

# UNAUDITED INTERIM FINANCIAL RESULTS

For six months to 31 December 2014 and income distribution declaration

Growth in distributions

**+9,0%**

Distributable income growth of 13,0% to

**R330m**



## VACANCY PROFILE BY SECTOR (% OF GLA)



Distribution per PI

**64,65c**

Net asset value growth per PI of 14,0% to

**1 650c**

## COMMENTARY

The board of directors of the manager of Emira, Strategic Real Estate Managers (Pty) Ltd ("STREM") is pleased to announce a distribution of 64,65 cents per Emira participatory interest (PI) for the 6 months to 31 December 2014. This is an increase of 9,0% on the previous comparable period.

### Vacancies and tenant renewals

Over the past two years, vacancies decreased from 7,8% (December 12) to 5,1% (December 13) to 4,9% (December 14). The office sector vacancy of 7,9% remains well below SAPOA national levels of 11,1%. This represents a substantial decline in overall vacancies of 30 281m<sup>2</sup> since December 2012, which was driven by leasing in the office sector as well as strategic sales of certain properties.

Tenant retention by GLA improved to 77% from 70% in the comparable period last year.

### Major leases concluded

The three biggest new leases concluded were at 500 Smuts Drive (5 374m<sup>2</sup>), Springfield Retail Centre (2 158m<sup>2</sup>) and Kokstad Main (2 062m<sup>2</sup>), and the biggest renewals were at Wonderpark Shopping Centre (13 983m<sup>2</sup>), Cambridge Park (5 615m<sup>2</sup>) and Brandwag Shopping Centre (4 191m<sup>2</sup>) – all to high quality tenants such as Pick n Pay and Food Lovers Market.

### Acquisition of Integri-T Portfolio

With effect from 1 July 2014, the Fund acquired 100% of the share capital of the following companies incorporated in South Africa, known as the Integri-T Portfolio, for a total enterprise value of R836,9m at a forward yield of 9,4%.

- › Omnicron Investments 005 (Pty) Ltd
- › Lowmer Investments (Pty) Ltd
- › Monagon Properties (Pty) Ltd
- › Rapidough Properties 509 (Pty) Ltd
- › Adamass Investments (Pty) Ltd
- › Aquarella Investments (Pty) Ltd
- › Libra Investments 5 (Pty) Ltd

These subsidiaries, comprising two retail properties, three office buildings and three industrial properties, contributed a profit of R38,8m for the period from the date of acquisition to 31 December 2014, in line with expectations.

Details of the assets and liabilities acquired are as follows:

	Rm
Investment properties	836,9
Borrowings	(386,3)
Net current liabilities	(2,3)
Fair value of acquired interest in net assets	448,3
<b>Total purchase consideration</b>	<b>448,3</b>

### Acquisitions

Acquisitions during the period also comprised a 60% undivided share in Ben Fleur Shopping Centre for a purchase price of R66,5m at a yield of 9,4% which was transferred in October 2014. A further investment of R20m is currently in the process of being spent on the property to accommodate a Woolworths Food store as well as other line shops.

### Disposals

The strategy to dispose of non-core buildings continued during the period under review. The following four properties totalling R93,8m, had been sold and transferred out of Emira during the six months to December 2014: Kya Sands (Corner Precision and Staal Streets), Harrogate Park, Woodmead Office Park (50% share) and Executive City. These four were sold at an aggregate forward yield of 8,9%.

A further five buildings with a total value of R535,5m representing an aggregate forward yield of 6,9% and a premium to book value of 40%, were sold at December 2014, but had not yet been transferred.

### Refurbishments and extensions

Several projects totalling approximately R819,4m were underway. The most significant of these was the major upgrade and extension to Wonderpark Shopping Centre, where the centre was enlarged at a cost of R551,3m, from 63 000m<sup>2</sup> to 90 000m<sup>2</sup> to accommodate extensions for existing national tenants and the introduction of new anchor tenants. Also recently completed was the Gateway Landing industrial development for a total capital outlay of R57,4m. Both projects reached practical completion in October 2014.

## Gearing

Even though the liquidity in the debt capital markets tightened up towards the end of the year, Emira was successful in accessing funding at competitive rates.

