EMIRA
PROPERTY FUND

REVIEWED FINANCIAL RESULTS

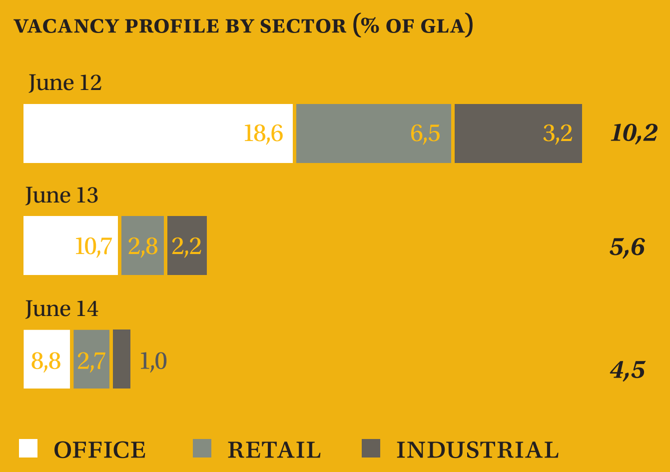
For the year ended 30 June 2014 and income distribution declaration and changes to Directorate

Growth in distributions

+7,5%

Distributable income growth of 5,5% to

R601,1m



Distribution per PI

123,18c

Net asset value growth per PI of 9,2% to

1 447c

COMMENTARY

The board of directors of Strategic Real Estate Managers (Pty) Ltd ("STREM") is pleased to announce a distribution of 123,18 cents per Emira participatory interest (PI) for the 12 months to 30 June 2014. This is an increase of 7,5% on the previous comparable period and a further improvement on the 6,5% growth in distributions per PI reported for the six months to 31 December 2013.

Vacancies and tenant renewals

Over the past two financial years vacancies improved from 10,2% (June 12) to 5,6% (June 13) to 4,5% (June 14). All sectors are well below SAPOA and national levels. This represents a substantial decline in vacancies of 67 575m², which was driven by leasing in the office and industrial sectors, and is the lowest vacancies have been since 2005.

Tenant retention by GLA improved from an already impressive 78% to 80%.

Major leases concluded

A total of 33 leases over 2 000m² were concluded during the financial year, comprising 150 000m² with a lease value of R508m. The average weighted lease period of these leases is four years. The three biggest new leases concluded were at Epping Warehouse (6 267m²), Cochrane Avenue (5 870m²) and 7 Naivasha Road (4 673m²), and three biggest renewals at Epping Warehouse (14 156m²), Defy (10 199m²) and Taylor Blinds (7 794m²) — all to high quality tenants.

Acquisitions and developments

Subsequent to the previous financial year end, the Fund took transfer of three buildings in the Highgrove Office Park, Centurion, for R24,6m, taking the Fund's exposure in this A-Grade office park to R157,9m.

Acquisitions during the period comprised: (i) a vacant stand in the Gateway Landing Industrial Park for R12,4m on which a modern industrial facility of 9 371m² is being developed at a total cost of R57,4m with the initial yield on the development, assuming fully let, estimated at 10%, transfer taking place in January 2014, (ii) an industrial building of 7 533m² leased to Lithotec (a division of Bidvest) in Airport Industria, Cape Town for R34,5m at a yield of 9,2%, transfer of which took place in February 2014, (iii) with effect from 1 June 2014, Emira acquired a prestigious office development, Menlyn Corporate Park, situated in Menlyn, Pretoria for R614m. The 25 767m² P-grade development is fully let and is expected to yield 8,6% in the first year. This brings total acquisitions during the period to R705m at a forward yield of 8,7%.

Disposals

The strategy to dispose of non-core buildings continued during the period under review. Four properties totalling R119,0m, which had been sold but not yet transferred at 30 June 2013 — Georgian Place, 261 Surrey Avenue, Fleetway House and Montana Value Centre — were transferred out of Emira during the period. A further two buildings, Lynnridge Mall and Olivedale Office Park were transferred in 2014, bringing the total value of sales to R313,1m with a forward yield of 8,1%.

Seven buildings with a total value of R188,0m and a forward yield of 7,6% were sold at June 2014, but had not yet been transferred.

The proceeds of these disposals are to be used to partially fund the acquisitions and developments mentioned above.

