INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRA PROPERTY FUND LIMITED

Report on the financial statements

We have audited the consolidated and separate financial statements of Emira Property Fund Limited set out on pages 70 to 120, which comprise the statements of financial position as at 30 June 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Emira Property Fund Limited as at 30 June 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 Emira Property Fund Limited for 13 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: V. Muguto
Registered Auditor

Sunninghill
23 September 2016

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

R'000	Notes	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
REVENUE		**1 796 951**	1 811 968	**1 158 025**	1 123 195
Operating lease rental income from investment properties		**1 349 437**	1 290 396	**859 285**	827 103
Recoveries of operating costs from tenants		**431 079**	396 274	**295 014**	273 597
Allowance for future rental escalations	7	**16 435**	125 298	**3 726**	22 495
Dividends received from subsidiaries				**748 291**	–
Income from listed property investment		**58 045**	47 388	**58 045**	47 388
Property expenses		**(637 805)**	(581 752)	**(418 313)**	(384 208)
Fee paid on cancellation of interest-rate swap agreements	3	**–**	(36 641)	**–**	(36 641)
Administration expenses		**(84 612)**	(86 341)	**(70 905)**	(67 944)
Depreciation		**(14 840)**	(9 324)	**(11 276)**	(5 760)
OPERATING PROFIT BEFORE FAIR VALUE ADJUSTMENTS		**1 117 739**	1 145 298	**1 463 867**	676 030
Net fair value adjustments		**(83 347)**	1 113 841	**70 480**	996 410
Net fair value (loss)/gain on revaluation of investment properties		**(201 028)**	983 226	**(54 865)**	872 145
Change in fair value as a result of straight-lining lease rentals	7	**(16 435)**	(125 298)	**(3 726)**	(22 495)
Change in fair value as a result of amortising upfront lease costs	8	**24 778**	996	**17 957**	334
Change in fair value as a result of property (depreciation)/appreciation in value	6	**(209 371)**	1 107 528	**(69 096)**	894 306
Revaluation of derivative financial instruments relating to share appreciation rights scheme		**(25 753)**	6 350	**(18 089)**	–
Impairment charge		**–**	(6 673)	**–**	(6 673)
Unrealised gain on fair valuation of listed property investment	10	**143 434**	130 938	**143 434**	130 938
PROFIT BEFORE FINANCE COSTS		**1 034 392**	2 259 139	**1 534 347**	1 672 440
Net finance costs		**(394 306)**	(351 137)	**(379 575)**	(333 232)
Finance income		**10 896**	10 833	**8 434**	8 556
Interest received		**10 896**	10 833	**8 434**	8 556
Finance costs		**(405 202)**	(361 970)	**(388 009)**	(341 788)
Interest paid and amortised borrowing costs		**(411 767)**	(401 133)	**(394 574)**	(380 951)
Interest capitalised to the cost of developments		**10 378**	5 110	**10 378**	5 110
Unrealised (deficit)/surplus on revaluation of interest-rate swaps		**(3 813)**	34 053	**(3 813)**	34 053
PROFIT BEFORE INCOME TAX CHARGE	3	**640 086**	1 908 002	**1 154 772**	1 339 208
Income tax charge	4	**(6)**	(1 777)		
SA normal taxation		**(6)**	(1 777)		
Profit for the year		**640 080**	1 906 225	**1 154 772**	1 339 208
Attributable to Emira equity holders		**640 080**	1 910 187	**1 154 772**	1 339 208
Attributable to non-controlling interests		**–**	(3 962)		
		640 080	1 906 225	**1 154 772**	1 339 208
TOTAL COMPREHENSIVE INCOME					
Attributable to Emira equity holders		**640 080**	1 910 187	**1 154 772**	1 339 208
Attributable to non-controlling interests		**–**	(3 962)		
		640 080	1 906 225	**1 154 772**	1 339 208
Basic/diluted earnings per share (cents)	5	**125,37**	375,09		

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

R'000	Notes	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
ASSETS					
Non-current assets		**13 085 752**	13 274 255	**12 454 371**	11 745 774
Investment properties	6	**11 757 917**	12 035 656	**8 234 948**	8 048 937
Fixtures and fittings	6	**61 784**	55 288	**42 778**	36 289
Allowance for future rental escalations	7	**292 077**	286 762	**145 811**	148 371
Unamortised upfront lease costs	8	**18 101**	44 387	**11 338**	30 195
Fair value of investment properties		**12 129 879**	12 422 093	**8 434 875**	8 263 792
Investments in subsidiaries	9			**3 066 275**	2 636 680
Listed property investment	10	**940 364**	796 930	**940 364**	796 930
Accounts receivable	11	**–**	39 177	**–**	39 177
Derivative financial instruments	17	**15 509**	16 055	**12 857**	9 195
Current assets		**373 709**	247 809	**281 011**	172 343
Accounts receivable	11	**301 312**	181 726	**240 952**	146 509
Derivative financial instruments	17	**16 848**	12 872	**15 192**	5 206
Cash and cash equivalents		**55 549**	53 211	**24 867**	20 628
Investment properties held-for-sale	6	**835 000**	319 000	**452 900**	309 000
Total assets		**14 294 461**	13 841 064	**13 188 282**	12 227 117
EQUITY AND LIABILITIES					
Shareholders' capital and reserves	12, 13	**8 857 648**	8 940 015	**8 070 718**	7 638 393
Non-current liabilities		**3 969 252**	3 463 985	**3 769 516**	3 264 416
Interest-bearing debt	14	**3 944 172**	3 448 396	**3 744 436**	3 248 827
Derivative financial instruments	17	**25 080**	15 589	**25 080**	15 589
Current liabilities		**1 467 561**	1 437 064	**1 348 048**	1 324 308
Short-term portion of interest-bearing debt	14	**1 034 000**	1 061 965	**1 034 000**	1 061 965
Accounts payable	15	**383 391**	346 122	**276 737**	251 091
Employee benefits liability	16	**12 859**	15 948		
Derivative financial instruments	17	**37 311**	11 252	**37 311**	11 252
Taxation		**–**	1 777		
Total equity and liabilities		**14 294 461**	13 841 064	**13 188 282**	12 227 117

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2016

		GROUP		COMPANY	
R'000	Notes	**2016**	2015	**2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	18	**1 097 191**	1 037 433	**1 459 753**	652 098
Finance income		**10 896**	10 833	**8 434**	8 556
Interest paid		**(411 767)**	(401 133)	**(394 574)**	(380 951)
Taxation paid	18	**(1 783)**	–		
Fee paid on cancellation of interest-rate swaps		**–**	(36 641)	**–**	(36 641)
Derivative acquired in respect of share appreciation rights scheme		**–**	(3 636)		
Dividends paid to shareholders	18	**(714 566)**	(639 126)	**(714 566)**	(639 125)
Net cash (utilised in)/generated from operating activities		**(20 029)**	(32 270)	**359 047**	(396 063)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of and additions to investment properties excluding capitalised interest	6	**(695 282)**	(350 926)	**(637 282)**	(312 397)
Additions to fixtures and fittings	6	**(26 781)**	(17 681)	**(20 695)**	(7 941)
Proceeds on disposal of investment properties	6	**283 834**	321 722	**272 329**	286 140
Proceeds on disposal of fixtures and fittings	6	**666**	5 010	**671**	4 958
Loans to subsidiaries	9			**(429 595)**	(54 971)
Acquisition of subsidiary	9	**–**	(448 279)	**–**	(448 279)
Net cash utilised in investing activities		**(437 563)**	(490 154)	**(814 572)**	(532 490)
CASH FLOWS FROM FINANCING ACTIVITIES					
Participatory interests issued	12	**–**	360 075	**–**	360 075
REIT restructure costs	12	**(7 881)**	–	**(7 881)**	
Interest-bearing debt raised		**2 620 327**	2 512 808	**2 620 327**	2 899 131
Interest-bearing debt repaid		**(2 152 516)**	(2 342 551)	**(2 152 682)**	(2 342 256)
Net cash generated from financing activities		**459 930**	530 332	**459 764**	916 950
Net increase in cash and cash equivalents		**2 338**	7 908	**4 239**	(11 603)
Cash and cash equivalents at the beginning of the year		**53 211**	45 303	**20 628**	32 231
Cash and cash equivalents at the end of the year		**55 549**	53 211	**24 867**	20 628

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2016

	GROUP					
R'000	Share capital	Fair value reserve	Other reserve	Non-controlling interest	Retained earnings	Total
2015						
Balance at 1 July 2014	3 435 434	3 671 462	(98 262)	(1 300)	305 506	7 312 840
Participatory interests issued	360 075					360 075
Total comprehensive income/(loss) for the year				(3 962)	1 910 187	1 906 225
Distribution to participatory interest holders					(639 125)	(639 125)
Transfer to fair value reserve		1 235 555			(1 235 555)	
Balance at 30 June 2015	3 795 509	4 907 017	(98 262)	(5 262)	341 013	8 940 015
2016						
Balance at 1 July 2015	**3 795 509**	**4 907 017**	**(98 262)**	**(5 262)**	**341 013**	**8 940 015**
REIT restructure costs	**(7 881)**					**(7 881)**
Acquisition of non-controlling interest in STREM				**5 262**	**(5 262)**	**–**
Total comprehensive income for the year					**640 080**	**640 080**
Dividend paid – September 2015					**(355 445)**	**(355 445)**
Dividend paid – March 2016					**(359 121)**	**(359 121)**
Transfer to fair value reserve		**(95 503)**			**95 503**	**–**
Balance at 30 June 2016	**3 787 628**	**4 811 514**	**(98 262)**	**–**	**356 768**	**8 857 648**
Notes	12	13	13	13	13	

	COMPANY				
R'000	Share capital	Fair value reserve	Other reserve	Retained earnings	Total
2015					
Balance at 1 July 2014	3 435 434	2 935 781	(98 262)	305 282	6 578 235
Participatory interests issued	360 075				360 075
Total comprehensive income for the year				1 339 208	1 339 208
Distribution to participatory interest holders				(639 125)	(639 125)
Transfer to fair value reserve		1 015 983		(1 015 983)	
Balance at 30 June 2015	3 795 509	3 951 764	(98 262)	(10 618)	7 638 393
2016					
Balance at 1 July 2015	**3 795 509**	**3 951 764**	**(98 262)**	**(10 618)**	**7 638 393**
REIT restructure costs	**(7 881)**				**(7 881)**
Total comprehensive income for the year				**1 154 772**	**1 154 772**
Dividend paid – September 2015				**(355 445)**	**(355 445)**
Dividend paid – March 2016				**(359 121)**	**(359 121)**
Transfer to fair value reserve		**52 436**		**(52 436)**	**–**
Balance at 30 June 2016	**3 787 628**	**4 004 200**	**(98 262)**	**377 152**	**8 070 718**
Notes	12	13	13	13	

1. GENERAL INFORMATION

Emira Property Fund Limited ("the Company") and its subsidiaries (together the "Group") hold a major portfolio of investment properties in South Africa. The Company is listed on the JSE.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 23 September 2016. The shareholders do not have the power to amend the consolidated financial statements after issue.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of Emira Property Fund Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the JSE Listings Requirements.