Funding activities during the six month period included:

Date		Amount (Rm)	All-in-rate (%)
15 Aug 14	Drawdown of Nedbank 3-year facility	270	7,74
18 Aug 14	Drawdown of Standard Bank 4 year facility	200	7,70
12 Sep 14	Repayment of 12-month commercial paper	230	6,54
12 Sep 14	Issue of 2-year domestic medium term notes	270	7,43
15 Sep 14	Drawdown of RMB 3-year 8th Term Loan	200	7,83
10 Oct 14	Drawdown of RMB 3-year 8th Term Loan	66	7,83
6 Nov 14	Repayment of 12-month commercial paper	450	6,72
6 Nov 14	Issue of 12-month commercial paper	250	7,03
6 Nov 14	Issue of 2-year domestic medium term notes	100	7,43
6 Nov 14	Issue of 3-year domestic medium term notes	100	7,73
19 Nov 14	Repayment of 12-month commercial paper	100	6,78
19 Nov 14	Issue of 6-month fixed rate commercial paper	50	7,12

Total debt as at 31 December 2014 was R4,6bn with a weighted average duration to expiry of 2,1 years.

Fixed interest rate hedges were in place for a total R3 985m amounting to 85,4% of the Fund's total debt balance.

The interest rate swap expiries range from 1 – 10 years with the weighted average duration being 4,1 years.

R420m of interest rate hedges with 2018 expiries were restructured during November 2014 at a cost of R31m, reducing the average interest rate payable on those swaps from 8,97% to the prevailing market rate at the time of 6,66%, with the duration of the swaps remaining the same as previously. This restructuring will result in a positive impact of an annualised R8m net to the distributable income of the Fund for the duration of those swaps.

### Growthpoint Australia Limited (GOZ)

At 31 December 2014, GOZ's unit price was AUD2,75 resulting in Emira's investment of 27 225 813 units, comprising 4,9% of the total units in issue, being valued at R707,3m compared to a cost price of R372,0m.

### Results

The acquisitions, contractual escalations on the bulk of the portfolio, significant leasing progress made during the period as well as the stringent cost control all contributed to the Fund achieving a meaningful increase in distributable income during the period.

Excluding the straight-lining adjustments in respect of future rental escalations, revenue rose by 16,9% over the comparable period. This was positively impacted by the leasing of vacant space, acquisitions and organic growth from the existing portfolio and increased recoveries of municipal expenses, offset by disposals.

Property expenses increased by just 1,7% over the previous comparable period, mainly due to stringent cost control, a reduction in leasing expenses as well as lower maintenance costs from historical high levels.

Depreciation was no longer taken into account for distribution purposes, and this resulted in the comparable distribution being R7,1m higher than the corresponding period.

Income from the Fund's listed investment in Australia increased by 16,0% due to an increase in the distribution per unit received from GOZ and the depreciation of the rand against the Australian dollar.

Net finance costs increased by 64,4% as a result of the increased utilisation of debt facilities to fund the acquisitions and new developments of the Fund.

Net asset value increased by 14,0% from 1 447 cents per PI at 30 June 2014, to 1 650 cents per PI at 31 December 2014, the most significant contributors to this being the revaluation of investment properties (+137 cents) and the reduction in the liability for the income distribution at the reporting period date (+65 cents).

## DISTRIBUTION STATEMENT

	Half year ended 31 Dec 2014	Half year ended 31 Dec 2013	% change
R'000			
Operating lease rental income and tenant recoveries excluding straight-lining of leases	837 473	716 721	16,9
Property expenses excluding amortised upfront lease costs	(290 600)	(285 778)	1,7
<b>Net property income</b>	<b>546 873</b>	<b>430 943</b>	<b>26,9</b>
<b>Income from listed investment</b>	<b>23 570</b>	<b>20 322</b>	<b>16,0</b>
<b>Management expenses</b>			
Reimbursement to STREM	(16 252)	(12 867)	26,3
Administration expenses	(26 678)	(20 866)	27,7
Depreciation	—	(7 134)	(100)
Net finance costs	(197 443)	(118 341)	66,8
<b>Finance costs</b>	<b>(203 094)</b>	<b>(123 530)</b>	<b>64,4</b>
Interest paid and amortised borrowing costs	(208 204)	(131 313)	58,6
Interest capitalised to the cost of developments	5 110	7 783	(34,3)
Investment income	5 651	5 189	8,9
<b>Distribution payable to participatory interest holders</b>	<b>330 070</b>	<b>292 057</b>	<b>13,0</b>
<b>No of units in issue</b>	<b>510 550 084</b>	<b>492 423 583</b>	<b>3,7</b>
<b>Distribution per participatory interest (cents)</b>	<b>64,65</b>	<b>59,31</b>	<b>9,0</b>

## Disposals

In accordance with the strategy of the Fund, certain properties that are underperforming or pose excessive risk to the Fund are earmarked and disposed of.