Refurbishments and extensions

Several projects totalling approximately R614,8m are underway, the most significant of which is a major upgrade and extension to Wonderpark Shopping Centre, where the centre is being enlarged at a cost of R551,8m at an initial yield in excess of 8%, from 63 000m² to 90 000m² to accommodate extensions for existing national tenants including Game, Woolworths, Jet and Edgars and the introduction of new anchor tenants, Checkers, Dis-Chem, HiFi Corp, PQ Clothing, Cotton On and The Hub, among others.

Repurchases of participatory interests (PIs)

The board previously approved the implementation of a PI repurchase programme which was confirmed by PI holders at the AGM in November 2013. In terms of the programme a portion of the proceeds from the sale of properties can be used to repurchase PIs in the open market.

During the period, the Fund purchased 13 418 843 PIs at a total cost of R182,8m, an average cost of R13,61 per PI. Excluding the dividends paid out on these PIs, the clean price was R13,02 cents, proving to be both earnings and NAV enhancing for PI holders. The Fund will continue to repurchase PIs at prices considered beneficial to PI holders.

Gearing

Emira continued to take advantage of the lower rates of funding available in the debt capital markets.

Debt funding activities totalling almost R3,7bn during the year comprised:

Date		Amount (Rm)	All-in-rate (%)
22 August 2013	Repayment of 3-month commercial paper	400	5,30
22 August 2013	Issue of 6-month commercial paper	399	5,80
22 August 2013	Issue of 3-month commercial paper	100	5,30
13 September 2013	Issue of 12-month commercial paper	230	5,90
7 November 2013	Roll over of 12-month commercial paper	450	5,90
20 November 2013	Repayment of 3-month commercial paper	100	5,30
20 November 2013	Issue of 12-month commercial paper	100	5,90
20 February 2014	Repayment of 6-month commercial paper	399	5,80
20 February 2014	Issue of 12-month commercial paper	400	6,40
30 May 2014	Issue of 4-year domestic medium term notes	300	7,40

A new R500m, three year loan facility was granted by RMB in March 2014, at Jibar plus 170 basis points. At 30 June 2014, R100m had been drawn down.

In order to partly fund the acquisition of Menlyn Corporate Park, a new three year loan of R314m, was concluded with Nedbank, at a rate of Jibar plus 163 basis points, in June 2014.

During the year, the following swap contracts totalling R1,23bn were entered into with RMB. At 30 June 2014 87,1% of the Fund's debt had been hedged.

Date	Amount (Rm)	Expiry date	Rate (%)
18 December 2013	83,3m	1 July 2017	6,96
18 December 2013	83,3m	1 October 2017	7,14
18 December 2013	83,3m	1 January 2018	7,26
13 March 2014	55,0m	12 March 2017	7,68
13 March 2014	60,0m	12 March 2017	7,69
26 March 2014	50,0m	25 March 2017	7,58
26 March 2014	150,0m	25 March 2018	7,80
9 April 2014	100,0m	31 December 2016	7,30
9 April 2014	100,0m	31 December 2018	7,84
14 May 2014	155,0m	1 July 2016	6,97
14 May 2014	310,0m	1 July 2017	7,25

Growthpoint Australia Limited (GOZ)

Emira participated in the rights issue held by GOZ in December 2013, taking up an additional 2 441 777 units at AUD 2,45 per unit at a cost of R56,9m. At June 2014, GOZ's unit price as quoted on the ASX was AUD2,45 resulting in Emira's investment of 27 225 813 units, amounting to 5,0% of the units in issue, being valued at R666,0m compared to a cost of R372,0m.

Results

Contractual escalations on the bulk of the portfolio, significant leasing progress made during the period and stringent cost control, which includes savings from the property management tender, has resulted in the Fund achieving a substantial increase in distributable income during the period.

Excluding the straight-lining adjustments in respect of future rental escalations, revenue rose by 7,0% 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 11,3% over the previous comparable period, mainly due to increases in municipal costs, leasing expenses — which are expensed in the first year of the lease — and refurbishment costs. Excluding these items, the balance of property expenses increased by 2,5%.

Income from the Fund's listed investment in Australia increased by 21,7% due to an increase in the distribution per unit received from GOZ, the depreciation of the rand against the Australian dollar and increased units being held as a result of the Fund following its rights in respect of a rights issue held in December 2013. Excluding income received in respect of the rights issue, the increase amounted to 15,4%.