Income and cash flow statements

The Group presents its statement of comprehensive income by nature of expense. The Group reports cash flows from operating activities using the indirect method.

The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

Preparation of the consolidated financial statements

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 27.

New and amended international financial reporting standards and interpretations

IFRS and amendments issued but not effective for 30 June 2016 year-end.

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets	Postponed: initially 1 January 2016	The postponement applies to narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. The amendments do not have a material impact on the Group.
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation	1 January 2016	New guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments do not have a material impact on the Group.
Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016	Clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments do not have a material impact on the Group.
Amendments to IAS 27, 'Separate financial statements' on equity accounting	1 January 2016	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments do not have a material impact on the Group.
Amendment to IAS 7, 'Cash flow statements'	1 January 2017	Amendments to better understand changes in an entity's debt. The amendments do not have a material impact on the Group.
IFRS 15, Revenue from contracts with customers	1 January 2018	IFRS 15 is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. The impact is currently being assessed by the Directors of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IFRS and amendments issued but not effective for 30 June 2016 year-end.

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY
IFRS 9, Financial Instruments (including amendments)	1 January 2018	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39. The impact is currently being assessed by the Directors of the Group.
IFRS 16, Leases	1 January 2019	IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The impact is currently being assessed by the Directors of the Group.
Annual Improvements 2014 (issued September 2014): › **Amendment to IFRS 7,** 'Financial Instruments: Disclosures' › **Amendment to IAS 34,** 'Interim Financial Reporting'	1 January 2016	IFRS 7: Applicability of the offsetting disclosures to condensed interim financial statements. IAS 34: Disclosure of information 'elsewhere in the interim financial report'. The amendments do not have a material impact on the Group.

2.2 CONSOLIDATION

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3 Business Combinations, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest at the non-controlling interests proportionate share of the recognised amounts of the acquiree's identifiable net assets. The excess of the consideration over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the Group's share of the net assets acquired, the difference is recognised directly in the profit or loss for the year as a bargain purchase.

Acquisition-related costs in relation to business combinations are expensed as incurred.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

All the Group companies have 30 June as their year-end. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

2.3 OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or Group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Chief Executive Officer ("CEO") of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in South African rand, the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss for the year.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the statements of comprehensive income within finance income or finance costs. All other foreign exchange gains and losses are presented net in the statements of comprehensive income within other losses or gains.

2.5 INVESTMENT PROPERTY

Property comprising both freehold and leasehold land and buildings that is held for long-term rental yields or for capital appreciation or both, is classified as investment property. Investment property is recognised initially at cost, including transaction costs.

Borrowing costs incurred for the purpose of acquiring, developing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or development is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value adjusted for the carrying values of fixtures and fittings, allowance for future rental escalations and unamortised upfront lease costs which are recognised as separate assets. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement on property under development is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- The provisions of the development contract
- The stage of completion
- Whether the project/property is standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar developments

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

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 repairs and maintenance costs are expensed when incurred.

When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the statement of comprehensive income. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net fair value gain on investment property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.6 FIXTURES AND FITTINGS

Fixtures and fittings are stated at historical cost less accumulated depreciation and impairment charges. Cost comprises the purchase price as well as any other directly attributable costs.

Depreciation is calculated at cost less expected residual value on the straight-line method, which is reviewed annually. The useful lives of fixtures and fittings range between five and 20 years.

Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Fixtures and fittings are linked to specific properties. Consequently, any gains or losses on disposal are incorporated with the gains or losses on the disposal of the investment property.

2.7 LEASES

(a) A Group company is the lessee

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Properties leased out under operating leases are included in investment properties.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Investment properties recognised under finance leases are carried at their fair value.

(b) A Group company is the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the statement of financial position.

(c) A Group company is the lessor — fees paid in connection with arranging leases and lease incentives

The Group makes payments to agents for services in connection with negotiating lease contracts with the Group's lessees. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term.

2.8 INVESTMENT IN SUBSIDIARIES

The investment in subsidiaries is recognised at cost less impairment.

2.9 GOODWILL

Goodwill represents the excess of the aggregate of the consideration transferred over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition (providing that the acquisition fulfils the definition of a business combination in accordance with IFRS 3). Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.11 FINANCIAL INSTRUMENTS — CLASSIFICATION

The Fund classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables. Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. The Fund determines the classification of its financial assets at initial recognition.

Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit or loss have two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or, if on initial recognition, is part of a portfolio of identifiable financial investments that is managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Derivatives financial assets and liabilities are classified as financial assets and liabilities held for trading and comprise mainly interest-rate swaps, share options and forward foreign exchange contracts. The Group uses derivative financial instruments to hedge its exposure to interest-rate and foreign exchange rate risk arising from financing and investing activities (economic hedge). The Group does not apply hedge accounting in accordance with IAS 39.

(ii) Financial assets and liabilities designated at fair value through profit or loss

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. Investments in the listed securities of property investment companies are designated at fair value through profit or loss.

The Fund's policy requires the CEO and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "accounts receivable" and "cash and cash equivalents" in the statements of financial position.

Trade receivables are amounts due from customers for services performed in the ordinary course of business and are included in "accounts receivable".

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within accounts payable.

Other liabilities

All borrowings and accounts payable are classified as other financial liabilities measured at amortised cost.

The Group obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from one to 12 months. Such deposits are treated as financial liabilities in accordance with IAS 39 and included in accounts payable. The difference between fair value at initial recognition and cash received is considered to be part of the minimum lease payments received for the operating lease.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

2.12 FINANCIAL INSTRUMENTS — RECOGNITION AND MEASUREMENT

Financial assets

Regular purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of comprehensive income within "net fair value adjustments" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Group's right to receive payment is established.

The fair value of interest-rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the statement of financial position date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest-rate method.

The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.13 IMPAIRMENT OF FINANCIAL ASSETS

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

2.14 OFFSETTING FINANCIAL INSTRUMENTS

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

2.15 SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.16 CURRENT AND DEFERRED INCOME TAX

Tax charges comprise current and deferred tax in respect of the Fund's subsidiaries. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly, in other comprehensive income, in which case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from 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 or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.17 PROVISIONS

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance cost.

Where the Group, as lessee, is contractually required to restore a leased property to an agreed condition prior to release by a lessor, provision is made for such costs as they are identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.18 REVENUE RECOGNITION

Revenue includes rental, income from the listed property investment, and operating cost recoveries from tenants, but excludes value added tax. Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis. The amount not yet recognised is capitalised as part of investment property.

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

Distribution income revenue from the listed property investment is recognised when the unit holder's right to receive payment has been established.

2.19 DISTRIBUTIONS PAYABLE TO SHAREHOLDERS

The Fund has an obligation to distribute the net amount available for distribution, to its shareholders.

Distributions payable are recognised as a liability once the amount for distribution has been determined and declared by the Board.

Distributions exclude items arising as a result of:

- The unrealised fair value adjustments to investment properties
- The unrealised gains and losses in respect of the fair valuing of financial assets through profit and loss
- The income arising out of the straight-lining of lease income

2.20 INTEREST INCOME AND EXPENSE

Interest income and expense are recognised within "finance income" and "finance costs" in profit or loss using the effective interest-rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset.

The effective interest-rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.21 OTHER EXPENSES

Expenses include legal, accounting, auditing and other fees. They are recognised as an expense in profit or loss in the period in which they are incurred (on an accruals basis).

2.22 INVESTMENT PROPERTIES HELD-FOR-SALE

Investment properties are classified as held-for-sale when their carrying amount is to be recovered through a sale transaction and a sale is considered highly probable. Investment properties held-for-sale are measured at fair value.

2.23 EMPLOYEE BENEFITS

(a) Short-term employee benefits

Salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised as employee benefit expense and accrued when the associated services are rendered by the employees of the Group.

(b) Profit-sharing and bonus payments

The Group recognises a liability and an expense for bonuses and cash-settled share-based transactions where contractually obliged or where there is a past practice that has created a constructive obligation. The bonuses are based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The liability on the cash-settled share-based transactions is measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered services to date.

3. PROFIT FOR THE YEAR BEFORE INCOME TAX CHARGE

	GROUP		COMPANY	
R'000	**2016**	2015	**2016**	2015
Profit for the year before income tax charge is arrived at after taking into account the following items:				
Dividends received from subsidiaries			**748 291**	–
Expenses				
Auditor's remuneration	**2 898**	2 710	**2 759**	2 452
– Audit fee	**2 756**	2 599	**2 617**	2 341
– Expenses	**142**	111	**142**	111
Operating lease payments – leasehold properties	**21 109**	19 279	**6 615**	5 979
Payroll costs	**31 635**	31 470		
Fee paid on cancellation of interest-rate swap contracts	**–**	36 641	**–**	36 641

DIRECTORS' EMOLUMENTS

	GROUP					
R'000	**Basic salary**	**Contributions to defined contribution plans**	**Annual bonus ***	**Phantom share scheme payment**	**Leave pay**	**Total**
Executive directors						
2016						
GM Jennett (CEO)	**2 233**	**327**	**938**	**953**	**–**	**4 451**
JWA Templeton (ex CEO)**	**370**	**96**	**2 208**	**1 743**	**188**	**4 605**
G S Booyens (CFO)	**902**	**108**	**–**	**–**	**–**	**1 010**
U van Biljon (COO)	**1 936**	**375**	**1 413**	**953**	**–**	**4 677**
Total	**5 441**	**906**	**4 559**	**3 649**	**188**	**14 743**
2015						
JWA Templeton (ex CEO)	1 929	544	1 580	1 077	–	5 130
GM Jennett (CEO)	1 170	176	–	–	–	1 346
PJ Thurling (ex CFO)	1 150	142	200	552	–	2 044
U van Biljon (COO)	1 678	338	1 050	552	–	3 618
Total	5 927	1 200	2 830	2 181	–	12 138

* Bonuses awarded with reference to the financial year ended 30 June 2015.

