EMIRA PROPERTY FUND

(A property fund created under the Emira Property Scheme, registered in terms of the Collective Investment Schemes Control Act)

Share code: EMI ISIN: ZAE000050712 ("Emira" or "the Fund")

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 AND INCOME DISTRIBUTION DECLARATION

51,84 cents
distribution per PI, representing growth of 6,3%

1 117 cents
net asset value per PI

187,4 cents or 18,5%
6-month total return

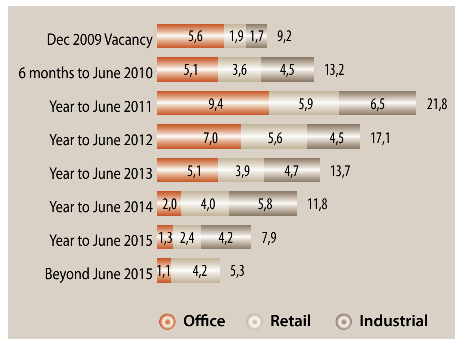
Consolidated statement of comprehensive income

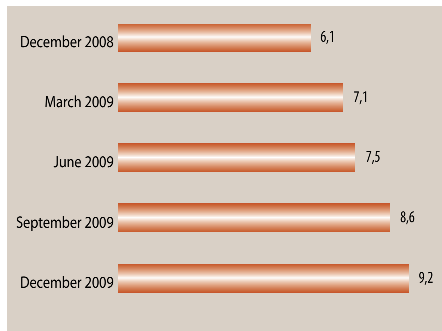
	Unaudited Six months ended 31 Dec 2009 R'000	Unaudited Six months ended 31 Dec 2008 R'000	Audited Year ended 30 Jun 2009 R'000
Revenue	585 204	531 901	1 082 688
Operating lease rental income and tenant recoveries	566 918	519 036	1 059 866
Allowance for future rental escalations	18 286	12 865	22 822
Property expenses	(195 776)	(172 746)	(350 880)
Management expenses	(17 478)	(15 590)	(31 843)
Administration expenses	(21 219)	(18 313)	(39 023)
Depreciation	(5 620)	(5 392)	(11 198)
Operating profit	345 111	319 860	649 744
Net fair value (deficit)/gain on investment properties	(114 313)	95 957	(83 511)
Change in fair value as a result of straight-lining lease rentals	(18 286)	(12 865)	(22 822)
Change in fair value as a result of amortising upfront lease costs	820	(6 792)	(6 717)
Change in fair value as a result of property (depreciation)/appreciation in value	(96 847)	115 614	(53 972)
Profit on sale of investment property	—	—	—
Profit before finance costs	230 798	415 817	566 233
Net finance costs	(76 616)	(306 072)	(307 774)
Finance income	2 574	6 143	11 902
Finance costs	(79 190)	(312 215)	(319 676)
Interest paid and amortised borrowing costs	(70 291)	(57 931)	(121 844)
Interest capitalised to cost of developments	501	886	1 728
Preference share dividends paid	(6 854)	(8 050)	(16 424)
Unrealised loss on interest-rate swaps	(2 546)	(247 120)	(183 136)
Profit before income tax expense	154 182	109 745	258 459
Income tax expense			
Deferred taxation	8 721	17 633	66 571
– Revaluation of investment properties	8 492	420	54 441
– Other	229	17 213	12 130
STC on preference share dividends paid	(685)	(805)	(1 642)
Profit for the period attributable to equity holders	162 218	126 573	323 388
Total comprehensive income for the period	162 218	126 573	323 388
Reconciliation between earnings and headline earnings and distribution			
Profit for the period attributable to equity holders	162 218	126 573	323 388
Adjusted for:			
Net fair value deficit/(gain) on investment properties	114 313	(95 957)	83 511
Deferred taxation on revaluation of investment properties	(8 492)	(420)	(54 441)
Headline earnings	268 039	30 196	352 458
Adjusted for:			
Allowance for future rental escalations	(18 286)	(12 865)	(22 822)
Amortised upfront lease costs	820	(6 792)	(6 717)
Unrealised deficit on interest-rate swaps	2 546	247 120	183 136
Deferred taxation – other	(229)	(17 213)	(12 130)
Distribution payable to participatory interest holders	252 890	240 446	493 925
Distribution per participatory interest			
Interim (cents)	51,84	48,79	48,79
Final (cents)	—	—	52,46
Total (cents)	51,84	48,79	101,25
Number of PIs in issue at the end of the period	487 827 654	492 818 989	487 827 654
Weighted average number of PIs in issue	487 827 654	492 818 989	491 194 770
Earnings per participatory interest (cents)	33,25	25,68	65,84

The calculation of earnings per participatory interest is based on net profit for the period of R162,2 million (2008: R126,6 million), divided by the weighted average number of participatory interests in issue during the period of 487 827 654 (2008: 492 818 989).