## PROPERTIES TRANSFERRED OUT OF EMIRA DURING THE 6 MONTHS TO DEC 2014

Property	Sector	Location	GLA (m <sup>2</sup> )	Valuation Jun 2014 (Rm)	Sale price (Rm)	Exit yield (%)	Effective date
Kya Sands (Cnr Precision & Staal Street) (Siliconics)	Industrial	Kya Sands, Randburg	1 452	5,1	5,1	14,1	Sep 2014
Harrogate Park	Office	Hatfield, Pretoria	1 711	17,5	17,5	11,6	Nov 2014
Woodmead Office Park (50%)	Office	Woodmead, Johannesburg	8 162	60,4	60,0	5,1	Jul 2014
Executive City	Industrial	Kya Sands, Randburg	4 558	11,2	11,2	10,8	Jul 2014
			<b>15 883</b>	<b>94,2</b>	<b>93,8</b>	<b>8,9</b>	

## PROPERTIES SOLD BUT NOT YET TRANSFERRED OUT OF EMIRA AT DEC 2014

Property	Sector	Location	GLA (m <sup>2</sup> )	Valuation Jun 2014 (Rm)	Sale Price (Rm)	Effective/ Anticipated effective date
122 Pybus Road	Office	Sandton, Johannesburg	5 399	36,0	76,0	Jan 2015
Tokai Shopping Centre	Retail	Ferndale, Johannesburg	2 603	16,0	16,0	Jun 2015
500 Smuts Drive (Oracle House)	Office	Midrand, Gauteng	5 201	43,5	43,5	Jun 2015
Braamfontein Centre	Office	Braamfontein, Johannesburg	21 310	128,0	150,0	May 2015
Brandwag Shopping Centre + Kosmos Woonstelle	Retail	Bloemfontein CBD	12 328	159,0	250,0	Apr 2015
			<b>46 841</b>	<b>382,5</b>	<b>535,5</b>	

## Vacancies

	Number of buildings Jun 2014	GLA Jun 2014 (m <sup>2</sup> )	Vacancy Jun 2014 (m <sup>2</sup> )	%	Number of buildings Dec 2014	GLA Dec 2014 (m <sup>2</sup> )	Vacancy Dec 2014 (m <sup>2</sup> )	%
Office	63	435 299	38 420	8,8	63	421 751	33 444	7,9
Retail	34	352 969	9 558	2,7	39	405 693	11 160	2,8
Industrial	44	348 393	3 510	1,0	46	378 992	14 403	3,8
<b>Total</b>	<b>141</b>	<b>1 136 661</b>	<b>51 488</b>	<b>4,5</b>	<b>148</b>	<b>1 206 436</b>	<b>59 007</b>	<b>4,9</b>

## Valuations

### TOTAL PORTFOLIO MOVEMENT

Sector	Jun 2014 (R'000)	R/m <sup>2</sup>	Dec 2014 (R'000)	R/m <sup>2</sup>	Difference (%)	Difference (R'000)
Office	5 381 621	12 363	5 715 538	13 550	6,2	333 917
Retail	3 669 868	10 397	4 860 610	11 981	32,4	1 190 742
Industrial	1 707 515	4 901	1 899 598	5 012	11,3	192 083
	<b>10 759 004</b>		<b>12 475 746</b>		<b>16,0</b>	<b>1 716 742</b>

The valuation movement on a like-for-like basis was 4,8%.

## Debt

Emira has a moderate level of gearing with interest bearing debt to total property assets of 35,4% as at 31 December 2014.

	Weighted average rate %	Weighted average term	Amount (Rm)	% of debt
Debt — Swap	8,8	4,1 years	3 984,6	85,4
Debt — Floating	7,5		682,0	14,6
<b>Total</b>	<b>8,6</b>		<b>4 666,6</b>	<b>100,0</b>
Less: Costs capitalised not yet amortised			(6,2)	
Per statement of financial position			4 660,4	

## Issue of participatory interests (PIs)

During the period, the Fund issued the following PIs to raise a total of R376,5m to partly fund the purchases of the Integri-T Portfolio and the Ben Fleur Boulevard:

- › 17 July 2014 22 222 222 PIs at R13,95
- › 22 October 2014 4 446 822 PIs at R14,95

## Change in distribution policy — depreciation

Historically Emira provided for depreciation in respect of certain fixed assets, in line with tax allowances. As previously disclosed to investors, from FY15, Emira no longer includes the depreciation charge in its distributable income.

## Liability for income distribution

In order to comply with best practice and to be comparable to its peers, Emira no longer recognises the liability, as at the report period date, for the income distribution amount to be distributed after the reporting period date.

## Directorate

As previously announced, Peter Thurling retired as Chief Financial Officer of the Fund with effect from 31 December 2014 and Geoff Jennett, CA (SA), was appointed as his replacement with effect from 1 January 2015.

## Prospects

The benefit of the improved occupancies, together with the property acquisitions and tight cost control, should continue to result in a similar healthy improvement in distribution growth per PI for the twelve months to June 2015.

Any forecast financial information contained herein has not been reviewed or reported on by the Fund's external auditors.

