites engages with shareholders regarding its remuneration policy and implementation on an annual basis. The intention of the engagement is to obtain shareholder insights and concerns and to ensure that the remuneration policy is adapted accordingly.

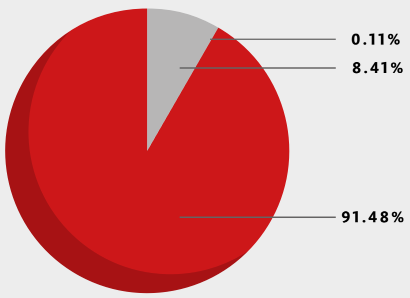
It is believed that the engagement undertaken during the year gave effect to King IV's intended outcome of understanding the legitimate and reasonable needs, interests, and expectations of its key stakeholders. Key themes raised by shareholders have been incorporated into the policy for the upcoming year. In July 2022, the Company held seventeen shareholder meetings which were attended by the Chairperson of the Board and the Chairperson of the Remuneration Committee. These discussions provided valuable insights to the Committee. Equites would like to thank all shareholders for their time and for continuing to engage on these matters.

At the AGM held on 17 August 2022, shareholders gave a positive non-binding advisory vote of 91.47% endorsing the 2022 remuneration policy (2021: 95.62%) and 91.48% (2021: 97.40%) endorsing the implementation report. The Committee believes that this vote was only possible through proactive engagement and valuable discussions with our shareholders.

NON-BINDING RESOLUTION 1:
REMUNERATION POLICY



NON-BINDING RESOLUTION 2:
IMPLEMENTATION REPORT



- VOTES IN FAVOUR
- VOTES AGAINST
- ABSTAIN

The Committee looks forward to continuing these discussions with shareholders during FY24 and welcomes proactive feedback from all shareholders prior to the AGM. The Committee will respond to queries and input from shareholders in writing and will hold consultations with Equites' top 10 shareholders as well as any shareholders who specifically requests a consultation. All shareholders are encouraged to contact **investors@equites.co.za** to request specific engagement or to pose questions directly relating to the remuneration policy or implementation report.

As in prior years, shareholders will be requested to cast a non-binding vote on both the remuneration policy and the 2023 implementation report at the annual general meeting to be held on 17 August 2023. If either the remuneration policy or the implementation report receive 25% or more dissenting votes from shareholders at the AGM, the Board and the Committee will:

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

REMUNERATION REPORT CONTINUED

for the year ended 28 February 2023

Below is a summary of the pertinent feedback received following our engagement with shareholders during the year, along with Equites' comment or action for each resolution:

COMMENT OR CONCERN	RESOLUTION
REMUNERATION POLICY	
1 Investors suggested the inclusion of operational metrics including vacancy ratios and expense ratios in the calculation of company performance measures.	The Committee noted the importance of operational metrics in the determination of remuneration as this forms the basis for the property performance. The Committee noted that these were previously considered when determining the "individual multiplier" for the STI, however, following consultation with shareholders and taking into account the change in Equites' strategy, key operational measures have been included as a specific company performance metric in both the STI and LTI. This is detailed in the **Remuneration Policy**.
2 In addition to the existing ESG metrics, two investors suggested including a specific metric relating to the production of renewable energy.	The Committee noted that there was a large focus placed on ESG metrics in both the STI and LTI calculation. This was measured through the improvement in the Sustainalytics rating. The Committee has, however, noted the desire for more company-specific measurement and has included an additional metric to measure renewable energy.
IMPLEMENTATION REPORT	
3 Investors inquired about the calculation of the WACC utilised in the calculation of the STI and LTI and requested additional disclosure in the Implementation Report.	The Committee noted this request and has included more detail in the **Implementation Report**.

REMUNERATION CONSULTANTS

The Committee engaged the services of Paul Barnard and Matthew Melville at Rem Solutions Pty Ltd who were requested to provide a detailed review of executive remuneration. Their review focused on:

- placement of total pay against peers;
- alignment of executive remuneration with shareholder interests; and
- shape and structure of variable pay and the resultant remuneration mix.

The outcomes of this review are included in the **Remuneration Policy**.

The Committee used independent specialists during the year to assist with reviewing the remuneration report and the Committee is satisfied that the services rendered were independent and objective.

UPDATE ON ACTIVITIES UNDERTAKEN DURING THE YEAR

The Committee fulfilled the following main duties during the year:

- Engaged proactively with shareholders to understand their concerns regarding the remuneration policy and implemented changes for the upcoming year.
- Engaged specialists to review the remuneration policy to ensure that it remains appropriate in line with the Group's change in strategy.
- Following the review of the remuneration policy, reviewed and approved the introduction of new performance conditions for both STI and LTI.
- Reviewed the outcomes of remuneration policy implementation to assess whether the policy's objectives had been achieved over the past financial year.
- Approved TGP increases for Executive Directors.
- Reviewed performance outcomes and approved the STI payments to the Executive Directors for the FY23 financial period.
- Reviewed performance outcomes and approved the vesting of shares in respect of the 2020 LTI award.
- Reviewed and approved the grant of LTI awards to the Executive Directors for the FY23 financial year.
- Suggested changes to the non-executive directors' fees to be approved at the AGM.
- Oversaw the preparation of the remuneration report and ensured that the remuneration policy and implementation report are put to a non-binding advisory vote at the AGM.

The Committee increased its focus on the principle of fair and responsible remuneration in the year under review, with an emphasis on addressing the internal wage gap as well as any gaps in race or gender.

In consideration of fair and responsible pay, the Committee considered the legislated minimum wage and ensured that the lowest earning employees are remunerated well above this level. In FY23, our lowest earning employee earned 3.37 times the minimum wage (excluding any STI and LTI). Equites deems this to be a "living wage" and, over and above such wage, contributes to the well-being of these employees through other methods including medical aid subsidies, and cell phone allowances. Further detail on how Equites pursues fair and responsible remuneration is provided in **Part 2**.

In addition to the above and in line with the philosophy regarding fair and responsible pay, the Executive Directors were mandated to consider individual job roles within the organisation and to benchmark these to ensure that the TGP of roles below executive level remain market-related and also to ensure parity in treatment between the TGP of executives and that of employees below executive level. Where TGP was identified as being below the market, adjustments were made to the TGP of those employees in order to bring them in line with the market. Furthermore, all Equites employees who earned below a certain threshold were awarded a 10% increase to combat the impacts of higher inflation, particularly with respect to food, energy and transportation. The resultant average increase across the employee category was 8.6%.

FUTURE AREAS OF FOCUS

CONTINUED FOCUS ON FAIR AND RESPONSIBLE REMUNERATION

The Committee will strive to cement the application of equal pay for work of equal value to ensure equity is maintained within the Group and how this speaks to fair and responsible remuneration for Executive Directors compared to employee remuneration. The Committee would like to expand this focus to the gender and race pay gap for the upcoming year. As part of its mandate and in ensuring fair and responsible remuneration practices, the Committee takes into account levels of responsibility, accountability, competencies, performance, and scarcity of skills.

CONTINUING TO LOOK FOR MUTUALLY BENEFICIAL OPPORTUNITIES WITH REGARD TO REMUNERATION AND BENEFITS ACROSS THE GROUP

The Committee continuously engages with specialists and attends workshops hosted by remuneration consultants to ensure that it remains at the cutting edge of remuneration practices.

Over the last financial year, Nazeem Khan retired from the Board and therefore retired as Chairperson of the Remuneration Committee. The Committee would like to sincerely thank Mr. Khan for his guidance and leadership over the last 8 years and for contributing to a robust and meaningful remuneration policy over this period.

PART 2

REMUNERATION POLICY

REMUNERATION COMMITTEE

In line with best practice, the 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 Committee consists of four independent non-executive directors, namely, Keabetswe Ntuli (Chairperson), Mustaq Brey, Doug Murray and Leon Campher. Details of attendance at meetings are included in the "Corporate Governance" report.

The Committee met twice during the year under review.

THE COMMITTEE'S PRIMARY RESPONSIBILITIES ARE SET OUT IN ITS TERMS OF REFERENCE AND INCLUDE:

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

ORGANISATION-WIDE REMUNERATION POLICY OVERVIEW

	TGP	STI	LTI	LTI (CONDITIONAL SHARE PLAN – MATCHING SHARES)
OBJECTIVE	To attract and retain high quality individuals.	To incentivise employees to deliver annual targets and strategic goals.	To incentivise management to deliver long-term shareholder value.	
PARTICIPATION	All employees.			
PERFORMANCE PERIOD	Ongoing.	One year.	Three years, with a further two-year post-vesting holding period.	Two years; only awarded once the conditional share plan has vested.

REMUNERATION REPORT CONTINUED

for the year ended 28 February 2023

	TGP	STI	LTI	LTI (CONDITIONAL SHARE PLAN – MATCHING SHARES)
PERFORMANCE MEASURES FOR FY24	Individual performance.	Company performance measures include: ▪ 25% Total return to exceed WACC; ▪ 15% DPS vs budget; ▪ 15% Balance sheet management vs target; ▪ 15% Portfolio activity vs budget; ▪ 15% Operational metrics; ▪ 7.5% Improvement in Sustainalytics rating; ▪ 7.5% solar generation vs target ▪ Individual performance.	Company performance measures include: ▪ 25% Total return to exceed WACC; ▪ 25% Total return to exceed internal hurdle; ▪ 25% Portfolio growth and LTV; plus ▪ 25% ESG metrics.	Service-only.
METHOD OF DELIVERY	Cash		Equites shares	
SUBJECT TO MALUS AND CLAWBACK?	No	Yes. Malus and clawback applicable.		

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

TOTAL GUARANTEED PAY	**THE TGP IS THE SALARY FOR PERFORMING THE CONTRACTUAL ROLE AGREED UPON AND ANY BENEFITS ACCRUING DURING THE FINANCIAL YEAR.**
ANNUAL PERFORMANCE-RELATED INCENTIVES	**THE STI IS AWARDED TO EMPLOYEES BASED ON THE GROUP'S ANNUAL FINANCIAL PERFORMANCE AS WELL AS INDIVIDUAL PERFORMANCE METRICS.**
LONG-TERM INCENTIVES	**THE LTI IS DESIGNED TO ATTRACT, RETAIN AND REWARD EMPLOYEES THROUGH THE AWARD OF CONDITIONAL SHARES. THIS SERVES TO ALIGN THE INTERESTS OF EMPLOYEES WITH THOSE OF SHAREHOLDERS.**

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

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

FAIR AND RESPONSIBLE REMUNERATION

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

The remuneration for all employees is market competitive and includes variable remuneration in the form of an STI and LTI. This is to assist in promoting the financial health of all staff in the business and to align the interests of employees with those of shareholders. The Executive Directors are mandated to consider individual roles within the organisation and benchmark these on an ongoing basis to ensure that the TGP of roles below executive level remain market-related. Where any anomalies are identified in the TGP of a particular role, the TGP is adjusted accordingly in order to bring it in line with market.

The Group currently performs detailed annual analysis of income differentials, per the requirements of the Employment Equity Act, as one mechanism of identifying and correcting any unjustified income differentials. The Committee uses salary benchmarks to determine market relatedness and which forms a primary input into the annual salary review process.

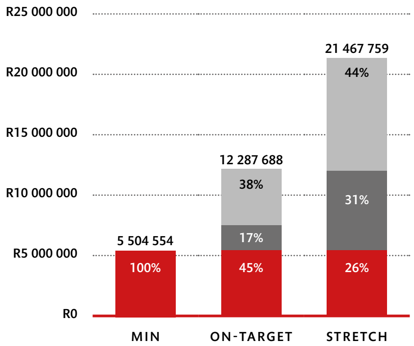
In the current year, the executives commissioned a detailed assessment of job grades which was undertaken using the Paterson grading scale. Based on the outcome of this benchmarking exercise, any necessary amendments to salaries was implemented through the annual TGP adjustment.

In recognition of the income gap, and as an attempt to start the correction, lower-level salaried employees are typically granted a higher salary increase than higher income earners in the Company. Lower income earners are also awarded a higher medical aid subsidy, in an attempt to neutralise the impacts of salary differentials.

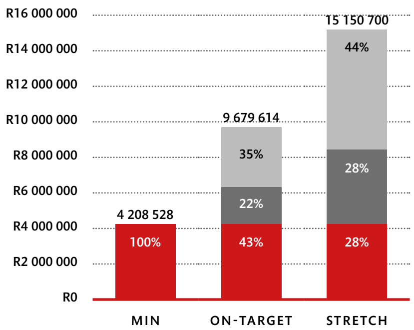
EXECUTIVE REMUNERATION

The executives' remuneration is a mix of TGP, STI and LTI. To encourage retention and align executive's interests with other shareholders, variable pay is weighted more heavily with respect to LTI with an on-target LTI forming 44% of the remuneration mix as set out below:

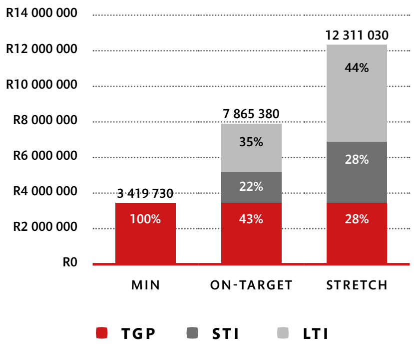
CEO



COO



CFO



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

TOTAL GUARANTEED PAY

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

Equites typically benchmarks its executives' TGP to the median of a comparator group of JSE-listed property companies every three years; with inflationary increases in the interim years. The last benchmarking exercise was performed in 2021. The comparator group includes the following companies: Arrowhead, Attacq, Emira, Fortress, Hyprop, Liberty Two Degrees, Redefine, Resilient and Vukile. The next benchmarking exercise will be undertaken in 2024.

An increase of 6.5% was approved for Executive Directors for FY24, effective 1 March 2023. In line with the Committee's philosophy around fair and responsible pay, the Executive Directors were mandated to consider individual job roles within the organisation and to benchmark these to ensure that the TGP of roles below executive level remain market-related, particularly in light of the growth in the Company over the past four years and also to ensure parity in treatment between the TGP of executives and that of employees below executive level.

Several employees were identified to fall into this category and the executives adjusted these salaries to be reflective of the value which these employees add to the business. The resultant increase across the employee category was 8.6%, effective from 1 March 2023.

SHORT TERM INCENTIVE

The Group has adopted a multiplier-based STI plan (a bottom-up multiplicative structure) which incorporates both Company performance measures (financial and non-financial) and individual performance modifiers. The performance-related incentive target for each executive is agreed annually and is based on targets that are verifiable and aligned to the business's operations and strategy. STIs are payable annually after being approved by the Committee and release of the audited consolidated annual financial statements. Any annual performance-related incentive pay-outs received in terms of this plan are paid in cash.

The following formula is applied to incorporate the multiplier model:

STI	=	ON-TARGET INCENTIVE %	X	COMPANY PERFORMANCE MULTIPLIER	X	PERSONAL MODIFIER
CEO		60% of TGP		0% – 200%		0% – 150%
COO		50% of TGP		0% – 200%		0% – 150%
CFO		50% of TGP		0% – 200%		0% – 150%

The multiplicative approach results in zero bonuses if either the Company performance measure or Personal Modifier is 0%.

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

REMUNERATION REPORT CONTINUED

for the year ended 28 February 2023

COMPANY PERFORMANCE MEASURES

As explained in the **background statement**, the Group has undertaken a change in strategy for the upcoming financial year. Based on the change in the strategy, combined with investor feedback, the Company performance measures have been updated as below:

COMPANY PERFORMANCE MEASURE		50%	100%	200%
STI	**WEIGHTING**	**THRESHOLD**	**TARGET**	**STRETCH**
TOTAL RETURN[1] AGAINST WACC[2]	25%	95% of WACC	100% of WACC	105% of WACC
DPS VS BUDGET	15%	90% of budget	100% of budget	110% of budget
BALANCE SHEET MANAGEMENT VS TARGET (LTV, ICR, GCR RATING)	15%	LTV – 40% ICR – 2 times GCR – maintain rating	LTV – 37.5% ICR – 2.2 times GCR – maintain rating	LTV – 35% ICR – 2.5 times GCR – improve rating
PORTFOLIO ACTIVITY VS BUDGET (INCLUDE CONVERSION OF LAND HOLDING TO INCOME PRODUCING)	15%	R1.5 billion of acquisitions, disposals or developments	R2.0 billion of acquisitions, disposals or developments	R2.5 billion of acquisitions, disposals or developments
OPERATIONAL METRICS (VACANCY RATIO, COST RATIO AGAINST BUDGET)	15%	Vacancy – 5% Property cost ratio < 17% Admin cost ratio < 7%	Vacancy – 3.5% Property cost ratio < 16% Admin cost ratio < 6%	Vacancy – 2% Property cost ratio < 15% Admin cost ratio < 5%
MAINTAIN OR IMPROVE ESG SCORE AS MEASURED BY SUSTAINALYTICS	7.5%	Maintain rating	Improve rating by 1.5%	Improve rating by 3%
SOLAR GENERATED VS TARGET	7.5%	Generate 500 000kwh of new solar per annum	Generate 600 000kwh of new solar per annum	Generate 700 000kwh of new solar per annum

Linear apportionment is used between the specific levels tabulated above to prevent binary outcomes.

1 Total return refers to the total accounting return

2 WACC is calculated by estimating the Group's blended cost of capital, by considering the cost of debt, cost of equity, and the associated capital structure. The cost of debt is determined with reference to the marginal cost of debt in SA and the UK, while the cost of equity is calculated with reference to the dividend discount model.

PERSONAL MODIFIER

The Committee agrees personal objectives with each Executive Director at the beginning of the financial year. Personal objectives are assessed at the end of the year and result in a modifier from 0-150%. The maximum STI payable to an individual director is, however, limited to the stretch company performance measure percentage, i.e. the bonus payable can never exceed 120% of TGP for the CEO and 100% of TGP for the COO and CFO.

The personal performance indicators comprise of targets relating to business growth, operational metrics, financial metrics, leadership, stakeholder management, innovation and transformation. Details of the individual personal performance outcomes are included in the **implementation report**, along with the assigned weightings and outcomes of the current year assessment.

The personal performance conditions to be used in FY24 incorporates feedback from the shareholder engagements conducted in July 2022.

PERSONAL PERFORMANCE OBJECTIVES – FY24

	DESCRIPTION	MEASUREMENT TARGET	ACTUAL MEASUREMENT	% ACHIEVED FOR STI MEASUREMENT (CAPPED)	ANDREA TAVERNA-TURISAN MAX %	GERHARD RIAAN GOUS MAX %	LAILA RAZACK MAX %
BUSINESS GROWTH							
Grow income generating asset base	Growth in income-producing properties in both SA and the UK greater than 10%	10%	5%	30%	10%	10%	10%
Grow gross revenue	Growth in gross revenue to exceed 8% per annum	8%	25%	100%	10%	10%	10%
					20%	**20%**	**20%**
OPERATIONAL METRICS							
Monitor property expense ratio	Maintain property expense ratio below 15%	15%	16%	93%	7.5%	7.5%	7.5%
Monitor operating expense ratio	Maintain operating expense ratio below 20%	20%	20%	100%	7.5%	7.5%	7.5%
Monitoring vacancy ratio	Maintain vacancy ratio below 5%	5%	0%	100%	7.5%	7.5%	7.5%
Monitor arrears ratio	Maintain arrears at less than 1% of total revenue	1%	1%	100%	7.5%	7.5%	7.5%
					30%	**30%**	**30%**
LEADERSHIP, COHESION, STAFF MANAGEMENT AND COMPANY CULTURE							
Ensuring fully committed and motivated team	Staff survey results to indicate >90% overall staff satisfaction as measured by relevant questions	90%	90%	100%	10%	10%	10%
New hires in line with EE plan submitted to DOL	% new hires in line with employment equity plan submitted in Jan of PY	100%	90%	90%	5%	5%	5%
Staff turnover	More than 90% staff retention	90%	90%	100%	5%	5%	5%
					20%	**20%**	**20%**
ADDITIONAL OPERATIONAL METRICS							
Focus on letting vacant space	Let more than 90% of vacant space for the year under review	90%	90%	100%	N/a	7.5%	N/a
Tenant retention ratio	Maintain tenant retention ratio above 90%	90%	90%	100%	N/a	7.5%	N/a
					N/a	**15%**	**N/a**
FINANCIAL MANAGEMENT							
Maintain conservative LTV	Maintain LTV below 40%	40%	39.7%	100%	10%	10%	10%
Manage debt expiry profile	Maintain debt expiry above 3 years	3.0	3.4	100%	N/a	N/a	5%
Implement currency hedging strategy	Maintain hedging level in line with policy	100%	100%	100%	N/a	N/a	10%
Maintain credit rating	Maintain (75%) or improve (100%) credit rating with GCR	100%	50%	50%	N/a	N/a	10%
					10%	**10%**	**35%**
STAKEHOLDER MANAGEMENT							
Effective and efficient functioning of the board	Qualitative	100%	80%	80%	10%	10%	10%
Managing major shareholder interactions	Qualitative	100%	80%	80%	10%	N/a	N/a
Media engagement	Qualitative	100%	80%	80%	10%	N/a	N/a
					30%	**10%**	**10%**
ENGAGEMENT WITH DEBT HOLDERS							
Ongoing negotiations with third party lenders	Qualitative	100%	90%	90%	N/a	N/a	10%
Diversify sources of funding and minimising funding costs	Qualitative	100%	90%	90%	N/a	N/a	10%
					N/a	**N/a**	**20%**
IMPLEMENTATION OF ACQUISITIONS							
Leading due diligence on all material transactions	Qualitative	100%	80%	80%	N/a	15%	N/a
Overseeing and implementing all acquisitions seamlessly	Qualitative	100%	80%	80%	N/a	15%	N/a
					N/a	**30%**	**N/a**
INNOVATION							
Cementing Equites position of excellence in logistics market	Qualitative	100%	90%	90%	12.5%	N/a	N/a
Involvement with education and brand awareness	Qualitative	100%	80%	80%	12.5%	N/a	N/a
					25%	**N/a**	**N/a**
TRANSFORMATION							
Focus on ownership transformation	Maintain an ownership score >51%	51%	51%	100%	7.5%	7.5%	7.5%
Maintain industry leading B-BBEE score	Maintain level at or above 3	3	3	100%	7.5%	7.5%	7.5%
					15%	**15%**	**15%**
					150%	**150%**	**150%**

REMUNERATION REPORT CONTINUED

for the year ended 28 February 2023

LONG-TERM INCENTIVE

LTI awards are granted annually in the form of conditional shares in Equites ("performance shares"). The Committee believes that using this type of award aligns the interests of the executive and shareholder and allows the executive the opportunity to share in the success of Equites over the long-term. The total quantum of shares (at face value) awarded for the year is set at 85% of TGP for the CEO and 80% of TGP for the COO and CFO based on the 30-day VWAP on the date of the award.

All awards are subject to performance conditions and require the participant to be employed by the Group until the 31st May following the end of the 3-year performance period.

As noted in the background statement, all LTI awards from 2019 onwards are subject to the following performance conditions:

	WEIGHTING	THRESHOLD (30% VESTING)	TARGET (100% VESTING)	STRETCH (200% VESTING)
WACC	25%	Total return to be equal to WACC over a three-year period	Total return to exceed WACC by 10% over a three-year period	Total return to exceed WACC by 15% over a three-year period
TOTAL RETURN TO BE EQUAL TO, OR EXCEED, SPECIFIED INTERNAL BENCHMARK	25%	Total return to be equal to, or exceed 10% over a three-year period	Total return to be equal to, or exceed 12% over a three-year period	Total return to be equal to, or exceed 14% over a three-year period
PORTFOLIO GROWTH AND LTV	25%	Portfolio growth of 5% whilst maintaining target LTV over a three-year period	Portfolio growth of 10% whilst maintaining target LTV over a three-year period	Portfolio growth of 15% whilst maintaining target LTV over a three-year period
ESG METRICS WHICH MEASURES THE GROUP'S APPROACH TO SUSTAINABILITY AND IMPROVEMENTS YEAR ON YEAR	25%	Maintain ESG score as measured by Sustainalytics over a three-year period	Improve ESG score as measured by Sustainalytics by 7.5% over a three-year period	Improve ESG score as measured by Sustainalytics by 10% over a three-year period

EQUITES PARK MEADOWVIEW, GAUTENG, SOUTH AFRICA

Given the feedback from the AGM consultations, and taking into account the key change in Equites' business strategy, the Committee reviewed and approved new performance conditions for all LTI awards granted from FY24 onwards. These do not affect the FY23 awards or any in-flight awards.

MEASUREMENT OF CRITERIA		30%	100%	200%
LTI	**WEIGHTING**	**THRESHOLD (30% VESTING)**	**TARGET (100% VESTING)**	**STRETCH (200% VESTING)**
TOTAL RETURN AGAINST WACC	25%	70% of WACC	100% of WACC	110% of WACC
BALANCE SHEET MANAGEMENT VS TARGET (LTV, ICR, GCR RATING)	25%	LTV – 40% ICR – 2 times GCR – maintain rating	LTV – 37.5% ICR – 2.2 times GCR – maintain rating	LTV – 35% ICR – 2.5 times GCR – improve rating
PORTFOLIO ACTIVITY VS BUDGET (INCLUDE CONVERSION OF LAND HOLDING TO INCOME PRODUCING)	15%	R3 billion of acquisitions, disposals or developments over the 3 year period	R4.5 billion of acquisitions, disposals or developments over the 3 year period	R6 billion of acquisitions, disposals or developments over the 3 year period
OPERATIONAL METRICS (VACANCY RATIO, COST RATIO AGAINST BUDGET)	15%	Vacancy – 5% Property cost ratio < 17% Admin cost ratio < 7%	Vacancy – 3.5% Property cost ratio < 16% Admin cost ratio < 6%	Vacancy – 2% Property cost ratio < 15% Admin cost ratio < 5%
MAINTAIN OR IMPROVE ESG SCORE AS MEASURED BY SUSTAINALYTICS	10%	Maintain rating	Improve rating by 2.5%	Improve rating by 5%
SOLAR GENERATED VS TARGET	10%	Generate 500 000kwh of new solar per annum over the period	Generate 600 000kwh of new solar per annum over the period	Generate 700 000kwh of new solar per annum over the period

Following the end of the three-year performance period, performance shares vest for plan purposes (i.e. they can no longer be forfeited) and are settled to a participant, adjusted in line with the performance conditions, as assessed and approved by the Committee. In order to further the long-term alignment between the interests of executives and our shareholders, the vested performance shares are locked up and participants are restricted from disposing of the shares until such time as the further 2 year holding period has lapsed, thereby ensuring that executives have additional 'skin-in-the-game'.

Upon vesting of the performance shares, executives will receive a conditional award of matching shares (1 matching share for every 3 vested conditional shares) on a 1-for-3 basis (i.e. by 33.3%). The matching shares will be subject to the executive remaining in the employ of the Company until the expiry of the post-vesting holding period at which time the matching shares will vest.

Where a participant's employment is terminated after vesting, but before the end of the additional post-vesting 2-year holding period, the vested performance shares will be released from the holding period on the termination date and the participant will forfeits the matching shares in full.

REMUNERATION REPORT CONTINUED

for the year ended 28 February 2023

MALUS AND CLAWBACK

Equites has a malus and clawback policy in place which is applicable to all staff including Executive Directors which allows the Group to reduce or recoup both long-term and short-term incentives prior to payment/vesting and for a period of two years after the payment/vesting date.

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

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

SHARE USAGE LIMIT

The scheme rules limit the allocation of shares in terms of the LTI scheme to 20 million shares in aggregate and 4 million shares per participant, representing 2.58% and 0.52% of the current shares in issue respectively. The current usage level is set out in the **implementation report**.

EXECUTIVE OUTPERFORMANCE SCHEME

The Board introduced an EOS in 2018 to identify key members of the executive and staff who have been instrumental in building the success of the Company, and to incentivise these members to remain with the Company. The scheme was introduced on 31 August 2018 and is effective for 5 years from this date. Performance will be tested at 31 August 2023. The vesting outcome will be set out in the FY24 report.

The performance conditions applicable to the EOS are linked to market capitalisation and DPS growth to reward specific outperformance. The EOS is not intended to be awarded on a regular basis and following this first award, no further awards have been issued, or are contemplated under the EOS. The scheme is cash settled and linked to a notional number of shares on grant.

Details of the awards granted, and associated performance conditions and targets are set out on the next page.

EXECUTIVE SERVICE CONTRACTS AND SIGN-ON AWARDS

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

TERMINATION ARRANGEMENTS AND CHANGE OF CONTROL

On termination, directors are entitled to their TGP for the period of service and any accrued leave balances owing to them. No provision is made for other severance payments of any kind. Termination does not trigger any accelerated vesting conditions relating to the LTI or balloon payments. STI amounts are only payable to employees that are employed at the end of May following the end of the financial year to which the STI relates. Employees who resign or are dismissed will forfeit all unvested LTI awards. Employees who leave for injury, ill-health, disability, retrenchment, or any other reason determined by the Committee will receive a pro-rata vesting of any unvested LTI awards based on performance achieved and number of complete months served during the vesting period.

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

NON-EXECUTIVE REMUNERATION

Non-executive directors do not have employment contracts and do not receive any benefits associated with permanent employment. Their fees as directors are determined as a Board member base fee and attendance fees based on their Committee obligations. In line with best practice recommendations, the Chairman receives a fixed annual fee that is inclusive of all Board and Committee attendances as well as all other tasks performed on behalf of the Group. Equites pays for all travelling and accommodation expenses in respect of board meetings. Details of all non-executive fees paid during FY23 are included in the **implementation report**.

The table below indicates the proposed fees for the upcoming year, to be approved by the shareholders at the AGM to be held on 17 August 2023:

	FY24		FY23		
ROLE	BASE FEE	ATTENDANCE FEE	BASE FEE	ATTENDANCE FEE	% CHANGE
Chairperson of the Board*	R1 024 301	–	R961 785		6.5%
Board member	R360 484	–	R338 483		6.5%
Chairperson of the audit committee	–	R74 236		R69 706	6.5%
Member of the audit committee	–	R46 957		R44 091	6.5%
Chairperson of other sub-committees*	–	R49 150		R46 150	6.5%
Member of other sub-committees**	–	R32 300		R30 328	6.5%

* Note the chairperson of the board only receives a base fee and does not receive any fees for serving on any of the committees.