Net finance costs increased by 4,1% as a result of the increase in interest rates, the income received from the PI buybacks and utilisation of debt facilities for new developments and acquisitions.

Following the revaluation of investment properties and the revaluation of the investment in GOZ, net asset value increased by 9,2% from 1 325 cents per PI at 30 June 2013, to 1 447 cents per PI at 30 June 2014.

DISTRIBUTION STATEMENT

R'000	Year ended 30 June 2014	Year ended 30 June 2013	% change
Operating lease rental income and tenant recoveries excluding straight-lining of leases	**1 448 914**	1 353 853	7,0
Property expenses excluding amortised upfront lease costs	**(563 474)**	(506 371)	11,3
Net property income	**885 440**	847 482	4,5
Income from listed investment	**44 225**	36 332	21,7
Management expenses			
Reimbursement to STREM	**(27 980)**	(20 779)	34,7
Administration expenses	**(42 282)**	(44 227)	(4,4)
Depreciation	**(11 581)**	(12 006)	(3,5)
Net finance costs	**(246 711)**	(236 946)	4,1
Finance costs	**(260 074)**	(245 000)	6,2
Interest paid and amortised borrowing costs	**(276 019)**	(247 036)	11,7
Interest capitalised to the cost of developments	**15 945**	2 036	
Investment income	**13 363**	8 054	65,9
Distribution payable to participatory interest holders	**601 111**	569 856	5,5
No of units in issue	**483 881 040**	497 299 883	(2,7)
Distribution per participatory interest (cents)	**123,18**	114,59	7,5

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 12 MONTHS TO JUNE 2014

Property	Sector	Location	GLA (m²)	Valuation June 2013 (Rm)	Sale price (Rm)	Exit yield (%)	Effective Date
Georgian Place (Sectional title units)	Office	Kelvin, Gauteng	9 485	32,4	29,1	5,1	August, October and November 2013
261 Surrey Avenue	Office	Ferndale, Gauteng	1 752	6,4	7,2	8,4	September 2013
Fleetway House	Office	Cape Town, CBD	7 090	33,4	32,7	3,3	October 2013
Montana Value Centre	Retail	Montana, Gauteng	9 717	39,2	50,0	7,0	October 2013
Lynnridge Mall	Retail	Pretoria, Gauteng	20 022	175,0	175,0	9,5	March 2014
Olivedale Office Park	Office	Randburg, Gauteng	3 222	15,3	19,1	10,3	June 2014
			51 288	**301,7**	**313,1**	**8,1**	

PROPERTIES SOLD BUT NOT YET TRANSFERRED OUT OF EMIRA AT JUNE 2014

Property	Sector	Location	GLA (m²)	Valuation June 2013 (Rm)	Sale Price (Rm)	Effective/ Anticipated effective date
Woodmead Office Park (50% undivided share)	Office	Woodmead, Johannesburg	8 162	60,2	60,0	July 2014
Executive City	Industrial	Kya Sands, Randburg	4 558	11,3	11,2	July 2014
Kya Sands (Cnr Precision and Staal Street) (Siliconics)	Industrial	Kya Sands, Randburg	1 452	5,3	5,0	August 2014
Harrogate Park	Office	Hatfield, Pretoria	1 711	15,3	17,5	August 2014
Tokai Shopping Centre	Retail	Ferndale, Johannesburg	2 603	15,0	16,0	September 2014
WorldWear Fashion Mall	Retail	Fairlands, Johannesburg	14 172	37,0	34,8	December 2014*
500 Smuts Drive	Office	Midrand, Gauteng	5 201	46,0	43,5	December 2014
			37 859	**190,1**	**188,0**	

* *An effective possession date of 15 April 2013 has been agreed with the purchaser.*

Vacancies

	Number of Buildings June 2013	GLA June 2013 (m²)	Vacancy June 2013 (m²)	%	**Number of buildings June 2014**	**GLA June 2014 (m²)**	**Vacancy June 2014 (m²)**	%
Office	69	431 859	46 200	10,7	**63**	**435 299**	**38 420**	**8,8**
Retail	37	363 391	10 157	2,8	**35**	**352 969**	**9 558**	**2,7**
Industrial	42	338 568	7 387	2,2	**43**	**348 393**	**3 510**	**1,0**
Total	**148**	**1 133 818**	**63 744**	**5,6**	**141**	**1 136 661**	**51 488**	**4,5**

Valuations

One-third of Emira's portfolio is valued by independent valuers at the end of every financial year, with the balance being valued by the directors.