** Resigned with effect from 31 August 2015.

3. PROFIT FOR THE YEAR BEFORE INCOME TAX CHARGE CONTINUED

PHANTOM SHARES HELD

Number of shares	Balance at 1 Jul 2015	(Exercised)/ issued/ (cancelled) during the year	**Balance at 30 Jun 2016**
First tranche			
GM Jennett (CEO)	132 299	(132 299)	**–**
JWA Templeton (ex CEO)*	258 398	(258 398)	**–**
U van Biljon (COO)	132 299	(132 299)	**–**
Total	522 996	(522 996)	**–**
Second tranche			
GM Jennett (CEO)	–	555 556	**555 556**
JWA Templeton (ex CEO)*	555 556	(555 556)	**–**
U van Biljon (COO)	555 556	–	**555 556**
GS Booyens (CFO)		56 166	**56 166**
Total	1 111 112	56 166	**1 167 278**
Third tranche			
GM Jennett (CEO)	–	329 598	**329 598**
JWA Templeton (ex CEO)*	329 598	(329 598)	**–**
U van Biljon (COO)	263 678	–	**263 678**
GS Booyens (CFO)	–	98 879	**98 879**
Total	593 276	98 879	**692 155**
Fourth tranche			
GM Jennett (CEO)	–	1 580 000	**1 580 000**
U van Biljon (COO)	–	1 250 000	**1 250 000**
GS Booyens (CFO)	–	725 000	**725 000**
Total	–	3 555 000	**3 555 000**

* Resigned with effect from 31 August 2015.

R'000	GROUP **2016**	2015
Non-executive directors		
BJ van der Ross (Chairman)	**253**	236
MS Aitken	**254**	190
BH Kent (Lead independent non-executive director)	**437**	408
V Mahlangu	**363**	366
NE Makiwane	**186**	174
W McCurrie	**276**	258
MSB Neser	**254**	189
V Nkonyeni	**214**	174
G van Zyl	**426**	335
Total	**2 663**	2 330

4. INCOME TAX CHARGE

	GROUP		COMPANY	
R'000	**2016**	2015	**2016**	2015
Reconciliation of the taxation charge				
Profit for the year before income tax credit at 28% (2015: 28%)	**179 224**	534 241	**323 336**	374 978
Qualifying distributions	**(208 856)**	(191 944)	**(208 856)**	(89 961)
Qualifying distributions received from subsidiaries relating to prior year	**–**	–	**(101 893)**	–
Fair value adjustments	**23 337**	(337 050)	**(19 734)**	(278 995)
Allowances for future rental escalations and upfront lease costs	**2 336**	(8 816)	**3 985**	(6 205)
Other	**(4 943)**	3 259	**(203)**	(853)
Tax loss not carried forward	**8 902**	2 087	**3 455**	1 036
Prior year under provision	**6**	–	**–**	–
Total	**6**	1 777	**–**	–

5. BASIC AND DILUTED EARNINGS PER SHARE

	GROUP	
R'000	**2016**	2015
Reconciliation between earnings and headline earnings and dividend payable		
Profit for the year attributable to equity holders	**640 080**	1 906 225
Adjusted for:		
Net fair value gain on revaluation of investment properties	**201 028**	(983 226)
Change in fair value as a result of straight-lining lease rentals	**16 435**	125 298
Change in fair value as a result of amortising upfront lease costs	**(24 778)**	(996)
Change in fair value as a result of property depreciation/(appreciation) in value	**209 371**	(1 107 528)
Headline earnings	**841 108**	922 999
Adjusted for:		
Allowance for future rental escalations	**(16 435)**	(125 298)
Amortised upfront lease costs	**24 778**	996
Unrealised deficit/(surplus) on revaluation of interest-rate swaps	**3 813**	(34 053)
Revaluation of share appreciation rights scheme derivative financial instruments	**25 753**	(6 350)
Unrealised gain on listed property investment	**(143 434)**	(130 938)
(Credit)/charge in respect of leave pay provision and share appreciation rights scheme	**(4 238)**	3 962
Depreciation	**14 563**	9 107
Impairment charge	**–**	6 673
Fee paid on cancellation of interest-rate swap agreements	**–**	36 641
SA normal taxation	**6**	1 777
Distribution payable to shareholders	**745 914**	685 516
Dividend per share		
Interim (cents)	**70,34**	64,65
Final (cents)	**75,76**	69,62
	146,10	134,27
Number of shares in issue at the end of the year	**510 550 084**	510 550 084
Weighted average number of shares in issue	**510 550 084**	508 199 272
Earnings per share (cents)	**125,37**	375,09
The calculation of earnings per share is based on net profit for the year of R640,1 million (2015: R1 906,2 million), divided by the weighted average number of shares in issue during the year of 510 550 084 (2015: 508 199 272).		
Headline earnings per share (cents)	**164,75**	181,62
The calculation of headline earnings per share is based on net profit for the year, adjusted for headline items, of R841,1 million (2015: R923,0 million), divided by the weighted average number of shares in issue during the year of 510 550 084 (2015: 508 199 272).		
Diluted headline earnings per share (cents)	**164,75**	181,62

6. INVESTMENT PROPERTIES

	GROUP			COMPANY		
R'000	Freehold and leasehold land and buildings 2016	Fixtures and fittings 2016	Total 2016	Freehold and leasehold land and buildings 2016	Fixtures and fittings 2016	Total 2016
Net carrying value at 30 June 2016						
Cost	8 183 872	171 480	8 355 352	5 515 624	132 812	5 648 436
Accumulated depreciation		(104 178)	(104 178)		(87 033)	(87 033)
Revaluation surplus	4 403 527		4 403 527	3 169 223		3 169 223
Investment properties held-for-sale	(829 482)	(5 518)	(835 000)	(449 899)	(3 001)	(452 900)
	11 757 917	61 784	11 819 701	8 234 948	42 778	8 277 726
Movement for the year						
Valuation at 1 July 2015	12 035 656	55 288	12 090 944	8 048 937	36 289	8 085 226
Acquisitions	369 933		369 933	369 933		369 933
Additions	335 782	26 781	362 563	277 728	20 694	298 422
Disposals	(283 834)	(666)	(284 500)	(272 329)	(671)	(273 000)
Depreciation		(14 840)	(14 840)		(11 276)	(11 276)
Deficit on revaluation	(201 028)		(201 028)	(54 865)		(54 865)
Investment properties held-for-sale	(498 592)	(4 779)	(503 371)	(134 456)	(2 258)	(136 714)
– prior year	318 261	739	319 000	308 257	743	309 000
– prior year straight-lining adjustments	(2 040)		(2 040)	(2 031)		(2 031)
– current year at valuation	(829 482)	(5 518)	(835 000)	(449 899)	(3 001)	(452 900)
– current year straight-lining adjustments	14 669		14 669	9 217		9 217
Valuation at 30 June 2016	11 757 917	61 784	11 819 701	8 234 948	42 778	8 277 726
Reconciliation to independent and directors' valuations						
Valuation at 30 June 2016 – as above	11 757 917	61 784	11 819 701	8 234 948	42 778	8 277 726
Allowance for future rental escalations	292 077		292 077	145 811		145 811
Unamortised upfront lease costs	18 101		18 101	11 338		11 338
Investment properties held-for-sale	829 482	5 518	835 000	449 899	3 001	452 900
Independent and directors' valuations at 30 June 2016	12 897 577	67 302	12 964 879	8 841 996	45 779	8 887 775

Two properties, valued at R59,0 million (which were held-for-sale at 30 June 2015), have not yet been sold, but are being actively marketed. The disposal of the two properties are still highly probable and the directors expect to dispose of these in the next financial year.

The properties acquired during the year included: a 50% undivided share in Mitchells Plain Town Centre in the Western Cape for R77,6 million; the remaining 40% of Ben Fleur Boulevard in Emalahleni together with additional bulk for R63,2 million; a greenfield site known as 1 West in the Centurion CBD for R17,2 million; and a 50% undivided share in five buildings known as Summit Place in Menlyn, Pretoria for a total amount of R403,5 million upon final completion. Summit Place A and C, the two completed office buildings transferred in December 2015 at a cost of R86,4 million. The balance of Summit Place, which comprises office and retail space, is being developed by Emira and its partners with an expected final completion date in January 2017. By 30 June 2016, R195,7 million had been paid for the land and development costs for Summit Place D, E and G1.

6. INVESTMENT PROPERTIES CONTINUED

	GROUP			COMPANY		
R'000	Freehold and leasehold land and buildings 2015	Fixtures and fittings 2015	Total 2015	Freehold and leasehold land and buildings 2015	Fixtures and fittings 2015	Total 2015
Net carrying value at 30 June 2015						
Cost	7 562 998	147 804	7 710 802	4 945 122	115 222	5 060 344
Accumulated depreciation		(91 777)	(91 777)		(78 190)	(78 190)
Revaluation surplus	4 790 919		4 790 919	3 412 072		3 412 072
Investment properties held-for-sale	(318 261)	(739)	(319 000)	(308 257)	(743)	(309 000)
	12 035 656	55 288	12 090 944	8 048 937	36 289	8 085 226
Movement for the year						
Valuation at 1 July 2014	10 319 522	51 551	10 371 073	7 329 020	38 972	7 367 992
Acquisitions	836 446	454	836 900	66 480		66 480
Additions	357 065	17 227	374 292	251 026	7 941	258 967
Disposals	(321 722)	(5 010)	(326 732)	(286 140)	(4 957)	(291 097)
Depreciation		(9 324)	(9 324)		(5 760)	(5 760)
Surplus on revaluation	983 226		983 226	872 145		872 145
Investment properties held-for-sale	(138 881)	390	(138 491)	(183 594)	93	(183 501)
– prior year	179 199	1 129	180 328	123 757	836	124 593
– prior year straight-lining adjustments	(1 859)		(1 859)	(1 125)		(1 125)
– current year at valuation	(318 261)	(739)	(319 000)	(308 257)	(743)	(309 000)
– current year straight-lining adjustments	2 040		2 040	2 031		2 031
Valuation at 30 June 2015	12 035 656	55 288	12 090 944	8 048 937	36 289	8 085 226
Reconciliation to independent and directors' valuations						
Valuation at 30 June 2015 – as above	12 035 656	55 288	12 090 944	8 048 937	36 289	8 085 226
Allowance for future rental escalations	286 762		286 762	148 371		148 371
Unamortised upfront lease costs	44 387		44 387	30 195		30 195
Investment properties held-for-sale	318 261	739	319 000	308 257	743	309 000
Independent and directors' valuations at 30 June 2015	12 685 066	56 027	12 741 093	8 535 760	37 032	8 572 792

Investment properties held-for-sale have been identified in note 30 – Property listing – with a ^.