** Note that Equites does not differentiate between the chairpersons' fees (or member fees) of the Remuneration Committee, Nominations Committee, SET Committee, Risk and Capital and Investment Committee.

PART 3
IMPLEMENTATION

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

TGP ADJUSTMENTS
FOR FY23

An increase of 6.0% was approved for both executive and non-executive directors for FY23 (effective 1 March 2022). In line with the Committee's philosophy around fair and responsible pay, the Executive Directors were mandated to consider individual job roles within the organisation and to benchmark these to ensure that the TGP of roles below executive level remain market-related, particularly in light of the growth in the Company over the past four years and also to ensure parity in treatment between the TGP of executives and that of employees below executive level.

SINGLE FIGURE OF REMUNERATION

	SHORT TERM REMUNERATION			LONG TERM REMUNERATION		
	GUARANTEED PAY		VARIABLE	VARIABLE		
R'000	SALARY	BENEFITS	PERFORMANCE BONUS	VALUE OF EQUITY-SETTLED SHARE-BASED PAYMENT INCENTIVES VESTED	DIVIDEND EQUIVALENT ON EOS	TOTAL REMUNERATION
2023						
EXECUTIVE DIRECTORS						
Andrea Taverna-Turisan	5 169	74	5 798	3 412	1 412	15 865
Gerhard Riaan Gous	3 952	66	3 689	2 383	1 048	11 138
Laila Razack	3 211	71	3 004	286	684	7 256
	12 332	**211**	**12 491**	**6 081**	**3 144**	**34 259**
2022						
EXECUTIVE DIRECTORS						
Andrea Taverna-Turisan	4 876	22	5 851	7 215	1 350	19 314
Gerhard Riaan Gous	3 728	22	3 728	5 038	1 016	13 531
Laila Razack	3 029	22	3 029	476	345	6 901
	11 633	**66**	**12 608**	**12 729**	**2 711**	**39 747**

Note that the FY23 performance bonus relates to the financial year FY22 as these were paid in May 2023. The performance bonuses in respect of FY23, which will be paid in May 2023, are as follows:

NAME	TGP	PERFORMANCE BONUS
ANDREA TAVERNA-TURISAN	5 169	3 122
GERHARD RIAAN GOUS	3 952	2 015
LAILA RAZACK	3 211	1 626

REMUNERATION REPORT CONTINUED

for the year ended 28 February 2023

SHORT-TERM INCENTIVE

During the year under review, the following performance metrics were used to determine the Company performance measure:

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD (30% VESTING)	TARGET (100% VESTING)	STRETCH (200% VESTING)	ACTUAL PERFORMANCE	ACTUAL VESTING (% OF PERFORMANCE SHARES)
TOTAL RETURN TO EXCEED WACC	25%	Total return to be equal to WACC	Total return to exceed WACC by 10%	Total return to exceed WACC by 15%	-1.4%	0%
TOTAL RETURN TO EXCEED BENCHMARK	25%	Total return to be equal to, or exceed 10%	Total return to be equal to, or exceed 12%	Total return to be equal to, or exceed 14%	-1.4%	0%
PORTFOLIO GROWTH AND LTV	25%	Portfolio growth of 5% whilst maintaining target LTV	Portfolio growth of 10% whilst maintaining target LTV	Portfolio growth of 15% whilst maintaining target LTV	10%	25%
ESG METRICS TO IMPROVE	25%	Maintain ESG score as measured by Sustainalytics over three year period	Improve ESG score as measured by Sustainalytics by 7.5% over three year period	Improve ESG score as measured by Sustainalytics by 10% over three year period	10%	50%
TOTAL STI VESTING						**75%**

Linear interpolation is used between the specific levels tabulated above to prevent binary outcomes.

COMPANY PERFORMANCE MEASURE OUTCOMES:

The Company performance measure is 0% on achieving the threshold performance and 100% on achieving the on-target performance, with linear interpolation if the actual result falls between these points.

For FY23, the Company performance measure amounted to 75%.

As part of historic shareholder engagements, the Committee undertook to include personal performance objectives relating to sustainable business growth and increased focus on transformation. These were incorporated into the measured metrics for this period and the Committee's evaluation of the FY23 personal performance conditions was as follows:

PERSONAL PERFORMANCE OBJECTIVES – FY23

	DESCRIPTION	MEASUREMENT TARGET	ACTUAL MEASUREMENT	% ACHIEVED FOR STI MEASUREMENT (CAPPED)	ANDREA TAVERNA-TURISAN MAX %	ANDREA TAVERNA-TURISAN RESULT	GERHARD RIAAN GOUS MAX %	GERHARD RIAAN GOUS RESULT	LAILA RAZACK MAX %	LAILA RAZACK RESULT	COMMENTARY
BUSINESS GROWTH											
Grow income generating asset base	Growth in income-producing properties in both SA and the UK greater than 10%	10%	3%	30%	10%	5%	10%	5%	10%	5%	The additions and development expenditure on income-producing properties amounts to R617 million on a total opening balance of R20.04 billion. This amounts to a 3% increase in income-producing properties. The Committee utilised its discretion as capital markets were constrained and any further expenditure would have impacted shareholder value.
Grow gross revenue	Growth in gross revenue to exceed 8% per annum	8%	25%	100%	10%	10%	10%	10%	10%	10%	Gross revenue increased by 25% driven by high quality acquisitions and developments. All investment decisions met internal risk adjusted hurdle rates.
					20%	**15%**	**20%**	**15%**	**20%**	**15%**	

	DESCRIPTION	MEASUREMENT TARGET	ACTUAL MEASUREMENT	% ACHIEVED FOR STI MEASUREMENT (CAPPED)	ANDREA TAVERNA-TURISAN MAX %	ANDREA TAVERNA-TURISAN RESULT	GERHARD RIAAN GOUS MAX %	GERHARD RIAAN GOUS RESULT	LAILA RAZACK MAX %	LAILA RAZACK RESULT	COMMENTARY
OPERATIONAL METRICS											
Monitor property expense ratio	Maintain property expense ratio below 15%	15%	16%	93%	7.5%	7.0%	7.5%	7.0%	7.5%	7.0%	Property expense ratio is slightly above the target band; this is as a result of certain sustainability-related, non-recoverable costs.
Monitor operating expense ratio	Maintain operating expense ratio below 20%	20%	20%	100%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	Operating expense ratio within target band. Minimal non-recoverable expenditure in the context of the portfolio. The Committee has excluded the SEGRO claim from the determination of this ratio as this is a once-off capital costs, occasioned by unilateral conduct of JV partner outside of the control of the Equites executive. The Board approved payment of this cost for strategic reasons.
Monitoring vacancy ratio	Maintain vacancy ratio below 5%	5%	0%	100%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	Vacancy of 0.1% in the portfolio.
Monitor arrears ratio	Maintain arrears at less than 1% of total revenue	1%	1%	100%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	Insignificant arrears of less than 0.1%.
					30%	**29.5%**	**30%**	**29.5%**	**30%**	**29.5%**	
LEADERSHIP, COHESION, STAFF MANAGEMENT AND COMPANY CULTURE											
Ensuring fully committed and motivated team	Staff survey results to indicate >90% overall staff satisfaction as measured by relevant questions	90%	90%	100%	10%	10%	10%	10%	10%	10%	Staff are well motivated as indicated by staff engagement survey which was conducted in Q2 2022. The survey is conducted on a biannual basis. Flowing from the survey, the executive has appointed a Committee of Senior Management who have been tasked with overseeing an implementing a mission-vision-values exercise which will be concluded during Q3 2023. Management promotes training and development which encourages staff to be more engaged. Over the past year, Senior Management have approved and paid for six employee's studies and provided them with study leave, wrap around support and mentoring.
New hires in line with EE plan submitted to DOL	% new hires in line with employment equity plan submitted in Jan of PY	100%	90%	90%	5%	4.5%	5%	4.5%	5%	4.5%	The executives have considered diversity of race, gender and background in all hiring processes. Due to certain restrictions on experience, special exemption was sought for the appointment of the Company Secretary which impacted the implementation of the plan. Despite the fact that the the full EE plan was not met, the executive will be mindful of this going forward.
Staff turnover	More than 90% staff retention	90%	90%	100%	5%	5%	5%	5%	5%	5%	Five staff members left the employ of the business during the year under review. Three of these employees left as a result of relocation and one as a result of disciplinary action.
					20%	**19.5%**	**20%**	**19.5%**	**20%**	**19.5%**	

REMUNERATION REPORT CONTINUED

for the year ended 28 February 2023

	DESCRIPTION	MEASUREMENT TARGET	ACTUAL MEASUREMENT	% ACHIEVED FOR STI MEASUREMENT (CAPPED)	ANDREA TAVERNA-TURISAN MAX %	ANDREA TAVERNA-TURISAN RESULT	GERHARD RIAAN GOUS MAX %	GERHARD RIAAN GOUS RESULT	LAILA RAZACK MAX %	LAILA RAZACK RESULT	COMMENTARY
ADDITIONAL OPERATIONAL METRICS											
Focus on letting vacant space	Let more than 90% of vacant space for the year under review	90.0%	90%	100%	N/a	N/a	7.5%	7.5%	N/a	N/a	0.1% vacancy in the portfolio.
Tenant retention ratio	Maintain tenant retention ratio above 90%	90%	90%	100%	N/a	N/a	7.5%	7.5%	N/a	N/a	Only one tenant at a facility in the Western Cape vacated their premises. The premises was let immediately to a global multi-national. The executive actively engages with all tenants including who have leases expiring within the next 12 months and certain tenants who have leases expiring in the following years to ensure that we maintain our retention ratio.
					N/a	**N/a**	**15%**	**15%**	**N/a**	**N/a**	
FINANCIAL MANAGEMENT											
Maintain conservative LTV	Maintain LTV below 40%	40%	39.7%	100%	10%	10%	10%	10%	10%	10%	LTV recorded at 39.7% which is at the upper end of the target band, but remains under 40%.
Manage debt expiry profile	Maintain debt expiry above 3 years	3.0	3.4	100%	N/a	N/a	N/a	N/a	5%	5%	Managed cost of debt and liquidity; at 3.4 years this is in line with the target.
Implement currency hedging strategy	Maintain hedging level in line with policy	100%	100%	100%	N/a	N/a	N/a	N/a	10%	10%	Currency hedging policy was fully implemented during the period to hedge any volatility in translation of UK distributions. CCIRS utilisation remained in line with the treasury policy.
Maintain credit rating	Maintain (50%) or improve (100%) credit rating with GCR	100%	50%	50%	N/a	N/a	N/a	N/a	10%	5%	GCR rating remained consistent with the prior year, with the outlook improving to positive.
					10%	**10%**	**10%**	**10%**	**35%**	**30%**	
STAKEHOLDER MANAGEMENT											
Effective and efficient functioning of the Board	Qualitative	100%	80%	80%	10%	8%	10%	8%	10%	8%	A detailed Board and Committee survey was undertaken and Management concluded that we have a well-functioning Board. This survey is conducted once every three years and will be undertaken again in FY24. Appointed one new non-executive director over the last twelve months to improve the diversity of skill and experience on the Board.
Managing major shareholder interactions	Qualitative	100%	80%	80%	10%	8%	N/a	N/a	N/a	N/a	High level of engagement with shareholders throughout the year in both Equites events and through various corporate-hosted events (eg RMB Morgan Stanley, Avior). Financial results and major transactions enjoyed positive media coverage
Media engagement	Qualitative	100%	80%	80%	10%	8%	N/a	N/a	N/a	N/a	Equites has been mentioned on numerous occasions in positive media articles on various platforms over the last 12 months. Successfully implemented a digital marketing strategy through extensive engagement on LinkedIn and other social media platforms.
					30%	**24%**	**10%**	**8%**	**10%**	**8%**	

DESCRIPTION		MEASUREMENT TARGET	ACTUAL MEASUREMENT	% ACHIEVED FOR STI MEASUREMENT (CAPPED)	ANDREA TAVERNA-TURISAN MAX %	ANDREA TAVERNA-TURISAN RESULT	GERHARD RIAAN GOUS MAX %	GERHARD RIAAN GOUS RESULT	LAILA RAZACK MAX %	LAILA RAZACK RESULT	COMMENTARY
ENGAGEMENT WITH DEBT HOLDERS											
Ongoing negotiations with third party lenders	Qualitative	100%	90%	90%	N/a	N/a	N/a	N/a	10%	9%	Forged successful banking relationships with all major banks and with many fixed income investors. The Company banks with all five major South African business banks and enjoys positive relationships with all of these, concluding several new and innovative loan products over the past 12 months.
Diversify sources of funding and minimising funding costs	Qualitative	100%	90%	90%	N/a	N/a	N/a	N/a	10%	9%	28 sources of debt funding between SA and the UK. (Bilateral and DMTN) Sector leading price on listed debt for the debt auction in 2022.
					N/a	**N/a**	**N/a**	**N/a**	**20%**	**18%**	
IMPLEMENTATION OF ACQUISITIONS											
Leading due diligence on all material transactions	Qualitative	100%	80%	80%	N/a	N/a	15%	12%	N/a	N/a	Conducted extensive due diligences on all major transactions which ensure that all property acquistions meet the strict investment criteria.
Overseeing and implementing all acquisitions seamlessly	Qualitative	100%	80%	80%	N/a	N/a	15%	12%	N/a	N/a	Implemented the Shoprite due diligences and acquisition and development agreements. This is a key relationship to Equites, which is essential in growing its SA portfolio.
					N/a	**N/a**	**30%**	**24%**	**N/a**	**N/a**	
INNOVATION											
Cementing Equites position of excellence in logistics market	Qualitative	100%	90%	90%	12.5%	11.3%	N/a	N/a	N/a	N/a	Equites has established itself as a clear market leader in logistics development in SA; examples of innovation in the development of new buildings: ▪ Implemented new floor specifications to greatly reduce maintenance and improve long-term durability while preventing the risk of curling over time; ▪ Implemented the new ACO-drain on our external hardstands to promote more efficient drainage; ▪ Improved design on the dock face allowing for trucks with tail gate fittings to be loaded/offloaded; and ▪ LED's are now standard throughout all new buildings. Developed new sustainability standards for all new buildings – all new buildings will be EDGE certification ready. Introduced Sustainability audits (cost covered by Equites) to understand how we may assist tenants in becoming more focused on sustainability. Bolstered the AmpCore incubation programme which enables us to train and provide support to black property service companies.
Involvement with education and brand awareness	Qualitative	100%	80%	80%	12.5%	10%	N/a	N/a	N/a	N/a	Collaboration with UCT and SUN to develop and improve REIT aspects of property courses. Launched social media campaign to promote brand awareness and become active on platforms which are relevant.
					25%	**21.3%**	**N/a**	**N/a**	**N/a**	**N/a**	

REMUNERATION REPORT CONTINUED

for the year ended 28 February 2023

	DESCRIPTION	MEASUREMENT TARGET	ACTUAL MEASUREMENT	% ACHIEVED FOR STI MEASUREMENT (CAPPED)	ANDREA TAVERNA-TURISAN MAX %	ANDREA TAVERNA-TURISAN RESULT	GERHARD RIAAN GOUS MAX %	GERHARD RIAAN GOUS RESULT	LAILA RAZACK MAX %	LAILA RAZACK RESULT	COMMENTARY
TRANSFORMATION											
Focus on ownership transformation	Maintain an ownership score >51%	51%	51%	100%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	Several ongoing initiatives to attract additional black owners Concluded a small portfolio sale through Statement 102 to assist in the development of black property entrepreneurs.
Maintain industry leading B-BBEE score	Maintain level at or above 3	3	3	100%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	Improved rating to Level 3 B-BBEE rating and verified black ownership of 76%. Bolstered the AmpCore incubation program for Enterprise Development to grow black property service companies.
					15%	**15%**	**15%**	**15%**	**15%**	**15%**	
TOTAL					**150%**	**134%**	**150%**	**136%**	**150%**	**135%**	

The resultant STI relating to the FY23 financial year, which will be paid in May 2023, are as follows:

NAME	TGP	ON-TARGET INCENTIVE %	COMPANY PERFORMANCE MEASURE (0% TO 200%)	PERSONAL MODIFIER (0% TO 150%)	RESULTING AWARD LEVEL AS % OF TGP	TOTAL STI
ANDREA TAVERNA-TURISAN	5 169	60%	75%	134%	60.4%	3 122
GERHARD RIAAN GOUS	3 952	50%	75%	136%	51.0%	2 015
LAILA RAZACK	3 211	50%	75%	135%	50.6%	1 626

LONG TERM INCENTIVE

The performance conditions attached to the 2020 awards for which the performance period ended on 28 February 2023 are set out below:

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD (30% VESTING)	TARGET (100% VESTING)	STRETCH (200% VESTING)	ACTUAL PERFORMANCE	ACTUAL VESTING (% OF PERFORMANCE SHARES)
TOTAL RETURN TO EXCEED WACC	25%	Total return to be equal to WACC over three year period	Total return to exceed WACC by 10% over three year period	Total return to exceed WACC by 15% over three year period	7.0%	0%
TOTAL RETURN TO EXCEED BENCHMARK	25%	Total return to be equal to, or exceed 10% over a three year period	Total return to be equal to, or exceed 12% over a three year period	Total return to be equal to, or exceed 14% over a three year period	7.0%	0%
PORTFOLIO GROWTH AND LTV	25%	Portfolio growth of 5% whilst maintaining target LTV over a three-year period	Portfolio growth of 10% whilst maintaining target LTV over a three-year period	Portfolio growth of 15% whilst maintaining target LTV over a three-year period	0%	50%
ESG METRICS TO IMPROVE	25%	Maintain ESG score as measured by Sustainalytics over three year period	Improve ESG score as measured by Sustainalytics by 7.5% over three year period	Improve ESG score as measured by Sustainalytics by 10% over three year period	34%	50%
TOTAL LTI VESTING						**100%**

All shares applicable to the 2020 award together with the matching shares will be issued in June 2023. These remain restricted and subject to a further service condition until 31 May 2025.

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

DIRECTOR	AWARD	NUMBER OF SHARES UNDER AWARD	PERCENTAGE PERFORMANCE FACTOR	PERFORMANCE ADJUSTED NUMBER OF SHARES	SHARE PRICE	VALUE OF SHARES INCLUDED IN SINGLE FIGURE TABLE
ANDREA TAVERNA-TURISAN	2020 award	161 753	100%	161 753	15.82	
	2020 award – matching share			53 918	15.82	
	TOTAL			**215 671**		**3 411 910**
GERHARD RIAAN GOUS	2020 award	112 956	100%	112 956	15.82	
	2020 award – matching share			37 652	15.82	
	TOTAL			**150 608**		**2 382 619**
LAILA RAZACK	2020 award	13 550	100%	13 550	15.82	
	2020 award – matching share			4 517	15.82	
	TOTAL			**18 067**		**285 815**

REMUNERATION REPORT CONTINUED

for the year ended 28 February 2023

The table below illustrates the schedule of unvested awards and cash flow on settlement:

DATE OF AWARD	VESTING DATE	UNCONDITIONAL DATE	NUMBER OF INSTRUMENTS AWARDED: ON TARGET GRANT	NUMBER OF INSTRUMENTS AWARDED: MAXIMUM ADDITIONAL PERFORMANCE	NUMBER OF INSTRUMENTS AWARDED: TOTAL MAXIMUM SHARES	FORFEITED/ LAPSED	SETTLED	CLOSING NUMBER OF UNVESTED INSTRUMENTS AT 28 FEB 2023	INDICATIVE VALUE[1]	CASH VALUE OF DIVIDENDS PAID DURING THE YEAR	CASH VALUE OF AWARDS SETTLED IN THE YEAR[2]
ANDREA TAVERNA-TURISAN											
CONDITIONAL SHARE PLAN											
2017/02/20	2020/05/31	2022/05/31	164 997	164 997	329 994	(33 329)	(296 665)	–	–	–	–
2018/02/20	2021/05/31	2023/05/31	137 253	137 253	274 506	(30 994)	(243 512)	–	–	–	–
2019/02/20	2022/05/31	2024/05/31	144 187	144 187	288 373	(31 155)	(257 218)	–	–	235 255	4 907 722
2020/02/20	2023/05/31	2025/05/31	161 753	161 753	323 506			323 506	2 558 931	–	
2021/02/20	2024/05/31	2026/05/31	235 892	235 892	471 785			471 785	6 717 270	–	
2022/02/20	2025/05/31	2027/05/31	205 694	205 694	411 387			411 387	5 857 330	–	
2023/02/28	2026/05/31	2028/05/31	295 676	295 676	591 353			591 353	8 419 679	–	
MATCHING SHARES											
2020/05/31	2022/05/31	2022/05/31	109 998	–	109 998	(16 664)	(93 334)	–	–	89 736	1 780 807
2021/05/31	2023/05/31	2023/05/31	91 502	–	91 502	(15 497)	–	76 005	1 202 396	62 005	–
2022/05/31	2024/05/31	2024/05/31	96 124	–	96 124	(15 578)	–	80 547	1 274 252	65 710	–
								1 954 582			
RIAAN GOUS											
CONDITIONAL SHARE PLAN											
2017/02/20	2020/05/31	2022/05/31	115 216	115 216	230 432	(23 273)	(207 159)	–	–	–	–
2018/02/20	2021/05/31	2023/05/31	95 843	95 843	191 686	(21 643)	(170 042)	–	–	–	–
2019/02/20	2022/05/31	2024/05/31	100 684	100 684	201 369	(21 755)	(179 614)	–	–	164 277	3 427 028
2020/02/20	2023/05/31	2025/05/31	112 956	112 956	225 911			225 911	1 786 959	–	
2021/02/20	2024/05/31	2026/05/31	169 743	169 743	339 487			339 487	4 833 614	–	
2022/02/20	2025/05/31	2027/05/31	148 013	148 013	296 026			296 026	4 214 818	–	
2023/02/28	2026/05/31	2028/05/31	212 763	212 763	425 526			425 526	6 058 634	–	
MATCHING SHARES											
2020/05/31	2022/05/31	2022/05/31	76 811	–	76 811	(11 637)	(65 174)	–	–	62 662	1 243 520
2021/05/31	2023/05/31	2023/05/31	63 895	–	63 895	(10 822)	–	53 074	839 624	43 298	–
2022/05/31	2024/05/31	2024/05/31	67 123	–	67 123	(10 878)	–	56 245	889 802	45 885	–
								1 396 269			
LAILA RAZACK											
CONDITIONAL SHARE PLAN											
2017/02/20	2020/05/31	2022/05/31	10 520	10 520	21 039	(2 125)	(18 914)				
2018/02/20	2021/05/31	2023/05/31	8 881	8 881	17 761	(2 006)	(15 756)				
2019/02/20	2022/05/31	2024/05/31	9 515	9 515	19 030	(2 057)	(16 974)	–	–	15 525	323 860
2020/02/20	2023/05/31	2025/05/31	13 550	13 550	27 101			27 101	214 368	–	
2021/02/20	2024/05/31	2026/05/31	137 929	137 929	275 857			275 857	3 927 658	–	
2022/02/20	2025/05/31	2027/05/31	120 271	120 271	240 542			240 542	3 424 842	–	
2023/02/28	2026/05/31	2028/05/31	172 885	172 885	345 770			345 770	4 923 074	–	
MATCHING SHARES											
2020/05/31	2022/05/31	2022/05/31	7 013	–	7 013	(1 063)	(5 951)	–	–	5 721	113 537
2021/05/31	2023/05/31	2023/05/31	5 920	–	5 920	(1 003)	–	4 918	77 796	4 012	
2022/05/31	2024/05/31	2024/05/31	6 343		6 343	(1 028)		5 315	84 086	4 336	
								899 503			

1 Utilising the year-end share price and includes a weighting for estimated vesting.
2 The awards vest during the year but are subject to a further holding period of two years. The value represented is an indicative value on vesting date.

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

1. The share price at year end was based on a closing price of R15.82
2. Expected volatility has been based on an evaluation of the historical volatility of Equites' share price since listing.
3. The expected forfeiture rate has been based on historical experience.

EXECUTIVE OUTPERFORMANCE SCHEME

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

STRATEGIC OBJECTIVE	MEASURE	TARGET
GROWTH IN MARKET CAPITALISATION TO ACHIEVE SCALE	Equites market capitalisation measured using a 30-day VWAP up to and including 31 August 2023	Market capitalisation of R14 billion (represents a 54% growth on the market capitalisation at grant of R9 081 million)
SUSTAINABLE ABOVE MARKET GROWTH IN DISTRIBUTABLE EARNINGS	Distribution per share growth over the 5-year vesting period as measured on a CAGR basis	DPS growth exceeds the SAPY benchmark* by 10% on a CAGR basis over the 5-year vesting period

* The SAPY benchmark was set as all SA REITs that are constituents of the SAPY index on the JSE.

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

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

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

Details of awards made under the EOS on 31 August 2018, along with the dividend paid during FY23 are set out below. During FY23, dividends of R3.2 million were paid in respect of the EOS as it relates to Executive Directors:

NAME	TGP R'000	ALLOCATION (5X) R'000	30-DAY VWAP	NOTIONAL NUMBER OF SHARES	DIVIDEND EQUIVALENT PAID IN CURRENT YEAR R'000
ANDREA TAVERNA-TURISAN	3 286	16 430	R19.34	849 612	1 441
GERHARD RIAAN GOUS	2 438	12 190	R19.34	630 357	1 069
LAILA RAZACK	1 593	4 140	R19.34	214 084	698

The performance will be measured on 31 August 2023 and details will be included in the FY24 Remuneration Report. The dividend equivalent paid during the year is included in the **single-figure remuneration table**.

SHARE USAGE LIMIT

The current share usage level is set out below.

	NUMBER OF SHARES AVAILABLE	PERCENTAGE OF SHARES AVAILABLE AS PERCENTAGE OF CURRENT SHARES IN ISSUE	NUMBER OF SHARES UTILISED AS AT YEAR END	PERCENTAGE OF SHARES UTILISED AS PERCENTAGE OF CURRENT SHARES IN ISSUE
AGGREGATE LIMIT	10 000 000	1.27%	7 390 022	0.94%

NON-EXECUTIVE FEES

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

TOTAL NED FEES PAID	2023	2022
NON-EXECUTIVE DIRECTORS		
Leon Campher	962	907
Nazeem Khan *(retired 27 August 2022)*	323	584
Ruth Benjamin-Swales	699	580
Giancarlo Lanfranchi	–	143
Kevin Dreyer	–	114
André Gouws	460	390
Mustaq Brey	731	573
Eunice Cross	582	477
Keabetswe Ntuli	547	340
Doug Murray	548	303
Cindy Hess *(resigned 15 July 2022)*	170	175
Ndabezinhle Mkhize	490	162
Fulvio Tonelli *(appointed 5 October 2022)*	199	–
	5 711	**4 747**

OUTLOOK

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

ISLAND ROAD, READING, UNITED KINGDOM

ANNUAL FINANCIAL STATEMENTS

equites PROPERTY FUND

CONTENTS

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2023 HAVE BEEN AUDITED BY PRICEWATERHOUSECOOPERS INC., IN COMPLIANCE WITH THE APPLICABLE REQUIREMENTS OF THE COMPANIES ACT, 2008. THE AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS WERE PREPARED UNDER THE SUPERVISION OF MS L RAZACK, CA(SA).

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND DECLARATION BY THE COMPANY SECRETARY

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of the consolidated annual financial statements, comprising the statement of financial position at 28 February 2023, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the consolidated annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the requirements of the South African Companies Act 71 of 2008.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; maintaining adequate accounting records and an effective system of risk management; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the controls over, and security of, the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission.

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

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

The consolidated annual financial statements of Equites Property Fund Limited were approved by the board of directors on 8 May 2023 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(2)(e) and in my capacity as company secretary, I hereby confirm, in terms of the Companies Act that, for the year ended 28 February 2023, the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Beneke

DIANNA BENEKE
COMPANY SECRETARY

CEO AND CFO RESPONSIBILITY STATEMENT AND CORPORATE GOVERNANCE DISCLOSURES IN ACCORDANCE WITH THE JSE DEBT LISTINGS REQUIREMENTS

Each of the directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 96 to 155 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the consolidated financial statements of the issuer;
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementing and execution of controls;
- Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have remediated any deficiencies; and
- We are not aware of any fraud involving directors.

ANDREA TAVERNA-TURISAN
CHIEF EXECUTIVE OFFICER

LAILA RAZACK
CHIEF FINANCIAL OFFICER

CORPORATE GOVERNANCE DISCLOSURES IN ACCORDANCE WITH THE JSE DEBT LISTINGS REQUIREMENTS

As contemplated in paragraph 7.3(c)(iii) of the JSE Debt Listings Requirements, independence of directors is determined holistically, in accordance with the indicators provided in section 94(4)(a) and (b) of the Companies Act, Directive 4 of 2018 issued by the Prudential Authority on 5 October 2018 and the King Code. The Group confirms that the Audit Committee has executed the responsibilities as set out in paragraph 7.3(e) of the JSE Debt Listings Requirements. In accordance with paragraph 7.3(f) of the JSE Debt Listings Requirements, the Group follows an existing policy on the evaluation of the performance of its Board of directors and that of its Committees, its chair and its individual directors pursuant to the provisions of the King Code. The Group's debt officer, as contemplated in paragraphs 6.39(a) and 7.3(g) of the JSE Debt Listings Requirements, is Warren Douglas CA(SA) (Treasurer and Head of Risk Management). The Board duly considered and satisfied itself with the competence, qualifications and experience of Warren Douglas before he was appointed as debt officer of the Group.

The Group's board appointment and conflict of interest policy are accessible at https://equites.co.za/about/corporate-governance/. The policy deals, *inter alia*, with:

i) the conflicts of interest of the directors and the executive management of Equites and how such conflicting interests can be identified and managed or avoided; and
ii) the process for the nomination and appointment of directors of the Group.