TOTAL PORTFOLIO MOVEMENT

Sector	June 2013 (R'000)	R/m²	**June 2014 (R'000)**	**R/m²**	Difference (%)	Difference (R'000)
Office	4 557 146	10 552	**5 381 621**	**12 363**	18,1	824 475
Retail	3 312 760	9 116	**3 669 868**	**10 397**	10,8	357 108
Industrial	1 530 500	4 521	**1 707 515**	**4 901**	11,6	177 015
	9 400 406		**10 759 004**		**14,5**	**1 358 598**

Investment properties increased by R1358,6m made up of capital expenditure including capitalised interest of R1190,0m, less disposals of R313,1m, depreciation of R11,6m and a net upward revision in property values of R493,3m.

Debt

Emira has a moderate level of gearing with debt to total assets at 30 June 2014 equating to 34,0%. As at 30 June 2014, 87,1% of the Fund's debt had been fixed for periods of between 2 and 10 years, with a weighted average length of 4 years and 7 months.

	Weighted average rate %	Weighted average term	Amount (Rm)	% of debt
Debt — Swap	9,1	4 years 7 months	3 446,6	87,1
Debt — Floating	7,2		510,9	12,9
Total	**8,8**		**3 957,5**	**100,0**
Less: Costs capitalised not yet amortised			(3,7)	
Per balance sheet			3 953,8	

Directorate

With effect from 12 August 2014, Nocawe Makiwane has indicated that she can no longer be considered an independent director and accordingly has resigned as a member of the Audit and Risk Committees. She will remain on the STREM board as a non-executive director. Gerhard van Zyl has been appointed to these committees in her place.

Peter Thurling, the Chief Financial Officer, has indicated that he wishes to retire with effect from 31 December 2014. A replacement is currently being sought.

REIT status

Emira was awarded REIT status by the JSE, with effect from 1 July 2013.

Change in distribution policy – depreciation

Since inception Emira has provided for depreciation, in respect of certain fixed assets, in line with tax allowances. This has resulted in its distributable income being lower than its peers on a comparable basis.

In order to align Emira with other listed property funds, from FY15, Emira will no longer include a depreciation charge in its distributable income. This will result in an increase in future distributions payable, of approximately R12m.

Prospects

The benefit of the improved occupancies in FY14 and the forecast containment of property expenses in the coming financial year are expected to result in a further healthy improvement in distribution growth per PI in the 12 months to June 2015. The benefit of the distribution policy change regarding depreciation will further enhance distribution growth. The forecast information contained in this paragraph has not been reviewed by Emira's auditors.

Subsequent to year-end

The acquisition of a portfolio of eight properties for R830m has been conditionally concluded, pending Competition Commission approval, which is expected mid-August 2014. This portfolio comprising two retail properties, three office buildings and three industrial properties has been acquired at a forward yield of 9,4% with effect from 1 July 2014.

The weighted average lease length is in excess of five years, with an average escalation of 8,4%, let to high quality tenants such as Massmart, Intercare, Auditor-General and Cipla-Medpro.

Funding for the acquisition will be through a combination of debt and equity, for which an accelerated bookbuild of R310m was concluded on 17 July 2014. The transaction is expected to be earnings neutral in the first year and enhancing thereafter.

In addition, Emira has purchased a 60% undivided share in Ben Fleur Boulevard, an 8 500m² convenience centre situated in Emalahleni (Witbank), for R66m at an expected yield of 9,4%.

Income distribution declaration

Notice is hereby given that a final cash distribution of 63,87 cents (2013: 58,90 cents) per participatory interest has been declared, payable to participatory interest holders on 15 September 2014. The source of the distribution comprises net income from property rentals, income earned from the Fund's listed property investment and interest earned on cash on deposit. Please refer to the Statement of Comprehensive Income for further details. The number of PIs in issue as at the date of declaration is 506 103 262.