Full details of freehold and leasehold investment properties owned by the Group are available for inspection at the registered office of the Group.

In terms of its accounting policy, one third of the Group's property portfolio is valued annually by independent valuers.

The properties were valued as at 30 June 2016 using a discounted cash flow approach based on future income streams, applying an appropriate capitalisation rate to each property.

Independent valuations were carried out by Quadrant Properties and Real Insight, both registered valuers in terms of section 19 of the Property Valuers Profession Act (Act No. 47 of 2000).

The balance of the portfolio was valued by the directors on a similar basis.

Investment properties classified as held-for-sale were valued at fair value.

Investment properties to the value of R9 937,5 million (2015: R10 198,9 million) have been used to provide security for loans taken out. See note 14.

7. ALLOWANCE FOR FUTURE RENTAL ESCALATIONS

	GROUP		COMPANY	
R'000	**2016**	2015	**2016**	2015
Balance at 1 July 2015	**286 762**	162 190	**148 371**	126 691
Net straight-lining for the year	**16 435**	125 298	**3 726**	22 495
Investment properties held-for-sale	**(11 120)**	(726)	**(6 286)**	(815)
Balance at 30 June 2016	**292 077**	286 762	**145 811**	148 371
Current portion	**54 815**	62 770	**24 990**	33 352

8. UNAMORTISED UPFRONT LEASE COSTS

	GROUP		COMPANY	
R'000	**2016**	2015	**2016**	2015
Balance at 1 July 2015	**44 387**	45 413	**30 195**	30 620
Net smoothing for the year	**(24 778)**	(996)	**(17 957)**	(334)
Investment properties held-for-sale	**(1 508)**	(30)	**(900)**	(91)
Balance at 30 June 2016	**18 101**	44 387	**11 338**	30 195

9. SUBSIDIARY COMPANIES

	COMPANY	
R'000	**2016**	2015
Shares at cost	**1 888 568**	1 888 568
Amounts owing by subsidiary companies	**1 177 707**	748 112
	3 066 275	2 636 680

The Group's shares in Arnold Properties (Pty) Ltd have been pledged to Nedbank Limited as security.

The Group's shares in Freestone Property Investments (Pty) Ltd have been pledged to Freestone Mortgage Bond SPV Series 1 (Pty) Limited as security for the issue of DMTN.

The Directors' valuation of the investment in subsidiaries at 30 June 2016 was R3 066 275 (2015: R2 636 680).

	ISSUED ORDINARY SHARE CAPITAL		PROPORTION HELD BY HOLDING COMPANY (%)		SHARES AT COST		AMOUNT DUE TO/(BY) HOLDING COMPANY	
R'000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Subsidiaries directly held								
Adamass Investments (Pty) Ltd*	**–**	–	**100**	100	**13 641**	13 641	**39 863**	34 856
Aquarella Investments 272 (Pty) Ltd*	**–**	–	**100**	100	**6 379**	6 379	**63 192**	61 853
Freestone Property Holdings Limited	**38 659**	38 659	**100**	100	**1 339 187**	1 339 187	**250 081**	(22 918)
Libra Investments 5 (Pty) Ltd*	**–**	–	**100**	100	**66 412**	66 412	**284 901**	260 420
Lowmer Investments (Pty) Ltd*	**–**	–	**100**	100	**111 249**	111 249	**96 448**	70 231
Menlyn Corporate Park (Pty) Ltd*	**–**	–	**100**	100	**283 386**	283 386	**343 537**	282 531
Monagon Properties (Pty) Ltd*	**–**	–	**100**	100	**14 835**	14 835	**49 662**	39 054
Omnicron Investments 005 (Pty) Ltd*	**–**	–	**100**	100	**35 368**	35 368	**21 940**	9 268
Rapidough Properties 509 (Pty) Ltd*	**–**	–	**100**	100	**17 832**	17 832	**15 356**	9 908
Strategic Real Estate Managers (Pty) Ltd*	**–**	–	**100**	–	**300**	–	**12 412**	2 746

9. SUBSIDIARY COMPANIES CONTINUED

	ISSUED ORDINARY SHARE CAPITAL		PROPORTION HELD BY HOLDING COMPANY (%)		SHARES AT COST		AMOUNT DUE TO/(BY) HOLDING COMPANY	
R'000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Subsidiaries indirectly held								
Arnold Properties (Pty) Ltd*	**–**	–	**100**	100	**8 020**	8 020	**122 174**	6 838
Freestone Property Investments (Pty) Ltd*	**–**	–	**100**	100	**–**	–	**817 822**	626 890
Azgold Investments (Pty) Ltd	**10 382**	10 382	**100**	100	**3 247**	3 247	**(3 947)**	(3 947)
Backbone Investments (Pty) Ltd*	**–**	–	**100**	100	**3 243**	3 243	**3 082**	2 829
Cape Poinsett Property Investments (Pty) Ltd*	**–**	–	**100**	100	**159 773**	159 773	**254 831**	211 920
Kenview Share Block (Pty) Ltd*	**–**	–	**100**	100	**(1 885)**	(1 885)	**(2 222)**	(2 222)
No. 9 Sturdee Holdings Share Block (Pty) Ltd*	**–**	–	**100**	100	**497**	497	**7 504**	7 484
Paddy's Pad (2091) (Pty) Ltd*	**–**	–	**100**	100	**15 539**	15 539	**(16 715)**	(16 715)
Surgate Share Block (Pty) Ltd*	**–**	–	**100**	100	**(1 981)**	(1 981)	**(1 585)**	(1 585)
Windrifter Share Block (Pty) Ltd*	**–**	–	**100**	100	**20 192**	20 192	**67 747**	59 630
Emira Property Fund Scheme	**–**	–	**–**	–	**–**	–	**–**	–

* The zero balances represent nominal amounts under R1 000.

All subsidiary companies, with the exception of Strategic Real Estate Managers (Pty) Ltd, are property investment companies incorporated in the Republic of South Africa.

10. LISTED PROPERTY INVESTMENT

	GROUP AND COMPANY		NUMBER OF STAPLED SECURITIES	
R'000	**2016**	2015	**2016**	2015
Growthpoint Properties Australia Limited (GOZ)				
Fair valuation at 1 July 2015	**796 930**	665 992	**27 225 813**	27 225 813
Fair value adjustment	**143 434**	130 938		
Fair value at 30 June 2016	**940 364**	796 930	**27 225 813**	27 225 813
Exchange rate ZAR : 1 AUD	**10,96**	9,35		
The investment is designated as fair value through profit and loss. The fair value is determined using the quoted bid price at 30 June 2016 of AUD 3,15.				

11. ACCOUNTS RECEIVABLE

	GROUP		COMPANY	
R'000	**2016**	2015	**2016**	2015
Trade receivables	**85 238**	60 439	**56 801**	42 033
Less: Provision for non-recoverable receivables	**(25 467)**	(20 953)	**(19 462)**	(13 618)
Net trade receivables	**59 771**	39 486	**37 339**	28 415
Prepayments	**47 591**	58 032	**40 384**	53 245
Investment income receivable	**28 740**	22 940	**28 740**	22 940
Accrual of recoverable expenses	**35 674**	26 529	**24 697**	18 833
Municipal deposits	**19 304**	17 977	**13 191**	12 487
Debtors for sale of investment property	**43 256**	39 177	**43 256**	39 177
Other receivables	**66 976**	16 762	**53 345**	10 589
Total	**301 312**	220 903	**240 952**	185 686
Due within one year	**301 312**	181 726	**240 952**	146 509

The carrying values of accounts receivable and municipal deposits approximate their fair value. All classes of accounts receivable have been considered for impairment.

11. ACCOUNTS RECEIVABLE CONTINUED

The movement in the accumulated provision for non-recoverable receivables is as follows:

	GROUP		COMPANY	
R'000	**2016**	2015	**2016**	2015
Accumulated provision for non-recoverable receivables at 1 July 2015	**20 953**	19 383	**13 618**	14 318
Amounts written off during the year as uncollectable	**(18 991)**	(12 119)	**(16 245)**	(6 194)
Additional provision recognised during the year	**23 505**	13 689	**22 089**	5 494
Accumulated provision for non-recoverable receivables at 30 June 2016	**25 467**	20 953	**19 462**	13 618
Ageing of receivables past due but not impaired				
30 days	**15 908**	5 035	**1 294**	492
60 days	**5 452**	10 228	**2 896**	9 341
90 days	**6 201**	3 775	**4 958**	2 535
120+ days	**32 210**	20 448	**28 191**	16 047
Total	**59 771**	39 486	**37 339**	28 415
Ageing of impaired receivables				
30 days	**1 878**	391	**783**	221
60 days	**3 039**	5 668	**1 576**	5 006
90 days	**2 906**	2 825	**2 523**	1 271
120+ days	**17 644**	12 069	**14 580**	7 120
Total	**25 467**	20 953	**19 462**	13 618

12. SHARE CAPITAL

	GROUP		COMPANY	
	2016	2015	**2016**	2015
Authorised				
2 000 000 000 ordinary shares of no par value (2015: 2 000 000 000)	**–**	–	**–**	–
Issued				
510 550 084 ordinary shares of no par value (2015: 510 550 084)	**3 787 628**	3 795 509	**3 787 628**	3 795 509
Movements				
Balance at 1 July 2015	**3 795 509**	3 435 434	**3 795 509**	3 435 434
Issued during the year	**–**	360 075	**–**	360 075
REIT restructure costs	**(7 881)**	–	**(7 881)**	–
Balance at 30 June 2016	**3 787 628**	3 795 509	**3 787 628**	3 795 509