Since publication of the policy, there have been no amendments. Equites confirms that, as at 28 February 2023, there are no recorded conflicts of interest and/or personal financial interests of the directors and/or the executive management of Equites, as contemplated in the policies and paragraphs 7.5 and 7.6 of the JSE Debt Listing Requirements (as read with section 75 of the Companies Act) other than the fact that the executive directors of Equites Property Fund Limited are also the directors of the wholly-owned subsidiaries in the Group. Accordingly, as at 28 February 2023, there is no 'register of any conflicts of interest and/or personal financial interests', as contemplated in paragraph 7.6 of the JSE Debt Listings Requirements.

AUDIT COMMITTEE REPORT

The Audit Committee ("the committee") takes pleasure in presenting its report for the financial year ended 28 February 2023.

TERMS OF REFERENCE

The committee acts in accordance with its terms of reference which governs their roles and responsibilities. These terms of reference include the statutory requirements of the Companies Act and the King IV Report on Corporate Governance for South Africa, as well as certain responsibilities delegated by the board.

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

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

The committee confirms that it has fulfilled all its statutory obligations, as well as its responsibilities under its terms of reference for the year ended 28 February 2023.

COMPOSITION

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

The committee comprises of the following members:

- Ruth Benjamin-Swales (Chair) CA(SA); Bcom; CTA
- Doug Murray BA Accountancy & Finance, CA
- Keabetswe Ntuli CA(SA); BAcc (Hons)
- Mustaq Brey CA(SA); BCompt (Hons)

The outcome of the annual evaluation and confirmation of independence, respectively was satisfactory.

INTERNAL FINANCIAL CONTROLS

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

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

EXTERNAL AUDITORS

The committee assessed the suitability of PricewaterhouseCoopers Inc. ("PwC"), as external auditors, and is satisfied that PwC can conduct their audit functions without any influence from the Group. The committee further noted Paul Liedeman as the designated auditor and confirmed that both he and PwC are accredited with the JSE Limited as required and that following an assessment of the external auditor, their appointment is in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements. The committee approved the auditor's terms, audit plan and proposed fee and assessed the quality of the external audit process for the year ended 28 February 2023.

The committee continuously monitors the extent of non-audit services performed by PwC and adopted a formal framework for the pre-approval of allowable non-audit services above certain pre-determined thresholds.

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

SIGNIFICANT MATTERS

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

VALUATION OF INVESTMENT PROPERTY

The major risk relating to investment property is the valuation of investment property. Valuation of investment property has been highlighted as an area of critical judgements and estimates in note 4 of the consolidated annual financial statements. The Group externally values all income-producing properties once each year. The fair value is determined using the discounted cash flow method of valuation for SA properties and the income capitalisation method for UK properties.

Properties under development generally take less than 12 months to complete and all related costs incurred are at arm's length which equates to the fair value of the development. The fair value of vacant land is determined by comparing land costs to comparable land parcels, adjusted for infrastructure costs incurred.

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

All income-producing properties were externally valued as at 28 February 2023.

INTERNAL AUDIT

The internal audit function reports functionally to the chairperson of the committee, and administratively to the Chief Financial Officer. A risk-based approach has been applied to develop the annual internal audit plan.

The internal audit plan:

- is formally approved by the audit committee;
- is formulated by considering key risk factors as identified through ongoing risk assessments, but also incorporating any additional matters identified by management and the audit committee;
- considers the evaluation of governance, operational and financial processes and associated controls; and
- is reviewed to consider new risk areas as the business evolves.

All identified control weaknesses are brought to the attention of management and the committee. The internal audit function presents progress and status reports at each committee meeting. The committee will continue to assess the requirements of the internal audit function as it grows and based on the risk profile of the Group.

PROACTIVE MONITORING

The committee confirms that it has considered the findings contained in the JSE's 2022 Proactive Monitoring report when reviewing the consolidated annual financial statements for the year ended 28 February 2023.

FINANCIAL DIRECTOR

In terms of paragraph 3.84(g)(i) of the JSE Listings Requirements, the committee has considered the expertise and experience of the Chief Financial Officer, Laila Razack CA(SA), and is satisfied that these are appropriate for her role. The committee is further satisfied regarding the effectiveness of the finance function and composition of the finance team.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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

Benjamin-Swales

RUTH BENJAMIN-SWALES

CHAIRPERSON OF THE AUDIT COMMITTEE

Cape Town
8 May 2023

DIRECTORS' REPORT

For the year ended 28 February 2023

NATURE OF BUSINESS

Equites is listed on the JSE as a REIT and its main business is the investment in and development of modern logistic facilities. The Company is incorporated and domiciled in South Africa with its registered address being 14th Floor Portside Tower, 4 Bree Street, Cape Town, South Africa, 8001.

The Company carries on its business directly and through a number of subsidiaries. During the current year, the Group made the following changes to its investment property portfolio:

- Acquired one distribution centre in Gauteng and a distribution centre and land for development in the Eastern Cape, SA
- Completed seven developments in SA and one in the UK
- Commenced eight developments in SA
- Commenced an asset disposal programme to dispose of certain non-core properties that no longer meet the Group's investment criteria
- Disposed of the first land held as trading property and completed the respective turnkey development in the UK

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

FINANCIAL RESULTS

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

BORROWINGS

Equites has unlimited borrowing powers in terms of the Memorandum of Incorporation, but the Group has maintained its debt levels below 60% of its gross asset value due to JSE requirements for REITs. The Group is also subject to certain financial covenants with the strictest being a 50% loan-to-value covenant on its bank borrowings. The Group's overall borrowings were R11.4 billion (2022: R9.0 billion) at the reporting date as detailed in note 7 to the consolidated annual financial statements.

STATED CAPITAL

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

The issued share capital at year end is 774 089 562 (2022: 776 573 375) ordinary shares of no par value. 43 549 (2022: 8 016) ordinary shares are held as treasury shares. All movements in issued shares are detailed in note 14 to the consolidated annual financial statements.

785 930 874 (2022: 776 573 375) shares are in issue as at the date of this report.

DISTRIBUTION TO SHAREHOLDERS

The total distribution for the year ended 28 February 2023 of 169.60 (2022: 162.99) cents per share is 4.1% higher than the prior year and in line with distribution growth guidance previously provided. This is made up of the interim dividend declared on 4 October 2022 (dividend number 18) of 81.58 cents per share and the final dividend declared on 8 May 2023 (dividend number 19) of 88.02 cents per share.

DIVIDEND DECLARED

Dividend number 19 for 88.02237 cents per share was declared on 8 May 2023 with the following salient dates:

	2023
Last day to trade *cum* dividend	Tuesday, 23 May
Shares trade *ex*-dividend	Wednesday, 24 May
Record date	Friday, 26 May
Payment date	Monday, 29 May

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

SOLVENCY AND LIQUIDITY TEST

The directors have performed the required solvency and liquidity tests required by the Companies Act and have reasonably concluded that the Group will satisfy the solvency and liquidity test immediately after completing the distribution.

GOING CONCERN

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

SUBSIDIARIES

The Company has the following wholly-owned subsidiaries, unless otherwise indicated, all of which are property investment companies:

EQUITES PROPERTY FUND LIMITED

- 100% APPLEMINT PROPERTIES 93 (PTY) LTD
- 100% DORMELL PROPERTIES 711 (PTY) LTD
- 100% EA WATERFALL LOGISTICS JV (PTY) LTD
- 100% EQUITES ATLANTIC HILLS (PTY) LTD
- 100% EQUITES INTERNATIONAL LTD[1]
  - 100% EQUITES UK SPV 1 LTD[1]
  - 100% EQUITES UK SPV 4 LTD[1]
  - 100% EQUITES UK SPV 5 LTD[1]
  - 100% EQUITES UK SPV 6 LTD[1]
  - 100% EQUITES UK SPV 7 LTD[3]
  - 100% EQUITES UK SPV 8 LTD[3]
  - 100% EQUITES UK SPV 9 LTD[1]
  - 100% EQUITES UK SPV 10 LTD[1]
  - 100% EQUITES UK SPV 11 LTD[1]
  - 100% EQUITES UK SPV 12 LTD[1]
  - 100% EQUITES (PETERBOROUGH GATEWAY) LTD[2]
  - 60% EQUITES NEWLANDS (PETERBOROUGH WEST PLOT 1) LTD[2]
  - 60% EQUITES NEWLANDS (PETERBOROUGH WEST PLOT 2) LTD[2]
  - 60% EQUITES NEWLANDS (PETERBOROUGH WEST PLOT 3) LTD[2]
  - 60% EQUITES NEWLANDS (PETERBOROUGH WEST PLOT 4) LTD[2]
  - 60% EQUITES NEWLANDS (PETERBOROUGH WEST PLOT 5) LTD[2]
  - 60% EQUITES NEWLANDS (PETERBOROUGH WEST PLOT 6) LTD[2]
  - 60% EQUITES NEWLANDS (PETERBOROUGH WEST PLOT 7) LTD[2]
  - 60% EQUITES NEWLANDS (PETERBOROUGH WEST PLOT 8) LTD[2]
  - 60% EQUITES NEWLANDS (PETERBOROUGH WEST) LTD[2]
  - 60% EQUITES NEWLANDS GROUP LTD[2]
    - 100% EQUITES NEWLANDS (BASINGSTOKE) LTD[2]
      - 100% EQUITES NEWLANDS (GOLDTHORPE) LTD[2]
      - 100% EQUITES NEWLANDS (EGHAM) LTD[2]
      - 100% EQUITES NEWLANDS (HOYLAND) LTD[2]
        - 100% EQUITES NEWLANDS (HOYLAND PLOT 2) LTD[2]
      - 100% EQUITES NEWLANDS (JUNCTION 24) LTD[2]
      - 100% EQUITES NEWLANDS (LAND 2) LTD[2]
      - 100% EQUITES NEWLANDS (PETERBOROUGH DEVELOPER) LTD[2]
      - 100% EQUITES NEWLANDS (RUGBY) LTD[2]
      - 100% EQUITES NEWLANDS (SNODLAND) LTD[2]
  - 60% EQUITES NEWLANDS (JUNCTION 16) LTD[2]
  - 60% EQUITES NEWLANDS (JUNCTION 16 PLOT 1) LTD[2]
  - 60% EQUITES NEWLANDS (JUNCTION 16 PLOT 2) LTD[2]
  - 60% EQUITES NEWLANDS (JUNCTION 16 PLOT 3) LTD[2]
  - 60% EQUITES NEWLANDS (JUNCTION 16 PLOT 4) LTD[2]
  - 60% EQUITES NEWLANDS (JUNCTION 16 PLOT 5) LTD[2]
  - 60% EQUITES NEWLANDS (JUNCTION 16 PLOT 6) LTD[2]
  - 60% EQUITES NEWLANDS (JUNCTION 16 PLOT 7) LTD[2]
  - 60% EQUITES NEWLANDS (JUNCTION 16 PLOT 8) LTD[2]
  - 60% EQUITES NEWLANDS (CAMBRIDGE) LTD[2]
  - 60% EQUITES NEWLANDS (CAMBRIDGE PLOT 1) LTD[2]
  - 60% EQUITES NEWLANDS (CAMBRIDGE PLOT 2) LTD[2]
  - 60% EQUITES NEWLANDS (CAMBRIDGE PLOT 3) LTD[2]
  - 60% EQUITES NEWLANDS (CAMBRIDGE PLOT 4) LTD[2]
  - 60% EQUITES NEWLANDS (CAMBRIDGE PLOT 5) LTD[2]
  - 60% EQUITES NEWLANDS (CAMBRIDGE PLOT 6) LTD[2]
  - 60% EQUITES NEWLANDS (CAMBRIDGE PLOT 7) LTD[2]
  - 60% EQUITES NEWLANDS (CAMBRIDGE PLOT 8) LTD[2]
  - 60% EQUITES NEWLANDS (CAMBRIDGE PLOT 9) LTD[2]
  - 60% EQUITES NEWLANDS (LAND) LTD[2]
  - 60% EQUITES NEWLANDS (NORTHAMPTONSHIRE) LTD[2]
  - 60% EQUITES NEWLANDS (THRAPSTON EAST) LTD[2]
  - 60% EQUITES NEWLANDS (THRAPSTON PLOT 1) LTD[2]
  - 60% EQUITES NEWLANDS (THRAPSTON PLOT 2) LTD[2]
  - 60% EQUITES NEWLANDS (THRAPSTON PLOT 3) LTD[2]
  - 60% EQUITES NEWLANDS (THRAPSTON PLOT 4) LTD[2]
  - 60% EQUITES NEWLANDS (THRAPSTON PLOT 5) LTD[2]
  - 60% EQUITES NEWLANDS (THRAPSTON PLOT 6) LTD[2]
  - 60% EQUITES NEWLANDS (RUSHDEN PLOT 1) LTD[2]
  - 60% EQUITES NEWLANDS (RUSHDEN PLOT 2) LTD[2]
  - 60% EQUITES NEWLANDS (RUSHDEN PLOT 3) LTD[2]
  - 60% EQUITES NEWLANDS (RUSHDEN PLOT 4) LTD[2]
  - 60% EQUITES NEWLANDS (RUSHDEN PLOT 5) LTD[2]
  - 60% EQUITES NEWLANDS (RUSHDEN PLOT 6) LTD[2]
- 100% EQUITES INVESTMENTS 1 (PTY) LTD
  - 100% CHAMBER LANE PROPERTIES 3 (PTY) LTD
- 100% GALT PROPERTY ONE (PTY) LTD
- 100% GALT PROPERTY TWO (PTY) LTD
- 100% KOVACS INVESTMENTS 715 (PTY) LTD
- 51% PLUMBAGO INVESTMENT PLATFORM (PTY) LTD
  - 100% PLUMBAGO LOGISTICS PLATFORM (PTY) LTD
- 100% PROP FOR LIST (PTY) LTD
- 50.1% RETAIL LOGISTICS FUND (RF) (PTY) LTD
- 100% SWISH PROPERTY SEVEN (PTY) LTD

1 INCORPORATED IN ISLE OF MAN
2 INCORPORATED IN THE UNITED KINGDOM
3 DISPOSED ON 22 MARCH 2023 (NOTE 30)

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

- 100% THE MICHEL LANFRANCHI FOUNDATION NPC
  - 100% ILANGA LAKUSASA (PTY) LTD

DIRECTORS' REPORT CONTINUED

For the year ended 28 February 2023

DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

RE Benjamin-Swales
MA Brey
PL Campher (Chairman)
E Cross
N Mkhize
AD Murray
K Ntuli

NON-EXECUTIVE DIRECTORS

AJ Gouws
F Tonelli[1]

1 Appointed 5 October 2022

EXECUTIVE DIRECTORS

GR Gous (Chief Operating Officer)
L Razack (Chief Financial Officer)
A Taverna-Turisan (Chief Executive Officer)

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

DIRECTORS' INTEREST IN ORDINARY SHARES

DIRECTORS' INTEREST AS AT 28 FEBRUARY 2023

	BENEFICIALLY HELD					
DIRECTORS	**DIRECTLY**	**INDIRECTLY**	**ASSOCIATES**	**TOTAL**	**%**	**PLEDGED**
RE Benjamin-Swales	42 729	–	7 117	49 846	0.0%	–
MA Brey	–	112 500	10 000	122 500	0.0%	–
PL Campher	–	–	–	–	–	–
E Cross	–	–	–	–	–	–
GR Gous[1]	1 198 203	2 020 648	300 000	3 518 851	0.5%	3 059 876
AJ Gouws	15 043	7 711 955	–	7 726 998	1.0%	–
N Mkhize	–	–	–	–	–	–
AD Murray	–	250 053	–	250 053	0.0%	–
K Ntuli	3 602	–	–	3 602	0.0%	–
L Razack[1]	94 496	–	–	94 496	0.0%	–
A Taverna-Turisan[1]	700 489	11 104 000	–	11 804 489	1.5%	7 000 000
F Tonelli	–	–	–	–	–	–
TOTAL	**2 054 562**	**21 199 156**	**317 117**	**23 570 835**	**3.0%**	**10 059 876**

DIRECTORS' INTEREST AS AT 28 FEBRUARY 2022

	BENEFICIALLY HELD					
DIRECTORS	**DIRECTLY**	**INDIRECTLY**	**ASSOCIATES**	**TOTAL**	**%**	**PLEDGED**
RE Benjamin-Swales	40 978	–	6 826	47 804	0.0%	–
MA Brey	–	112 500	10 000	122 500	0.0%	–
PL Campher	–	–	–	–	–	–
E Cross	–	–	–	–	–	–
GR Gous[1]	1 082 344	2 020 648	300 000	3 402 992	0.5%	2 305 500
AJ Gouws	2 264	7 711 955	–	7 714 219	1.0%	375 000
C Hess	–	–	300 500	300 500	0.0%	–
N Khan	136 605	–	–	136 605	0.0%	–
N Mkhize	–	–	–	–	–	–
AD Murray	–	250 053	–	250 053	0.0%	–
K Ntuli	3 000	–	–	3 000	0.0%	–
L Razack[1]	88 846	–	–	88 846	0.0%	–
A Taverna-Turisan[1]	752 719	11 204 000	–	11 956 719	1.5%	7 000 000
TOTAL	**2 106 756**	**21 299 156**	**617 326**	**24 023 238**	**3.0%**	**9 680 500**

1 The conditional shares awarded, but not yet issued, to the executive directors during the year, as set out in note 15 to the consolidated 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 2023 and the approval of the financial statements.

COMPANY SECRETARY

Todd Colin Petersen resigned as company secretary with effect from 31 December 2022 and Dianna Beneke has been appointed as the company secretary with effect from 1 March 2023.

AUDITORS

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

LITIGATION

During the year, the Group concluded a settlement agreement regarding a damages claim caused by a diversion of a business opportunity which was disclosed as a contingent liability in the prior year. A liability of R167 million (£7.5 million) has been disclosed in note 18. The settlement amount was paid on 8 March 2023.

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

SUBSEQUENT EVENTS

The directors are not aware of any other events, apart from those disclosed in note 30, which have occurred since the end of the financial year, which have a material impact on the results and disclosures in these consolidated annual financial statements.

HOLDING COMPANY

Equites has no holding company and the main shareholders are detailed in Appendix 3 to the consolidated annual financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Equites Property Fund Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Equites Property Fund Limited and its subsidiaries (together the Group) as at 28 February 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Equites Property Fund Limited's consolidated financial statements set out on pages 96 to 155 comprise:

- the consolidated statement of financial position as at 28 February 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

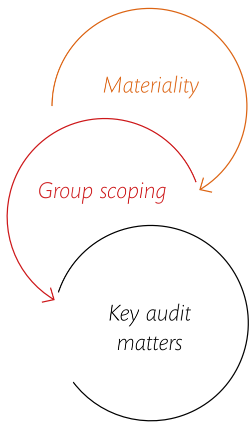
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

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

OUR AUDIT APPROACH

OVERVIEW



OVERALL GROUP MATERIALITY

- Overall group materiality: R162.7 million, which represents 1% of consolidated net assets.

GROUP AUDIT SCOPE

- The Group consists of 83 property-investment companies in both South Africa and the United Kingdom (UK).
- We performed full scope audits at four of the South African companies based on their contribution to consolidated net assets.
- Furthermore, we performed an audit of the investment property related balances and an audit of certain account balances and analytical procedures over the remaining companies.

KEY AUDIT MATTER

- Valuation of investment properties.

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Equites Property Fund Limited

OUR AUDIT APPROACH CONTINUED

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	R162.7 million
HOW WE DETERMINED IT	1% of consolidated net assets.
RATIONALE FOR THE MATERIALITY BENCHMARK APPLIED	We chose consolidated net assets as the benchmark because, in our view, it is the key benchmark considered by users of the consolidated financial statements. We chose 1% which is consistent with quantitative materiality thresholds used for entities in this sector.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

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

The Group consists of 83 property-investment companies, which includes industrial properties in South Africa and the UK. The majority of the property portfolio consists of single tenant industrial or logistical properties. The consolidated financial statements are a consolidation of all the companies in the Group.

Based on the financial significance and audit risk, we performed full scope audits at four of the South African companies, namely Equites Property Fund Limited, Chamber Lane Properties 3 (Pty) Ltd, Retail Logistics Fund (RF) (Pty) Ltd and Plumbago Logistics Platform (Pty) Ltd. Furthermore, we performed an audit of the investment property related balances and an audit of certain account balances and analytical procedures over the remaining companies.

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF INVESTMENT PROPERTIES The Group's investment property portfolio is split between South Africa and the United Kingdom, with a total valuation, including the straight-lining lease adjustment, in the consolidated statement of financial position of R24.5 billion. The fair value loss recognised for the year amounts to R1.6 billion. Refer to note 4 to the consolidated financial statements for details on the valuation of investment properties and note 34.1 for the property schedule. We considered the valuation of investment properties to be a matter of most significance to the current year audit due to the following: ▪ The significance of the estimates and judgements involved in its determination; and ▪ The magnitude of the balance of the investment properties recorded in the consolidated statement of financial position, as well as the changes in fair value relating to the property portfolio recorded in the consolidated statement of comprehensive income The investment properties are stated at their fair values based on directors' valuations and external valuations as deemed appropriate. The fair values of investment properties at year end were determined using the discounted cash flow and income capitalisation methods of valuation. The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the forecasted future net cash flows and residual value for that particular property.	We obtained an understanding of the approach followed by management for the valuation of the Group's investment property portfolio through discussions with management. We inspected a sample of valuation reports for the properties valued externally in the current year and assessed whether the valuation approach followed for each property and the approach followed by management were in accordance with IFRS and suitable for use in determining the fair value for the purpose of the consolidated financial statements. Our work, as detailed in the procedures below, focused on the largest properties in the portfolio, as well as those properties where the assumptions used and/or year-on-year capital value movement suggested a possible outlier versus market data for the relevant sector. We evaluated the external valuers' qualifications and expertise and evaluated whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work through direct communication with the valuer, and inspection of their credentials. We did not note any aspects in this regard requiring further consideration. We made use of our internal valuation expertise in our assessment of the reasonableness of the valuation methodologies and assumptions applied based on their knowledge of the industry and the markets in which the group operates. We evaluated comparable market evidence in assessing the fair value of the properties. No material differences were noted. We tested the accuracy, reliability and completeness of data inputs into the directors' valuations, as well as in the valuations prepared by the external valuers. We focused on the following data inputs: rental income, tenancy schedules, expenditure details and square metre details which underpin the investment property valuations for the selected investment properties. We found no material deviations. We evaluated the forecasted future net cash flows by comparing them to lease agreements and noted no material deviations. We evaluated the significant assumptions, including discount rates, capitalisation rates, exit capitalisation rates, vacancy rates, market rental growth rates and any adjustment factors by comparing it to historic and market benchmarks in order to assess whether they were in a reasonable range for the respective market, sector and asset. Our audit procedures on the above indicated that the assumptions fell within an acceptable range.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Equites Property Fund Limited

KEY AUDIT MATTERS CONTINUED

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF INVESTMENT PROPERTIES CONTINUED In determining a property's valuation, the directors and the valuers take into account property-specific information such as expected market rental growth, discount rate, exit capitalisation rate, capitalisation rate and vacancy rates. The directors and valuers apply yields, discount rates, market rentals and exit capitalisation rates which are influenced by prevailing market yields and comparable market transactions for properties with similar characteristics, to arrive at the final valuation. Investment property under development and vacant land are subsequently measured at fair value at each reporting period. The Group capitalises borrowing costs on new developments and major refurbishments that are deemed to be qualifying assets based on management's judgement in line with International Financial Reporting Standards ("IFRS") requirements as reflected in note 4 to the consolidated financial statements.	For investment properties under development, we agreed the development costs incurred to relevant underlying documentation and assessed the eligibility of capitalising these costs against the criteria set out in IAS 40 *Investment Property*. On a sample basis, we recalculated and assessed the appropriateness of the borrowing costs capitalised and also assessed management's judgement in assessing when an asset becomes a qualifying asset in accordance with IAS 23 *Borrowing Costs*. No material exceptions were noted. In respect of vacant land, we recalculated, on a sample basis, the value of the land based on comparable market data and comparable listed sales prices. Our audit procedures on the above did not identify any material differences. For a representative sample of the straight-lining lease income accrual we agreed the inputs in the calculation to the underlying lease agreements and tested the accuracy of the calculation through reperformance. We did not identify any material differences. We further evaluated the appropriateness of the disclosures in the consolidated financial statements concerning the key assumptions to which the valuations are most sensitive, and the inter-relationship between the assumptions and the valuation amounts.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Equites Property Fund Consolidated annual financial statements for the year ended 28 February 2023" and the document titled "Equites Property Fund Annual financial statements for the year ended 28 February 2023", which includes the Declaration by the company secretary, Audit committee report and Directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Equites Property Fund Integrated Report 2023", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Equites Property Fund Limited for 7 years.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
DIRECTOR: P LIEDEMAN
REGISTERED AUDITOR

Cape Town, South Africa
8 May 2023

STATEMENT OF FINANCIAL POSITION

Equites Property Fund Limited and its subsidiaries at 28 February 2023

R'000	NOTES	2023	2022
ASSETS			
NON-CURRENT ASSETS			
Investment property (excluding straight-lining)	4.1	23 657 994	24 970 607
Straight-lining lease income accrual	4.3	802 644	547 000
Land options	4.1	100 552	–
Deferred tax asset	16	3 290	162 765
Other financial assets	8.2	151 450	60 637
Trade receivables	12	2 188	–
Loan receivable	13	55 154	–
Property, plant and equipment	19	27 059	16 086
		24 800 331	**25 757 095**
CURRENT ASSETS			
Trading properties and developments	5	748 448	878 927
Trade and other receivables	12	271 351	223 196
Other financial assets	8.2	125 217	104 645
Loan receivable	13	2 903	–
Current tax receivable		1 681	–
Cash and cash equivalents	10	257 692	570 143
		1 407 292	**1 776 911**
Investment property held-for-sale	4.2	2 337 633	206 124
TOTAL ASSETS		**28 545 256**	**27 740 130**
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Stated capital	14	12 136 465	12 170 853
Accumulated (loss)/profit		(49 514)	1 880 847
Foreign currency translation reserve		778 296	370 624
Share-based payment reserve	15	22 316	29 390
TOTAL ATTRIBUTABLE TO OWNERS		**12 887 563**	**14 451 714**
Non-controlling interest	11	3 384 200	3 059 872
TOTAL EQUITY AND RESERVES		**16 271 763**	**17 511 586**
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	7	7 590 856	7 974 268
Financial guarantees	8.3	10 000	–
Other financial liabilities	8.3	46 766	117 200
Deferred tax liability	16	129 706	441 194
Trade and other payables	18	65 306	8 334
		7 842 634	**8 540 996**
CURRENT LIABILITIES			
Loans and borrowings	7	3 618 456	1 026 304
Trade and other payables	18	472 625	572 364
Other financial liabilities	8.3	141 731	88 880
		4 232 812	**1 687 548**
Non-current liabilities held-for-sale	17	198 047	–
TOTAL LIABILITIES		**12 273 493**	**10 228 544**
TOTAL EQUITY AND LIABILITIES		**28 545 256**	**27 740 130**

STATEMENT OF COMPREHENSIVE INCOME

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

R'000	NOTES	2023	2022
Property revenue and tenant recoveries	20	1 887 058	1 505 103
Straight-lining of leases adjustment		273 761	182 468
Revenue from trading properties and developments	21	1 051 931	576
GROSS PROPERTY REVENUE		**3 212 750**	**1 688 147**
Cost of sales from trading properties and developments	5	(908 111)	–
Property operating and management expenses	23	(303 893)	(240 418)
Other net (losses)/gains	22	(292 448)	155 207
Administrative expenses	23	(236 051)	(78 039)
Fair value adjustments – investment property	4.1	(1 607 261)	1 168 317
OPERATING (LOSS)/PROFIT BEFORE FINANCING ACTIVITIES		**(135 014)**	**2 693 214**
Finance cost	24	(52 128)	31 994
Finance income	25	56 454	14 021
NET (LOSS)/PROFIT BEFORE TAX		**(130 688)**	**2 739 229**
Tax expense	26	25 911	(382 809)
(LOSS)/PROFIT FOR THE YEAR		**(104 777)**	**2 356 420**
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified to profit or loss:			
Translation of foreign operations		422 920	(19 147)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**318 143**	**2 337 273**
(LOSS)/PROFIT ATTRIBUTABLE TO:			
Owners of the parent		(638 793)	2 032 661
Non-controlling interest	11	534 016	323 759
		(104 777)	**2 356 420**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		(231 121)	2 011 765
Non-controlling interest	11	549 264	325 508
		318 143	**2 337 273**
Basic earnings per share (cents)	2	(82.4)	295.3
Diluted earnings per share (cents)	2	(81.6)	293.1

STATEMENT OF CASH FLOWS

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

R'000	NOTES	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27.1	1 873 580	944 849
Finance cost paid	24	(310 968)	(99 807)
Finance income received	25	26 031	4 908
Tax paid	27.7	(102 709)	(50 032)
Dividends paid	27.6	(1 516 504)	(1 228 043)
NET CASH FLOWS UTILISED BY OPERATING ACTIVITIES		**(30 570)**	**(428 125)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment properties	27.2	(413 570)	(2 209 150)
Development of investment properties	27.3	(1 602 436)	(2 184 606)
Finance cost paid capitalised to investment properties	24	(285 611)	(260 259)
Proceeds from government grants		–	61 726
Proceeds from disposal of investment property and subsidiaries (net of disposal costs)	27.4	151 165	104 663
Purchases of current financial assets[1]	27.5	(874 981)	(1 823 000)
Proceeds on divestment of current financial assets[1]	27.5	874 981	1 823 000
Repayment of loan receivable		1 750	–
Proceeds from disposal of property, plant and equipment		8	4
Purchase and development of property, plant and equipment	19	(11 378)	(1 555)
NET CASH FLOWS UTILISED BY INVESTING ACTIVITIES		**(2 160 072)**	**(4 489 177)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue (net of costs)	14.3	–	1 987 559
Proceeds from share issue relating to dividend reinvestment programme (net of costs)	14.3	27 099	653 736
Repurchase of shares	14.3	(73 816)	–
Repayment of lease liability		(9 948)	(7 816)
Proceeds from borrowings	7.1	9 101 447	4 782 461
Repayment of borrowings	7.1	(7 211 996)	(2 563 648)
NET CASH FLOWS RAISED FROM FINANCING ACTIVITIES		**1 832 786**	**4 852 292**
Net decrease in cash and cash equivalents		(357 856)	(65 010)
Effect of exchange rate movements on cash and cash equivalents		45 405	22 837
Cash and cash equivalents at the beginning of the year		570 143	612 316
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	**257 692**	**570 143**

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

STATEMENT OF CHANGES IN EQUITY

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

R'000	NOTES	STATED CAPITAL	ACCUMULATED (LOSS)/PROFIT	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASED PAYMENT RESERVE	TOTAL ATTRIBUTABLE TO PARENT	NON-CONTROLLING INTEREST	TOTAL
Balance at 1 March 2021		9 337 288	918 422	391 520	195 953	10 843 183	2 166 757	13 009 940
Profit for the year		–	2 032 661	–	–	2 032 661	323 759	2 356 420
Other comprehensive income		–	–	(20 896)	–	(20 896)	1 749	(19 147)
Acquisition of subsidiary with non-controlling interests	11	–	–	–	–	–	703 150	703 150
Transactions with non-controlling interest	11	–	–	–	–	–	22 264	22 264
Shares issued for cash	14	2 000 000	–	–	–	2 000 000	–	2 000 000
Share issue in terms of dividend reinvestment programme	14	653 736	–	–	–	653 736	–	653 736
Shares issued in terms of conditional share plan	14	12 270	–	–	(12 270)	–	–	–
Shares issued in respect of share-based payment transactions	14	180 000	–	–	(180 000)	–	–	–
Equity-settled share-based payment charge	15	–	–	–	25 707	25 707	–	25 707
Dividends distributed to shareholders		–	(1 070 236)	–	–	(1 070 236)	(157 807)	(1 228 043)
Share issue costs	14	(12 441)	–	–	–	(12 441)	–	(12 441)
BALANCE AT 28 FEBRUARY 2022		**12 170 853**	**1 880 847**	**370 624**	**29 390**	**14 451 714**	**3 059 872**	**17 511 586**
Balance at 1 March 2022		12 170 853	1 880 847	370 624	29 390	14 451 714	3 059 872	17 511 586
(Loss)/profit for the year		–	(638 793)	–	–	(638 793)	534 016	(104 777)
Other comprehensive income		–	–	407 672	–	407 672	15 248	422 920
Transactions with non-controlling interest	11	–	–	–	–	–	64 623	64 623
Share issue in terms of dividend reinvestment programme	14	28 154	–	–	–	28 154	–	28 154
Shares issued in terms of conditional share plan	14	13 160	–	–	(13 160)	–	–	–
Treasury shares issued in terms of conditional share plan	14	–	–	–	(163)	(163)	–	(163)
Shares forfeited in terms of conditional share plan	14	(831)	–	–	831	–	–	–
Shares repurchased and cancelled	14	(73 816)	–	–	–	(73 816)	–	(73 816)
Equity-settled share-based payment charge	15	–	–	–	5 418	5 418	–	5 418
Dividends distributed to shareholders		–	(1 291 568)	–	–	(1 291 568)	(289 559)	(1 581 127)
Share issue costs	14	(1 055)	–	–	–	(1 055)	–	(1 055)
BALANCE AT 28 FEBRUARY 2023		**12 136 465**	**(49 514)**	**778 296**	**22 316**	**12 887 563**	**3 384 200**	**16 271 763**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

1 PREPARATION OF FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of the consolidated annual financial statements are set out in the notes to the consolidated annual financial statements and are consistent with those applied in the previous year, unless otherwise stated. The consolidated annual financial statements were authorised for issue by the board of directors on 8 May 2023.