In accordance with Emira's status as a REIT, PI holders are advised that the distribution meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). Accordingly, qualifying distributions received by local tax residents must be included in the gross income of such participatory interest holders (as a non-exempt dividend in terms of section 10(1) (k) (aa) of the Income Tax Act), with the effect that the qualifying distribution is taxable as income in the hands of the PI holder. These qualifying distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident participatory interest holders, provided that the South African resident participatory interest holders have provided the following forms to their Central Securities Depository Participant ("CSDP") or broker, as the case may be, in respect of uncertificated PIs, or the Transfer Secretaries, in respect of certificated PIs:

a) a declaration that the distribution is exempt from dividends tax; and
b) a written undertaking to inform the CSDP, broker or the Transfer Secretaries, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Participatory interest holders are advised to contact their CSDP, broker or the Transfer Secretaries, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Qualifying distributions received by non-resident participatory interest holders will not be taxable as income and instead will be treated as ordinary dividends but which are exempt in terms of the usual dividend exemptions per section 10(1) (k) of the Income Tax Act. It should be noted that until 31 December 2013 qualifying distributions received by non-residents were not subject to dividend withholding tax. From 1 January 2014, any qualifying distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the PI holder. Assuming dividend withholding tax will be withheld at a rate of 15%, the net amount due to non-resident participatory interest holders will be 54,2895 cents per participatory interest. A reduced dividend withholding tax rate in terms of the applicable DTA, may only be relied on if the non-resident PI holder has provided the following forms to their CSDP or broker, as the case may be, in respect of the uncertificated PIs, or the Transfer Secretaries, in respect of certificated PIs:

a) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
b) a written undertaking to inform their CSDP, broker or the Transfer Secretaries, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident PI holders are advised to contact their CSDP, broker or the Transfer Secretaries, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Local tax resident participatory interest holders as well as non-resident participatory interest holders are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

Last day to trade cum distribution	Friday, 5 September 2014
Participatory interests trade ex distribution	Monday, 8 September 2014
Record date	Friday, 12 September 2014
Payment date	Monday, 15 September 2014

PI certificates may not be dematerialised or rematerialised between Monday, 8 September 2014 and Friday, 12 September 2014, both days inclusive.

By order of the STREM Board

Martin Harris	**Ben van der Ross**	**James Templeton**
Company Secretary	Chairman	Chief Executive Officer

Bryanston, 13 August 2014

Basis of preparation and accounting policies

The condensed consolidated preliminary financial statements of Emira Property Fund ("Emira" or "the Fund") have been prepared in accordance with International Financial Reporting Standards ("IFRS") including IAS 34 Interim Financial Reporting, and are in compliance with the Listings Requirements of the JSE Limited. Except for the new standards adopted as set out below, all accounting policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2013. Emira adopted the following new standards:

› IFRS 10 — Consolidated Financial Statements
› IFRS 11 — Joint Arrangements
› IFRS 12 — Disclosure of Interest in Other Entities
› IFRS 13 — Fair Value Measurement
› Amendment of IFRS 7 — Disclosures — Offsetting Financial Assets and Financial Liabilities
› Amendments to IAS 32 — Financial Instrument Presentation

Except for additional disclosure required in terms of IFRS 13, there was no other material impact on the condensed financial statements. In terms of IFRS 10, and in line with the annual financial statements for the year ended 30 June 2013, Emira continues to consolidate the financial statements of Strategic Real Estate Managers (Pty) Ltd (STREM) due to the existence of substantive potential voting rights.

This report was compiled under the supervision of Peter Thurling CA (SA), the Chief Financial Officer.

These condensed consolidated preliminary financial statements for the year ended 30 June 2014 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report. The distribution statement was not reviewed.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

R'000	Reviewed 30 June 2014	Audited 30 June 2013
Assets		
Non-current assets	**11 259 150**	9 366 817
Investment properties	**10 371 073**	8 640 590
Allowance for future rental escalations	**162 190**	130 605
Unamortised upfront lease costs	**45 413**	39 306
Fair value of investment properties	**10 578 676**	8 810 501
Listed property investment	**665 992**	537 102
Derivative financial instruments	**14 482**	19 214
Current assets	**199 523**	158 004
Accounts receivable and prepayments	**148 048**	131 162
Derivative financial instruments	**6 172**	4 204
Cash and cash equivalents	**45 303**	22 638
Investment properties held for sale	**180 328**	589 905
Total assets	**11 639 001**	10 114 726
Equity and liabilities		
Participatory interest holders' capital and reserves	**7 003 785**	6 590 162
Non-current liabilities	**2 617 964**	1 440 682
Interest-bearing debt	**2 573 916**	1 362 722
Derivative financial instruments	**44 048**	62 737
Deferred taxation	**—**	15 223
Current liabilities	**2 017 252**	2 083 882
Short-term portion of interest-bearing debt	**1 379 864**	1 510 000
Accounts payable	**313 316**	262 043
Derivative financial instruments	**15 017**	18 929
Distribution payable to participatory interest holders	**309 055**	292 910
Total equity and liabilities	**11 639 001**	10 114 726