13. RESERVES

R'000	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Fair value reserve				
Balance at 1 July 2015	**4 907 017**	3 671 462	**3 951 764**	2 935 781
Movement for the year	**(95 503)**	1 235 555	**52 436**	1 015 983
Fair value adjustments	**(83 347)**	1 113 841	**70 480**	996 410
Allowance for future rental escalations	**16 435**	125 298	**3 726**	22 495
Unamortised upfront lease costs	**(24 778)**	(996)	**(17 957)**	(334)
Unrealised surplus on interest-rate swaps	**(3 813)**	34 053	**(3 813)**	34 053
Fee paid on cancellation of interest-rate swap agreements	**–**	(36 641)	**–**	(36 641)
Balance at 30 June 2016	**4 811 514**	4 907 017	**4 004 200**	3 951 764
Other reserve				
Balance at 1 July 2015	**(98 262)**	(98 262)	**(98 262)**	(98 262)
Balance at 30 June 2016	**(98 262)**	(98 262)	**(98 262)**	(98 262)
Non-controlling interest				
Balance at 1 July 2015	**(5 262)**	(1 300)		
Acquisition during the year	**5 262**	–		
Loss for the year	**–**	(3 962)		
Balance at 30 June 2016	**–**	(5 262)		
Retained earnings				
Balance at 1 July 2015	**341 013**	305 506	**(10 618)**	305 282
Total comprehensive income for the year	**634 818**	1 910 187	**1 154 772**	1 339 208
Profit before income tax charge	**640 086**	1 908 002	**1 154 772**	1 339 208
Income tax charge	**(6)**	(1 777)		
Acquisition of minority interests	**(5 262)**	–		
Loss attributable to minority interests	**–**	3 962		
Dividends declared to shareholders	**(714 566)**	(639 125)	**(714 566)**	(639 125)
Transfer to fair value reserve	**95 503**	(1 235 555)	**(52 436)**	(1 015 983)
Fair value adjustments	**83 347**	(1 113 841)	**(70 480)**	(996 410)
Allowance for future rental escalations	**(16 435)**	(125 298)	**(3 726)**	(22 495)
Unamortised upfront lease costs	**24 778**	996	**17 957**	334
Unrealised surplus on interest-rate swaps	**3 813**	(34 053)	**3 813**	(34 053)
Fee paid on cancellation of interest-rate swap agreements	**–**	36 641	**–**	36 641
Balance at 30 June 2016	**356 768**	341 013	**377 152**	(10 618)
Total reserves	**5 070 020**	5 144 506	**4 283 090**	3 842 884

The fair value reserve represents all fair value adjustments made in respect of investment properties, the listed property investment and derivative financial instruments.

The other reserve represents the charge which was made to the statement of comprehensive income in respect of the discount at which shares were issued to the Company's BEE partners and vendors of properties, in prior years.

14. INTEREST-BEARING DEBT

R'000	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
FirstRand Bank Limited				
Floating rate seven-year access funding term loan with a capital repayment on termination on 31 July 2018. Interest is payable at prime less 180 basis points.	–	155 000	–	155 000
	665 335	665 132	**665 335**	665 132
Floating rate ten-year funding term loan with a capital repayment on termination, on 30 March 2019. Interest is payable at three month JIBAR plus 153 basis points.	**665 895**	665 895	**665 895**	665 895
Less: unamortised structuring fee and bond costs	**(560)**	(763)	**(560)**	(763)
	500 000	499 356	**500 000**	499 356
Floating rate three-year funding term loan with a capital repayment on termination, on 1 September 2018. Interest is payable at three month JIBAR plus 160 basis points.	**500 000**	500 000	**500 000**	500 000
Less: unamortised structuring fee and bond costs	–	(644)	–	(644)
	499 456	383 639	**499 456**	383 639
Floating rate four-year funding term loan with a capital repayment on termination, on 1 September 2019. Interest is payable at three month JIBAR plus 170 basis points.	**500 000**	385 000	**500 000**	385 000
Less: unamortised structuring fee and bond costs	**(544)**	(1 361)	**(544)**	(1 361)
The facilities above are secured by a first mortgage bond over fixed property with a carrying value of R6 893,3 million.				
Nedbank Limited	**199 736**	199 569		
Three-year term loan repayable on 2 May 2018. Interest is payable at three month JIBAR plus 105 basis points, plus capital costs of 50 basis points.	**200 000**	200 000		
Less: unamortised structuring fee	**(264)**	(431)		
	–	–	–	–
Two-year R200 million term loan repayable two years after commencement date. The facility has not yet been drawn. Interest is payable at three month JIBAR plus 158 basis points.	–	–	–	–
The facilities above are secured by a first mortgage bond over fixed property with a carrying value of R591,1 million.				
	613 481	576 635	**613 481**	576 635
Three-year term loan repayable on 3 July 2017. Interest is payable quarterly at three month JIBAR plus 163 basis points. The loan is unsecured.	**614 000**	577 673	**614 000**	577 673
Less: unamortised service fee	**(519)**	(1 038)	**(519)**	(1 038)
Standard Bank of South Africa Limited	**199 702**	199 565	**199 702**	199 565
Four-year term loan repayable on 18 August 2018. Interest is payable quarterly at three month JIBAR plus 159 basis points. The loan is unsecured.	**200 000**	200 000	**200 000**	200 000
Less: unamortised structuring fee	**(298)**	(435)	**(298)**	(435)
ABSA Bank Limited	**212 635**	–	**212 635**	–
Two-year access facility repayable on 11 September 2017. Interest is payable monthly at prime minus 185 basis points. The loan is secured by a first mortgage bond over fixed property with a carrying value of R618,5 million.	**213 000**	–	**213 000**	–
Less: unamortised structuring fee	**(365)**	–	**(365)**	–
Bank of China	**154 642**	–	**154 642**	–
Two-year term loan repayable on 24 February 2018. Interest is payable quarterly at three month JIBAR plus 130 basis points. The loan is secured by a first mortgage bond over fixed property with a carrying value of R225,8 million.	**155 000**	–	**155 000**	–
Less: unamortised structuring fee	**(358)**		**(358)**	–
Investec Bank	**15 000**	–	**15 000**	–
One-year general banking facility repayable on 10 May 2017. Interest is payable monthly at the daily negotiable call rate which as at 30 June 2016 was 8,25%. The facility is unsecured.	**15 000**	–	**15 000**	–

14. INTEREST-BEARING DEBT CONTINUED

R'000	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Domestic medium term notes	**1 269 185**	1 269 465	**1 269 185**	1 269 465
Four-year issue repaid on 19 August 2015.	**–**	500 000	**–**	500 000
Less: unamortised structuring fee	**–**	(35)	**–**	(35)
Four-year issue repayable on 28 May 2018. Interest is payable quarterly at three month JIBAR plus 160 basis points. The notes are unsecured.	**300 000**	300 000	**300 000**	300 000
Less: unamortised structuring fee	**(250)**	(500)	**(250)**	(500)
Two-year issue repayable on 12 September 2016. Interest is payable quarterly at three month JIBAR plus 130 basis points. The notes are unsecured.	**270 000**	270 000	**270 000**	270 000
Three-year issue repayable on 6 November 2017. Interest is payable quarterly at three month JIBAR plus 165 basis points. The notes are unsecured.	**100 000**	100 000	**100 000**	100 000
Two-year issue repayable on 6 November 2016. Interest is payable quarterly at three month JIBAR plus 135 basis points. The notes are unsecured.	**100 000**	100 000	**100 000**	100 000
Three-year issue repayable on 19 August 2018. Interest is payable quarterly at three month JIBAR plus 146 basis points. The notes are secured.	**430 000**	–	**430 000**	–
Five-year issue repayable on 2 September 2020. Interest is payable quarterly at three month JIBAR plus 87 basis points. The notes are secured.	**70 000**	–	**70 000**	–
Less: unamortised structuring fees	**(565)**	–	**(565)**	–
Senior unsecured floating rate listed notes	**649 000**	562 000	**649 000**	562 000
One-year issue repaid on 5 November 2015.	**–**	250 000	**–**	250 000
Six-month issue repaid on 24 August 2015.	**–**	175 000	**–**	175 000
One-year issue repaid on 23 February 2016.	**–**	137 000	**–**	137 000
One-year issue repayable on 22 August 2016. Interest is payable quarterly at three month JIBAR plus 115 basis points.	**158 000**	–	**158 000**	–
Six-month issue repayable on 4 November 2016. Interest is payable quarterly at three month JIBAR plus 85 basis points.	**70 000**	–	**70 000**	–
One-year issue repayable on 4 November 2016. Interest is payable quarterly at three month JIBAR plus 113 basis points.	**170 000**	–	**170 000**	–
Six-month issue repayable on 22 August 2016. Interest is payable quarterly at three month JIBAR plus 87 basis points.	**42 000**	–	**42 000**	–
Six-month issue repayable on 22 August 2016. Interest is payable six monthly at six month JIBAR plus 40 basis points.	**30 000**	–	**30 000**	–
One-year issue repayable on 22 February 2017. Interest is payable quarterly at three month JIBAR plus 120 basis points.	**179 000**	–	**179 000**	–
Total interest-bearing debt	**4 978 172**	4 510 361	**4 778 436**	4 310 792
Less: Short-term portion of interest-bearing debt				
Investec Bank				
One-year loan repayable on 10 May 2017.	**15 000**	–	**15 000**	–
Domestic medium term notes				
Four-year issue repayable on 19 August 2015	**–**	499 965	**–**	499 965
Two-year issue repayable on 12 September 2016.	**270 000**	–	**270 000**	–
Two-year issue repayable on 6 November 2016	**100 000**	–	**100 000**	–

14. INTEREST-BEARING DEBT CONTINUED

R'000	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Senior unsecured floating rate listed notes				
Six-month issue repayable on 24 August 2015	–	175 000	–	175 000
One-year issue repayable on 5 November 2015	–	250 000	–	250 000
One-year issue repayable on 23 February 2016	–	137 000	–	137 000
One-year issue repayable on 22 August 2016	158 000	–	158 000	–
Six-month issue repayable on 22 August 2016	42 000	–	42 000	–
Six-month issue repayable on 22 August 2016	30 000	–	30 000	–
One-year issue repayable on 4 November 2016	170 000	–	170 000	–
Six-month issue repayable on 4 November 2016	70 000	–	70 000	–
One-year issue repayable on 22 February 2017	179 000	–	179 000	–
Short-term portion of interest-bearing debt	1 034 000	1 061 965	1 034 000	1 061 965
Long-term portion of interest-bearing debt	3 944 172	3 448 396	3 744 436	3 248 827

The carrying amount of the interest-bearing debt approximates its fair value.