1.1 BASIS OF PREPARATION

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"), the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council ("FRSC"), the requirements of the Companies Act of South Africa No. 71 of 2008, as amended and the Listings Requirements of the exchange operated by the JSE Limited ("JSE").

1.2 BASIS OF CONSOLIDATION

The Group consolidates all of its subsidiaries. Accounting policies are applied consistently in all Group companies. The results of subsidiaries are included from the effective date of acquisition up to the effective date of disposal. Subsidiaries are deconsolidated from the date that control ceases. All subsidiaries have the same financial year ends and are consolidated to that date.

All intra-group transactions, balances and unrealised gains and losses on transactions between entities of the Group have been eliminated.

1.2.1 CONTROL

Subsidiaries are entities (including structured entities) over which the Group has control. Control exists when the following can be demonstrated:

- power over the investee through having existing rights that give it the current ability to direct relevant activities;
- exposure, or rights to variable returns from its involvement with the investee; and
- the ability to affect those returns through its power to govern the financial and operating policies of the investor's returns.

1.2.2 BUSINESS COMBINATIONS

When the Group gains control of a business, the business combination is accounted for using the acquisition method at the acquisition date (the date on which control is transferred). 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. Acquisition-related costs are expensed as incurred. 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. 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.

1.3 FUNCTIONAL CURRENCY

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

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

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 foreign currency translation reserve ("FCTR").

Exchange rate differences arising from the translation of a net investment in foreign operations is recognised in FCTR. The Group's net investment in foreign operation is equal to the equity investment plus all monetary items that are receivable from or payable to the foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future. On disposal or a decrease in the Group's effective interest in the foreign subsidiary, all or a proportionate share of the exchange differences accumulated in equity in respect of that subsidiary attributable to the equity holders of the Group are reclassified to profit or loss. The amount of FCTR reclassified to profit or loss is calculated based on the appreciation or devaluation in the functional currency of the foreign subsidiary disposed against the functional currency of the Group.

1.4 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME AT 28 FEBRUARY 2023

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

	EFFECTIVE DATE (PERIODS BEGINNING ON OR AFTER)
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	1 January 2022
Amendment to IFRS 3, 'Business combinations' clarity on Asset or liability in a business combination	1 January 2022
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual improvements cycle 2018 – 2020	1 January 2022

1.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AT 28 FEBRUARY 2023

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

	EFFECTIVE DATE (PERIODS BEGINNING ON OR AFTER)
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Narrow scope amendments to IAS 1 'Presentation of Financial Statements, Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	1 January 2023

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

2 EARNINGS AND HEADLINE EARNINGS PER SHARE

This note provides the obligatory information in terms of IAS 33 *Earnings per share and SAICA Circular 1/2021* for the Group and should be read in conjunction with Appendix 1, where earnings are reconciled to distributable earnings. Distributable earnings determine the dividend declared to shareholders, which is a meaningful metric for a shareholder in a REIT.

ACCOUNTING POLICY

Earnings per share is calculated by dividing the net profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year. Headline earnings per share is calculated in terms of the requirements set out in Circular 1/2021 issued by SAICA.

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

2.1 BASIC EARNINGS PER SHARE

R'000	NOTES	2023	2022
BASIC EARNINGS			
Earnings ((loss)/profit attributable to owners of the parent)		(638 793)	2 032 661
NUMBER OF SHARES			
Shares in issue		774 089 562	776 573 375
Weighted average number of shares in issue		775 345 406	688 221 003
Add: weighted potential dilutive impact of conditional shares		7 390 022	5 376 814
Diluted weighted average number of shares in issues		782 735 428	693 597 817
CENTS			
EARNINGS PER SHARE			
Basic earnings per share		(82.4)	295.3
Diluted earnings per share		(81.6)	293.1

2.2 HEADLINE EARNINGS PER SHARE

R'000	NOTES	2023	2022
RECONCILIATION BETWEEN BASIC EARNINGS AND HEADLINE EARNINGS:			
Earnings ((loss)/profit attributable to owners of the parent)		(638 793)	2 032 661
Adjusted for:			
Fair value adjustments to investment properties	4.1	1 607 261	(1 147 365)
Less: Fair value adjustment to investment properties (NCI)	11.1	232 549	8 221
Fair value adjustment of non-current assets held-for-sale	4.2	–	(20 952)
Loss on sale of non-current assets held-for-sale	22	–	237
Loss on sale of non-current assets	22	8 225	15 706
HEADLINE EARNINGS		**1 209 242**	**888 508**
CENTS			
HEADLINE EARNINGS PER SHARE			
Basic headline earnings per share		156.0	129.1
Diluted headline earnings per share		154.5	128.1

3 SEGMENT INFORMATION

ACCOUNTING POLICY

The Group identifies and presents operating segments on the basis of internal reporting that is regularly reviewed by the chief operating decision-makers ("CODM"). The CODM has been identified as the Group's executive directors. The CODM allocates resources and assesses the performance of the operating segments of the Group.

The Group has identified the following reportable segments:

- **SA industrial:** This part of the business incorporates all the SA industrial and logistics assets. At year end, this comprised of 60 (2022: 56) completed properties split between prime logistics nodes in Western Cape, Eastern Cape, Gauteng and KwaZulu-Natal.
- **UK industrial:** This part of the business incorporates all completed buildings and development sites in the UK. At year end, this comprised of 10 (2022: 11) completed properties.
- **UK developer:** This part of the business relates specifically to the activities within Equites Newlands Group Limited ("ENGL") which pertain to disposal of land and turnkey developments. These projects are assessed based on different measurement and performance criteria, specifically relating to disposal profits as opposed to long-term property fundamentals. Profits generated from this segment are specifically excluded from distributable income. At year end this comprised of no ongoing development sites (2022: 1 plot for disposal and 2 development sites) in the UK.
- **Other:** Properties held-for-sale.

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

The CODM primarily uses a measure of revenue and operating profit before financing activities to assess the performance of the operating segment. The operating segment is the same as the reportable segment.

The segment information for the Group for the year ended 28 February 2023 is set out below:

	OPERATING SEGMENTS				
R'000	**SA INDUSTRIAL**	**UK INDUSTRIAL**	**UK DEVELOPER**	**OTHER**	**TOTAL**
STATEMENT OF COMPREHENSIVE INCOME					
Property revenue and tenant recoveries	1 403 060	294 566	–	189 432	**1 887 058**
Straight-lining of leases adjustment	399 418	(11 437)	–	(114 219)	**273 761**
Revenue from trading properties and developments	–	–	1 051 931	–	**1 051 931**
Property operating and management expenses	(241 848)	(12 728)	–	(49 317)	**(303 893)**
Fair value adjustments – investment property	241 874	(1 849 135)	–	–	**(1 607 261)**
Operating loss before financing activities	1 356 912	(1 661 015)	44 475	124 614	**(135 014)**
Finance income	1 619 996	(1 563 749)	–	207	**56 454**
Finance cost	(57 433)	5 297	–	8	**(52 128)**
Current tax expense	–	–	(98 090)	–	**(98 090)**
STATEMENT OF FINANCIAL POSITION					
Investment property (note 4)	16 488 214	8 072 975	–	2 337 634	**26 898 823**
Trading properties	19 028	–	729 420	–	**748 448**
Loans and borrowings (note 7)	8 029 984	3 179 328	–	145 277	**11 354 589**
Total assets	17 407 600	8 128 532	793 529	2 215 595	**28 545 256**
Total liabilities	8 468 648	3 472 797	60 845	271 203	**12 273 493**

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

3 SEGMENT INFORMATION CONTINUED

The segment information for the Group for the year ended 28 February 2022 is set out below:

	OPERATING SEGMENTS				
R'000	SA INDUSTRIAL	UK INDUSTRIAL	UK DEVELOPER	OTHER	TOTAL
STATEMENT OF COMPREHENSIVE INCOME					
Property revenue and tenant recoveries	1 215 823	263 235	–	26 045	**1 505 103**
Straight-lining of lease adjustment	169 626	14 220	–	(1 378)	**182 468**
Fair value adjustments – investment property	(356 859)	1 546 128	–	(20 952)	**1 168 317**
Operating profit before financing activities	796 817	1 878 841	(2 445)	20 001	**2 693 214**
Finance income	14 057	41	–	(77)	**14 021**
Finance costs	72 657	(40 598)	–	(65)	**31 994**
Current tax expense	–	(1 254)	(48 778)	–	**(50 032)**
STATEMENT OF FINANCIAL POSITION					
Investment property (excluding straight-lining)	14 929 254	10 041 353	–	–	**24 970 607**
Straight-lining lease income accrual	504 528	42 472	–	–	**547 000**
Investment property held-for-sale	–	–	–	206 124	**206 124**
Trading properties	20 754	–	858 173	–	**878 927**
Loans and borrowings	6 496 875	2 503 697	–	–	**9 000 572**
Total assets	15 952 283	10 681 885	891 391	214 571	**27 740 130**
Total liabilities	6 726 324	3 241 662	257 556	3 002	**10 228 544**

R'000	2023	2022
4 INVESTMENT PROPERTY		
Income-producing investment property	20 217 779	20 045 118
Investment property under development	1 320 513	2 681 934
Freehold land	2 091 944	2 213 175
Right-of-use asset	27 758	30 380
Investment property (excluding straight-lining) (note 4.1)	23 657 994	24 970 607
Investment property held-for-sale (note 4.2)	2 337 633	206 124
Straight-lining lease income accrual (note 4.3)	802 644	547 000
FAIR VALUE OF INVESTMENT PROPERTY	**26 798 271**	**25 723 731**
Land options at cost (note 4.1)	100 552	–
INVESTMENT PROPERTY	**26 898 823**	**25 723 731**

ACCOUNTING POLICY

Investment property is held to earn rental income and/or for capital appreciation, and is made up of the following:

- income-producing investment property comprising land and buildings, leased to tenants under an operating lease;
- investment property under development and vacant land available for development;
- land options exercisable at a future date subject to receiving planning consent; and
- property held-for sale where the carrying amount will be recovered through sale rather than continuing use.

Investment property is initially measured at cost, including transaction cost. Subsequently, investment property is measured at fair value at each reporting date. Changes in fair value are recognised in profit or loss in the period in which they arise, and is excluded from the calculation of distributable earnings. 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.

All income-producing properties are valued externally by a registered valuer at each reporting date. All UK properties were valued using the income capitalisation method, with all SA properties valued using the discounted cash flow ("DCF") technique. Adjustments to the fair value of investment properties are computed net of the impact of accounting for lease income on a straight-line basis over the term of lease.

Lease commission expenditure is capitalised to the cost of investment property and amortised over a straight-line basis over the term of the lease.

A gain or loss arising on disposal of investment property is recognised in profit or loss, measured as the difference between the net disposal proceeds and the carrying amount.

INVESTMENT PROPERTY UNDER DEVELOPMENT AND FREEHOLD LAND

Investment property under development comprises the cost of the land and development and is measured at fair value at each reporting date. Upon completion of the development, these properties become part of income-producing investment property.

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

LAND OPTIONS

In the UK, land is held through long-term option agreements that are exercisable at a future date subject to receiving planning consent. Land options are non-financial assets and are initially capitalised at cost and considered for any impairment indication annually. The impairment review includes consideration of the resale value of the option, likelihood of achieving planning consent and current recoverable value as determined by an independent valuer.

In the calculation of the resale value or recoverable value of land options, several estimates are required which includes the expected size of the development, expected rental and capitalisation rates, estimated build costs, the time to complete the development and anticipated progress with achieving planning consent, as well as the associated risks of achieving the above.

Once a land option is exercised and the land is drawn down, it is transferred into vacant land.

INVESTMENT PROPERTY HELD-FOR-SALE

Investment property is classified as held-for-sale if it is expected that its carrying amount will be recovered principally through sale rather than continuing use. The following conditions are required to be met to be classified as held-for-sale:

- management is committed to a plan to sell,
- an active programme to locate a buyer is initiated,
- the asset is available for immediate sale in its present condition,
- the asset is being actively marketed for sale at a price reasonable in relation to its fair value,
- the sale is highly probable, within 12 months of classification as held-for-sale, and subject only to terms that are usual and customary for sale of such assets, and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

Investment properties held-for-sale are excluded from the measurement scope of IFRS 5 *Non-Current Assets Held-for-Sale and Discontinued Operations* and continue to be measured according to the fair value model with gains/losses recognised in the statement of comprehensive income.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

4 INVESTMENT PROPERTY CONTINUED

ACCOUNTING POLICY CONTINUED

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition and construction of a qualifying asset are capitalised to the cost of that asset until such time as the asset is ready for the indended use.

Borrowing costs comprise interest on borrowings and amortisation of capitalised loan arrangement fees. The amount of borrowing costs eligible for capitalisation is determined as follows:

- **Specific borrowings:** actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment income from surplus funds derived from those borrowings; and
- **General borrowings:** weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset(s).

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs capitalised cannot exceed actual borrowing costs incurred.

A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. An asset that normally takes more than a year to be ready for use will usually be a qualifying asset. The Group classifies the following as qualifying assets:

- investment property under development,
- land held for the purpose of development,
- income-producing investment property under major refurbishment,
- trading property (note 5), and
- land options.

Capitalisation commences when expenditures are incurred for the asset, borrowing costs are incurred, and the Group undertakes activities that are necessary to prepare the asset for its intended use. This occurs as follows:

- **Properties under development and refurbishments:** once expenditures are incurred; and
- **Land:** once land or land option is acquired and in the process of being developed, i.e. when town planning, zoning, earthworks, etc commences with a view to utilising this in development.

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

LEASES

The Group is a party to leasehold land in respect of certain investment properties, giving rise to a right-of-use asset recognised as investment property at lease commencement date. The right-of-use asset is measured at the initial amount of the lease liability adjusted for any lease payments made in advance, plus any initial direct costs incurred less any lease incentives received. The lease liability is initially measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate. The lease payments consist of a fixed percentage of the income generated from the investment property.

The right-of-use asset recognised as investment property is subsequently measured at fair value. A remeasurement occurs when there is a change in the future lease cash flows arising from a change in the underlying tenant lease. Where the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the underlying right-of-use asset.

CRITICAL ESTIMATES AND JUDGEMENTS

VALUATION OF INVESTMENT PROPERTY

The Group has appointed a panel of external valuers to conduct the valuation for each income-producing property. The independent valuers applied, among other inputs, current market prices for properties with similar characteristics, leases and cash flow projections. All SA valuations are performed using a discounted cash flow method and UK valuations are performed using an income capitalisation method.

DISCOUNTED CASH FLOW METHOD

The fair value of each income-producing SA property is determined by calculating its net present value by discounting forecasted future net cash flows and a residual value at the end of the cash flow projection period by the discount rate of each property. The residual value is calculated using an appropriate exit capitalisation rate. The discount rate used to determine the fair value of each property is a function of the exit capitalisation rate and the long-term market rental growth rate. The exit capitalisation rate is dependent on a number of factors, including location, asset class, market conditions, lease covenants and the risks inherent in the property.

INCOME CAPITALISATION METHOD

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

SIGNIFICANT UNOBSERVABLE INPUTS

- Exit capitalisation rates varied between 7.3% and 9.0% (2022: 7.3% and 9.5%) for SA properties.
- Discount rates varied between 12.0% and 13.5% (2022: 12.3% and 14.0%) for SA properties.
- Net initial yields for UK properties varied between 3.0% and 9.1% (2022: 2.7% and 4.1%).[1]
- Reversionary yields for the UK properties varied between 3.5% and 7.4% (2022: 3.3% and 4.8%).
- Expected market rentals.

[1] The reason for the significant widening in UK yields relate to the Tesco facility at Hinckley which was valued at £25.6 million (2022: £45.7 million). The facility was negatively impacted by the short lease length, in terms of period to termination. Equites and Tesco are yet to commence formal lease renegotiations.

INTER-RELATIONSHIP BETWEEN UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT

The overall valuations are sensitive to the assumptions listed above. The impact of vacancy is deemed to be immaterial on the valuations as the majority of the Group's leases are long dated, with no view of material vacancies in the portfolio in the near future. Management deems that the range of possible alternative assumptions is greatest for the exit capitalisation rates. The impact of changing the significant unobservable inputs on the fair value of investment property is detailed in note 9.

ACQUISITION OF PROPERTY SUBSIDIARIES

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

LEASE TERM

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

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

4 INVESTMENT PROPERTY CONTINUED

4.1 RECONCILIATION OF INVESTMENT PROPERTY

	SA						UK					
R'000	LOGISTICS	INDUSTRIAL	PROPERTIES UNDER DEVELOP-MENT	ZONED INDUSTRIAL LAND[2]	STRATEGIC LAND HOLDINGS[2]	RIGHT-OF-USE ASSET	LOGISTICS	PROPERTIES UNDER DEVELOP-MENT	ZONED INDUSTRIAL LAND[2]	STRATEGIC LAND HOLDINGS[2]	LAND OPTIONS[4]	TOTAL
BALANCE AS AT 01 MARCH 2021	**9 961 247**	**320 379**	**515 303**	**1 029 038**	**482 897**	**20 817**	**5 439 117**	**604 366**	**165 805**	**339 316**	**–**	**18 878 285**
Acquisitions	2 478 107	–	33 521	41 004	–	15 948	–	–	–	359 668	–	**2 928 248**
Improvements and extensions	84 407	–	–	–	–	–	43 730	–	–	–	–	**128 137**
Construction and development costs[3]	–	–	432 730	96 972	54 631	–	–	1 526 082	–	235 122	–	**2 345 537**
Transfers[1]	319 014	48 077	(83 005)	(246 724)	(219 835)	–	893 926	(893 926)	(165 805)	(27 753)	–	**(376 031)**
Letting commission capitalised	3 794	–	–	–	–	–	–	–	–	–	–	**3 794**
Letting commission amortised	(2 400)	–	–	–	–	–	(838)	–	–	–	–	**(3 238)**
Lease incentives amortised	(397)	–	–	–	–	–	–	–	–	–	–	**(397)**
Remeasurements	–	–	–	–	–	951	–	–	–	–	–	**951**
Fair value adjustment	(329 365)	(4 700)	–	(16 229)	770	(7 336)	844 365	523 863	–	177 901	–	**1 189 269**
Disposals	–	–	–	(100 363)	–	–	–	–	–	–	–	**(100 363)**
Foreign exchange movements	–	–	–	–	–	–	(53 345)	23 000	–	6 760	–	**(23 585)**
BALANCE AS AT 28 FEBRUARY 2022	**12 514 407**	**363 756**	**898 549**	**803 698**	**318 463**	**30 380**	**7 166 955**	**1 783 385**	**–**	**1 091 014**	**–**	**24 970 607**
Acquisitions	326 256	–	–	75 635	–	–	–	–	–	–	11 679	**413 570**
Improvements and extensions	52 537	8 381	–	–	–	–	230 601	–	–	–	–	**291 519**
Construction and development costs[3]	–	–	855 171	135 614	221 194	–	–	207 156	–	140 830	34 669	**1 594 634**
Transfers[1]	(74 461)	–	(433 207)	(63 184)	(539 657)	–	785 977	(1 990 541)	–	(85 832)	53 663	**(2 347 242)**
Letting commission capitalised	8 473	–	–	–	–	–	–	–	–	–	–	**8 473**
Letting commission amortised	(3 752)	–	–	–	–	–	(891)	–	–	–	–	**(4 643)**
Lease incentives amortised	(246)	–	–	–	–	–	–	–	–	–	–	**(246)**
Remeasurements	–	–	–	–	–	4 166	–	–	–	–	–	**4 166**
Fair value adjustment	302 866	(15 243)	–	(38 962)	–	(6 788)	(1 887 557)	–	–	38 423	–	**(1 607 261)**
Disposals	(145)	–	–	–	–	–	–	–	–	–	–	**(145)**
Foreign exchange movements	–	–	–	–	–	–	439 865	–	–	(5 292)	541	**435 114**
BALANCE AS AT 28 FEBRUARY 2023	**13 125 935**	**356 894**	**1 320 513**	**912 801**	**–**	**27 758**	**6 734 950**	**–**	**–**	**1 179 143**	**100 552**	**23 758 546**

1 Transfers relates to the following:
- i) Land which has been zoned and serviced and is available for a development to commence;
- ii) Land where a development has commenced;
- iii) Investment properties under development which have been completed;
- iv) Properties that are being refurbished;
- v) Properties that have been recognised as held-for-sale (note 4.2); and
- vi) Land and developments which are held as trading property (note 5).

2 Zoned industrial land is land parcels that have the necessary zoning rights and have been prepared for developments. Strategic land holdings are land parcels for which the necessary zoning rights are being obtained.

3 Includes borrowing costs capitalised of R285 million (2022: R260 million).

4 Land held through long-term option agreements that are exercisable at a future date subject to receiving planning consent.

External property valuations were obtained from the following independent valuers:

- Knight Frank Proprietary Limited, Mills Fitchet Magnus Penny, CBRE Excellerate, and Premium Valuation Services in SA
- Cushman & Wakefield Debenham Tie Leung Limited, Savills (UK) Limited and Jones Lang LaSelle IP, Inc. in the UK

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

Refer to note 9 for the fair value disclosure.

R'000	2023	2022
Portfolio externally valued	20 930 280	21 380 765
Investment properties encumbered as security against the Group's loan facilities (note 7.4)	14 946 988	13 837 301

The majority of the Group's leases are fully repairing and insuring with the average lease expiring after 13.8 years (2022: 13.7 years). SA leases contain contractual escalations over the lease where UK leases contain rent reviews after every 5 years.

4.2 INVESTMENT PROPERTY HELD-FOR-SALE

R'000	2023	2022
Opening balance	206 124	86 112
Transfers	2 337 634	161 718
Improvements	9 176	1 228
Letting commission amortised	(504)	–
Fair value adjustment	–	(20 952)
Disposal	(214 797)	(21 982)
INVESTMENT PROPERTY HELD-FOR-SALE	**2 337 633**	**206 124**

Investment property held-for-sale includes properties, which are considered non-core assets comprising of four industrial properties in Gauteng, KwaZulu-Natal and the Western Cape, and two logistics properties in the UK. It also includes a 35% undivided share in three logistics properties situated in Gauteng. The Group has concluded sale agreements on most of these properties and transfer is yet to occur. Transfer of the UK properties took place in March 2023 with the remaining properties expected to transfer within twelve months after year end.

4.3 STRAIGHT-LINING LEASE INCOME ACCRUAL

R'000	2023	2022
Contractual lease receivables are as follows:		
Within one year	1 669 175	1 455 626
Within two years	1 621 180	1 425 203
Within three years	1 564 678	1 353 081
Within four years	1 545 104	1 291 417
Within five years	1 427 675	1 244 443
Beyond five years	11 325 751	10 639 337
	19 153 563	**17 409 107**
Less: lease revenue on a straight-line basis	(18 328 357)	(16 862 107)
Transferred to held-for-sale	(22 562)	–
STRAIGHT-LINING LEASE INCOME ACCRUAL	**802 644**	**547 000**

The Group has assessed the impact of ECL on the straight-lining lease income accrual. The Group deems the impact to be immaterial and any negative impacts would be reflected in the fair value of investment property.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

5 TRADING PROPERTY

ACCOUNTING POLICY

Trading properties comprise of land acquired, and property under development with the intention of disposing for a profit in the ordinary course of business. Trading properties are recognised at the lower of cost and net realisable value. Costs include all costs of purchase, transaction costs, costs of conversion, capitalised interest and other costs incurred in bringing the properties to their present condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and make the sale.

Trading properties under development takes longer than 12 months to complete, however, the asset can be sold in its current state should the contracting party intend to complete the sale prior to completion of the property. Trading properties are transferred to investment properties when there is a change of intention which results in the Group concluding that it will recover the future economic benefits from the asset through holding the asset for capital appreciation and/or to generate rental income in the long-term.

R'000	2023	2022
Opening balance	878 927	464 670
Transfers from investment property (note 4.1)	32 169	214 313
Capital expenditure[1]	709 042	204 017
Disposals	(878 494)	–
Impairment	(29 617)	–
Foreign exchange movement	36 421	(4 073)
CLOSING BALANCE	**748 448**	**878 927**

[1] Includes borrowing costs capitalised of R75 million (2022: R47 million).

6 CAPITAL MANAGEMENT

The Group has continued to pursue the strategic objective of maintaining a robust capital base while providing consistent returns to shareholders. This goal is achieved through a careful balance of equity and debt management, which allows the Group to sustainably grow the business while reducing the cost of capital. The Group remains committed to maintaining an optimal capital structure within a target loan-to-value ("LTV") range of 30% – 40%.

Despite the challenging conditions of the past financial year, the Group reported an LTV ratio of 39.7% at 28 February 2023, within the upper level target LTV range, and improved both the unencumbered asset ratio and unsecured debt ratio (note 7). The increase in the LTV ratio was mainly driven by a decrease in asset values in the UK, while GBP-denominated debt increased primarily due to refinancing the Aviva facility.

R'000	2023	2022
NET DEBT	**11 002 043**	**8 430 429**
Total assets	28 545 256	27 740 130
Less: assets related to net debt	(865 955)	(958 621)
PROPERTY ASSETS	**27 679 301**	**26 781 509**
LTV ratio	39.7%	31.5%

7 LOANS AND BORROWINGS

ACCOUNTING POLICY

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

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

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

Non-current liabilities held-for-sale comprise of financial instruments that are excluded from the measurement scope of IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations* and continue to be measured at amortised cost using the effective interest rate method. Non-current liabilities held-for-sale are presented separately from loans and borrowings in the statement of financial position.

R'000	2023	2022
NON-CURRENT LIABILITIES		
Secured bank loans	4 033 977	4 483 306
Unsecured bank loans	1 413 656	1 412 906
Unsecured bonds and commercial paper	2 143 223	2 078 056
	7 590 856	**7 974 268**
CURRENT LIABILITIES		
Secured bank loans	2 156 173	206 751
Unsecured bonds and commercial paper	1 367 428	819 553
Accrued interest	94 855	–
	3 618 456	**1 026 304**
NON-CURRENT LIABILITIES HELD-FOR-SALE		
Secured bank loans (note 17)	145 277	–
LOANS AND BORROWINGS	**11 354 589**	**9 000 572**

The fair values of loans and borrowings are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Fair value is determined in accordance with Level 3 fair value methodology.