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

R'000	Participatory interest	Revaluation and other reserves	Retained earnings	Non-controlling interest	Total
Balance at 30 June 2012	3 669 396	2 105 118	(1 287)	1 994	5 775 221
Participatory interests repurchased	(51 141)				(51 141)
Total comprehensive income/(loss) for the year			1 441 444	(5 506)	1 435 938
Distribution to participatory interest holders			(569 856)		(569 856)
Transfer to fair value reserve (net of deferred taxation)		871 588	(871 588)		—
Balance at 30 June 2013	**3 618 255**	**2 976 706**	**(1 287)**	**(3 512)**	**6 590 162**
Participatory interests repurchased	**(182 821)**				**(182 821)**
Total comprehensive income for the year			**1 195 343**	**2 212**	**1 197 555**
Distribution to participatory interest holders			**(601 111)**		**(601 111)**
Transfer to fair value reserve (net of deferred taxation)		**596 494**	**(596 494)**		**—**
Balance at 30 June 2014	**3 435 434**	**3 573 200**	**(3 549)**	**(1 300)**	**7 003 785**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Reviewed year ended 30 June 2014	Audited year ended 30 June 2013
Revenue	**1 476 358**	1 342 244
Operating lease rental income and tenant recoveries	**1 448 914**	1 353 853
Allowance for future rental escalations	**27 444**	(11 609)
Income from listed property investment	**44 225**	36 332
Property expenses	**(559 216)**	(500 970)
Acquisition costs	**(2 262)**	—
Fee paid on cancellation of interest-rate swap agreements	**—**	(28 713)
Administration expenses	**(68 178)**	(70 572)
Depreciation	**(11 637)**	(12 052)
Operating profit	**879 290**	766 269
Net fair value adjustments	**529 891**	577 023
Net fair value gain on investment properties	**461 603**	471 542
Change in fair value as a result of straight-lining lease rentals	**(27 444)**	11 609
Change in fair value as a result of amortising upfront lease costs	**(4 257)**	(5 401)
Change in fair value as a result of property appreciation in value	**493 304**	465 334
Revaluation of share appreciation rights scheme derivative financial instrument	**(3 682)**	6 340
Unrealised gain on fair valuation of listed property investment	**71 970**	99 141
Profit before finance costs	**1 409 181**	1 343 292
Net finance costs	**(226 849)**	(108 104)
Finance income	**13 546**	8 160
Interest received	**13 546**	8 160
Finance costs	**(240 395)**	(116 264)
Interest paid and amortised borrowing costs	**(276 019)**	(247 036)
Interest capitalised to the cost of developments	**15 945**	2 036
Unrealised surplus on interest-rate swaps	**19 679**	128 736
Profit before income tax credit	**1 182 332**	1 235 188
Income tax credit	**15 223**	200 750
SA normal taxation	**—**	—
Deferred taxation	**15 223**	200 750
— Revaluation of investment properties	**—**	205 792
— Other timing differences including allowance for future rental escalations	**15 223**	(5 042)
Profit for the year	**1 197 555**	1 435 938
Attributable to Emira equity holders	**1 195 343**	1 441 444
Attributable to minority interests	**2 212**	(5 506)
	1 197 555	1 435 938
Total comprehensive income		
Attributable to Emira equity holders	**1 195 343**	1 441 444
Attributable to minority interests	**2 212**	(5 506)
	1 197 555	1 435 938