At 30 June 2016, the aggregate indebtedness amounted to 35,4% (2015: 33,1%) of the gross value of the underlying assets. As at 30 June 2016 Emira had total debt facilities available of R5 703,9 million (2015: R4 811,9 million).

At 30 June 2016 interest rates were fixed in respect of 93,1% (2015: 84,6%) of borrowings and the weighted average all in interest rate was 8,0% (2015: 8,7%). Details of the Group's interest-rate hedging contracts are shown in note 17.

DEBT COVENANTS

No covenants were breached during the financial year. The following covenants are applicable:

	Prescribed interest cover ratio	**Actual interest cover ratio**	Prescribed LTV covenant (%)	**Actual LTV covenant at 30 Jun 2016 (%)**
FirstRand Bank Limited	2,0	**2,9**	40,0	**35,4**
Nedbank Limited	2,0	**2,9**	40,0	**35,4**
Standard Bank of South Africa Limited	2,0	**2,9**	50,0	**35,4**
ABSA Bank Limited	2,0	**2,9**	40,0	**35,4**
Bank of China	2,0	**2,9**	40,0	**35,4**
Domestic medium term notes			40,0	**35,4**

15. ACCOUNTS PAYABLE

R'000	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Trade payables	19 147	8 746	3 033	3 489
Tenant deposits	105 891	98 538	63 325	62 501
Accrued expenses	189 585	167 620	157 105	134 623
Pre-paid debtors	41 545	39 932	24 772	25 045
Value added tax	3 775	9 517	–	6 455
Other payables	23 448	21 769	28 502	18 978
Total	383 391	346 122	276 737	251 091
Current	383 391	346 122	276 737	251 091

16. EMPLOYEE BENEFITS LIABILITY

R'000	GROUP 2016	GROUP 2015
Share appreciation rights scheme	**3 730**	8 157
Provision for leave pay	**1 212**	1 024
Accrued bonuses	**7 917**	6 767
Total	**12 859**	15 948

The credit recognised in the statement of comprehensive income in respect of the revaluation of the options backing the share appreciation rights scheme amounted to R4,427 million (2015: R3,941 million charge).

In total, 1 736 112 shares are outstanding from tranche 2 granted on 15 September 2013, 1 318 393 shares are outstanding from tranche 3 granted on 15 September 2014 and 5 375 000 shares are outstanding from tranche 4 granted on 15 September 2015. The tranches may be exercised in equal tranches three, four and five years after the date of the grant.

17. DERIVATIVE FINANCIAL INSTRUMENTS

R'000	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Net fair value of the derivative assets at the statement of financial position date was:				
Interest-rate swap contracts	**19 422**	14 401	**19 422**	14 401
Cross-currency interest-rate swap contracts	**7 775**	–	**7 775**	
Foreign exchange option contracts	**852**	–	**852**	
Call option contracts relating to share appreciation rights scheme	**4 308**	14 526		
Less: current portion	**(16 848)**	(12 872)	**(15 192)**	(5 206)
Non-current portion	**15 509**	16 055	**12 857**	9 195

The Group entered into call option contracts with Investec as an economic hedge, in respect of the second and third tranches of the share appreciation rights scheme, at the following strike prices:

Date	Number of shares	Strike price
Second tranche		
15 September 2016	583 158	14,37
15 September 2017	583 158	14,22
15 September 2018	583 158	13,98
Third tranche		
14 September 2017	437 803	15,25
14 September 2018	437 803	15,10
14 September 2019	437 803	14,84

R'000	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Net fair value of the derivative liabilities at the statement of financial position date was:				
Interest-rate swap contracts	**11 388**	26 841	**11 388**	26 841
Cross-currency interest-rate swap contracts	**32 598**	–	**32 598**	–
Foreign exchange option contracts	**316**	–	**316**	–
Forward contracts relating to share appreciation rights scheme	**18 089**	–	**18 089**	–
Less: current portion	**(37 311)**	(11 252)	**(37 311)**	(11 252)
Non-current liabilities	**25 080**	15 589	**25 080**	15 589

17. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

The Group entered into cash settled forward contracts with Investec as an economic hedge, in respect of the fourth tranche of the share appreciation rights scheme, at the following forward prices:

Date	Number of shares	Forward price
Fourth tranche		
8 October 2018	1 791 667	17,57
7 October 2019	1 791 667	17,57
5 October 2020	1 791 666	17,56

INTEREST-RATE HEDGING CONTRACTS

The notional principal amount of the outstanding interest-rate hedging contracts at 30 June 2016 was R4 637,1 million (2015: R3 818,5 million).

The interest-rate hedging contracts as at 30 June 2016 were as follows:

Financial institution	Nominal amount	Commencement date	Maturity date	Fixed rate (%)	Rate basis
Interest-rate swaps					
RMB	R62,0 million	01 Dec 12	01 Dec 16	5,760	JIBAR-linked
RMB	R100,0 million	01 Jul 14	31 Dec 16	7,300	JIBAR-linked
RMB	R55,0 million	12 Mar 14	12 Mar 17	7,680	JIBAR-linked
RMB	R60,0 million	12 Mar 14	12 Mar 17	7,690	JIBAR-linked
RMB	R50,0 million	25 Mar 14	25 Mar 17	7,580	JIBAR-linked
RMB	R80,0 million	01 Jul 11	30 Jun 17	7,780	JIBAR-linked
RMB	R50,0 million	01 Jul 11	30 Jun 17	7,650	JIBAR-linked
RMB	R40,0 million	01 Jul 11	30 Jun 17	7,670	JIBAR-linked
RMB	R83,3 million	01 Jul 14	30 Jun 17	6,960 *	JIBAR-linked
RMB	R310,0 million	01 Jul 14	30 Jun 17	7,250	JIBAR-linked
RMB	R125,0 million	15 Aug 14	15 Aug 17	7,160	JIBAR-linked
RMB	R50,0 million	23 Sep 10	23 Sep 17	7,430	JIBAR-linked
RMB	R83,3 million	01 Oct 14	01 Oct 17	7,140 *	JIBAR-linked
RMB	R176,1 million	01 Dec 12	01 Dec 17	6,010	JIBAR-linked
RMB	R83,3 million	02 Jan 15	31 Dec 17	7,260 *	JIBAR-linked
RMB	R125,0 million	01 Sep 14	01 Mar 18	6,600	JIBAR-linked
RMB	R125,0 million	01 Sep 14	01 Mar 18	6,600	JIBAR-linked
RMB	R150,0 million	25 Mar 14	25 Mar 18	7,890	JIBAR-linked
RMB	R200,0 million	15 Aug 14	15 Aug 18	7,340	JIBAR-linked
RMB	R50,0 million	23 Sep 10	23 Sep 18	6,980	JIBAR-linked
RMB	R170,0 million	03 Nov 14	05 Nov 18	6,740	JIBAR-linked
RMB	R100,0 million	01 Jul 14	31 Dec 18	7,840	JIBAR-linked
RMB	R50,0 million	11 Mar 16	11 Mar 19	8,020	JIBAR-linked
RMB	R50,0 million	01 Apr 11	31 Mar 19	7,260 #	JIBAR-linked
RMB	R50,0 million	19 Apr 16	23 Apr 19	7,950	JIBAR-linked
ABSA	R50,0 million	01 Jul 11	30 Jun 19	7,930	JIBAR-linked
RMB	R40,0 million	01 Jul 11	30 Jun 19	7,960	JIBAR-linked
RMB	R50,0 million	01 Jul 11	30 Jun 19	7,810	JIBAR-linked
RMB	R213,0 million	15 Aug 14	15 Aug 19	7,630	JIBAR-linked
RMB	R100,0 million	10 Sep 07	12 Sep 19	7,940	JIBAR-linked
RMB	R60,0 million	02 Jun 10	31 Dec 19	7,990	JIBAR-linked
RMB	R88,5 million	01 Nov 13	01 Nov 20	8,210	JIBAR-linked
RMB	R200,0 million	20 Jun 13	20 Jun 22	8,265	JIBAR-linked
RMB	R200,0 million	20 Jun 13	20 Jun 23	7,650 *	JIBAR-linked
RMB	R100,0 million	20 Jun 13	20 Jun 23	8,300	JIBAR-linked
RMB	R60,0 million	01 Jul 14	30 Jun 24	8,060	JIBAR-linked
RMB	R100,0 million	02 Dec 14	02 Dec 24	8,030	JIBAR-linked

17. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Financial institution	Nominal amount	Commencement date	Maturity date	Fixed rate (%)	Rate basis
Forward starting interest-rate swaps					
Nedbank	R150,0 million	09 Jun 17	11 Jun 18	8,105	JIBAR-linked
Nedbank	R150,0 million	12 Jun 17	12 Jun 18	7,995	JIBAR-linked
ABSA	R150,0 million	29 Jun 17	29 Jun 20	7,980	JIBAR-linked
ABSA	R150,0 million	29 Jun 17	29 Jun 21	8,100	JIBAR-linked
Cross-currency interest-rate swaps					
ABSA	AUD10,0 million	02 Oct 15	07 Sep 17	2,070	JIBAR-linked
ABSA	AUD15,5 million	02 Oct 15	07 Sep 17	2,100	JIBAR-linked
ABSA	AUD10,0 million	17 Jun 16	06 Mar 18	1,720	JIBAR-linked
ABSA	AUD10,0 million	09 Jun 16	06 Sep 18	1,930	JIBAR-linked
RMB	AUD9,0 million	20 Jun 16	06 Mar 19	2,000	JIBAR-linked
RMB	AUD10,0 million	10 Jun 16	06 Sep 19	2,260	JIBAR-linked
ABSA	AUD10,0 million	17 Jun 16	06 Mar 20	2,380	JIBAR-linked
RMB	AUD9,0 million	20 Jun 16	06 Sep 20	2,480	JIBAR-linked