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in note 8.

7.1 RECONCILIATION OF LOANS AND BORROWINGS

	2023	2022
Opening balance	9 000 572	6 828 343
Proceeds from borrowings	9 101 447	4 782 461
Repayment of borrowings	(7 211 996)	(2 563 648)
Loan fees paid and amortisation	(2 581)	(1 591)
Foreign exchange loss/(gain)	372 292	(44 993)
DEBT BALANCE	**11 259 734**	**9 000 572**
Accrued interest	94 855	–
TOTAL LOANS AND BORROWINGS	**11 354 589**	**9 000 572**

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

R'000	2023	2022
7 LOANS AND BORROWINGS CONTINUED		
7.2 SOURCES OF DEBT FUNDING		
JSE-listed debt	3 513 000	2 900 000
Absa	615 000	615 000
Aviva Commercial Finance[1]	2 342 046	1 591 980
HSBC UK Bank	1 021 465	948 143
Investec	200 000	200 000
Nedbank	1 900 000	1 500 000
RMB	615 341	432 041
Standard Bank of South Africa	2 436 260	2 056 205
SOURCES OF DEBT FUNDING	**12 643 112**	**10 243 369**

1 The Aviva debt was refinanced in the current year. The refinancing constituted a qualitatively substantial modification on the basis of the loan term being extended by 10 years. This has resulted in the old loan being derecognised and the new loan recognised at fair value. The impact on profit/(loss) is deemed immaterial.

7.3 TERMS AND REPAYMENT SCHEDULE

The terms and conditions of outstanding loans are as follows:

AT 28 FEBRUARY 2023	CURRENCY	NOMINAL INTEREST RATE[2]	MATURITY	BALANCE R'000
Secured bank loans	GBP	3.92%	2032	2 316 180
Secured bank loans	ZAR	3mJ+1.66%	2023 – 26	1 505 586
Secured bank loans	GBP	S+2.16%	2025	1 008 425
Secured bank loans	GBP	S+1.76%	2023	1 505 236
Unsecured bank loans	ZAR	3mJ+1.62%	2024 – 27	1 413 656
Unsecured bonds	ZAR	3mJ+1.67%	2023 – 27	2 942 994
Unsecured commercial paper	ZAR	3mJ+1.08%	2023	567 657
DEBT BALANCE				**11 259 734**

AT 28 FEBRUARY 2022	CURRENCY	NOMINAL INTEREST RATE[2]	MATURITY	BALANCE R'000
Secured bank loans	GBP	2.65%	2026	1 575 726
Secured bank loans	GBP	S+2.16%	2025	927 971
Secured bank loans	GBP	S+1.79%	2022 – 23	1 241 956
Secured bank loans	ZAR	3mJ+1.75%	2023 – 25	944 404
Unsecured bank loans	ZAR	3mJ+1.65%	2024 – 27	1 412 906
Unsecured bonds	ZAR	3mJ+1.64%	2022 – 25	2 597 690
Unsecured commercial paper	ZAR	3mJ+1.00%	2022	299 919
DEBT BALANCE				**9 000 572**

2 Nominal interest rate: weighted average rate where more than one loan has been aggregated by maturity bucket
3mJ: 3 month JIBAR
S: SONIA

R'000	2023	2022
7.4 ASSET ENCUMBRANCE AND DEBT RATIOS		
Unencumbered assets	12 695 713	12 765 586
Property assets (note 6)	27 679 301	26 781 509
UNENCUMBERED ASSET RATIO	**45.9%**	**47.7%**
Unsecured borrowings	4 924 308	4 310 515
Debt balance	11 259 734	9 000 572
UNSECURED DEBT RATIO	**43.7%**	**47.9%**
Secured borrowings	6 335 426	4 690 057
Encumbered assets (note 4.1)	14 946 988	13 837 301
RATIO OF SECURED BORROWINGS TO ENCUMBERED ASSETS	**42.4%**	**33.9%**
Unsecured borrowings	4 924 308	4 310 515
Unencumbered assets	12 695 713	12 765 586
RATIO OF UNSECURED BORROWINGS TO UNENCUMBERED ASSETS	**38.8%**	**33.8%**
7.5 MATURITY PROFILE		
The earliest contractual maturity date of outstanding loans is profiled as follows:		
Within one year	3 667 754	1 026 304
Within two years	2 098 832	2 334 214
Within three years	2 144 668	2 097 122
Within five years	1 032 300	1 352 508
Beyond five years	2 316 180	2 190 424
DEBT BALANCE	**11 259 734**	**9 000 572**

7.6 FINANCIAL COVENANTS

The Group has a number of debt facility agreements which contain various financial covenants. Across all of these facility agreements, the strictest of financial covenant requirements are set out below. All financial covenants have been complied with during the reporting period.

FINANCIAL COVENANT	REQUIREMENT	2023	2022
Net asset value	≥ R8 billion	R16.3 billion	R17.5 billion
Unencumbered properties	≥ R2 billion	R12.7 billion	R12.8 billion
Loan-to-value ratio (note 6)	≤ 50%	39.7%	31.5%
Interest coverage ratio (note 8.4.4 contains further analysis of interest rate risk)	≥ 2 times	2.8 times	4.9 times
Unencumbered asset ratio (note 7.4)	≥ 20%	45.9%	48.0%

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

R'000	2023	2022
7 LOANS AND BORROWINGS CONTINUED		
7.7 SUSTAINABILITY-LINKED KEY PERFORMANCE INDICATORS		
STANDARD BANK OF SOUTH AFRICA FACILITY E	**1 115 260**	**1 035 205**
The Group entered into an £50 million 2-year sustainability-linked loan with Standard Bank in October 2021. The loan has three key performance indicators, and an annual measurement date of 30 September. If two or more of the sustainability performance targets ("SPTs") are met, the interest payable under the note will be reduced by up to 3bp per annum and if one or less SPTs are met, the interest payable will be increased by up to 3bp per annum. The changes in these rates will be reflected in the period in which the change occurs. The sustainability performance targets are: ▪ All new building developments are to be EDGE and/or BREEAM certified. ▪ Renewable energy as a proportion of total energy consumption needs to increase by 15% per annum. ▪ Enterprise and supplier development spend needs to increase by 20% per annum. During the period under review, the Group achieved all three SPTs on the abovementioned sustainability-linked loan.		
STANDARD BANK OF SOUTH AFRICA FACILITY F	**800 000**	**800 000**
The Group entered into a R800 million 3-year sustainability-linked loan with Standard Bank in October 2021. The loan has three key performance indicators, and an annual measurement date of 30 September. If two or more of the SPTs are met, the interest payable under the note will be reduced by up to 3bp per annum and if one or less SPTs are met, the interest payable will be increased by up to 3bp per annum. The changes in these rates will be reflected in the period in which the change occurs. The sustainability performance targets are: ▪ All new building developments are to be EDGE and/or BREEAM certified. ▪ Renewable energy as a proportion of total energy consumption needs to increase by 15% per annum. ▪ Enterprise and supplier development spend needs to increase by 20% per annum. During the period under review, the Group achieved all three SPTs on the abovementioned sustainability-linked loan.		
RMB FACILITY	**225 000**	**225 000**
The Group entered into a R225 million 4-year green loan with RMB in September 2021. The loan is deemed to be a sustainability-linked note in compliance with the Loan Market Association ("LMA") Green Loan Principles by virtue of the loan proceeds being applied to two EDGE certified properties: Equites Park Meadowview 19A and 19B. Due to the sustainable design of these two properties, they have significant energy usage, water usage and embodied energy savings.		
SUSTAINABILITY-LINKED FUNDING	**2 140 260**	**2 060 205**
Non-current	2 140 260	2 060 205
Current	–	–

8 FINANCIAL RISK MANAGEMENT

ACCOUNTING POLICY

FINANCIAL ASSETS

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group does not apply hedge accounting and does not enter into derivative contracts for trading or speculative purposes. Any references to hedging refers to economic hedges.

FINANCIAL GUARANTEES

Financial guarantees issued are initially recognised at fair value and are subsequently measured at the higher of:
- The loss allowance determined as expected credit loss under IFRS 9 and
- The amount initially recognised (fair value) less any cumulative amount of amortisation on a straight-line basis over the term of the guarantee.

The Group has exposure to the following risks arising from financial instruments:
- Credit risk (note 8.2);
- Liquidity risk (note 8.3); and
- Market risk, including interest rate and foreign exchange risk (note 8.4).

8.1 RISK MANAGEMENT FRAMEWORK

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

8.2 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and vendor loans. Credit risk also arises from the Group's cash balances and derivative financial instruments (where these are in an asset position) held with financial institutions. The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognised in profit or loss relate to trade and other receivables.

The Group deposits funds and trades derivative instruments with various financial institutions in both SA and the UK. From a credit risk perspective, the Group places reliance on the published credit ratings of the major rating agencies together with the Group's own analysis and research.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

	R'000			2023	2022
8	**FINANCIAL RISK MANAGEMENT** CONTINUED				
8.2	**CREDIT RISK** CONTINUED				
8.2.1	**FINANCIAL ASSETS**				
	FINANCIAL ASSETS AT FAIR VALUE				
	Derivatives not specifically designated as hedging instruments (note 8.2.2)			276 667	165 282
	Cash and cash equivalents (note 10)			257 692	570 143
	FINANCIAL ASSETS AT AMORTISED COST				
	Trade and other receivables (note 12)			223 499	208 805
	Loan receivable (note 13)			58 057	–
	FINANCIAL ASSETS			**815 915**	**944 230**
	Current			607 123	883 593
	Non-current			208 792	60 637
8.2.2	**DERIVATIVE FINANCIAL ASSETS**				
	The Group is exposed to credit risk in relation to derivative financial instruments which have a mark-to-market value in favour of the Group. The breakdown of this exposure both by derivative instrument type and by counterparty is as follows.				
	FOREIGN CURRENCY LONG TERM DEPOSIT RATINGS	**MOODY'S**	**S&P**		
	Absa Bank	Ba2	BB-	43 129	30 364
	HSBC UK Bank	A1	A+	24 231	10 670
	Nedbank	Ba2	BB-	128 377	52 319
	RMB	Ba2	BB-	–	6 692
	Standard Bank of South Africa	Ba2	BB-	69 653	65 237
	Investec Bank	Ba2	BB-	11 277	–
	DERIVATIVES WITH A POSITIVE MARK-TO-MARKET VALUATION BY COUNTERPARTY			**276 667**	**165 282**
	Interest rate swaps			233 065	77 382
	Interest rate derivatives			37 718	60 118
	Cross-currency swaps			1 051	16 632
	FX zero-cost collars			4 833	929
	FX average rate forwards			–	10 221
	DERIVATIVES WITH A POSITIVE MARK-TO-MARKET VALUATION BY INSTRUMENT			**276 667**	**165 282**

8.3 LIQUIDITY RISK

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

8.3.1 FINANCING ARRANGEMENTS

The Group had R1.45 billion (2022: R1.2 billion) of revolving credit facilities as at 28 February 2023, of which R1.34 billion (2022: R1.2 billion) was undrawn at year end.

MATURITY (R'000)	2023 DEBT BALANCE	2023 UNDRAWN FACILITIES	2022 DEBT BALANCE	2022 UNDRAWN FACILITIES
Within one year	3 522 475	450 000	1 227 041	200 000
Between one and three years	4 388 779	888 000	4 936 205	500 000
Beyond three years	3 348 480	–	4 080 122	500 000
DEBT AND BANKING FACILITIES	**11 259 734**	**1 338 000**	**10 243 368**	**1 200 000**

8.3.2 FINANCIAL LIABILITIES

R'000	2023	2022
FINANCIAL LIABILITIES AT FAIR VALUE		
Derivatives not specifically designated as hedging instruments (note 8.4.2)	188 497	173 207
FINANCIAL LIABILITIES AT AMORTISED COST		
Trade and other payables (note 18)[1]	430 958	513 842
Financial guarantee (note 8.3.4)	10 000	–
Loans and borrowings (note 7)	11 354 589	9 000 572
FINANCIAL LIABILITIES	**11 984 044**	**9 687 621**
Current	4 191 144	1 596 153
Non-current	7 792 900	8 091 468

[1] In the prior year, lease liabilities were disclosed as a separate line item. In the current financial period, they are included as part of trade and other payables. The comparative figure has been updated to reflect this.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

8 FINANCIAL RISK MANAGEMENT CONTINUED

8.3 LIQUIDITY RISK CONTINUED

8.3.3 MATURITIES OF FINANCIAL LIABILITIES

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

2023	REPAYABLE WITHIN ONE YEAR	REPAYABLE BETWEEN ONE AND THREE YEARS	REPAYABLE BEYOND THREE YEARS	TOTAL
Borrowings	3 522 476	4 388 779	3 348 480	11 259 735
Interest repayments	648 205	673 179	171 001	1 492 385
Trade and other payables[1]	375 456	29 925	35 039	440 420
Derivatives	141 731	25 985	40 884	208 600
TOTAL	**4 687 868**	**5 117 868**	**3 595 404**	**13 401 140**

2022	REPAYABLE WITHIN ONE YEAR	REPAYABLE BETWEEN ONE AND THREE YEARS	REPAYABLE BEYOND THREE YEARS	TOTAL
Borrowings	1 026 304	4 431 336	3 542 932	9 000 572
Interest repayments	262 520	453 214	20 177	735 911
Trade and other payables[1]	480 969	18 231	14 642	513 842
Derivatives	88 880	41 807	42 520	173 207
TOTAL	**1 858 673**	**4 944 588**	**3 620 271**	**10 423 532**

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

[1] In the prior year, lease liabilities were disclosed as a separate line item. In the current financial period, they are included as part of trade and other payables. The comparative figure has been updated to reflect this.

8.3.4 FINANCIAL GUARANTEE

The Group provided a financial guarantee in favour of Nedbank in terms of which the Group guarantees the fulfilment of Mabel Black Knight Investments 1 Proprietary Limited's obligations to Nedbank, limited to R10 million. Nedbank will release this security once the LTV reaches 50% or less and ICR of 2 times.

8.4 MARKET RISK

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

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

8.4.1 MANAGING INTEREST RATE BENCHMARK REFORM AND ASSOCIATED RISKS

OVERVIEW

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative near risk-free rates (referred to as "IBOR reform"). The Group has exposure to IBORs on its financial instruments that have or will be replaced or reformed as part of these market-wide initiatives.

There exists uncertainty around the timing and the methods of transition for ZAR Johannesburg Interbank Average Rates ("JIBAR"). The Group currently has a number of contracts which reference ZAR JIBAR, all of which have yet to transition to an alternative benchmark interest rate as at 28 February 2023. These contracts are disclosed within the table below.

The Group has modified all of its floating-rate liabilities indexed to sterling London Interbank Offered Rates ("LIBOR") to reference Sterling Overnight Index Average ("SONIA") during the year ended 28 February 2022. The transition happened on an economically equivalent basis and there were no other changes made to the contracts.

DERIVATIVES

The Group holds derivatives, including interest rate swaps, for risk management purposes which have floating legs that are indexed to ZAR JIBAR. The Group's derivative instruments are governed by contracts based on International Swaps and Derivatives Association ("ISDA") master agreements. The transition from ZAR JIBAR to an alternative secured overnight financing rate (currently proposed to be ZARONIA) may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group will endeavour to match the timing of the transition of liabilities referenced to ZAR JIBAR with the timing of the transition of derivatives related to those liabilities to the extent possible.

The Group has modified all of its derivatives indexed to sterling LIBOR to reference SONIA during the year ended 28 February 2022. The timing of the transition of liabilities was matched with the timing of the transition of derivatives related to those liabilities to the extent possible.

R'000	2023	2022
LIABILITIES EXPOSED TO ZAR JIBAR MATURING AFTER 28 FEBRUARY 2023		
Long-term debt	6 429 893	5 254 920
Derivatives	62 821	109 742
TOTAL	**6 492 714**	**5 364 662**

8.4.2 DERIVATIVE INSTRUMENTS

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

DERIVATIVE	RISK MITIGATION
INTEREST RATE SWAPS AND DERIVATIVES	The Group enters into derivative financial instruments to manage its exposure to interest rates by hedging the interest rate exposure on floating rate loans.
CROSS-CURRENCY SWAPS AND FX SWAPS	The Group enters into cross-currency interest rate derivatives to hedge interest rate and/or foreign currency exposure from investments in UK operations.
DUAL CURRENCY DEPOSITS	The Group enters into short-term financial instruments to obtain higher investment yields when currency flows and liquidity permit.
FX AVERAGE RATE ZERO-COST COLLARS AND FORWARDS	The Group enters into foreign exchange derivatives to manage exposure to foreign exchange risk by forward selling foreign currency according to predetermined foreign income hedging levels.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

8 FINANCIAL RISK MANAGEMENT CONTINUED
8.4 MARKET RISK CONTINUED
8.4.2 DERIVATIVE INSTRUMENTS CONTINUED

R'000	NOTIONAL VALUE 2023	NOTIONAL VALUE 2022	MARK-TO-MARKET VALUE 2023	MARK-TO-MARKET VALUE 2022
DERIVATIVE INSTRUMENTS				
Interest rate swaps	5 675 977	5 365 363	233 065	(2 275)
Interest rate derivatives	1 500 000	1 800 000	(25 103)	(28 315)
Cross-currency swaps	2 021 230	2 219 879	(109 092)	16 155
Dual currency deposits	–	465 633	–	(2 182)
FX zero-cost collars	286 032	199 796	2 814	(1 529)
FX average rate forwards	166 053	49 017	(13 514)	10 221
TOTAL	**9 649 292**	**10 099 688**	**88 170**	**(7 925)**
Derivative financial assets (note 8.2.1)			276 667	165 282
Derivative financial liabilities (note 8.3.2)			(188 497)	(173 207)
£'000				
GBP-referenced instruments	**186 855**	**211 094**		

8.4.3 CURRENCY & TRANSLATION RISK

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which revenue, costs, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are ZAR and GBP. Most of the Group's external revenue and costs arise within SA and are denominated in South African Rand. Where the Group's foreign operations trade and are funded in their functional currency, this limits their exposure to foreign exchange volatility. Therefore, the Group's policy is, wherever possible, that funding should be secured in a currency to match the currency of the underlying rental cashflows to minimise foreign exchange volatility through natural hedges. Where this is not possible at competitive rates, the Group enters into derivative instruments to hedge foreign currency, capital purchases, purchase and sale commitments, interest expense and foreign currency investments. The Group currently partially finances the UK expansion through a combination of SA debt and equity and therefore has foreign exchange exposure on its capital investment in the UK. The Group has continued to expand into the UK during the year under review.

R'000	2023	2022
The following exchange rates have been applied:		
GBP/ZAR average rate	20.2442	20.4428
GBP/ZAR year end spot rate	22.3052	20.7041
£'000		
8.4.3.1 EXPOSURE TO CURRENCY RISK		
The Group's exposure to currency risk on financial assets and financial liabilities is as follows:		
Trade receivables	1 805	1 742
Cash and cash equivalents	8 696	2 329
Derivatives	5 683	515
Secured bank loans – UK institutions	(149 051)	(120 928)
Secured bank loans – SA institutions[1]	(67 484)	(60 000)
Trade payables	(12 963)	(14 334)
NET STATEMENT OF FINANCIAL POSITION EXPOSURE	**(213 314)**	**(190 676)**
Next 12 months forecast distributable income	12 438	10 809
NET FORECAST TRANSACTION EXPOSURE	**12 438**	**10 809**
Forward exchange contracts	–	(8 128)
Cross-currency swaps	97 500	107 500
NET EXPOSURE	**(103 376)**	**(80 495)**

[1] During the year, the Group expanded on the disclosure of exposure to currency risk and the comparatives have been represented accordingly.

R'000	2023	2022
8.4.3.2 HEDGING OF CAPITAL INVESTMENT – TRANSLATION RISK		
The table below shows the carrying amounts of the Group's foreign currency assets and liabilities and the percentage of foreign net assets which are currently hedged:		
Foreign assets	445 063	521 876
Foreign liabilities	(170 194)	(156 571)
FOREIGN NET ASSETS	**274 869**	**365 305**
Nominal value of GBP/ZAR cross-currency swaps	97 500	107 500
Derivative hedging of foreign assets	21.9%	20.6%

The Group's treasury policy restricts the utilisation of cross-currency interest rate swaps to 45% of foreign denominated assets over time. The Group achieves this by continually monitoring its exposure to foreign exchange rates as a result of its investment into the UK. There was no increase to the notional utilisation of cross-currency swaps in the current financial year.

8.4.3.3 HEDGING OF CASHFLOW

Cash flows from Group operations in the UK are exposed to movements in the GBP/ZAR exchange rate. To manage the impact of currency volatility, the Group has a policy of hedging at least 80% of its 12 month projected forward net operating cashflow and 40% of its 12-24 month projected forward net operating cashflow derived in foreign currency. Historically, development funding requirements exceeded net operating rental cashflows in the UK and cash flows were retained in the UK and reinvested into developments, eliminating the requirement for cash flow hedges. Net operating income is hedged using monthly average forwards and collars (refer hedging of distributable earnings in note 8.4.3.4), and this policy and associated trades will remain in place, thereby continuing to hedge UK operating cashflows in line with our policy. Any material non-operating cashflows will be analysed and adjudicated on a case-by-case basis, and where these are inflows, taking into account the repayment of debt and any associated hedging positions.

8.4.3.4 HEDGING OF DISTRIBUTABLE EARNINGS

The Group utilises natural hedges to minimise its exposure of fluctuations in foreign exchange rates on its distributable earnings to the full extent possible. The Group settles interest expenses on pound-denominated loans and derivative hedges in pounds, which partially hedges its foreign exchange rate exposure. In relation to the residual exchange rate risk, the Group assesses the likely impact on the funds to be received from its foreign operations of reasonably possible changes in the GBP/ZAR exchange rate using financial modelling and hedges its exposure to this exchange rate. The Group has implemented a base hedging level for funds expected to be earned from its UK operations in the next 24 months in line with the following policy:

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

The average 12-month minimum hedging level is 75%, and the level of income hedging tapers off with later maturities to provide the Group with limited upside in relation to the GBP/ZAR exchange rate. As time elapses, each maturity will move closer towards the initial period and therefore the amount of Group income hedged will increase in line with the above policy. As at 28 February 2023, the Group had hedged net income to be received over the next 24 months as follows.

SIX-MONTH PERIOD ENDING	EFFECTIVE HEDGING LEVEL	BLENDED PARTICIPATION FLOOR	BLENDED PARTICIPATION CAP
31 August 2023	80%	R20.86/£	R21.70/£
29 February 2024	70%	R21.34/£	R22.49/£
31 August 2024	45%	R21.90/£	R22.10/£
28 February 2025	30%	R22.57/£	R23.50/£

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

8 FINANCIAL RISK MANAGEMENT CONTINUED

8.4 MARKET RISK CONTINUED

8.4.3 CURRENCY & TRANSLATION RISK CONTINUED

8.4.3.5 SENSITIVITY ANALYSIS TO EXCHANGE RATES

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

The sensitivity analysis applies two standard deviations ("2SD") above and below the GBP/ZAR 52-week simple moving average exchange rate. The sensitivity analysis includes the impact of currency hedging and assumes that other macroeconomic factors remain unchanged.

	2023		2022	
	2SD GBP/ZAR STRENGTH	2SD GBP/ZAR WEAKNESS	2SD GBP/ZAR STRENGTH	2SD GBP/ZAR WEAKNESS
Spot exchange rate	23.7178	20.8926	21.5018	19.3999
Average exchange rate	21.6567	18.8316	21.5956	19.2901
Distributable earnings	(30 226)	30 226	(20 744)	33 916
Net profit	(30 638)	41 443	(33 424)	67 818
Total equity	397 295	(386 490)	257 980	(408 613)

8.4.4 INTEREST RATE RISK

The Group is exposed to interest rate risk on loans advanced, interest-bearing borrowings and cash and cash equivalents. The Group adopts a proactive interest rate risk management policy in order to achieve a low cost of debt whilst mitigating against interest rate risk. It is the Group's policy to hedge at least 80% of the interest rate risk of all debt with a contractual maturity greater than one year either using interest rate derivatives or entering into fixed-rate loan agreements. The Group aims to limit debt with a contractual maturity of one year or less to below 20% of all debt. With regard to the sensitivity to interest rates, the Group aims to ensure that the increase in the cost of debt is less than 250bp for a 500bp increase in interest rates.

R'000	2023	2022
8.4.4.1 INTEREST RATE DERIVATIVE INSTRUMENTS		
The following table depicts the nominal value of the interest rate derivative instruments which the Group has utilised to hedge floating rate liabilities:		
JIBAR-linked interest rate swaps	4 135 000	3 935 000
JIBAR-linked interest rate derivatives	1 500 000	1 800 000
SONIA-linked interest rate swaps	1 540 977	1 430 363
TOTAL INTEREST RATE DERIVATIVES	**7 175 977**	**7 165 363**
Weighted average maturity	March 2025	February 2025
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	–	75 601
Average maturity	–	31 August 2022
Effective interest rate	–	6.7%
Total interest rate derivatives	7 175 977	7 165 363
Embedded interest rate derivatives	–	75 601
TOTAL NOMINAL VALUE OF INTEREST RATE HEDGES	**7 175 977**	**7 240 964**

The Group no longer has any lease agreements which contain embedded derivatives.

8.4.4.2 HEDGING EFFECTIVENESS

The Group regularly assesses the adequacy of its interest rate cover by analysing the effective interest hedging cover on total committed future financing cash outflows.[1]

HEDGE EFFECTIVENESS AS AT 28 FEBRUARY 2023

	INTEREST RATE HEDGES		
R'000	ZAR-DENOMINATED	GBP-DENOMINATED	TOTAL
MATURITY PROFILE			
Within one year	850 000	–	850 000
Within two years	2 860 000	827 211	3 672 606
Within three years	825 000	223 052	1 044 114
Within five years	800 000	490 714	1 282 051
INTEREST RATE HEDGES	**5 335 000**	**1 540 977**	**6 848 771**

	FACILITIES			BALANCES		
R'000	FLOATING	FIXED	TOTAL	FLOATING	FIXED	TOTAL
MATURITY PROFILE						
Short-term debt balance (excluding accrued interest)	1 158 341	–	1 158 341	957 632	–	957 632
Long-term debt balance (excluding accrued interest)	2 815 260	–	2 815 260	2 564 843	–	2 564 843
Within one year	3 973 601	–	3 973 601	3 522 475	–	3 522 475
Within two years	2 351 000	–	2 351 000	2 098 832	–	2 098 832
Within three years	2 943 465	–	2 943 465	2 289 947	–	2 289 947
Within five years	1 033 000	–	1 033 000	1 032 300	–	1 032 300
Beyond five years	–	2 342 046	2 342 046	–	2 316 180	2 316 180
DEBT BALANCE	**10 301 066**	**2 342 046**	**12 643 112**	**8 943 554**	**2 316 180**	**11 259 734**

INTEREST HEDGE COVER	TARGET	FACILITIES	BALANCES
Hedge cover maturing greater than one year	≥80%	96.2%	107.5%
Short-term debt as a percentage of total debt balance	<20%	9.2%	8.5%
Debt cost change	<250bp for 500bp move	191bp	n/a

[1] During the year, the Group performed additional analysis to that previously presented and the comparatives have been represented accordingly.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

8 FINANCIAL RISK MANAGEMENT CONTINUED

8.4 MARKET RISK CONTINUED

8.4.4 INTEREST RATE RISK CONTINUED

8.4.4.2 HEDGING EFFECTIVENESS CONTINUED

HEDGE EFFECTIVENESS AS AT 28 FEBRUARY 2022

R'000	INTEREST RATE HEDGES ZAR-DENOMINATED	INTEREST RATE HEDGES GBP-DENOMINATED	TOTAL
MATURITY PROFILE			
Within one year	300 000	–	300 000
Within two years	850 000	–	850 000
Within three years	2 860 000	767 832	3 627 832
Within five years	1 125 000	662 531	1 787 531
INTEREST RATE HEDGES	**5 135 000**	**1 430 363**	**6 565 363**

R'000	FACILITIES			BALANCES		
	FLOATING	FIXED	TOTAL	FLOATING	FIXED	TOTAL
MATURITY PROFILE						
Short-term debt balance (excluding accrued interest)	827 041	–	827 041	626 397	–	626 397
Long-term debt balance (excluding accrued interest)	400 000	–	400 000	399 906	–	399 906
Within one year	1 227 041	–	1 227 041	1 026 303	–	1 026 303
Within two years	2 585 205	–	2 585 205	2 334 214	–	2 334 214
Within three years	2 351 000	–	2 351 000	2 097 122	–	2 097 122
Within five years	2 488 143	1 591 980	4 080 122	1 960 095	1 582 838	3 542 932
DEBT BALANCE	**8 651 389**	**1 591 980**	**10 243 368**	**7 417 734**	**1 582 838**	**9 000 571**

INTEREST HEDGE COVER	TARGET	FACILITIES	BALANCES
Hedge cover maturing greater than one year	≥80%	87.2%	98.4%
Short-term debt as a percentage of total debt balance	<20%	8.1%	7.0%
Debt cost change	<250bp for 500bp move	157bp	n/a

8.4.4.3 SENSITIVITY ANALYSIS TO INTEREST RATES

The Group has calculated the sensitivity of changes in interest rates on net profit assuming a 50bp parallel shift of the yield curve in either direction. As the main component of the movement in net profit for the year would arise from an accounting mismatch whereby derivatives are fair valued and the related financial liabilities are not, the Group has also outlined the impact of changes in interest rates on distributable earnings which it considers to be more appropriate. The sensitivity analysis includes the impact of interest rate hedging and it assumes that other macroeconomic factors remain unchanged.