Headline earnings per participatory interest (cents)	54,95	6,13	71,76

The calculation of headline earnings per participatory interest is based on net profit for the period, adjusted for non-trading items, of R268,0 million (2008: R30,2 million), divided by the weighted average number of participatory interests in issue during the period of 487 827 654 (2008: 492 818 989).





Consolidated statement of financial position

	Unaudited 31 Dec 2009 R'000	Unaudited 31 Dec 2008 R'000	Audited 30 Jun 2009 R'000
Assets			
Non-current assets			
Investment properties	7 138 446	7 525 631	7 158 603
Allowance for future rental escalations	171 112	142 869	152 826
Unamortised upfront lease costs	43 528	44 423	44 348
	7 353 086	7 712 923	7 355 777
Current assets			
Trade and other receivables	54 997	35 641	51 892
Derivative financial instruments	4 271	—	6 817
Cash and cash equivalents	24 833	46 676	36 524
	84 101	82 317	95 233
Non-current assets held for sale	346 980	47 329	362 300
Total assets	7 784 167	7 842 569	7 813 310
Equity			
Participatory interest holders' capital and reserves	5 447 680	5 647 167	5 538 352
Liabilities			
Non-current liabilities			
Redeemable preference shares	200 000	200 000	200 000
Interest-bearing debt	1 444 929	1 138 775	1 373 316
Deferred taxation	237 380	295 040	246 101
	1 882 309	1 633 815	1 819 417
Current liabilities			
Short-term portion of long-term interest-bearing debt	—	100 000	—
Trade and other payables	201 288	163 974	199 627
Derivative financial instruments	—	57 167	—
Distributions payable to participatory interest holders	252 890	240 446	255 914
	454 178	561 587	455 541
Total liabilities	2 336 487	2 195 402	2 274 958
Total equity and liabilities	7 784 167	7 842 569	7 813 310

Abridged consolidated statement of cash flows

	Unaudited Six months ended 31 Dec 2009 R'000	Unaudited Six months ended 31 Dec 2008 R'000	Audited Year ended 30 Jun 2009 R'000
Cash generated from operations	331 973	324 129	664 501
Investment income	2 574	6 143	11 902
Interest paid	(70 291)	(57 931)	(121 844)
Preference share dividends paid	(6 854)	(8 050)	(16 424)
Taxation paid	(838)	(805)	(1 228)
Distribution to participatory interest holders	(255 914)	(235 075)	(473 086)
Net cash generated from operating activities	650	28 411	63 821
Acquisition of investment properties and furniture and equipment	(89 630)	(179 193)	(311 112)
Proceeds on disposal of investment properties and furniture and equipment	5 676	18 633	21 029
Net cash used in investing activities	(83 954)	(160 560)	(290 083)
Repurchase of participatory interests	—	—	(52 151)
Preference shares issued	—	110 000	—
Increase in interest-bearing debt	71 613	—	246 112
Net cash generated from financing activities	71 613	110 000	193 961
Net decrease in cash and cash equivalents	(11 691)	(22 149)	(32 301)
Cash and cash equivalents at the beginning of the period	36 524	68 825	68 825
Cash and cash equivalents at the end of the period	24 833	46 676	36 524

Related parties and related party transactions

Momentum Group ("Momentum") is the major participatory interest holder. At 31 December 2009, Momentum owned 28,9% of the Fund's participatory interests and the Fund's BEE partners - The Tiso Group, The Shalamuka Foundation, Avuka Investments, The RMBP Broad Based Empowerment Trust and Mr B van der Ross- held 12,5%. The remaining 58,6% were widely held.