* Subsidised with a cap rate of 10%

\# Subsidised with a cap rate of 9%

18. NOTES TO THE STATEMENTS OF CASH FLOWS

	GROUP		COMPANY	
R'000	**2016**	2015	**2016**	2015
Cash generated from operations				
Profit before income tax charge for the year adjusted for:	**640 086**	1 908 002	**1 154 772**	1 339 208
Fair value adjustments	**83 347**	(1 113 841)	**(70 480)**	(996 410)
Allowance for future rental escalations	**(16 435)**	(125 298)	**(3 726)**	(22 495)
Unamortised upfront lease costs	**24 778**	996	**17 957**	334
Interest paid	**411 767**	401 133	**394 574**	380 951
Interest capitalised to cost of developments	**(10 378)**	(5 110)	**(10 378)**	(5 110)
Unrealised deficit/(surplus) on interest-rate swaps	**3 813**	(34 053)	**3 813**	(34 053)
Fee paid on cancellation of interest-rate swaps	**–**	36 641	**–**	36 641
Amortisation of call option	**2 554**	3 541		
Impairment of investment in subsidiaries	**–**	(6 673)	**–**	(6 673)
Finance income	**(10 896)**	(10 833)	**(8 434)**	(8 556)
Depreciation	**14 840**	9 324	**11 276**	5 760
Operating profit before working capital changes	**1 143 476**	1 063 829	**1 489 374**	689 597
Increase in accounts receivable	**(80 465)**	(75 152)	**(55 266)**	(65 556)
Increase in accounts payable	**34 180**	48 756	**25 645**	28 057
Cash generated from operations	**1 097 191**	1 037 433	**1 459 753**	652 098
Distribution to shareholders				
Dividend payable at 1 July 2015	**–**	–	**–**	–
Dividends for the year	**(714 566)**	(639 125)	**(714 566)**	(639 125)
Dividend payable at 30 June 2016	**–**	–	**–**	–
Dividends paid to shareholders	**(714 566)**	(639 125)	**(714 566)**	(639 125)
Taxation paid for the year				
Taxation (liability)/asset at 1 July 2015	**(1 777)**	13		
Movement in statement of comprehensive income:				
SA normal taxation	**(6)**	–		
Net taxation liability at 30 June 2016	**–**	(13)		
Taxation paid for the year	**(1 783)**	–		

19. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
R'000	**2016**	2015	**2016**	2015
The following transactions were carried out with related parties:				
Strategic Real Estate Managers (Pty) Ltd				
Expenditure comprising asset management fees – post amendment to service charge arrangement			**34 835**	32 865
Key management personnel compensation:				
– short-term benefits	**14 743**	12 138		
– share-based payments	**561**	2 295		
Relationship: Manager and wholly-owned subsidiary of Emira Property Fund Limited				
Adamass Investments (Pty) Ltd				
Shares			**13 641**	13 641
Loan			**39 863**	34 856
Dividends received			**10 637**	–
Relationship: Wholly-owned subsidiary				
Aquarella Investments 272 (Pty) Ltd				
Shares			**6 379**	6 379
Loan			**63 192**	61 853
Dividends received			**8 526**	–
Relationship: Wholly-owned subsidiary				
Freestone Property Holdings (Pty) Ltd				
Shares			**1 339 187**	1 339 187
Loan			**250 081**	(22 918)
Dividend received			**484 496**	–
Relationship: Wholly-owned subsidiary				
Libra Investments 5 (Pty) Ltd				
Shares			**66 412**	66 412
Loan			**284 901**	260 420
Dividend received			**54 179**	–
Relationship: Wholly-owned subsidiary				
Lowmer Investments (Pty) Ltd				
Shares			**111 249**	111 249
Loan			**96 448**	70 231
Dividend received			**48 977**	–
Relationship: Wholly-owned subsidiary				
Menlyn Corporate Park (Pty) Ltd				
Shares			**283 386**	283 386
Loan			**343 537**	282 531
Dividend received			**105 306**	–
Relationship: Wholly-owned subsidiary				
Monagon Properties (Pty) Ltd				
Shares			**14 835**	14 835
Loan			**49 662**	39 054
Dividend received			**16 538**	–
Relationship: Wholly-owned subsidiary				
Omnicron Investments 005 (Pty) Ltd				
Shares			**35 368**	35 368
Loan			**21 940**	9 268
Dividend received			**10 722**	–
Relationship: Wholly-owned subsidiary				
Rapidough Properties 509 (Pty) Ltd				
Shares			**17 832**	17 832
Loan			**15 356**	9 908
Dividend received			**8 929**	–
Relationship: Wholly-owned subsidiary				

20. MINIMUM CONTRACTED RENTAL INCOME

	GROUP		COMPANY	
R'000	**2016**	2015	**2016**	2015
The Group has rental income receivable in terms of operating lease contracts:				
– Due within one year	**1 025 718**	991 805	**714 366**	658 222
– Due within two to five years	**2 845 432**	2 649 287	**1 978 301**	1 609 965
– Due beyond five years	**330 793**	490 792	**300 388**	393 144
Total	**4 201 943**	4 131 884	**2 993 055**	2 661 331

The weighted average length of leases is 2,80 years (2015: 2,80 years) and the average lease escalation is 7,8% (2015: 7,9%).

21. COMMITMENTS AND CONTINGENCIES

	GROUP		COMPANY	
R'000	**2016**	2015	**2016**	2015
Authorised capital expenditure				
– Committed	**24 669**	27 146	**24 669**	27 146
– Contracted for	**512 642**	159 277	**495 293**	129 762
Operating lease commitments				
Commitments due in respect of leases entered into on leasehold properties:				
– Due within one year	**21 730**	26 087	**7 178**	6 538
– Due within two to five years	**103 247**	97 769	**34 314**	30 910
– Due beyond five years	**4 727 052**	4 252 427	**3 291 342**	2 978 211
Total	**4 852 029**	4 376 283	**3 332 834**	3 015 659

CONTINGENCIES

The Fund had no material contingent liabilities at 30 June 2016.

22. POST YEAR-END EVENTS

DECLARATION OF DIVIDEND AFTER REPORTING DATE

In line with IAS 10, Events after the reporting period, the declaration of the final dividend of 75,76 cents per share occurred after the end of the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements.

SHARE BUY-BACKS

Prior to 30 June 2016 the Emira Board approved a programme to repurchase Emira shares. In terms of the approved programme, Emira has to date, subsequent to year-end, repurchased 14 016 201 shares at an average price of 1 427 cents per share. The repurchased shares are being held as treasury shares and are under the control of the Board of Directors.

ENYUKA PROPERTY FUND

On 2 September 2016 Emira entered into an agreement with One Property Holdings to form Enyuka Property Fund. Emira will contribute its 15-asset rural retail portfolio to the new venture. These properties will deliver returns to Emira at the same income yield they currently achieve within Emira, together with annual escalations up to a pre-set level. The excess above the set benchmarks will be shared within the joint venture. Emira will benefit from the development pipeline brought by One Property Holdings.

ISSUE OF COMMERCIAL PAPER

On 18 August 2016 and 12 September 2016 a total of R232 million and R240 million of Commercial Paper were issued as part of Emira's DMTN programme.

23. SEGMENT INFORMATION

The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the CEO of the Fund.

Management has determined the operating segments based on the reports reviewed by the CEO in making strategic decisions. The CEO considers the business based on the following operating segments:

- **Office** – comprises commercial properties
- **Retail** – comprises shopping centres
- **Industrial** – comprises industrial properties

The operating segments derive their revenue primarily from rental income from lessees. All of the Group's business activities and operating segments are reported within the above segments.

R'000	Office	Retail	Industrial	Other	Total
SECTORAL SEGMENTS					
June 2016					
Revenue	**746 978**	**781 292**	**268 681**		**1 796 951**
Revenue	**770 255**	**742 686**	**267 575**		**1 780 516**
Allowance for future rental escalations	**(23 277)**	**38 606**	**1 106**		**16 435**
Segmental result					
Operating profit	**443 441**	**483 808**	**173 784**	**16 706 ***	**1 117 739**
Other information					
Depreciation	**8 446**	**5 418**	**976**		**14 840**
Investment properties	**4 894 437**	**5 354 612**	**1 880 830**		**12 129 879**
Investment properties held-for-sale	**818 800**	**16 200**			**835 000**
Change in fair value of investment properties	**(301 562)**	**130 210**	**(29 676)**		**(201 028)**
June 2015					
Revenue	797 210	757 254	257 504		1 811 968
Revenue	759 379	675 734	251 557		1 686 670
Allowance for future rental escalations	37 831	81 520	5 947		125 298
Segmental result					
Operating profit	524 553	478 831	176 045	(34 131) **	1 145 298
Other information					
Depreciation	4 935	4 000	389		9 324
Investment properties	5 607 104	4 874 166	1 940 823		12 422 093
Investment properties held-for-sale	53 500	265 500			319 000
Change in fair value of investment properties	294 907	659 727	99 997		1 054 631

* Includes income from listed property investment of R58,0 million less general Fund expenses of R41,3 million.

** Includes income from listed property investment of R47,4 million less general Fund expenses of R44,9 million and fee paid on cancellation of swap agreements of R36,6 million.

No segment analysis of liabilities and the related interest payable has been presented as liabilities cannot be linked to specific properties.