R'000	2023 +50BP	2023 -50BP	2022 +50BP	2022 -50BP
Distributable earnings	(11 035)	15 010	(14 430)	14 430
Net profit	28 429	(28 429)	20 260	(24 159)

9 FAIR VALUE MEASUREMENT

Assets and liabilities recognised and subsequently measured at fair value are categorised into a three-tier hierarchy that reflects the significance of the inputs used in the valuation technique. The levels of the hierarchy are defined as follows:

Level 1: 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: Valuation techniques using inputs that are observable either directly (i.e. as prices other than quoted prices that are included in level 1) or indirectly (i.e. from derived prices).

Level 3: Valuation techniques using inputs that are not based on observable market data (unobservable inputs).

R'000	LEVEL OF HIERARCHY	2023	2022
ASSETS AND LIABILITIES MEASURED AT FAIR VALUE			
FINANCIAL ASSETS			
Derivative financial instruments (note 8.2.2)	Level 2	276 667	165 283
FINANCIAL LIABILITIES			
Derivative financial instruments (note 8.3.2)	Level 2	(188 497)	(173 207)
NON-FINANCIAL ASSETS			
Investment properties[1] (note 4)	Level 3	24 460 638	25 517 606

[1] Excluding investment property held-for-sale and land options at cost.

There have been no transfers between level 1, level 2 or level 3 during the period under review. Derivative financial instruments are measured with reference to observable market inputs (interest rates, yield curves, FX rates) based on mid-market levels.

SENSITIVITY OF FAIR VALUES TO CHANGES IN UNOBSERVABLE INPUTS (LEVEL 3):

Valuation of investment properties is sensitive to changes in unobservable inputs used in determining fair value.

	2023							
R'000	EXIT CAPITALISATION RATES		DISCOUNT RATES		MARKET RENTALS		INCOME CAPITALISATION YIELDS	
Change in input	-0.1%	+0.1%	-0.1%	+0.1%	+5.0%	-5.0%	-0.5%	+0.5%
Increase/(decrease) in fair value:								
SA Industrial	78 932	(97 903)	85 286	(96 853)	384 435	(366 393)	–	–
UK Industrial	–	–	–	–	–	–	813 967	(710 297)
TOTAL	**78 932**	**(97 903)**	**85 286**	**(96 853)**	**384 435**	**(366 393)**	**813 967**	**(710 297)**

	2022							
R'000	EXIT CAPITALISATION RATES		DISCOUNT RATES		MARKET RENTALS		INCOME CAPITALISATION YIELDS	
Change in input	-0.1%	+0.1%	-0.1%	+0.1%	+5.0%	-5.0%	-0.5%	+0.5%
Increase/(decrease) in fair value:								
SA Industrial	71 509	(91 269)	70 170	(94 470)	351 732	(356 771)	–	–
UK Industrial	–	–	–	–	–	–	1 184 399	(886 817)
TOTAL	**71 509**	**(91 269)**	**70 170**	**(94 470)**	**351 732**	**(356 771)**	**1 184 399**	**(886 817)**

Due to significant yield widening in the UK logistics market over the last twelve months, the Group deems it reasonable to use a 50bp range on the sensitivity analysis.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

10 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

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

R'000	2023	2022
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Short-term deposits	–	465 633
Current accounts	257 316	90 745
Cash on call	376	13 765
CASH AND CASH EQUIVALENTS	**257 692**	**570 143**

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

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

The Group is exposed to credit risk on cash deposits at financial institutions. The breakdown of this exposure by counterparty is as follows:

FOREIGN CURRENCY LONG TERM DEPOSIT RATINGS	MOODY'S	S&P	2023	2022
Absa Bank	Ba2	BB-	13 331	20 669
HSBC UK Bank	A1	A+	169 679	22 915
Investec Bank	Ba2	BB-	9 185	466 203
FirstRand Bank Limited	Ba2	BB-	3	–
Nedbank	Ba2	BB-	13 612	37 916
Royal Bank of Scotland	A1	A	15 483	22 176
Standard Bank of South Africa	Ba2	BB-	36 399	264
CASH AND CASH EQUIVALENTS			**257 692**	**570 143**

11 NON-CONTROLLING INTERESTS

ACCOUNTING POLICY

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

CRITICAL ESTIMATES AND JUDGEMENTS

CONSOLIDATION OF STRUCTURED ENTITY

The Group assisted in the incorporation of The Michel Lanfranchi Foundation NPC ("MLF") which houses all the corporate social responsibility projects and initiatives of the Group. The main objective of MLF is to contribute to educational infrastructure at primary, secondary and tertiary education level, as well as to facilitate bursaries and scholarships to deserving individuals. Equites was instrumental in the formation of MLF and is currently the only source of donation income to the Foundation.

The Group has applied judgement in determining the treatment of the relationship with MLF. An IFRS 10 *Consolidated Financial Statements* assessment has been performed to determine if the Group controls MLF and its subsidiaries. The IFRS 10 assessment concluded that the Group should consolidate MLF and its subsidiary.

POWER OVER MLF

The relevant activities of the Foundation include the collection of donation fee income in order to fulfil its mandate of contributing to educational infrastructure at primary, secondary and tertiary education level, as well as to facilitate bursaries and scholarships to deserving individuals. At present, these activities are only made possible through the donations provided by Equites. The directors of MLF provide a budget to Equites at the beginning of each financial period which details the intended projects for the upcoming year. On an annual basis, the Equites board determines the amount it wishes to allocate to the Foundation and continually monitors the allocated budget against the actual spend.

RIGHT TO VARIABLE RETURNS

As MLF is an NPC, there are no variable returns as the intention is purely philanthropic.

ABILITY TO USE ITS POWER OVER MLF TO CONTROL THE AMOUNT OF RETURNS

As MLF is an NPC, there are no variable returns as the intention is purely philanthropic.

Through the above assessment it was concluded that MLF shall be consolidated by Equites in respect of its Group consolidated annual financial statements.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

11 NON-CONTROLLING INTERESTS CONTINUED

CRITICAL ESTIMATES AND JUDGEMENTS

CONSOLIDATION OF PLUMBAGO INVESTMENT PLATFORM PROPRIETARY LIMITED ("PIP")

Equites and Eskom Pension and Provident Fund ("EPPF") established a strategic venture in respect of a logistics campus let to DSV Solutions Proprietary Limited. To determine whether Equites exercises control over PIP, the Group carefully assessed the below IFRS 10 considerations.

POWER OVER PIP

The business of the PIP group is broadly defined to include a number of activities of a property company, with the main relevant activity relating to the selecting, acquiring and disposing of property assets. As this vehicle has third-party debt, a relevant activity also includes the ability to select and structure the funding in the vehicle. Decisions about the relevant activities of PIP are made by the board. Through its majority stake, Equites is able to appoint one additional director and is therefore able to direct decisions over the relevant activities. The substantive rights inferred through its majority stake also include the ability to appoint key management personnel, the ability to enter into significant transactions and the ability to dominate the nomination of members to PIP's board.

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

RIGHT TO VARIABLE RETURNS

Equites, as a holder of 51% of the equity in PIP, remains exposed to both downside risks and upside potential as a result of the broad scope of the business that PIP can conduct and through its ability to direct the activities that are undertaken by PIP.

ABILITY TO USE ITS POWER OVER PIP TO CONTROL THE AMOUNT OF RETURNS

Equites' power over PIP gives Equites the ability to affect the amount of returns generated by PIP. As Equites actively manages the PIP group, Equites determines the amount of dividends to be declared by PIP.

Through the above assessment, it was concluded that PIP shall be consolidated by Equites in respect of its consolidated annual financial statements and EPPF should be reflected as a 49% non-controlling interest at a Group level.

CONSOLIDATION OF RETAIL LOGISTICS FUND (RF) PROPRIETARY LIMITED ("RLF")

Equites and Shoprite Checkers Proprietary Limited ("Shoprite") established a strategic venture in respect of Shoprite's distribution centres. Equites acquired a 50.1% stake in RLF on 4 November 2020, when the distribution centres transferred to RLF, with Shoprite holding the remaining 49.9%.

To determine whether Equites exercises control over RLF, the Group carefully assessed the below IFRS 10 considerations.

POWER OVER RLF

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

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

RIGHT TO VARIABLE RETURNS

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

ABILITY TO USE ITS POWER OVER RLF TO CONTROL THE AMOUNT OF RETURNS

Equites' power over RLF gives Equites the ability to affect the amount of returns generated by RLF. As Equites actively manages RLF, Equites determines the amount of dividends to be declared by RLF.

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

NON-CONTROLLING INTEREST REPRESENTS THE FOLLOWING:

- 100% of the net asset value of MLF, and its subsidiary
- 40% of the net asset value of ENGL, and its subsidiaries
- 49.9% of the net asset value of RLF
- 49% of the net asset value of PIP, and its subsidiary. EPPF acquired a non-controlling interest in PIP during the prior year

There has been no change to NCI during the current year.

R'000	2023	2022
NON-CONTROLLING INTEREST RECONCILIATION		
Opening balance	3 059 872	2 166 757
Acquired interest in net asset value[2]	–	703 150
Transactions with non-controlling interest[1]	64 623	22 264
Share of profit for the year (note 11.1)	534 016	323 759
Share of other comprehensive income for the year	15 248	1 749
Dividend declared	(289 559)	(157 807)
CLOSING BALANCE	**3 384 200**	**3 059 872**

1 Relates to additional shares issued by ENGL.

2 Relates to the 49% interest held by EPPF in PIP acquired in the prior year.

11.1 SHARE OF PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTEREST INCLUDES THE FOLLOWING:

	2023	2022
Fair value adjustment – investment property	232 549	8 221
Fair value adustment – derivatives	8 924	(4 011)
Straight-lining of leases adjustment	100 621	80 918
Net profit from trading properties and developments	49 836	80 848
Expenses of a capital nature[3]	(60 770)	–

3 Includes litigation settlement expense.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

11 NON-CONTROLLING INTERESTS CONTINUED

11.2 SUMMARISED STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2023

R'000	ENGL CONSOLIDATED 100%	PIP CONSOLIDATED 100%	RLF 100%	MLF CONSOLIDATED 100%
SUMMARISED STATEMENT OF FINANCIAL POSITION				
Non-current assets	1 282 102	2 213 127	4 041 454	176 653
Current assets	829 337	120 479	809 230	8 831
TOTAL ASSETS	**2 111 439**	**2 333 606**	**4 850 684**	**185 484**
Non-current liabilities	–	640 316	–	149 269
Current liabilities	1 730 653	21 010	30 279	2 052
TOTAL LIABILITIES	**1 730 653**	**661 326**	**30 279**	**151 321**
NET ASSET VALUE	**380 786**	**1 672 280**	**4 820 405**	**34 163**
ACCUMULATED NON-CONTROLLING INTEREST	**114 436**	**819 417**	**2 405 381**	**44 965**
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME				
Gross property revenue	–	234 668	515 694	19 798
Gross profit from trading properties and developments	229 573	–	–	–
Property operating and management expenses	–	(23 950)	(118 188)	(3 507)
Current tax expense	98 090	–	–	–
PROFIT FOR THE YEAR	**264 163**	**245 554**	**610 647**	**3 317**
PROFIT ALLOCATED TO NON-CONTROLLING INTEREST	**105 665**	**120 322**	**304 712**	**3 317**
TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	**120 914**	**120 322**	**304 712**	**3 317**
DIVIDEND PAID TO NON-CONTROLLING INTEREST	**(129 176)**	**(8 116)**	**(152 267)**	**–**
SUMMARISED STATEMENT OF CASH FLOWS				
Cash flows from operating activities	(49 672)	(4 558)	6 179	2 067
Cash flows from investing activities	(339 067)	–	29 764	(679)
Cash flows from financing activities	357 952	(2 812)	–	–
Effect of exchange rate movements	24 095	–	–	–
NET CASH MOVEMENT	**(6 692)**	**(7 370)**	**35 943**	**1 388**

11.2 SUMMARISED STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

R'000	ENGL CONSOLIDATED 100%	PIP CONSOLIDATED 100%	RLF 100%	MLF CONSOLIDATED 100%
SUMMARISED STATEMENT OF FINANCIAL POSITION				
Non-current assets	–	2 072 973	4 370 646	174 075
Current assets	2 005 520	21 129	154 010	7 498
TOTAL ASSETS	**2 005 520**	**2 094 102**	**4 524 656**	**181 573**
Non-current liabilities	–	637 890	–	149 269
Current liabilities	1 860 334	12 922	9 754	840
TOTAL LIABILITIES	**1 860 334**	**650 812**	**9 754**	**150 109**
NET ASSET VALUE	**145 186**	**1 443 291**	**4 514 902**	**31 464**
ACCUMULATED NON-CONTROLLING INTEREST	**58 074**	**707 212**	**2 252 936**	**41 649**
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME				
Gross property revenue	–	23 867	491 438	19 803
Gross profit from trading properties and developments[1]	253 503	–	–	–
Current tax expense	(48 778)	–	–	–
PROFIT/(LOSS) FOR THE YEAR	**202 121**	**8 290**	**487 587**	**(4 456)**
PROFIT ALLOCATED TO NON-CONTROLLING INTEREST	**80 847**	**4 062**	**243 306**	**(4 456)**
TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	**82 596**	**4 062**	**243 306**	**(4 456)**
DIVIDEND PAID TO NON-CONTROLLING INTEREST	**(44 529)**	**–**	**(113 278)**	**–**
SUMMARISED STATEMENT OF CASH FLOWS				
Cash flows from operating activities	(268 229)	22 160	(12 138)	3 245
Cash flows from investing activities	–	(1 151)	(301)	(117)
Cash flows from financing activities	281 501	(308)	–	–
Effect of exchange rate movements	8 904	–	–	–
NET CASH MOVEMENT	**22 176**	**20 701**	**(12 439)**	**3 128**

1 Disclosed as "Net development income" in the prior year.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

12 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less expected credit loss ("ECL"). 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. The fair value of trade and other receivables approximates the carrying amounts due to its short-term nature.

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.

EXPECTED CREDIT LOSS ASSESSMENT – TENANT RECEIVABLES

Trade receivables are assessed for impairment at each reporting date. The Group applies the simplified approach permitted by IFRS 9: *Financial Instruments*, which requires lifetime ECL to be recognised from initial recognition of the trade receivable. This represents the ECL that will result from all possible default events over the expected life of the trade receivable.

The Group makes use of a provision matrix based on the payment profile of trade receivables and the historical credit losses experienced over the period. Trade receivables are aggregated into groups of receivables that share similar credit risk characteristics. In assessing the appropriate grouping, we have considered the applicable region (SA or UK), tenant grading (A-grade, B-grade or C-grade) and credit life cycle (performing vs non-performing).

The historical loss rates are adjusted to reflect current and forward-looking information that could significantly impact the tenant's ability to settle the trade receivable. The forward-looking adjustment was based on the change in credit default risk of government bonds in SA (R2032) and the UK (10-year guild).

Deferred rent receivables form part of tenant receivables. ECL on these amounts have been assessed and is immaterial.

ECL is recorded in the loss allowance account until the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against trade receivables directly. Movements in ECL are included in administrative expenses in the statement of comprehensive income.

EXPECTED CREDIT LOSS ASSESSMENT – OTHER RECEIVABLES

We have assessed the impact of expected credit losses on other receivables and deem the impact to be immaterial.

R'000	2023	2022
Gross trade receivables (tenants)	41 913	67 678
Deferred rent	1 756	3 105
Loss allowance (note 12.3)	(2 477)	(2 948)
NET TENANT RECEIVABLES	**41 192**	**67 835**
Municipal deposits	18 646	16 896
Supplier development loan (note 12.4)	10 000	10 455
Sundry debtors	108 851	57 028
Accrued income	33 584	25 659
Creditors with debit balances	8 742	13 489
VAT receivable	17 362	–
Prepaid expenses	32 678	14 391
Other receivables	2 484	17 443
TRADE AND OTHER RECEIVABLES	**273 539**	**223 196**
Non-current	2 188	–
Current	271 351	223 196

CLASSIFICATION OF TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables have been classified as follows:

R'000	2023	2022
Financial instruments at amortised cost	223 499	208 805
Non-financial instruments	50 040	14 391
TRADE AND OTHER RECEIVABLES	**273 539**	**223 196**

12.1 CREDIT QUALITY OF TRADE RECEIVABLES

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

	2023	2022
A – Large multinational companies, large listed companies and government organisations	40 908	61 248
B – Smaller multinational and national tenants	1 005	1 212
C – Other local tenants and sole proprietors	–	5 218
GROSS TRADE RECEIVABLES	**41 913**	**67 678**

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

12.2 AGEING OF TRADE RECEIVABLES

The ageing of trade receivables as at year end was as follows:

	TRADE RECEIVABLES		DEFERRED RENT	
R'000	2023	2022	2023	2022
Current	22 718	29 629	1 756	3 105
1 – 30 days past due	13 960	16 661	–	–
31 – 60 days past due	879	1 422	–	–
61 – 90 days past due	1 167	14 289	–	–
91 days past due or more	3 189	5 677	–	–
GROSS TRADE RECEIVABLES	**41 913**	**67 678**	**1 756**	**3 105**

MATURITY PROFILE OF DEFERRED RENT ARRANGEMENTS

As a result of the COVID-19 global pandemic, R35 million of rental deferrals were granted in SA and £326k (R7 million) in the UK during the 2021 financial year. Of these deferrals, R1.8 million (2022: R3.1 million) remain outstanding in SA. The UK deferrals were fully recovered in the 2022 financial year.

R'000	2023	2022
The expected repayment of outstanding deferred rent is profiled as follows:		
Within one year	1 239	1 505
Within two years	239	1 176
Within three years	95	180
Within four years	95	95
Within five years	88	95
Beyond five years	–	54
DEFERRED RENT	**1 756**	**3 105**

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

12 TRADE AND OTHER RECEIVABLES CONTINUED

12.3 EXPECTED CREDIT LOSS ALLOWANCE

The ECL provision was determined as follows for trade receivables:

	EXPECTED CREDIT LOSS RATE		TRADE RECEIVABLES	
R'000	**2023**	**2022**	**2023**	**2022**
Current	0.33%	0.08%	74	–
1 – 30 days past due	3.77%	9.79%	526	320
31 – 60 days past due	58.25%	10.87%	518	144
61 – 90 days past due	39.53%	27.70%	461	716
91 days or more past due	28.19%	30.16%	898	1 768
LOSS ALLOWANCE			**2 477**	**2 948**

RECONCILIATION OF LOSS ALLOWANCE

The following table shows the movement in the loss allowance (lifetime ECL) for trade receivables:

	2023	2022
Opening balance	2 948	815
Provision raised	–	2 133
Remeasurement of loss allowance	(471)	–
CLOSING BALANCE	**2 477**	**2 948**

Trade receivables of nil (2022: R126k) have been written off during the year.

12.4 SUPPLIER DEVELOPMENT LOAN

	2023	2022
Damon at Sons Construction Proprietary Limited	10 000	10 455

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

13 LOAN RECEIVABLE

ACCOUNTING POLICY

The Group holds a loan receivable which is classified as a financial asset at amortised cost as the payments comprise solely principal and interest. Loan receivable is initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less ECL.

EXPECTED CREDIT LOSS ASSESSMENT

Taking into consideration the current net asset value and liquidity situation of the borrower, the Group does not see any premise for loan impairment. The borrower is considered to have the capacity to meet their obligation resulting from loans, therefore the credit risk of the loans is assessed very low. The ECL amount is assessed to be immaterial.

R'000	**2023**	**2022**
Mabel Black Night Investments 1 Proprietary Limited	58 057	–
LOAN RECEIVABLE	**58 057**	**–**
Current	2 903	–
Non-current	55 154	–

The Group has concluded a single indivisible transaction, in terms of Statement 102 of the Broad-Based Black Economic Empowerment ("B-BBEE") Codes of Good Practice, whereby it disposed of six property assets located in the Western Cape to Mabel Black Knight Investments 1 Proprietary Limited ("Mabel"), a 100% black-owned consortium. The transaction included the advancement of a five-year loan to Mabel of R59.8 million, which bears interest at the prime overdraft rate and interest is repayable quarterly, compounded monthly, and capital is repayable in four equal annual instalments of 5% of the loan advanced with the balance repayable on the loan termination date. Any resulting B-BBEE expenses are considered immaterial.

Loans receivable are considered to have low credit risk. Refer to note 8 for details of the Group's credit risk management policies.

14 STATED CAPITAL

ACCOUNTING POLICY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares and share options are recognised as a deduction from equity.

TREASURY SHARES

Unvested restricted shares held for employee participants are classified as treasury shares. The cost price of these shares, together with related transaction costs, is deducted from equity. The issued and weighted average number of shares is reduced by the treasury shares for the purposes of the basic and headline earnings per share calculations. The issued number of shares is reduced by the treasury shares for the purpose of the dividend per share calculations. When treasury shares held for employee participants vest in such participants, the shares are no longer classified as treasury shares, but included as part of issued share capital.

SHARE REPURCHASES AND CANCELLATIONS

Consideration paid for share buybacks, including any directly attributable incremental costs are deducted from equity.

	NUMBER OF SHARES		AMOUNT (R'000)	
	2023	2022	2023	2022
14.1 AUTHORISED SHARES				
Ordinary shares, of the same class and no par value	2 000 000 000	2 000 000 000	–	–
14.2 ISSUED SHARES				
Ordinary shares, of the same class and no par value	774 089 562	776 573 375	12 137 296	12 170 853
The unissued shares are under the control of the directors (subject to limitations set by shareholders' resolutions) until the next annual general meeting.				
14.3 RECONCILIATION OF ISSUED SHARES				
ORDINARY SHARES:				
Opening balance	776 573 375	628 715 583	12 170 853	9 337 288
Shares issued in respect of conditional share plan[1]	689 731	655 324	13 160	12 270
Shares issued for cash in accelerated book build[2]	–	103 517 185	–	2 000 000
Shares issued in respect of share-based payment transactions	–	9 310 756	–	180 000
Shares issued in terms of dividend reinvestment programme	1 421 922	34 374 527	28 154	653 736
Shares repurchased and cancelled[3]	(4 595 466)	–	(73 816)	–
Share issue costs	–	–	(1 055)	(12 441)
ISSUED SHARES	**774 089 562**	**776 573 375**	**12 137 296**	**12 170 853**
TREASURY SHARES:				
Opening balance	8 016	8 016	163	163
Treasury shares issued in terms of conditional share plan	(8 016)	–	(163)	–
Shares forfeited in respect of conditional share plan	43 549	–	831	–
TREASURY SHARES	**43 549**	**8 016**	**831**	**163**
NET SHARE CAPITAL	**774 046 013**	**776 565 359**	**12 136 465**	**12 170 690**

1 689 731 shares issued at R19.08 (2022: 655 324 shares issued at R18.72).

2 2022: 55 555 555 shares issued at R18.00 per share under the general authority to issue shares for cash on 15 July 2021 and 47 961 630 shares issued at R20.85 per share under the general authority to issue shares for cash on 25 February 2022.

3 4 595 466 shares repurchased between 1 September 2022 and 7 February 2023 at an average price of R16.06 per share.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

15 SHARE-BASED PAYMENT RESERVE

ACCOUNTING POLICY

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

The Group operates a conditional share plan, which is classified as an equity-settled share-based payment plan, under which it receives services from employees as consideration for equity instruments of the Group. Executive directors and all employees are beneficiaries under the scheme. 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.

R'000	2023	2022
Conditional share plan (note 15.1)	22 316	29 390
SHARE BASED PAYMENT RESERVE	**22 316**	**29 390**

15.1 CONDITIONAL SHARE PLAN

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

Long-term incentive awards are granted annually in the form of conditional shares in Equites. The total quantum of shares (at face value) awarded for the year was set as 85% of total guaranteed pay ("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. For individual employees, awards are made based on individual employment contracts. All awards are subject to performance conditions and require the participant to be employed by the Group until the 31st May following the end of the 3-year performance period.

The full details of the scheme will be included in the remuneration report.

The CSP awards have been recognised as equity-settled share-based payments as a separate category within equity. The fair value of the IFRS 2 *Share Based Payment* charge has been measured using the Black-Scholes formula. The following assumptions were incorporated in the valuation:

ASSUMPTIONS	AWARD GRANTED IN FEB 2019	AWARD GRANTED IN FEB 2020	AWARD GRANTED IN FEB 2021	AWARD GRANTED IN FEB 2022	AWARD GRANTED IN FEB 2023
Closing number of unvested instruments – Directors	678 363	768 691	1 449 505	1 263 941	1 816 864
Closing number of unvested instruments – Other	115 261	235 568	270 236	595 249	1 085 717
Weighted average fair value of instruments at measurement date	16 951 816	21 450 967	36 733 678	39 712 289	44 873 915
Grant date	21 February 2019	20 February 2020	20 February 2021	20 February 2022	27 February 2023
Vesting date	31 May 2024	31 May 2025	31 May 2026	31 May 2027	31 May 2028
Issue price (30-day VWAP)	R20.34	R19.04	R18.31	R21.36	R15.82
Forfeiture rate – conditional share plan	5.0%	5.0%	5.0%	5.0%	5.0%
Forfeiture rate – matching shares	5.0%	5.0%	5.0%	10.0%	10.0%
Dividend yield	7.5%	9.5%	10.0%	10.0%	10.0%
Performance condition factor	100.0%	196.9%	100.0%	164.4%	75.0%

NUMBER OF SHARES ALLOCATED TO DIRECTORS IN TERMS OF THE AWARD SCHEME

2023	OPENING BALANCE	GRANTED	LAPSED	VESTED	CLOSING BALANCE	IFRS 2 CHARGE R'000	FAIR VALUE OF SHARES GRANTED R'000
Andrea Taverna-Turisan	1 608 902	788 470	(215 670)	(215 671)	1 966 031	2 711	12 190
Gerhard Riaan Gous	1 148 564	567 367	(150 608)	(150 608)	1 414 715	1 714	8 772
Laila Razack	724 669	461 027	(18 066)	(18 067)	1 149 562	1 044	7 127
	3 482 135	**1 816 864**	**(384 344)**	**(384 346)**	**4 530 309**	**5 469**	**28 089**

2022	OPENING BALANCE	GRANTED	LAPSED	VESTED	CLOSING BALANCE	IFRS 2 CHARGE R'000	FAIR VALUE OF SHARES GRANTED R'000
Andrea Taverna-Turisan	1 444 885	548 516	(46 733)	(337 765)	1 608 902	3 263	11 716
Gerhard Riaan Gous	1 022 355	394 701	(32 633)	(235 859)	1 148 564	2 303	8 431
Laila Razack	429 319	320 723	(3 084)	(22 289)	724 669	760	6 851
	2 896 559	**1 263 940**	**(82 450)**	**(595 913)**	**3 482 135**	**6 326**	**26 998**

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

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

R'000	2023	2022
Opening balance	29 390	15 953
Expense recognised in profit or loss	5 418	25 707
Shares issued[1]	(13 323)	(12 270)
Shares forfeited (note 14.3)	831	–
CLOSING BALANCE	**22 316**	**29 390**

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

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

R'000	2023	2022
16 DEFERRED TAX ASSET AND LIABILITY		
Deferred tax asset	3 290	162 765
Deferred tax liability	(129 706)	(441 194)
Deferred tax liability held-for-sale (note 17)	(52 770)	–
	(179 186)	**(278 429)**
NET DEFERRED TAX ASSET/(LIABILITY)		
Capital allowances	(154 870)	160 182
Tax losses	70 631	47 209
Fair value adjustment	(94 947)	(485 820)
	(179 186)	**(278 429)**
RECONCILIATION OF DEFERRED TAX ASSET/(LIABILITY)		
Opening balance	(278 429)	60 643
Investment property – allowances utilised	(280 858)	27 342
Tax losses recognised and utilised	13 122	(12 803)
Fair value adjustment	386 993	(275 663)
Change in tax rate	4 743	(71 653)
Foreign exchange movement	(24 757)	(6 295)
CLOSING BALANCE	**(179 186)**	**(278 429)**
Assessed losses for which no deferred tax asset is recognised	140 157	140 157

SOUTH AFRICA

The Group is a Real Estate Investment Trust ("REIT") as defined by section 25BB of the South African Income Tax Act which allows a deduction of the qualifying distribution to shareholders, limited to taxable income. To the extent that no tax will become payable in future as a result of section 25BB, no deferred tax was recognised on assessed losses and items such as IFRS accounting adjustments. Deferred tax is not recognised on the fair value adjustment of investment properties as capital gains tax is not applicable in terms of section 25BB. In addition, section 25BB does not allow for allowances relating to immovable property. Allowances granted in prior years, before becoming a REIT must be recouped in the year the immovable property is sold. A deferred tax liability will be recognised on the recoupment to the extent it will result in a tax liability after the qualifying distribution deduction.

UNITED KINGDOM

A deferred tax asset/(liability) is recognised on all temporary differences relating to capital allowances, fair value adjustments and tax losses. A deferred tax asset is recognised to the extent that there are future taxable profits against which it can be offset. Recognised tax losses relate to tax obligations to His Majesty's Revenue and Customs ("HMRC") under Corporations Tax.

R'000	2023	2022
17 NON-CURRENT LIABILITIES HELD-FOR-SALE		
Loans and borrowings (note 7)	145 277	–
Deferred tax (note 16)	52 770	–
NON-CURRENT LIABILITIES HELD-FOR SALE	**198 047**	**–**

18 TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

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

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

CRITICAL ESTIMATES AND JUDGEMENTS

MEASUREMENT OF LEASE LIABILITY

The Group pays land rental in Waterfall, Gauteng when the buildings are subleased. The Group looks to the lease term and lease payments of the underlying sub-lease agreement, in calculating the right-of-use asset and lease liability of the head-lease agreement, as this portion has been determined to be in substance fixed.