The following transactions were carried out with related parties:

	Unaudited Six months ended 31 Dec 2009 R'000	Unaudited Six months ended 31 Dec 2008 R'000	Audited Year ended 30 Jun 2009 R'000
Strategic Real Estate Managers (Proprietary) Limited			
Expenditure comprising asset management fees	17 478	15 590	31 843
Relationship: Associated company of the FirstRand Group			
Rand Merchant Bank, a division of FirstRand Bank Limited			
Long-term interest-bearing debt	954 475	750 000	884 475
Net finance cost in respect of long-term interest-bearing debt	44 841	34 990	72 526
Cash on call	—	16 000	6 000
Cash reserve	2 000	2 000	2 000
Finance income on cash on call	701	3 856	5 467
Relationship: Associated company of the FirstRand Group			
Eris Property Group (Proprietary) Limited	29 550	141 301	176 806
Expenditure comprising: property management fee and letting commissions	27 402	31 203	58 620
Purchase consideration of TIS Corporate Park	—	90 100	90 100
Development expenditure	2 148	19 998	28 086

Relationship: Associated company of the FirstRand Group

The above transactions were carried out on commercial terms and conditions no more favourable than those available in similar arm's length dealings at market-related rates.

Segmental information

Sectoral segments	Office R'000	Retail R'000	Industrial R'000	Administrative and corporate R'000	Total R'000
Revenue	252 031	240 451	92 722	—	585 204
Revenue	252 725	223 456	90 737	—	566 918
Allowance for future rental escalations	(694)	16 995	1 985	—	18 286
Segmental result					
Operating profit	154 405	144 432	66 413	(20 139)	345 111
Investment properties	3 629 586	2 741 000	1 329 480	—	7 700 066
Geographical segments					
Revenue					
– Gauteng	188 587	164 647	70 184	—	423 418
– Western and Eastern Cape	31 543	19 446	9 041	—	60 030
– KwaZulu-Natal	21 424	36 440	13 497	—	71 361
– Free State	10 477	19 918	—	—	30 395
	252 031	240 451	92 722	—	585 204
Investment properties					
– Gauteng	2 744 404	1 850 500	1 029 100	—	5 624 004
– Western and Eastern Cape	511 382	242 200	152 500	—	906 082
– KwaZulu-Natal	270 100	440 500	147 880	—	858 480
– Free State	103 700	207 800	—	—	311 500
	3 629 586	2 741 000	1 329 480	—	7 700 066

Consolidated statement of changes in equity

	Participatory interest R'000	Revaluation and other reserves R'000	Retained earnings R'000	Total R'000
Balance at 1 July 2008	3 563 635	2 198 750	(1 345)	5 761 040
Total comprehensive income for the period	—	—	126 573	126 573
Distribution to participatory interest holders	—	—	(240 446)	(240 446)
Transfer to fair revaluation reserve (net of deferred taxation)	—	(113 873)	113 873	—
Balance at 31 December 2008	3 563 635	2 084 877	(1 345)	5 647 167
Balance at 1 July 2009	3 511 484	2 028 213	(1 345)	5 538 352
Total comprehensive income for the period	—	—	162 218	162 218
Distribution to participatory interest holders	—	—	(252 890)	(252 890)
Transfer to fair revaluation reserve (net of deferred taxation)	—	(90 672)	90 672	—
Balance at 31 December 2009	3 511 484	1 937 541	(1 345)	5 447 680

Basis of preparation and accounting policies

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including IAS 34, and are in compliance with the Listings Requirements of the JSE Limited. The 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 2009.

Commentary

The Board of directors of Strategic Real Estate Managers (Pty) Ltd ("STREM") is pleased to announce a distribution of 51,84 cents per Emira participatory interest (PI) for the six months to 31 December 2009. This represents growth in distributions of 6,3% on the previous comparable period.

Emira PI holders enjoyed a healthy total return of 18,5% during the six months to 31 December 2009, comprising capital appreciation of 13,3% and an income return of 5,2%, which represents the distributions actually paid out during the period under review. This strong capital rise in Emira's PI price was ahead of the SA Listed Property Index, which appreciated by 11,8% over the period. The listed property sector, including Emira, benefitted from the market's expectation of a recovery in global growth and resultant buoyant stock market conditions, which saw the All Share Index rising by 25% in the six months. The percentage of Emira PIs in issue that traded in the six-month period equated to 14,8%.