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS AND DISTRIBUTION

R'000	Reviewed year ended 30 June 2014	Audited year ended 30 June 2013
Profit for the year	**1 197 555**	1 435 938
Adjusted for:		
Net fair value gain on revaluation of investment properties	**(461 603)**	(471 542)
Deferred taxation on revaluation of investment properties	**—**	(205 792)
Headline earnings	**735 952**	758 604
Adjusted for:		
Allowance for future rental escalations	**(27 444)**	11 609
Amortised upfront lease costs	**(4 257)**	(5 401)
Unrealised surplus on interest rate swaps	**(19 679)**	(128 736)
Revaluation of share appreciation rights scheme derivative financial instrument	**3 682**	(6 340)
Unrealised gain on listed property investment	**(71 970)**	(99 141)
(Credit)/charge in respect of leave pay provision and share appreciation rights scheme	**(2 212)**	5 506
Acquisition costs	**2 262**	—
Fee paid on cancellation of interest-rate swap agreements	**—**	28 713
Deferred taxation - other timing differences	**(15 223)**	5 042
Distribution payable to participatory interest holders	**601 111**	569 856
Distribution per participatory interest		
Interim (cents)	**59,31**	55,69
Final (cents)	**63,87**	58,90
Total (cents)	**123,18**	114,59
Number of participatory interests in issue at the end of the year	**483 881 040**	497 299 883
Weighted average number of participatory interests in issue	**490 270 328**	497 949 166
Earnings per participatory interest (cents)	**244,26**	288,37
The calculation of earnings per participatory interest is based on net profit for the year of R1 197,6m (2013: R1 435,9m), divided by the weighted average number of participatory interests in issue during the year of 490 270 328 (2013: 497 949 166).		
Headline earnings per participatory interest (cents)	**150,11**	152,35
The calculation of headline earnings per participatory interest is based on net profit for the year, adjusted for non-trading items, of R736,0m (2013: R758,6m), divided by the weighted average number of participatory interests in issue during the year of 490 270 328 (2013: 497 949 166).		

Acquisition of Menlyn Coroporate Park (Pty) Ltd ("MCP")

With effect from 1 June 2014, the Fund acquired 100% of the share capital of MCP, a company incorporated in South Africa, which owns a P-grade office development in Menlyn, Pretoria for R284,2m.

The subsidiary contributed a profit of R2,5m to the Fund for the period from the date of acquisition to 30 June 2014.

Details of the assets and liabilities acquired are as follows:

	Rm
Development property	614,0
Cash and cash equivalents	2,9
Borrowings	(328,3)
Net current liabilities	(4,4)
Fair value of acquired interest in net assets	284,2
Total purchase consideration	284,2

CONDENSED STATEMENT OF CASH FLOWS

R'000	Reviewed year ended 30 June 2014	Audited year ended 30 June 2013
Cash generated from operations	**892 472**	784 198
Finance income	**13 546**	8 160
Interest paid	**(276 019)**	(247 036)
Taxation paid	**—**	(162)
Acquisition costs	**(2 262)**	—
Fee paid on cancellation of interest-rate swaps	**—**	(28 713)
Distribution to participatory interest holders	**(584 966)**	(561 788)
Cash flows from operating activities	**42 771**	(45 341)
Acquisition of, and additions to, investment properties and fixtures and fittings	**(560 065)**	(252 069)
Proceeds on sale of investment properties and fixtures and fittings	**313 079**	120 700
Acquisition of investment in listed property fund	**(56 920)**	(19 502)
Acquisition of subsidiary, net of cash acquired	**(281 232)**	—
Cash flows from investing activities	**(585 138)**	(150 871)
Participatory interests repurchased	**(182 821)**	(51 141)
Increase in interest-bearing debt	**752 782**	247 803
Derivative acquired in respect of share appreciation rights scheme	**(4 929)**	—
Cash flows from financing activities	**565 032**	196 662
Net increase in cash and cash equivalents	**22 665**	450
Cash and cash equivalents at the beginning of the year	**22 638**	22 188
Cash and cash equivalents at the end of the year	**45 303**	22 638

SEGMENTAL INFORMATION

R'000	Office	Retail	Industrial	Administrative and corporate	Total
Sectoral segments					
Revenue	674 886	571 943	229 529		1 476 358
Revenue	659 359	566 487	223 068		1 448 914
Allowance for future rental escalations	15 527	5 456	6 461		27 444
Segmental information					
Operating profit	395 603	328 490	145 209	9 988*	879 290
Investment properties	5 381 621	3 669 868	1 707 515		10 759 004
Geographical segments					
Revenue					
— Gauteng	512 618	358 518	170 515		1 041 651
— Western and Eastern Cape	79 097	56 953	27 414		163 464
— KwaZulu-Natal	53 571	91 350	31 600		176 521
— Free State	29 600	65 122			94 722
	674 886	571 943	229 529		1 476 358
Investment properties					
— Gauteng	4 274 171	2 359 654	1 255 805		7 889 630
— Western and Eastern Cape	597 200	381 600	233 050		1 211 850
— KwaZulu-Natal	347 050	578 950	218 660		1 144 660
— Free State	163 200	349 664			512 864
	5 381 621	3 669 868	1 707 515		10 759 004