R'000	2023	2022
Trade payables and accruals	176 606	269 188
Rent received in advance	96 707	91 238
Tenant deposits	35 865	27 032
Shareholders for dividends	75	73
Lease liabilities	37 490	38 636
Deferred payments	–	175 985
IFRS 2 liability	10 266	8 334
Litigation settlement (note 31)	167 289	–
VAT payable	–	158
Other payables	13 633	2 928
TRADE AND OTHER PAYABLES	**537 931**	**613 572**
Current	472 625	572 364
Non-current	65 306	41 208
CLASSIFICATION OF TRADE AND OTHER PAYABLES		
The Group's trade and other payables have been classified as follows:		
Financial instruments at amortised cost	430 958	513 842
Non-financial instruments	106 973	99 730
TRADE AND OTHER PAYABLES	**537 931**	**613 572**

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

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

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

19 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment are tangible assets held by the Group for administrative and operational purposes and are expected to be used during more than one period. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the asset 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
Equipment	6 years
Furniture and fittings	6 years
Right-of-use asset	20 years
Buildings	20 years
Land	n/a

The Group determines the estimated useful lives, residual values and the related depreciation charges at acquisition and these are reviewed at each statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal or scrapping of property, plant and equipment, being the difference between the net proceeds on disposal or scrapping and the carrying amount, are recognised in profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets are reviewed for indicators of impairment at each reporting date. Where such indicators exist, the assets recoverable amount is estimated.

Where the carrying value of an asset exceeds its estimated recoverable amount, the carrying value is impaired and the asset is written down to its recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. These calculations are prepared based on management's assumptions and estimates such as forecasted cash flows, management budgets and financial outlook. For the purpose of impairment testing the assets are allocated to cash-generating units. Cash-generating units are the lowest levels for which separately identifiable cash flows can be determined.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset has decreased or no longer exists and recognises a reversal of an impairment loss. Impairment losses are only reversed to the extent that they do not increase an asset's carrying value above the carrying value it would have been if no impairment loss had been recognised.

Impairment losses and reversal are recognised in profit or loss.

LEASES

The Group is a party to a lease in respect of its Cape Town office, situated in the Portside building.

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

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

CRITICAL ESTIMATES AND JUDGEMENTS

LEASE TERM

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

R'000	FURNITURE AND FITTINGS	EQUIPMENT	COMPUTER EQUIPMENT	BUILDINGS	LAND	RIGHT-OF-USE ASSET	TOTAL
Cost	7 746	17	1 680	3 920	1 551	8 522	23 436
Accumulated depreciation	(3 211)	(2)	(783)	(784)	–	(737)	(5 517)
CARRYING VALUE AT 28 FEBRUARY 2021	**4 535**	**15**	**897**	**3 136**	**1 551**	**7 785**	**17 919**
FOR THE YEAR ENDED 28 FEBRUARY 2022							
Opening carrying value	4 535	15	897	3 136	1 551	7 785	17 919
Additions	227	610	714	4	–	–	1 555
Transfers	609	–	(609)	–	–	–	–
Right-of-use asset remeasurement	–	–	–	–	–	–	–
Depreciation charge for the year	(1 692)	(73)	(294)	(196)	–	(1 133)	(3 388)
CLOSING CARRYING VALUE	**3 679**	**552**	**708**	**2 944**	**1 551**	**6 652**	**16 086**
Cost	7 981	625	1 290	3 924	1 551	8 522	23 893
Accumulated depreciation	(4 302)	(73)	(582)	(980)	–	(1 870)	(7 807)
CLOSING CARRYING VALUE	**3 679**	**552**	**708**	**2 944**	**1 551**	**6 652**	**16 086**
FOR THE YEAR ENDED 28 FEBRUARY 2023							
Opening carrying value	3 679	552	708	2 944	1 551	6 652	16 086
Additions	5 925	11	1 299	4 143	–	–	11 378
Transfers	168	–	–	(168)	–	–	–
Right-of-use asset remeasurement	–	–	–	–	–	1 921	1 921
Depreciation charge for the year	(1 749)	(120)	(415)	344	–	(429)	(2 369)
Foreign exchange movements	39	–	4	–	–	–	43
CLOSING CARRYING VALUE	**8 062**	**443**	**1 596**	**7 263**	**1 551**	**8 144**	**27 059**
Cost	14 113	636	2 593	7 899	1 551	10 443	37 235
Accumulated depreciation	(6 051)	(193)	(997)	(636)	–	(2 299)	(10 176)
CARRYING VALUE AT 28 FEBRUARY 2023	**8 062**	**443**	**1 596**	**7 263**	**1 551**	**8 144**	**27 059**

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

20 PROPERTY REVENUE AND TENANT RECOVERIES

ACCOUNTING POLICY

Revenue comprises the following:

- Contractual rental income
- Tenant recoveries
- Property management fees

Contractual rental income from operating leases are recognised on a straight-line basis over the term of the lease taking into account fixed escalations. Lease incentives are recognised, on a straight-line basis, as a reduction of rental income over the lease period.

Tenant recoveries are levied monthly in arrears as a result of the Group recovering costs of providing the tenant with services as determined by the lease agreement. The Group negotiates the terms of the service, manages the relationship with the suppliers and is liable for payment (even if the property is vacant or the expense is not recovered from the tenant), and therefore maintains primary responsibility for providing the service. The Group acts as a principal on its own account when recovering operating costs from tenants. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. These recoveries are variable and dependent on the cost/actual usage of the service provided.

Revenue is measured at the transaction price agreed under the contract. For arrangements that include deferred payment terms that exceed 12 months, the Group adjusts the transaction price for the financing component, with the impact recognised as interest income using the effective interest rate method over the period of the financing.

Property management fees are fixed in terms of the lease agreement and levied monthly in advance in order to cover the costs of managing the property operationally, drafting contractual agreements, managing municipal accounts and all other elements of the property as defined in the agreement.

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

R'000	2023	2022
Contractual rental income	1 560 064	1 241 912
Tenant recoveries (note 20.2)	322 915	261 747
Property management fee	4 079	1 444
PROPERTY REVENUE AND TENANT RECOVERIES	**1 887 058**	**1 505 103**

20.1 TENANTS COMPRISING >10% OF PROPERTY REVENUE AND TENANT RECOVERIES

Shoprite Checkers Proprietary Limited	20.3%	22.4%
DSV Solutions Proprietary Limited	16.0%	2.4%

Both these tenants are included in the SA Industrial segment.
Refer to note 34 for revenue disaggregation by sector, location and tenant grade.

20.2 TENANT RECOVERIES

IFRS 16 variable recoveries	149 111	110 617
IFRS 15 tenant recoveries[1]	173 804	151 130
TENANT RECOVERIES	**322 915**	**261 747**

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

PROPERTY OPERATING AND MANAGEMENT EXPENSES

Recoverable expenses	293 571	233 599
Non-recoverable expenses	10 322	6 819
TOTAL	**303 893**	**240 418**

21 REVENUE FROM TRADING PROPERTIES AND DEVELOPMENTS

ACCOUNTING POLICY

Revenue from trading properties and developments relates to the sale of land and turnkey developments. The sale of land and development works are distinct performance obligations as these are separately identifiable transactions.

Land sale is recognised at a point in time, when the land is transferred to the buyer, at the consideration received for the land.

Revenue from turnkey developments is recognised over a period of time for the duration of the development. Revenue is recognised at the total consideration receivable for the development on a stage of completion basis.

CRITICAL ESTIMATES AND JUDGEMENTS

PRINCIPAL VERSUS AGENT CONSIDERATION

Determining whether the Group is the principal or agent for turnkey developments requires significant judgement.

The following factors were considered to understand the relationship and contractual arrangements between the various parties:

- The Group negotiates the maximum commitment in relation to the development and appoints all contractors and professionals.
- The building contractor has a duty to provide the construction, infrastructure, and related works according to specification, with due care and warranty however, the Group remains ultimately responsible for oversight, compliance and fulfilment of the development works to the point of practical completion.
- The Group combines third-party goods and services to provide the complete development works to the customer.
- The Group gains control of the infrastructure and building works through the various stages of completion.

Based on management's assessment of the contractual arrangement, the Group is regarded as the principal to the contract.

R'000	2023	2022
Revenue from trading property	344 496	–
Revenue from turnkey developments	707 435	576
REVENUE FROM TRADING PROPERTIES AND DEVELOPMENTS[1]	**1 051 931**	**576**

[1] Revenue from trading properties and developments were previously presented as net development income.

22 OTHER NET (LOSSES)/GAINS

	2023	2022
Income from foreign exchange derivative instruments	206 421	158 124
Fair value adjustment on foreign exchange derivative instruments	(267 843)	43 491
Insurance recoveries	429	121
Loss on sale of subsidiary companies	–	(237)
Loss on sale of investment property	(8 233)	(15 710)
Profit on sale of property, plant and equipment	8	4
Foreign exchange loss	(217 987)	(36 647)
Fair value adjustment on financial guarantee	(10 000)	–
Sundry income	4 757	6 061
TOTAL	**(292 448)**	**155 207**

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

R'000	2023	2022
23 EXPENSES BY NATURE		
COMPOSITION OF PROPERTY MANAGEMENT AND ADMINISTRATIVE EXPENSES		
Employee benefits (note 23.1)	37 626	55 613
Operating and administrative expenses (note 23.2)	502 318	262 844
PROPERTY MANAGEMENT AND ADMINISTRATIVE EXPENSES	**539 944**	**318 457**

ACCOUNTING POLICY

LOW VALUE LEASED ASSETS

Printing rentals for office printers is recognised in other operating expenses and has been separately disclosed below. The Group has applied the exemption in IFRS 16 *Leases* for these assets and a lease liability and right-of-use asset has not been recognised for these assets.

SHORT-TERM EMPLOYEE BENEFITS

Wages, salaries, paid annual leave and other costs of short-term employee benefits are recognised as employee benefit expense in profit or loss in the period in which the services are rendered.

SHORT-TERM BONUSES

The Group recognises an expense in profit or loss and accrues for short-term bonuses in the statement of financial position where such payments can be contractually determined or where past practice has created a constructive obligation.

R'000	2023	2022
23.1 EMPLOYEE BENEFITS		
Salary costs	38 051	31 914
Executive director and public officer's emoluments (note 23.4)	25 034	24 307
Non-executive directors' emoluments (note 23.3)	5 711	4 748
Share-based payment expense	7 186	27 568
Capitalised to investment property	(38 356)	(32 924)
TOTAL	**37 626**	**55 613**
23.2 OPERATING AND ADMINISTRATIVE EXPENSES		
Property taxes and utility expenses	285 538	227 816
Property operational costs	18 355	12 602
Insurance costs	26 434	13 371
Audit fees	5 583	5 154
Non-audit fees	320	756
Bad debts	–	126
Loss allowance	(471)	1 807
Depreciation of property, plant and equipment	2 369	3 388
Marketing expense	4 728	1 857
Professional, secretarial and other administrative expenses	42 748	38 264
Rental expense[1]	2 820	1 770
Litigation settlement (note 31)	151 832	–
Other operating expenses	9 989	12 205
Overheads capitalised to investment property	(47 927)	(56 272)
TOTAL	**502 318**	**262 844**

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

R'000	2023	2022

23.3 NON-EXECUTIVE DIRECTORS' EMOLUMENTS

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

DIRECTOR	2023	2022
Leon Campher	962	907
André Gouws	460	390
Cindy Hess (resigned 15 July 2022)	170	175
Doug Murray	548	303
Eunice Cross	582	477
Fulvio Tonelli (appointed 5 October 2022)	199	–
Giancarlo Lanfranchi (retired 27 July 2021)	–	143
Keabetswe Ntuli	547	340
Kevin Dreyer (retired 27 July 2021)	–	114
Mustaq Brey	731	573
Nazeem Khan (retired 17 August 2022)	323	584
Ndabezinhle Mkhize	490	162
Ruth Benjamin-Swales	699	580
TOTAL	**5 711**	**4 748**

23.4 EXECUTIVE DIRECTOR AND PUBLIC OFFICER'S EMOLUMENTS

REMUNERATION PAID TO EXECUTIVE DIRECTORS

	2023						
R'000	SALARY	BENEFITS	PERFORMANCE BONUS	TOTAL	DIVIDEND EQUIVALENT ON EOS	VALUE OF EQUITY-SETTLED SHARE-BASED PAYMENT INCENTIVES GRANTED[1]	TOTAL
Andrea Taverna-Turisan	5 169	74	5 798	11 041	1 412	4 571	17 024
Gerhard Riaan Gous	3 952	66	3 689	7 707	1 048	3 289	12 044
Laila Razack	3 211	71	3 004	6 286	684	2 673	9 643
TOTAL	**12 332**	**211**	**12 491**	**25 034**	**3 144**	**10 533**	**38 711**

[1] Further detail relating to share-based payments is included in note 15.1.

	2022						
R'000	SALARY	BENEFITS	PERFORMANCE BONUS	TOTAL	DIVIDEND EQUIVALENT ON EOS	VALUE OF EQUITY-SETTLED SHARE-BASED PAYMENT INCENTIVES GRANTED	TOTAL
Andrea Taverna-Turisan	4 876	22	5 851	10 749	1 350	3 263	15 362
Gerhard Riaan Gous	3 728	22	3 728	7 478	1 016	2 303	10 797
Laila Razack	3 029	22	3 029	6 080	345	760	7 185
TOTAL	**11 633**	**66**	**12 608**	**24 307**	**2 711**	**6 326**	**33 344**

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

R'000	2023	2022
24 FINANCE COST		
Interest expense on borrowings	586 243	324 743
Interest on lease liabilities	2 715	2 279
Finance cost relating to interest rate derivatives	49 280	94 192
Fair value movement on interest rate derivatives	(226 202)	(145 888)
Interest on utility accounts and other	735	389
Borrowing costs capitalised to investment and trading property[1]	(360 643)	(307 709)
FINANCE COST	**52 128**	**(31 994)**

[1] The capitalisation rate applied during the year was 8.4% (2022: 7.0%) in relation to general borrowings and 3.5% (2022: 2.5%) in relation to specific borrowings.

RECONCILIATION OF FINANCE COST TO FINANCE COST PAID	2023	2022
Interest accrued opening balance	53 663	5 980
Finance costs	52 128	(31 994)
Interest rate derivative settlement	–	(13 167)
Fair value movement on interest rate derivatives	226 202	145 888
Interest on lease liabilities	(2 715)	(2 279)
Loan fee amortisation	(18 281)	(13 451)
Loan fees paid	20 862	15 042
Borrowing costs capitalised to trading property	75 031	47 451
Interest accrued closing balance	(95 922)	(53 663)
FINANCE COST PAID DURING THE YEAR	**310 968**	**99 807**

25 FINANCE INCOME

ACCOUNTING POLICY

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

R'000	2023	2022
Interest received from tenants	785	894
Interest received on financial assets at fair value	50 194	9 113
Interest received on loan receivable	3 561	–
Interest received on call and current account balances	1 914	4 014
FINANCE INCOME	**56 454**	**14 021**
RECONCILIATION OF FINANCE INCOME TO FINANCE INCOME RECEIVED		
Finance income	56 454	14 021
Interest received on financial assets at fair value – non-cash	–	(9 113)
Interest accrued closing balance	(30 423)	–
FINANCE INCOME RECEIVED DURING THE YEAR	**26 031**	**4 908**

26 CURRENT AND DEFERRED TAX EXPENSE

ACCOUNTING POLICY

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

SOUTH AFRICAN TAX LAWS

The income tax expense for the period comprises current and deferred income tax and is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it will also be recognised in other comprehensive income or directly in equity as applicable. The Group is a REIT and all subsidiaries in the Group are "controlled companies" (as defined in the Income Tax Act). The Group applies judgement in determining what income sources constitute "rental income" as defined by section 25BB of the Income Tax Act. After deducting "qualifying distributions" from taxable income, no income tax is payable in the current year.

On 23 February 2022, the Minister of Finance announced that the corporate tax rate will decrease from 28% to 27% for years of assessments commencing on or after 1 April 2022. The Minister has indicated that this will be done alongside a broadening of the corporate income tax base by limiting interest deductions and assessed losses. This has no impact on the current financial statements as Equites has sufficient qualifying distributions to deduct against taxable income resulting in no tax expense. In addition, Equites does not recognise any deferred tax in relation to its SA operations.

UNITED KINGDOM TAX LAWS

Income tax expense for the period is in accordance with HMRC Corporations Tax and is calculated as 19% of taxable income.

In the Spring Budget 2021, the UK government announced an increase in the Corporations Tax main rate from 19% to 25% with effect from 1 April 2023. The impact of this announcement on the current financial statements is that deferred tax assets and liabilities are recognised at the rate at which these are expected to be utilised or recouped.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

26 CURRENT AND DEFERRED TAX EXPENSE CONTINUED

R'000	2023	2022
TAX EXPENSE		
Current tax	98 090	50 032
Deferred tax		
Prior year	153 749	–
Current year	(277 750)	332 777
TOTAL	**(25 911)**	**382 809**
RECONCILIATION BETWEEN APPLICABLE TAX RATE AND EFFECTIVE TAX RATE		
Profit before tax	(130 688)	2 739 229
Income tax at 28%	(36 593)	766 984
Amounts not subject to tax:		
Fair value adjustment – investment property	818 170	246 133
Fair value adjustment – derivative financial instruments	22 416	(55 318)
Straight-lining of leases adjustment	(76 653)	(48 049)
Loss on sale of non-current assets	2 303	8 220
IFRS 2 adjustments	2 012	7 719
Depreciation	663	894
Amounts not included in profit before tax:		
Interest capitalised	(100 980)	(86 159)
Overheads capitalised	(13 419)	(15 756)
Salaries capitalised	(10 740)	(9 219)
Donations	25	274
Items of a capital nature	44 282	(464)
Wear and tear allowances	(541)	(576)
PBO Exemption	(991)	(875)
UK Capital allowances	(267 665)	(90 512)
UK Tax losses	23 529	5 572
Other	(17 652)	(3 660)
Foreign tax differential	(84 348)	(137 405)
Qualifying s25BB REIT distribution	(329 729)	(204 994)
TAX EXPENSE	**(25 911)**	**382 809**
Effective tax rate	19.8%	14.0%

R'000	2023	2022
27 NOTES TO THE STATEMENT OF CASH FLOWS		
27.1 CASH GENERATED FROM OPERATIONS		
(Loss)/profit before tax	(130 688)	2 739 229
Adjusted for:		
Finance cost	52 128	(31 994)
Finance income	(56 454)	(14 021)
Loss on disposals	8 225	15 943
Foreign exchange differences	217 987	36 647
Straight-lining of leases adjustment	(273 761)	(182 468)
Fair value adjustments – investment property	1 607 261	(1 168 317)
Fair value adjustments – derivative instruments	267 843	(43 491)
Fair value adjustment – financial guarantee	10 000	–
Impairment of trading property	29 617	–
Depreciation and amortisation	7 762	7 023
IFRS 2 share based payment charge	7 186	27 568
Loss allowance	(471)	–
Working capital movements:		
Decrease/(increase) in trading properties	244 484	(156 566)
(Increase)/decrease in trade and other receivables	(43 745)	251
Increase in derivative instruments	(114 602)	(215 759)
Increase/(decrease) in trade and other payables	40 808	(69 196)
CASH GENERATED FROM OPERATIONS	**1 873 580**	**944 849**
27.2 CASH PAID IN RESPECT OF INVESTMENT PROPERTY ACQUIRED		
Investment property acquired	413 570	2 912 300
Non-controlling interest acquired	–	(703 150)
TOTAL	**413 570**	**2 209 150**
27.3 CASH PAID IN RESPECT OF INVESTMENT PROPERTY DEVELOPMENTS		
Opening construction and development cost accrued	(55 625)	(21 794)
Improvements and extensions (note 4.1 and 4.2)	(300 695)	(129 365)
Construction and development cost (note 4.1)	(1 594 634)	(2 345 537)
Letting commission capitalised (note 4.1)	(8 473)	(3 794)
Finance cost paid capitalised to investment properties (note 24)	285 611	260 259
Disposal related cost	(4 263)	–
Closing construction and development cost accrued	75 643	55 625
TOTAL	**(1 602 436)**	**(2 184 606)**
27.4 CASH RECEIVED IN RESPECT OF DISPOSALS OF INVESTMENT PROPERTY AND SUBSIDIARIES		
Loss on disposal (note 22)	(8 233)	(15 947)
Investment property disposed (note 4.1)	145	100 363
Held-for-sale property disposed (note 4.2)	214 797	21 982
Loans advanced to the purchaser	(59 807)	–
Other net assets disposed	5 245	3 417
Disposal related cost	(982)	(5 152)
TOTAL	**151 165**	**104 663**

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

R'000	2023	2022
27 NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED		
27.5 INVESTMENTS AND DIVESTMENTS OF CURRENT FINANCIAL ASSETS		
Investments	874 981	1 823 000
Proceeds from divestments	(874 981)	(1 823 000)
CLOSING BALANCE	**–**	**–**
27.6 DIVIDENDS DISTRIBUTED TO SHAREHOLDERS		
Dividends distributed to parent	(1 291 568)	(1 070 236)
Dividend distributed to NCI	(289 559)	(157 807)
Transactions with NCI	64 623	–
DIVIDEND PAID	**(1 516 504)**	**(1 228 043)**
27.7 TAX PAID		
Opening balance	–	
Amounts charged to profit or loss	(98 090)	(50 032)
Foreign exchange differences	(2 938)	–
Closing balance	(1 681)	–
TOTAL	**(102 709)**	**(50 032)**
28 CAPITAL COMMITMENTS		
Authorised and contracted for acquisition or construction of new industrial properties[1]	2 194 014	931 764
Authorised but not contracted	683 920	474 489
	2 877 934	**1 406 253**

[1] Includes commitments to acquire land.

29 RELATED PARTIES

Related party relationships exist between the Company, its subsidiaries, directors, and key management of the Group. Refer to the Director's Report for a list of all subsidiaries and structured entities consolidated.

Remuneration paid to directors is set out in note 23.

Details of the conditional share plan in which the directors participate are provided in note 15.

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

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

	2023	2022
Dividend paid to related party shareholders	39 781	52 013
Insurance premiums paid to Commsure Financial Solutions (indirectly owned by Cindy Hess' spouse)[2]	4 329	13 011
Fees paid to BTKM Proprietary Limited (in which Nazeem Khan is a director)[3]	3 793	1 945
Fees paid to Automotion Proprietary Limited (in which Kevin Dreyer is a director)[4]	–	13
	47 903	**66 982**

[2] Cindy Hess resigned as a director, effective 15 July 2022, and therefore Commsure ceased to be a related party during the year. The amount disclosed for the current year relates to charges prior to her resignation.

[3] Nazeem Khan retired as a director, effective 17 August 2022, and therefore BTKM ceased to be a related party during the year. The amount disclosed for the current year relates to charges prior to his retirement.

[4] Kevin Dreyer retired as a director, effective 27 July 2021, and therefore Automotion ceased to be a related party during the prior year.

30 SUBSEQUENT EVENTS

30.1 DIVIDENDS DECLARED AFTER YEAR END

A dividend of 88.02237 cents per share was declared on 8 May 2023.

30.2 PETERBOROUGH DISPOSAL

On 22 March 2023, the Group disposed of its investments in Equites UK SPV 7 Limited and Equites UK SPV 8 Limited to a commingled investment fund managed by Clarion Partners Europe for a cash consideration of £51.8 million (approximately R1.1 billion). The disposal comprises two distribution centres, located in Peterborough, let to DSV Solutions Limited and Coloplast Limited, respectively. A portion of the proceeds was used to early settle £6.6 million (R145 million) of debt owed to HSBC UK Bank at the time of disposal.

These assets and liabilities are recognised as held-for-sale on the statement of financial position.

30.3 CANELANDS ACQUISITION

Equites, through its subsidiary RLF, acquired a logistics campus located in Canelands, KwaZulu-Natal on 18 April 2023 from Shoprite. The acquisition constitutes an existing warehouse and undeveloped land at a cost of R560 million and R78 million, respectively. The existing warehouse is let to Shoprite and the undeveloped land is to be developed, in terms of a development lease agreement, to extend the existing facility at an indicative cost of R422 million (including the land cost).

31 CONTINGENT LIABILITIES

In the prior year, a contingent liability was disclosed in relation to a claim for £15.5 million which was lodged against a subsidiary and certain individual Newlands directors in respect of damages allegedly caused by the diversion of a business opportunity. During the current financial year, the Group concluded a settlement agreement and a liability of R167 million (£7.5 million) has been disclosed in note 18. The settlement amount was paid on the 8 March 2023.

32 GOING CONCERN

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

33 SEPARATE ANNUAL FINANCIAL STATEMENTS

Separate statutory annual financial statements for Equites Property Fund Limited in accordance with IFRS and the requirements of the Companies Act have been prepared and issued as separate financial statements. Please refer to these financial statements for the company balances, transactions, and disclosures. These have been issued separately for ease of reference purposes.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

34 PROPERTY ANALYSIS

34.1 PROPERTY SCHEDULE[1]

PROPERTY NAME	LOCATION	COUNTRY	GROSS LETTABLE AREA (M^2)	AVERAGE RENTAL PER M^2 (RAND)	VALUE (R'000)	DATE OF LAST EXTERNAL VALUATION
LOGISTICS PROPERTIES						
Plumbago Campus	Witfontein, Gauteng	SA	144 213	Note 1	2 181 000	28 February 2023
Hoyland Common	Hoyland	UK	31 570	Note 1	1 895 942	28 February 2023
Centurion 1	Centurion, Gauteng	SA	169 966	Note 1	1 560 000	28 February 2023
Brackenfell 2	Brackenfell, Western Cape	SA	140 048	Note 1	1 316 012	28 February 2023
Scimitar Way	Coventry	UK	19 880	Note 1	961 354	28 February 2023
Peterborough Gateway 3	Peterborough	UK	13 318	Note 1	854 289	28 February 2023
Brackenfell 1	Brackenfell, Western Cape	SA	109 568	Note 1	805 792	28 February 2023
Super G	Wakefield	UK	24 340	Note 1	736 072	28 February 2023
Dodwells Road	Hinckley	UK	27 725	Note 1	571 013	28 February 2023
Island Road West	Reading	UK	11 027	Note 1	567 652	28 February 2023
Equites Park – Meadowview 8[3]	Meadowview, Gauteng	SA	27 691	Note 1	523 575	28 February 2023
Equites Park – Lords View 1	Lords View, Gauteng	SA	22 100	Note 1	465 000	28 February 2023
The Hub – Unit 1	Burgess Hill	UK	3 985	Note 1	390 392	28 February 2023
Equites Park – Meadowview 18	Meadowview, Gauteng	SA	28 527	Note 1	353 306	28 February 2023
Equites Park – Riverfields 1	Witfontein, Gauteng	SA	22 377	Note 1	324 692	28 February 2023
Germiston 1[3]	Germiston, Gauteng	SA	26 278	Note 1	320 450	28 February 2023
Equites Park – Jet Park 1 East	Jet Park, Gauteng	SA	28 889	Note 1	303 084	28 February 2023
The Hub – Unit 3	Burgess Hill	UK	4 961	Note 1	294 429	28 February 2023
Total Park	Leeds	UK	5 432	Note 1	288 933	28 February 2023
Equites Park – Meadowview 15	Meadowview, Gauteng	SA	25 828	Note 1	279 000	28 February 2023
Equites Park – Meadowview 19B	Meadowview, Gauteng	SA	23 235	Note 1	277 329	28 February 2023
Equites Park – Meadowview 19A	Meadowview, Gauteng	SA	21 448	Note 1	266 929	28 February 2023
Waterfall 8C[2]	Waterfall, Gauteng	SA	25 017	Note 1	261 661	28 February 2023
Longmeadow[3]	Longmeadow, Gauteng	SA	24 592	Note 1	254 800	28 February 2023
Waterfall 22B	Waterfall, Gauteng	SA	21 043	Note 1	235 431	28 February 2023
Parc Felindre	Swansea	UK	5 500	Note 1	233 201	28 February 2023
Equites Park – Atlantic Hills 1	Atlantic Hills, Western Cape	SA	17 607	Note 1	231 200	28 February 2023
Equites Park – Lords view 4	Lords View, Gauteng	SA	15 155	Note 1	220 480	28 February 2023
Equites Park – Meadowview 11	Meadowview, Gauteng	SA	14 159	Note 1	220 000	28 February 2023
Waterfall 22D[2]	Waterfall, Gauteng	SA	18 969	Note 1	217 223	28 February 2023
Equites Park – Riverfields 2	Witfontein, Gauteng	SA	17 894	Note 1	206 519	28 February 2023
Waterfall 8A	Waterfall, Gauteng	SA	12 638	Note 1	205 810	28 February 2023
Waterfall 9B	Waterfall, Gauteng	SA	6 650	Note 1	157 988	28 February 2023
Philippi 1	Philippi, Western Cape	SA	15 798	Note 1	148 300	28 February 2023
Waterfall 9D	Waterfall, Gauteng	SA	8 087	Note 1	140 786	28 February 2023
Equites Park – Meadowview 3	Meadowview, Gauteng	SA	10 470	Note 1	140 321	28 February 2023
Waterfall 8B	Waterfall, Gauteng	SA	8 690	Note 1	127 750	28 February 2023
Equites Park – Lords view 3	Lords View, Gauteng	SA	13 392	Note 1	125 013	28 February 2023
Waterfall 9E[2]	Waterfall, Gauteng	SA	10 374	Note 1	116 883	28 February 2023
Equites Park – Bellville 2	Bellville, Western Cape	SA	9 861	Note 1	115 734	28 February 2023
Parow Industria 1	Parow, Western Cape	SA	10 308	Note 1	99 625	28 February 2023
Airport Industria 1	Airport Industria, Western Cape	SA	9 388	Note 1	98 285	28 February 2023

1 Excludes properties that are held-for-sale as at 28 February 2023.

2 50% ownership

3 65% ownership

Note 1: The rental per m^2 for single-tenanted buildings has not been disclosed.