As has been the case for the past three years, management continues to improve the quality of the Emira portfolio through the acquisition of new properties and refurbishment of existing assets, funded by long-term debt, as well as the disposal of those properties deemed to be non-core. Activity in the portfolio comprises the following:

- Three small, earnings enhancing projects totalling R4,4 million were concluded during the period, which consisted of extensions for existing blue-chip and longstanding tenants at Wonderpark Shopping Centre, Ngwavuma Shopping Centre and One Highveld;
- A further four more substantial projects worth approximately R166,8 million are still underway, which include (i) the refurbishment and extension of Randridge Mall and the introduction of additional national tenants at the centre (R126,2 million) (ii) extensions to Southern Centre in Bloemfontein to accommodate several national tenants (R14,9 million) (iii) the general upgrade of Wesbank House in the Cape Town CBD in order to capitalise on higher rentals (R11 million), and (iv) the recently approved modernisation and refurbishment of Rigel Office Park after the park was vacated by its single tenant late in 2009 (R14,7 million);
- In order to capitalise on relatively attractive construction costs in the current market, in November 2009 the STREM Board approved capital spend of R291,8 million for the complete demolition and reconstruction of 15,600 m^2 of prime office space at Podium House in Menlyn (R255,6 million) and the refurbishment of 6,745 m^2 of office space at FNB Heerengracht (R36,2 million). Both these projects will substantially improve the quality of office space on offer and ensure sustainable earnings for the Fund's investors, although construction will only commence upon the Fund being able to pre-let 50% of the available space in each building. Marketing of the space is underway and management is optimistic that given the buildings' exceptional locations and attractive rental levels, tenant interest will be good.
- The disposal of non-core buildings continued during the period, with three sectionalised units at Georgian Place being transferred out of the Fund, while the sale of two buildings (Nampak and Howick Gardens) have gone unconditional. Offers have recently been accepted for QD House and Rinaldo Park, but are still subject to suspensive conditions being met. Several of the properties on the disposal list were placed for sale at auction during the period, although the Fund's asking prices were not met and these properties will be retained until market conditions improve.

Results

The period under review was noticeably tougher than the comparable period last year, with operating conditions being impacted by rising vacancies, increasing tenant arrears and downward pressure on rentals. Despite the tougher economic environment and resultant rise in vacancies from 7,5% in June 2009 to 9,2% by December 2009, Emira's portfolio showed further growth in rentals.

Excluding the straight-line adjustments from future rental escalations, revenue rose by 9,2% over the comparable period. This was the result of organic growth in income from the existing portfolio, the inclusion of properties acquired in the previous financial year for the full period, one new property being transferred to Emira during the period under review, as well as the conclusion of several capital projects in the previous financial year, which contributed for the full six months.

Property expenses, when adjusted for amortised upfront lease costs, rose by 8,6%, which was below revenue, largely as a result of reduced leasing commissions, reflective of the tougher underlying market. Conservative provisioning in the previous financial year with respect to bad debts also enabled the Fund to reduce the charge to the income statement when compared to the December 2008 period.

The higher average PI price versus the comparable period, together with increased levels of gearing, resulted in asset management expenses showing a 12,1% rise over the six months.

Net interest costs excluding unrealised gains or losses on interest rate swaps rose by 25,1%. This was due to increased levels of gearing in the Fund, which was used to fund the acquisitions and capital projects mentioned earlier and the PI buybacks effected in March 2009. Moreover, lower interest rates meant that interest earned was sharply lower.

Net asset value declined marginally (–1,6%) in the six months from 1135 cents (1186 cents excluding the deferred tax provision) to 1117 cents (1165 cents), largely as a result of a reduction in the value of investment properties. This slight downward revaluation of investment properties was driven by rising vacancies and downward pressure on rentals experienced by the market as a whole. Management is confident that property valuations are realistic, as is evidenced by the recent sale of the non-core properties at values in line with, or slightly in excess of, book value.