* *Includes income from listed property investment of R44,2m less general Fund expenses of R31,9m and acquisition costs of R2,3m.*

MEASUREMENTS OF FAIR VALUE

1. Financial instruments

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

R'000	Level 1 2014	Level 2 2014	Level 3 2014	Level 1 2013	Level 2 2013	Level 3 2013
GROUP						
Assets						
Investments	**665 992**		**665 992**	537 102		537 102
Derivative financial instruments		**20 654**	**20 654**		23 418	23 418
Total	**665 992**	**20 654**	**686 646**	537 102	23 418	560 520
Liabilities						
Derivative financial instruments		**59 065**	**59 065**		81 666	81 666
Total	**—**	**59 065**	**59 065**	—	81 666	81 666
Net fair value	**665 992**	**(38 411)**	**627 581**	537 102	(58 248)	478 854

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Investments

This comprises shares held in a listed property company at fair value which is determined by reference to quoted closing prices at the reporting date.

Derivative financial instruments

The fair values of the interest rate swap contracts are determined using discounted cash flow projections, based on estimates of future cash flows supported by the terms of the relevant swap agreements and external evidence such as the ZAR 0-coupon perfect-fit swap curve. The call option contracts to the value of R8,1m are valued using a Black Scholes option pricing model.

2. Non-financial assets

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value at 30 June 2014:

R'000	Level 3 2014	Level 3 2013
Assets		
Investment properties	**10 578 676**	8 810 501
Investment properties held for sale	**180 328**	589 905

Fair value measurement of investment properties

The fair value of commercial buildings is estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. The estimated rental stream takes into account current occupancy levels, estimates of future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the buildings.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions regarding vacancy levels, the discount rate and the reversionary capitalisation rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rates (market yields) and reversionary capitalisation rates decline. The overall valuations are sensitive to all four assumptions. Management considers the range of reasonable possible alternative assumptions is greatest for reversionary capitalisation rate rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 30 June 2014 were:

› The range of the reversionary capitalisation rates applied to the portfolio are between 9,0% and 13,0% with the weighted average being 10,06% (2013: 10,18%).
› The discount rates applied range between 13,75% and 16,5% with the weighted average being 14,73% (2013: 14,78%).
› Changes in discount rates and reversionary capitalisation rates attributable to changes in market conditions can have significant impact on property valuations. A 25 basis points increase in the discount rate will decrease the value of investment property by R157,7m (1,5%) and a 25 basis points decrease will increase the value of investment property by R163,3m (1,5%). A 25 basis points decrease in the capitalisation rate will increase the value of investment property by R155,8m (1,5%) and a 25 basis points increase will decrease the value of investment property by R148,0m (1,4%).

Fair values are estimated twice a year whereafter they are reviewed by the executive directors and approved by the board of directors. At the year-end one third of the property portfolio is externally valued.

Fair value measurement of investment properties held for sale

The fair value of investment properties held for sale is based on the expected sale price.

Fund Manager: Strategic Real Estate Managers (Pty) Ltd **Directors of the Fund Manager:** BJ van der Ross (Chairman)*, JWA Templeton (Chief Executive Officer), MS Aitken*, BH Kent**, V Mahlangu**, NE Makiwane*, W McCurrie*, MSB Neser**, V Nkonyeni*, PJ Thurling, U van Biljon, G van Zyl** **Non-executive Director **Independent Non-executive Director* **Registered address:** Optimum House, Epsom Downs Office Park, 13 Sloane Street, Bryanston, 2191 **Sponsor:** Rand Merchant Bank (a division of FirstRand Bank Limited) **Transfer Secretaries:** Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001

EMIRA PROPERTY FUND (A property fund created under the Emira Property Scheme, registered in terms of the Collective Investment Schemes Control Act No. 45 of 2002) Share code: EMI ISIN: ZAE000050712 ("Emira" or "the Fund") Tax number: 0047/321/15/3 (Approved as a REIT by the JSE)

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