PROPERTY NAME	LOCATION	COUNTRY	GROSS LETTABLE AREA (M²)	AVERAGE RENTAL PER M² (RAND)	VALUE (R'000)	DATE OF LAST EXTERNAL VALUATION
LOGISTICS PROPERTIES CONTINUED						
Equites Park – Lords View 2	Lords View, Gauteng	SA	11 366	Note 1	96 253	28 February 2023
Equites Park – Lords View 5	Lords View, Gauteng	SA	9 364	Note 1	93 608	28 February 2023
Equites Park – Saxdowne 3	Blackheath, Western Cape	SA	11 028	Note 1	92 422	28 February 2023
Epping Industria	Epping, Western Cape	SA	8 177	Note 1	91 355	28 February 2023
Wells Estate	Gqeberha, Eastern Cape	SA	10 077	Note 1	90 000	Note 2
Waterfall 22C	Waterfall, Gauteng	SA	5 027	Note 1	88 981	28 February 2023
Equites Park – Meadowview 12	Meadowview, Gauteng	SA	7 543	Note 1	87 318	28 February 2023
Equites Park – Meadowview 7	Meadowview, Gauteng	SA	8 230	Note 1	83 576	28 February 2023
Philippi 2	Philippi, Western Cape	SA	8 422	Note 1	81 528	28 February 2023
Parow Industria 2	Parow, Western Cape	SA	7 930	Note 1	76 031	28 February 2023
Equites Park – Atlantic Hills 2	Atlantic Hills, Western Cape	SA	4 874	Note 1	75 219	28 February 2023
Equites Park – Meadowview 6	Meadowview, Gauteng	SA	6 205	Note 1	71 100	28 February 2023
Equites Park – Bellville 3	Bellville, Western Cape	SA	5 983	Note 1	67 191	28 February 2023
Waterfall 9A	Waterfall, Gauteng	SA	3 963	Note 1	65 774	28 February 2023
Waterfall 9C	Waterfall, Gauteng	SA	3 219	Note 1	64 178	28 February 2023
Airport Industria 2	Airport Industria, Western Cape	SA	5 661	Note 1	63 852	28 February 2023
Equites Park – Meadowview 4	Meadowview, Gauteng	SA	5 000	Note 1	61 000	28 February 2023
Equites Park – Atlantic Hills 5	Atlantic Hills, Western Cape	SA	5 844	Note 1	59 787	28 February 2023
Waterfall 22A	Waterfall, Gauteng	SA	4 666	Note 1	53 269	28 February 2023
Equites Park – Atlantic Hills 3	Atlantic Hills, Western Cape	SA	4 358	Note 1	44 000	28 February 2023
Equites Park – Atlantic Hills 4	Atlantic Hills, Western Cape	SA	3 200	Note 1	35 550	28 February 2023
Equites Park – Meadowview 2	Meadowview, Gauteng	SA	3 280	Note 1	32 300	28 February 2023
TOTAL LOGISTICS PROPERTIES[1]			**1 351 415**	**88.5**	**20 667 547**	
NON-LOGISTICS PROPERTIES						
INDUSTRIAL						
Equites Park – Bellville 1	Bellville, Western Cape	SA	5 239	Note 1	131 000	28 February 2023
Airport Industria 7	Airport Industria, Western Cape	SA	5 549	Note 1	78 700	28 February 2023
Equites Park – Saxdowne 1	Blackheath, Western Cape	SA	4 066	Note 1	63 250	28 February 2023
Canelands	Canelands, KwaZulu-Natal	SA	2 697	Note 1	48 000	28 February 2023
Equites Park – Saxdowne 2	Blackheath, Western Cape	SA	1 895	Note 1	33 000	28 February 2023
Equites Park – Meadowview 16	Meadowview, Gauteng	SA	1 117	Note 1	19 450	28 February 2023
Equites Park – Meadowview Cell Tower 11	Meadowview, Gauteng	SA	81	Note 1	1 390	28 February 2023
Equites Park – Meadowview Cell Tower 12	Meadowview, Gauteng	SA	98	Note 1	1 270	28 February 2023
TOTAL NON-LOGISTIC PROPERTIES			**20 742**	**181.7**	**376 060**	
TOTAL INCOME EARNING PROPERTIES			**1 372 157**	**89.9**	**21 043 607**	

[1] Excludes properties that are held-for-sale as at 28 February 2023.

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

Note 2: This property was acquired in January 2023 and is considered to be at a fair market value.

NOTES CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

34 PROPERTY ANALYSIS CONTINUED

34.1 PROPERTY SCHEDULE[1] CONTINUED

PROPERTY NAME	LOCATION	COUNTRY	VALUE (R'000)
PROPERTIES UNDER DEVELOPMENT			
Equites Park – Riverfields 4	Witfontein, Gauteng	SA	442 536
Equites Park – Riverfields 5	Witfontein, Gauteng	SA	355 816
Parow Industria 4	Parow, Western Cape	SA	179 439
Wells Estate	Gqeberha, Eastern Cape	SA	105 379
Equites Park – Meadowview East 14	Meadowview, Gauteng	SA	97 564
Equites Park – Jet Park 4	Jet Park, Gauteng	SA	68 758
Centurion 2	Centurion, Gauteng	SA	37 084
Equites Park – Jet Park 6	Jet Park, Gauteng	SA	33 937
TOTAL PROPERTIES UNDER DEVELOPMENT			**1 320 513**
VACANT LAND			
ZONED INDUSTRIAL LAND			
Gauteng	Witfontein, Meadowview, Lords view	SA	810 498
Western Cape	Blackheath, Brackenfell	SA	102 303
TOTAL ZONED INDUSTRIAL LAND			**912 801**
STRATEGIC LAND HOLDINGS			
United Kingdom	Peterborough, Milton Keynes	UK	1 179 143
TOTAL STRATEGICALLY HELD LAND			**1 179 143**
TOTAL LAND HOLDINGS			**2 091 944**
TOTAL PROPERTIES, DEVELOPMENTS AND VACANT LAND			**24 456 064**

34.2 TENANT PROFILE

	REVENUE (R'000)	REVENUE (%)	GROSS LETTABLE AREA (M²)	GROSS LETTABLE AREA (%)	NUMBER OF TENANTS	NUMBER OF TENANTS %
A – Large nationals, large listeds companies and government	1 846 354	97.8%	1 350 188	98.4%	73	96.1%
B – Smaller international and national tenants	18 999	1.0%	9 540	0.7%	2	2.6%
C – Other local tenants and sole proprietors	21 705	1.2%	11 028	0.8%	1	1.3%
Vacant lettable properties	–	–	1 400	0.1%	–	–
	1 887 058	**100.0%**	**1 372 156**	**100.0%**	**76**	**100.0%**

34.3 SECTORAL PROFILE (INCLUDING VACANCY PROFILE)

	REVENUE (R'000)	REVENUE (%)	GROSS LETTABLE AREA (M²)	GROSS LETTABLE AREA %	VACANCY AREA (M²)	VACANCY (%)
Logistics	1 833 278	97.2%	1 351 414	98.5%	1 401	0.1%
Industrial	52 707	2.8%	20 742	1.5%	–	–
Office	1 073	–	–	–	–	–
	1 887 058	**100.0%**	**1 372 156**	**100.0%**	**1 401**	**0.1%**

34.4 GEOGRAPHICAL PROFILE

	REVENUE (R'000)	REVENUE (%)	GROSS LETTABLE AREA (M^2)	GROSS LETTABLE AREA %
Gauteng	1 091 810	57.9%	816 840	59.5%
Western Cape	411 643	21.8%	394 803	28.8%
KwaZulu-Natal	39 434	2.1%	2 697	0.2%
Eastern Cape	1 195	0.1%	10 077	0.7%
United Kingdom	342 976	18.1%	147 739	10.8%
	1 887 058	**100.0%**	**1 372 156**	**100.0%**

34.5 LEASE EXPIRY PROFILE

LEASE EXPIRY PROFILE BASED ON GROSS LETTABLE AREA	LOGISTICS	INDUSTRIAL	TOTAL
Vacant	0.1%	–	0.1%
Expiry in the year to 29 February 2024	3.9%	26.8%	4.2%
Expiry in the year to 28 February 2025	4.7%	25.7%	5.0%
Expiry in the year to 28 February 2026	6.8%	–	6.7%
Expiry in the year to 28 February 2027	2.1%	19.6%	2.4%
Expiry in the year to 29 February 2028	11.3%	9.1%	11.2%
Thereafter	71.1%	18.8%	70.4%
	100.0%	**100.0%**	**100.0%**

LEASE EXPIRY PROFILE BASED ON REVENUE	LOGISTICS	INDUSTRIAL	TOTAL
Expiry in the year to 29 February 2024	5.1%	25.2%	5.7%
Expiry in the year to 28 February 2025	7.1%	40.2%	8.0%
Expiry in the year to 28 February 2026	7.9%	0.0%	7.7%
Expiry in the year to 28 February 2027	1.7%	10.8%	1.9%
Expiry in the year to 29 February 2028	14.9%	7.0%	14.7%
Thereafter	63.3%	16.8%	62.0%
	100.0%	**100.0%**	**100.0%**

34.6 WEIGHTED AVERAGE ESCALATIONS, LEASE EXPIRY AND INITIAL YIELD

SECTOR	YIELD (%)[2]	LEASE EXPIRY (YEARS)[3]	ESCALATION (%)[4]
South Africa – Logistics	8.2	13.2	6.5
South Africa – Industrial	11.5	11.1	7.3
WEIGHTED AVERAGE – SOUTH AFRICA		**13.1**	**6.5**
United Kingdom – Logistics[1]	4.8	15.8	n/a
GROUP WEIGHTED AVERAGE		**13.8**	

1 Majority of the leases for properties in the UK are structured with five year annual rent reviews and not fixed annual escalations
2 Based on property valuation
3 Based on revenue
4 Based on gross lettable area

APPENDIX 1

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

DISTRIBUTABLE EARNINGS

DISTRIBUTION POLICY

The Group has established strict guidelines regarding its distribution policy to ensure that the distributable earnings is a fair reflection of sustainable earnings; this comprises property related income net of property related expenditure, interest expense and administrative costs.

The principles encompassed in the calculation below are largely aligned with the best practice recommendations ("BPR") established by the SA REIT Association published in 2016 and the guidelines further developed in the revised BPR which were published in November 2019.

As distributable earnings is a measure of core earnings, the company has adjusted for the following key items in the determination of this metric:

- certain non-cash and accounting adjustments;
- gains or losses on the disposal of assets and the associated tax treatment;
- certain foreign exchange and hedging items;
- net profit arising from land sale and turnkey developments; and
- antecedent earnings adjustment.

The specific adjustments are detailed in the statement of distributable earnings presented below. All of these adjustments are derived from the face of the income statement presented and the notes accompanying these financial statements.

RECONCILIATION BETWEEN EARNINGS AND DISTRIBUTABLE EARNINGS

R'000	UNAUDITED 2023	UNAUDITED 2022
(LOSS)/PROFIT FOR THE YEAR (ATTRIBUTABLE TO OWNERS OF THE PARENT)	(638 793)	2 032 661
Adjusted for:		
Fair value adjustments to investment properties	1 607 261	(1 168 317)
Less: Fair value adjustment to investment properties (NCI)	232 549	8 221
Loss on sale of non-current assets	8 225	15 943
HEADLINE EARNINGS	**1 209 242**	**888 508**
Adjusted for:		
Straight-lining of leases adjustment	(273 761)	(182 468)
Fair value adjustments to derivative financial assets and liabilities	41 641	(189 379)
Fair value adjustment to financial guarantees	10 000	–
Equity-settled share-based payment reserve	7 186	27 568
Capital items (non-distributable)[2]	388 535	40 035
Deferred taxation	(124 001)	332 777
Net development (profit)/loss (non-distributable)	(38 837)	51 382
Non-controlling interest	98 611	157 755
Antecedent dividend[1]	(5 739)	139 561
DISTRIBUTABLE EARNINGS	**1 312 877**	**1 265 739**

1 In the determination of distributable earnings, an adjustment is made where equity capital is raised or shares are repurchased. During the financial year, the Group issued shares pursuant to the dividend reinvestment programme in May 2022, issued shares in respect of the share incentive scheme in June 2022 and repurchased shares in the open market between October 2022 and February 2023. These movements in share capital gave rise to an antecedent adjustment included above.

2 Includes litigation settlement expense of R152 million in the current year.

NUMBER OF SHARES	2023	2022
THE FOLLOWING INPUTS IMPACTED THE ANTECEDENT EARNINGS ADJUSTMENT:		
Opening balance – shares in issue	776 573 375	628 715 573
Increase in shares in issue as a result of accelerated bookbuild	–	103 517 195
Dividend reinvestment programme	1 421 922	34 374 527
Shares issued in terms of conditional share plan	689 731	655 324
Shares repurchased and cancelled	(4 595 466)	–
Share issue in respect of property acquisition	–	9 310 756
CLOSING BALANCE – SHARES IN ISSUE	**774 089 562**	**776 573 375**

DIVIDENDS DECLARED AND DISTRIBUTION PER SHARE

TOTAL DISTRIBUTION FOR THE YEAR – 2023	CENTS PER SHARE	R'000
Interim dividend declared on 4 October 2022 (Dividend number 18)	81.58	635 250
Final dividend declared on 8 May 2023 (Dividend number 19)	88.02	677 627
TOTAL DISTRIBUTION FOR THE YEAR ENDED 28 FEBRUARY 2023	**169.60**	**1 312 877**

TOTAL DISTRIBUTION FOR THE YEAR – 2022	CENTS PER SHARE	R'000
Interim dividend declared on 30 September 2021 (Dividend number 16)	78.38	556 250
Final dividend declared on 3 May 2022 (Dividend number 17)	84.61	709 489
TOTAL DISTRIBUTION FOR THE YEAR ENDED 28 FEBRUARY 2022	**162.99**	**1 265 739**

APPENDIX 2

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

SA REIT BPR

R'000	UNAUDITED 2023	UNAUDITED 2022
SA REIT FUNDS FROM OPERATIONS ("SA REIT FFO")		
(LOSS)/PROFIT FOR THE YEAR (ATTRIBUTABLE TO OWNERS OF THE PARENT)	**(638 793)**	**2 032 661**
Adjusted for:		
Accounting/specific adjustments:	1 221 868	(1 014 620)
Fair value adjustments to:		
■ Investment property	1 607 261	(1 168 317)
Depreciation and amortisation	2 369	3 388
Deferred tax movement recognised in profit or loss	(124 001)	332 777
Straight-lining operating lease adjustment	(273 761)	(182 468)
Fair value adjustment to financial guarantees	10 000	–
Adjustments arising from investing activities:	8 225	15 943
Loss on disposal of:		
■ Investment property and property, plant and equipment	8 225	15 706
■ Subsidiaries	–	237
Foreign exchange and hedging items:	259 628	(152 732)
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	41 641	(189 379)
Foreign exchange losses relating to capital items – realised and unrealised	217 987	36 647
Other adjustments:	325 421	305 536
Non-controlling interests in respect of the above adjustments	331 160	165 975
Antecedent earnings adjustment	(5 739)	139 561
SA REIT FFO	**1 176 349**	**1 186 788**
Number of shares outstanding at year end	774 089 562	776 573 375
SA REIT FFO PER SHARE (CENTS)	**151.97**	**152.82**
Company-specific adjustments per share (cents)	17.63	10.17
Equity-settled share-based payment charge	0.93	3.55
Net development (profit)/loss	(5.02)	6.62
Litigation settlement (non-distributable)	19.61	–
Capital items (non-distributable)	2.11	–
DISTRIBUTABLE EARNINGS PER SHARE (CENTS)	**169.60**	**162.99**
SA REIT NET ASSET VALUE ("SA REIT NAV")		
Reported NAV attributable to the parent	12 887 563	14 451 714
Adjustments:		
Dividend to be declared	(677 627)	(709 489)
Fair value of certain derivative financial instruments	197 261	21 898
Deferred tax	179 186	278 429
SA REIT NAV	**12 586 383**	**14 042 552**
SHARES OUTSTANDING		
Number of shares in issue at period end (net of treasury shares)	774 089 562	776 573 375
Effect of dilutive instruments	7 390 022	5 376 814
DILUTIVE NUMBER OF SHARES IN ISSUE	**781 479 584**	**781 950 189**
SA REIT NAV PER SHARE (RAND):	**16.11**	**17.96**

R'000	UNAUDITED 2023	UNAUDITED 2022
SA REIT COST-TO-INCOME RATIO		
EXPENSES		
Operating expenses per IFRS income statement (includes municipal expenses)	303 893	240 418
Administrative expenses per IFRS income statement[1]	236 051	78 039
Exclude:		
Depreciation expense in relation to property, plant and equipment	(2 369)	(3 388)
OPERATING COSTS	**537 575**	**315 069**
RENTAL INCOME		
Contractual rental income per IFRS income statement (excluding straight-lining)	1 560 064	1 241 912
Utility and operating recoveries per IFRS income statement	326 994	263 191
GROSS RENTAL INCOME	**1 887 058**	**1 505 103**
SA REIT COST-TO-INCOME RATIO	**28.5%**	**20.9%**
SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO		
EXPENSES		
Administrative expenses as per IFRS income statement[1]	236 051	78 039
ADMINISTRATIVE COSTS	**236 051**	**78 039**

[1] Includes litigation settlement expense of R152 million in the current year.

Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	1 560 064	1 241 912
Utility and operating recoveries per IFRS income statement	326 994	263 191
GROSS RENTAL INCOME	**1 887 058**	**1 505 103**
SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO	**12.5%**	**5.2%**
SA REIT GLA VACANCY RATE		
Gross lettable area of vacant space	1 401	1 401
Gross lettable area of total property portfolio	1 372 156	1 146 354
SA REIT GLA VACANCY RATE	**0.1%**	**0.1%**

COST OF DEBT	SA	UK
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	9.06%	5.85%
Fixed interest rate borrowings		
Weighted average fixed rate	0.00%	3.92%
PRE-ADJUSTED WEIGHTED AVERAGE COST OF DEBT	**9.06%**	**4.92%**
ADJUSTMENTS:		
Impact of interest rate derivatives	(0.53%)	(0.95%)
Impact of cross-currency interest rate swaps	0.20%	(1.28%)
Amortised transaction costs imputed into the effective interest rate	0.05%	0.18%
ALL-IN WEIGHTED AVERAGE COST OF DEBT	**8.78%**	**2.87%**

All rates are nominal annual compounded quarterly (nacq)

APPENDIX 2 CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

SA REIT BPR CONTINUED

R'000		UNAUDITED 2023	UNAUDITED 2022
SA REIT LOAN-TO-VALUE ("SA REIT LTV")			
Gross debt		11 259 734	9 000 572
Less:			
Cash and cash equivalents (and including short-term deposits)		(257 692)	(570 143)
Less:			
Derivative financial instruments		(88 169)	(103 460)
NET DEBT	A	**10 913 873**	**8 326 969**
Total assets – per statement of financial position		28 545 256	27 740 130
Less:			
Cash and cash equivalents (and including short-term deposits)		(257 692)	(570 143)
Derivative financial assets		(276 667)	(165 283)
Trade and other receivables		(331 596)	(223 196)
CARRYING AMOUNT OF PROPERTY-RELATED ASSETS	B	**27 679 301**	**26 781 508**
SA REIT LTV	A/B	**39.4%**	**31.1%**

APPENDIX 3

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

SHAREHOLDER ANALYSIS

1	SHAREHOLDER SPREAD	NUMBER OF SHAREHOLDER ACCOUNTS	% OF TOTAL SHAREHOLDER ACCOUNTS	NUMBER OF SHARES	% OF ISSUED SHARES
	1 – 1 000	3 224	44.0%	549 811	0.1%
	1 001 – 10 000	2 590	35.3%	9 629 931	1.2%
	10 001 – 100 000	993	13.5%	31 894 172	4.1%
	100 001 – 1 000 000	366	5.0%	124 058 589	16.0%
	Over 1 000 000	158	2.2%	607 957 059	78.6%
		7 331	**100.0%**	**774 089 562**	**100.0%**

2	DISTRIBUTION OF SHAREHOLDERS	NUMBER OF SHAREHOLDINGS	% OF TOTAL SHAREHOLDINGS	SHARES HELD	% HELD
	Banks, Brokers & Nominees	16	0.2%	9 833 586	1.3%
	Close Corporations	52	0.7%	900 242	0.1%
	Collective Investment Schemes	370	5.1%	247 580 828	32.0%
	Control Accounts and Unclaimed Shares	2	0.0%	10	0.0%
	Insurance & Assurance Corporate Funds	21	0.3%	13 943 447	1.8%
	Lending, Collateral & Pledged Accounts	22	0.3%	14 390 405	1.9%
	Non-SA Custodians	51	0.7%	82 243 462	10.6%
	NPO & Charity Funds	82	1.1%	3 576 216	0.5%
	Organs of State & Public Entities	22	0.3%	16 655 168	2.2%
	Pooled & Mutual Funds	168	2.3%	24 209 837	3.1%
	Private Companies	257	3.5%	58 947 421	7.6%
	Public Companies	1	0.0%	13 958 621	1.8%
	Retail Individuals	5 308	72.4%	22 091 904	2.9%
	Retirement Benefit Funds	324	4.4%	236 213 725	30.5%
	Treasury Holdings	1	0.0%	197 212	0.0%
	Trusts & Investment Partnerships	634	8.7%	29 347 478	3.7%
	TOTAL	**7 331**	**100.0%**	**774 089 562**	**100.0%**

3	SHAREHOLDER TYPE	NUMBER OF SHAREHOLDINGS	% OF TOTAL SHAREHOLDINGS	NUMBER OF SHARES	% OF ISSUED CAPITAL
	NON-PUBLIC SHAREHOLDERS	**23**	**0.3%**	**126 032 539**	**16.3%**
	Beneficial Holders > 10%	1	0.0%	102 263 763	13.2%
	Treasury Holdings	1	0.0%	197 212	0.0%
	Directors and Associates (Indirect Holdings)	12	0.2%	21 517 002	2.8%
	Directors and Associates (Direct Holdings)	9	0.1%	2 054 562	0.3%
	PUBLIC SHAREHOLDERS	7 308	99.7%	648 057 023	83.7%
	TOTAL	**7 331**	**100.0%**	**774 089 562**	**100.0%**

4	BENEFICIAL SHAREHOLDERS HOLDING > 3% OF ISSUED SHARES	TOTAL SHAREHOLDING	% HELD
	Government Employees Pension Fund	112 613 897	14.5%
	Old Mutual Group	45 456 743	5.9%
	Coronation Fund Managers	44 111 633	5.7%
	Eskom Pension & Provident Fund	36 279 026	4.7%
	JP Morgan (Custodian)	30 515 932	3.9%
	State Street Bank (Custodian)	26 035 313	3.4%
	Stanlib	23 591 338	3.1%
		318 603 882	**41.2%**

APPENDIX 3 CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2023

SHAREHOLDER ANALYSIS CONTINUED

5 FUND MANAGERS HOLDING > 3% OF ISSUED SHARES

	TOTAL SHAREHOLDING	% HELD
Public Investment Corporation	114 848 651	14.8%
Coronation Fund Managers	57 150 165	7.4%
Sesfikile Capital	44 542 562	5.8%
Old Mutual Investment Group	42 464 259	5.5%
Stanlib Asset Management	35 451 806	4.6%
Eskom Pension & Provident Investment Management	25 443 328	3.3%
Camissa Asset Management	23 568 969	3.0%
	343 469 740	**44.4%**

6 BENEFICIAL HOLDING BY REGION

	TOTAL SHAREHOLDING	% HELD
South Africa	678 328 489	87.6%
United States	74 524 503	9.6%
Mauritius	9 004 000	1.2%
United Kingdom	2 802 633	0.4%
Switzerland	1 966 331	0.3%
Namibia	1 874 468	0.2%
Balance (not listed above)	5 589 138	0.7%
	774 089 562	**100.0%**

TOTAL NUMBER OF SHAREHOLDERS	**7 331**
TOTAL NUMBER OF SHARES IN ISSUE	**774 089 562**

7 SHARE PRICE PERFORMANCE

Opening Price 01 March 2022	R21.11
Closing Price 28 February 2023	R15.46
Closing High for period (31 March 2022)	R22.94
Closing Low for period (24 February 2023)	R15.00
Opening Price 01 March 2021	R18.26
Closing Price 28 February 2022	R21.05
Closing High for period (06 & 07 January 2022)	R23.53
Closing Low for period (23 June 2021)	R17.95
Number of shares in issue	774 089 562
Volume traded during period	399 506 652
Ratio of volume traded to shares issued (%)	51.6%
Market capitalisation at 28 February 2023	R11 967 424 629

PLUMBAGO CAMPUS, GAUTENG, SOUTH AFRICA

OTHER INFORMATION

GLOSSARY

2SD	Two standard deviations
3MJ	3-month JIBAR
3PL	3rd party logistics
AFS	Annual financial statements
AGM	Annual General Meeting
B-BBEE	Broad-Based Black Economic Empowerment
BOARD	Equites Property Fund Limited's board of directors
BP	Basis point
BPR	Best practice recommendations
BREEAM	Building Research Establishment Environmental Assessment Method
CCIRS	Cross-currency interest rate swap
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFR	Contingent funding requirement
CHAIR	Chairperson
CIO	Chief Investment Officer
CIT	UK Corporations Tax
CNG	Compressed natural gas
CODM	Chief operating decision maker
COMPANIES ACT	the Companies Act, No. 71 of 2008, as amended from time to time
COMPANY	Equites Property Fund Limited
COO	Chief Operating Officer
COVID-19	Coronavirus disease
CSDP	Central Securities Depository Participant
CSP	Conditional share plan
DCF	Discounted Cash Flow
DMTN	Domestic Medium Term Note Programme
DOL	Department of Labour
DPS	Dividend per share
ECL	Expected credit losses
EDGE	Excellence in Design for Greater Efficiencies
EIA	Environmental Impact Assessments
EMP	Environmental Management Programme
ENGL	Equites Newlands Group Limited
EOS	Executive outperformance scheme
EPPF	Eskom Pension and Provident Fund
EQUITES	Equites Property Fund Limited
ERM	Enterprise risk management
ESD	Enterprise and Supplier Development
ESG	Environmental, Social and Governance
EXCO	Executive Committee
EXECUTIVE DIRECTORS	CEO, CFO and COO
FCA	Financial Conduct Authority
FCTR	Foreign currency translation reserve
FFO	Funds from operations
FRSC	Financial Reporting Standards Council
FX	Foreign exchange
FY	Financial year
GBP	Pound sterling
GCR	Global credit rating
GDP	Gross domestic product
GHG	Greenhouse Gas
GLA	Gross lettable area
GROUP	Equites Property Fund Limited and its subsidiaries
HMRC	His Majesty's Revenue and Customs
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	Interbank offered rate
IC	Investment committee
ICAS	Independent Counselling and Advisory Services
ICR	Interest cover ratio
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IFRSIC	IFRS Interpretations Committee
ILO	International Labour Organisations
IR	Integrated annual report
<IR> FRAMEWORK	The International Integrated Reporting Framework
IRBA CODE	Independent Regulatory Board of Auditor's Code of Professional Conduct for Registered Auditors
IRMSA	Institute of Risk Management South Africa
ISA	International Standards on Auditing
ISDA	International Swaps and Derivatives Association
ISO	International Organization for Standardization
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
JV	Joint venture
KING IV	King IV Report on Corporate Governance for South Africa
KL	Kilo litres
KPI	Key performance indicator
KWH	Kilowatt-hour
KWP	Kilowatt-peak
LDT	Last Day of Trade
LED	Light-emitting diode
LFL	Like-for-like
LIBOR	London Interbank Offered Rate
LTI	Long-term incentive
LTV	Loan-to-value
MABEL	Mabel Black Knight Investments 1 Proprietary Limited
MLF	The Michel Lanfranchi Foundation NPC
MOI	Memorandum of Incorporation
MW	Megawatt
MWH	Megawatt-hour
NACQ	Nominal Annual Compounded Quarterly
NAV	Net asset value
NCI	Non-controlling interest
NEMA	National Environmental Management Act
NEWLANDS	Newlands Property Developers LLP
NGER	National Greenhouse and Energy Report
NPC	Non-profit company
NRLS	Non-resident Landlord Scheme

OECD	The Organisation for Economic Co-operation and Development
PFE	Potential future exposure
PIP	Plumbago Investment Platform Proprietary Limited
PIR	Passive infrared sensor
PWC	PricewaterhouseCoopers Inc.
PV	Photovoltaics
REIT	Real Estate Investment Trust
RLF	Retail Logistics Fund (RF) Proprietary Limited
SA	South Africa
SAICA	The South African Institute of Chartered Accountants
SAPY	South African Property Index
SDG	Sustainable Development Goals
SENS	Stock Exchange News Service
SET	Social, Ethics and Transformation
SHOPRITE	Shoprite Checkers Proprietary Limited
SLA	Service level agreement
SMME	Small, medium and micro-enterprises
SOE	State owned enterprises
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
SPT	Sustainability performance target
STI	Short-term incentive
STRATE	South Africa's principal central securities depository and central collateral platform
SUN	Stellenbosch University
TC02E	Greenhouse gasses emitted measured in tonne
TCFD	Task Force on Climate-related Financial Disclosure
TESCO	Tesco Plc
TFG	The Foschini Group
TGP	Total guaranteed pay
UCT	University of Cape Town
UK	United Kingdom
UN	United Nations
US	United States of America
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital
WALE	Weighted Average Lease Expiry
WBCVSD	World Business Council for Sustainable Development
WRI	World Resources Institute
YOY	Year-on-year
ZAR	South African Rand
ZARONIA	The South African Overnight Index Average

COMPANY INFORMATION

DIRECTORS

NON-EXECUTIVE DIRECTORS

PL Campher[1] (Chairman), RE Benjamin-Swales[1], MA Brey[1], E Cross[1], AJ Gouws, K Ntuli[1], AD Murray[1], N Mkhize[1], F Tonelli

[1] Independent

EXECUTIVE DIRECTORS

A Taverna-Turisan (CEO)[2], GR Gous (COO), L Razack (CFO)

[2] Italian

EQUITES PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2013/080877/06)
Share code: EQU ISIN: ZAE000188843
JSE alpha code: EQUI
(Approved as a REIT by the JSE)

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D Beneke

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited

AUDITORS

PricewaterhouseCoopers Inc.

EQUITY SPONSOR

Java Capital

DEBT SPONSOR

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