Distribution statement

	Six months ended 31 Dec 2009 R'000	Six months ended 31 Dec 2008 R'000	% change	Year ended 30 Jun 2009 R'000
Operating lease rental income and tenant recoveries excluding straight-lining of leases	566 918	519 036	9,2	1 059 866
Property expenses excluding amortised upfront lease costs	(194 956)	(179 538)	8,6	(357 597)
Net property income	371 962	339 498	9,6	702 269
Asset management expenses	(17 478)	(15 590)	12,1	(31 843)
Administration expenses	(21 219)	(18 313)	15,9	(39 023)
Depreciation	(5 620)	(5 392)	4,2	(11 198)
Net interest cost	(74 755)	(59 757)	25,1	(126 280)
Interest paid and amortised borrowing costs	(70 291)	(57 931)	21,3	(121 844)
Interest capitalised to the cost of developments	501	886	(43,5)	1 728
Preference share dividends paid	(6 854)	(8 050)	(14,9)	(16 424)
STC on preference share dividends paid	(685)	(805)	(14,9)	(1 642)
Investment income	2 574	6 143	(58,1)	11 902
Distribution payable to participatory interest holders	252 890	240 446	5,2	493 925
Number of units in issue	487 827 654	492 818 989		487 827 654
Distribution per participatory interest (cents)	51,84	48,79	6,3	101,25

Company Secretary

On 16 February 2010 Desiree Isserow resigned as Company Secretary and Martin Harris was appointed in her stead.

Prospects

The Fund's strategy of improving the quality of the portfolio through acquisitions and refurbishments – funded by prudent, long-term gearing – as well as the disposal of non-core assets will continue.

Although the economy has recently shown signs of growth and expectations are that this will continue, the property sector tends to lag the general economic recovery. Conditions within the portfolio are therefore expected to remain challenging and, as was stated in the prospects statement after the release of results for the year to June 2009, tenant retention and minimising bad debts will be the key drivers of income growth. Nonetheless, given a growing income stream from the existing portfolio, as well as careful cost management, the STREM Board believes that the Fund will show a similar level of growth in distributions for the twelve months to June 2010 as that achieved for the six months to December 2009.

The forecast financial information on which this statement has been based has not been reviewed or reported on by the Fund's auditors.

Income distribution declaration

Notice is hereby given that an interim cash distribution of 51,84 cents (2008: 48,79 cents) per participatory interest has been declared payable to participatory interest holders, on Monday, 15 March 2010.

Last day to trade cum distribution	Friday, 5 March 2010
Participatory interests trade ex distribution	Monday, 8 March 2010
Record date	Friday, 12 March 2010
Payment date	Monday, 15 March 2010

PI certificates may not be dematerialised or rematerialised between Monday, 8 March 2010 and Friday, 12 March 2010, both days inclusive.

By order of the STREM Board

Martin Harris
Company secretary

Ben van der Ross
Chairman

James Templeton
Chief executive officer

Sandton
16 February 2010

Fund Manager: Strategic Real Estate Managers (Proprietary) Limited
Directors of the Fund manager: BJ van der Ross (Chairman)*, JWA Templeton (Chief executive officer), MS Aitken*, BH Kent*, NE Makiwane*, W McCurrie*, MSB Neser*, WK Schultze, NL Sowazi*, PJ Thurling
*Non-executive director
Registered address: 3 Gwen Lane, Sandton, 2146
Sponsor: Rand Merchant Bank *(a division of FirstRand Bank Limited)*
Transfer secretaries: Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001

www.emira.co.za

Acquisitions

Properties purchased and transferred to Emira during the six months to December 2009

Property	Sector	Location	GLA (m^2)	Purchase price (Rm)	Forward yield (%)	Effective date	Tenants
Taylor Blinds	Industrial	Montague Gardens Cape Town	7 614	36,0	10,78	4 September 2009	Taylor Blinds

Taylor Blinds is a modern, well located warehouse let to Taylor Blinds on a long-term lease until September 2013. The purchase was earnings enhancing to Emira and reflected a substantial discount to replacement cost on a R/m^2 basis.

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 six months to December 2009

Property	Sector	Location	GLA (m^2)	Valuation Jun 09 (Rm)	Sale price (Rm)	Exit yield (%)	Effective date
Sections 9, 16 and 19 Georgian Place	Office	Kelvin Gauteng	1 578	5,6	5,6	3,9	15 July 2009, 28 July 2009 and 4 November 2009

Properties awaiting transfer out of Emira

Property	Sector	Location	GLA (m^2)	Valuation Jun 09 (Rm)	Sale price (Rm)	Exit yield (%)	Effective date
Nampak	Industrial	Denver	24 880	18,0	20,5	8,5	Expected March 2010
Howick Gardens	Office	Midrand	3 075	20,0	21,0	9,4	Expected March 2010

Vacancies

The portfolio vacancy at the end of December 2009 was 9,2%, a rise from 7,5% in June 2009, with vacancies rising across all three sectors of the portfolio. If the buildings that are currently at various stages of refurbishment are excluded (FNB Heerengracht, Podium House, Rigel Park and Randridge Mall), the adjusted vacancy stands at 7,5% as at December 2009 from 6,7% in June 2009.

- In the office sector, Oracle House (5,922 m^2) was let during the period, although this was partially offset by the vacancy that arose at Rigel Park (4,534 m^2). Other significant vacancies include: Hurlingham Office Park (static at 6,780 m^2), (FNB Heerengracht (static at 6,520 m^2), Podium House (increase of 608 m^2 to 4,456 m^2), Knightsbridge Manor (increase of 1,649 m^2 to 4,009 m^2) and Georgian Place (increase of 1,385 m^2 to 3,194 m^2).
- The rise in vacancies in the industrial sector is largely attributable to 4,970 m^2 of industrial space becoming vacant at Isando – Unitrans, although vacancies also rose at various multi-tenanted mini- and midi-units.
- Retail vacancies were concentrated at Randridge Mall (4,680 m^2), which is under refurbishment, Montana Value Centre (2,707 m^2), WorldWear Fashion Mall (2,519 m^2) and Cresta Corner (2,178 m^2).

Sector (m^2)	GLA Jun 09	Vacancy Jun 09	%	GLA Dec 09	Vacancy Dec 09	%
Office	449 129	61 011	13,6	445 000	68 145	15,3
Retail	380 269	18 866	5,0	389 047	22 954	5,9
Industrial	380 839	11 360	3,0	387 635	21 195	5,5
Total	**1 210 237**	**91 237**	**7,5**	**1 221 682**	**112 294**	**9,2**

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. At the interim stage directors' valuations are used.

Total portfolio movement

Sector	Jun 2009 (R'000)	R/m^2	Dec 2009 (R'000)	R/m^2	Difference (%)	Difference (R'000)
Office	3 679 586	8 193	3 629 586	8 156	(1,4)	(50 000)
Retail	2 732 279	7 185	2 741 000	7 045	0,3	8 721
Industrial	1 306 212	3 430	1 329 480	3 430	1,8	23 268
Total	**7 718 077**	**6 377**	**7 700 066**	**6 303**	**(0,2)**	**(18 011)**

After capital expenditure of R90,1 million, disposals of R5,7 million and depreciation of R5,6 million, investment properties decreased in value by R18,0 million, implying a slight downward revision in property values of R96,8 million. This marginal decrease reflects deteriorating market conditions and rising property yields.

Debt

Emira has a relatively low level of gearing, with available debt facilities at attractive margins which will enable the Fund to acquire good quality properties with sustainable income streams.

During the 2009 financial year, Emira was granted an additional loan facility from FirstRand Bank Limited of R657 million. As at December 2009 Emira had a total debt facility (including preference shares) available of R2 257 million, of which R1 654 million had been accessed.

Emira has entered into various swap agreements as set out below. As a result, 95,2% of the Fund's debt has been fixed for periods of between three and thirteen years. As at 31 December 2009, the weighted average cost of debt equated to 9,56%.

	Rate %	Term	Amount (Rm)	% of debt
1. Debt – Swap	10,05	January 2010	90,0	5,5
– Extended	9,87	March 2020		
2. Debt – Swap	9,46	September 2011	110,0	6,7
– Extended	9,79	September 2021		
3. Debt – Swap	9,78	April 2013 *	650,0	39,3
4. Debt – Swap	9,20	June 2013	500,0	30,2
– Extended (R200 million)	10,23	June 2023		
– Extended (R100 million)	9,83	June 2023		
5. Debt – Swap	10,25	October 2013	84,6	5,1
6. Debt – Swap	9,66	December 2014	100,0	6,0
7. Debt – Swap	10,11	April 2019	40,0	2,4
			1 574,6	**95,2**
8. Debt – Floating	8,76	January 2019	79,9	4,8
Total	9,56		**1 654,5**	**100,0**
Less: Costs capitalised not yet amortised			(9,6)	
Per balance sheet			**1 644,9**	

*Existing debt swaps that were in place have been novated to RMB. These revert back to Emira in April 2013 and continue until expiry, ranging between October 2013 and November 2018.

BASTION GRAPHICS