23. SEGMENT INFORMATION CONTINUED

R'000	Office	Retail	Industrial	Other	Total
June 2016					
Revenue					
– Gauteng	539 883	526 333	181 568		1 247 784
– Western and Eastern Cape	114 938	87 319	48 500		250 757
– KwaZulu-Natal	59 277	123 985	38 613		221 875
– Free State	32 880	43 655			76 535
	746 978	781 292	268 681		1 796 951
Investment properties					
– Gauteng	4 223 137	3 875 762	1 263 250		9 362 149
– Western and Eastern Cape	921 600	590 450	369 150		1 881 200
– KwaZulu-Natal	402 800	691 600	248 430		1 342 830
– Free State	165 700	213 000			378 700
	5 713 237	5 370 812	1 880 830		12 964 879
June 2015					
Revenue					
– Gauteng	586 365	518 411	173 056		1 277 832
– Western and Eastern Cape	122 560	98 253	51 520		272 333
– KwaZulu-Natal	55 813	74 649	32 928		163 390
– Free State	32 472	65 941			98 413
	797 210	757 254	257 504		1 811 968
Investment properties					
– Gauteng	4 268 996	3 570 269	1 343 323		9 182 588
– Western and Eastern Cape	850 870	477 120	365 000		1 692 990
– KwaZulu-Natal	369 838	640 977	232 500		1 243 315
– Free State	170 900	451 300			622 200
	5 660 604	5 139 666	1 940 823		12 741 093

24. MEASUREMENTS OF FAIR VALUE

	2016				2015			
R'000	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
GROUP								
Assets								
Listed property investment	**940 364**			**940 364**	796 930			796 930
Derivative financial instruments – swaps		**27 197**		**27 197**		13 971		13 971
Derivative financial instruments – foreign exchange options		**852**		**852**		430		430
Derivative financial instruments – share options			**4 308**	**4 308**			14 526	14 526
Total	**940 364**	**28 049**	**4 308**	**972 721**	796 930	14 401	14 526	825 857
Liabilities								
Derivative financial instruments – swaps		**43 986**		**43 986**		26 646		26 646
Derivative financial instruments – foreign exchange options		**316**		**316**		195		195
Derivative financial instruments – share forwards		**18 089**		**18 089**				–
Total	**–**	**62 391**	**–**	**62 391**	–	26 841	–	26 841
Net fair value	**940 364**	**(34 342)**	**4 308**	**910 330**	796 930	(12 440)	14 526	799 016

FAIR VALUE ESTIMATION

The table above analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly 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. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. The instrument included in level 1 comprises an investment in a property trust, listed on the Australian Stock Exchange (ASX), classified as trading security.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

LISTED PROPERTY INVESTMENT

This comprises stapled securities 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 — INTEREST-RATE SWAPS

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.

DERIVATIVE FINANCIAL INSTRUMENTS — CROSS-CURRENCY INTEREST-RATE SWAPS

The fair values of the cross-currency interest-rate swap contracts are valued by discounting the future cash flows using the basis swap curve of the respective currencies at the dates when the cash flows will take place.

DERIVATIVE FINANCIAL INSTRUMENTS — AUD FORWARD EXCHANGE CONTRACTS

The AUD forward exchange contracts are valued by discounting the forward rates applied at year-end to the open hedged positions.

24. MEASUREMENTS OF FAIR VALUE CONTINUED

DERIVATIVE FINANCIAL INSTRUMENTS — CALL OPTION CONTRACTS

The call option contracts relating to the employee share scheme are valued using a Black Scholes option pricing model. The expected volatility of the unit price of the call options was 35,8% and the risk-free discount rate used ranged between 7,2% and 7,7%. Management considers the key input in the valuation to be the spot price. A 10% increase in the spot price results in an increase to the call options of R1,8 million. A 10% decrease in the spot price results in a decrease to the call options of R1,4 million. The call option contracts have been classified as Level 3. During the year R2,5 million of the option premiums relating to these contracts were amortised and a fair value loss of R7,7 million was recognised at year-end.

DERIVATIVE FINANCIAL INSTRUMENTS — FORWARD CONTRACTS

The forward contracts relating to the employee share scheme are valued using a Black Scholes option pricing model. The risk-free discount rate used ranged between 7,6% and 7,8%. Management considers the key input in the valuation to be the spot price. A 10% increase in the spot price results in a decrease to the forward contracts of R5,5 million. A 10% decrease in the spot price results in an increase to the forward contracts of R5,5 million.

NON-FINANCIAL ASSETS

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value at 30 June 2016:

	2016	2015
R'000	**Level 3**	Level 3
GROUP		
Assets		
Investment properties	**12 129 879**	12 422 093
Investment properties held-for-sale	**835 000**	319 000
COMPANY		
Assets		
Investment properties	**8 434 875**	8 263 792
Investment properties held-for-sale	**452 900**	309 000

Refer to note 6 where the reconciliations of these balances are disclosed.

FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES

The fair value of commercial buildings is estimated using an income approach which discounts the estimated rental income stream, net of projected operating costs, as well as an exit value, 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 rentals increase, 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 to be greatest for reversionary capitalisation rates, rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 30 June 2016 were the following:

- The range of the reversionary capitalisation rates applied to the portfolio are between 8,15% and 16,0% with the weighted average being 10,43% (2015: 9,52%).
- The discount rates applied range between 13,0% and 18,0% with the weighted average being 15,28% (2015: 14,41%).
- Changes in discount rates and revisionary capitalisation rates attributable to changes in market conditions can have a significant impact on property valuations. A 25 basis points increase in the discount rate will decrease the value of the investment property by R206,8 million (1,6%) and a 25 basis decrease will increase the value of the investment property by R213,9 million (1,7%). A 25 basis points decrease in the reversionary capitalisation rate will increase the value of the investment property by R216,0 million (1,7%) and a 25 basis point increase will decrease the value of the investment property by R204,8 million (1,6%).

Fair values are estimated twice a year by Emira's internal registered valuer, whereafter they are reviewed by the executive directors and approved by the Board of Directors.

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.

VALUATION PROCESSES

A third of the Group's investment properties were valued at 30 June 2016 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The remainder were valued by Emira's internal registered valuer. All valuations were reviewed by the executive directors and asset managers, before being recommended to the Board for approval. For all investment properties, their current use equates to the highest and best use.

25. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, investment in a listed property company, accounts receivable and prepayments, derivative financial instruments, interest-bearing debt and accounts payable. In respect of the aforementioned financial instruments, book values approximate fair value.

Exposure to interest rate, credit and liquidity risks occurs in the normal course of business.

Cash resources are monitored to meet working capital requirements and surplus cash is applied on an access basis against long-term interest-bearing liabilities.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

On order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares to shareholders or sell assets to reduce debt.

The Group monitors capital on the basis mandated by the board. The Group's borrowings are limited to 40% of the value of the Group's property portfolio. This ratio is calculated as total borrowings, less cash, divided by total assets as disclosed in the statement of financial position of the Group.

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain this ratio and an A credit rating. The Group's GCR's credit rating was A throughout 2016 and 2015. The Group's utilised borrowings capacity at 30 June 2016 can be summarised as follows:

R'000	**2016**	2015
GROUP		
Total assets	**14 294 461**	13 841 064
Total borrowings	**4 978 172**	4 510 361
Utilised capacity (%)	**34,8**	32,6
COMPANY		
Total assets	**13 188 282**	12 227 117
Total borrowings	**4 778 436**	4 310 791
Utilised capacity (%)	**36,2**	35,3

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group's market risks arise from changes in foreign currency exchange rates and interest rates. The Group enters into interest-rate swap agreements to mitigate the risk of rising interest rates as set out in note 17.

FOREIGN CURRENCY RISK MANAGEMENT

The Group's exposure to exchange rate fluctuations arises through its investment in GOZ which is an Australian listed REIT.

The following table details the Group's sensitivity to a 10% increase and decrease in the rand against the Australian dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	INCREASE		DECREASE	
R'000	**2016**	2015	**2016**	2015
GROUP AND COMPANY				
Profit or loss excluding value movement	**5 805**	4 739	**(5 805)**	(4 739)
Investment in listed property investment	**94 036**	79 693	**(94 036)**	(79 693)

25. FINANCIAL RISK MANAGEMENT CONTINUED

INTEREST-RATE RISK MANAGEMENT

The Group's exposure to interest rates on financial instruments at the date of the statement of financial position is set out in note 14.

Interest rates are constantly monitored and appropriate steps are taken to ensure that the Company's exposure to interest rate fluctuations is limited. Interest rates have been fixed for extended periods ranging from 2017 to 2024. The average rate of interest at 30 June 2016 (applicable to the fixed interest rate agreements) was 7,9% (2015: 9,0%). At 30 June 2016 6,9% (2015: 15,4%) of the Group's debt was subject to a variable or floating interest rate and was not covered by an interest rate swap agreement. An increase in the prime interest rate of 1% per annum would result in an increase in interest payable, of R3,3 million per annum, in respect of the floating portion of the Group's debt.

EQUITY PRICE RISK

The listed property investment in GOZ, of R940,4 million (2015: R796,9 million) is subject to equity price risk. It is reflected at fair value based on the quoted bid price at 30 June 2016, of AUD3,15. The following table details the Group's sensitivity to a 10% increase or decrease in the quoted price of the listed property investment on the Australian Stock Exchange:

	2016		2015	
R'000	**10% increase**	**10% decrease**	10% increase	10% decrease
GROUP AND COMPANY				
Listed property investment	**94 036**	**(94 036)**	79 693	(79 693)

CREDIT RISK MANAGEMENT

Credit risk is limited to the carrying amount of financial assets at the date of the statement of financial position.

Potential areas of credit risk consist of trade receivables and short-term cash investments. Trade receivables consist of a large, widespread tenant base. All specific doubtful debts have been impaired and at year-end management did not consider there to be any material credit risk exposure that was not already covered by an impairment adjustment.

The impairment adjustment at 30 June 2016 was R25,5 million (2015: R21,0 million) net of tenants' deposits and guarantees held as security.

The Group held cash deposits and guarantees with a fair value of R237,6 million at 30 June 2016 (2015: R159,7 million).

The specifically impaired receivables relate primarily to tenants who have either been handed over for non-payment, or have vacated the premises.

It is expected that a portion of the specifically impaired receivables will be recovered.

The allowance for impaired receivables and receivables written off are included in property expenses. Amounts charged to the allowance will be written off when all avenues for recovery have been exhausted and there is no expectation that any further cash will be received.

At 30 June 2016 no geographic area, rental sector or size of tenant had been identified as a specific credit risk.

The credit quality of financial assets was as follows:

- Cash and cash equivalents – FirstRand Bank Limited – AA- (Standard & Poor's)
- Derivative financial instrument – FirstRand Limited – AA- (Standard & Poor's)
- Derivative financial instrument – ABSA Bank Limited – AA- (Standard & Poor's)
- Derivative financial instruments – Investec – AA- (Standard & Poor's)
- Other assets were not rated.

RECEIVABLES PAST DUE BUT NOT IMPAIRED

Receivables are considered to be "past due" when they are uncollected one day or more beyond their contractual due date.

As at 30 June 2016, trade receivables of R59,8 million (2015: R39,5 million) were considered past due but not impaired.

These include varied tenants with no recent history of payment default.

25. FINANCIAL RISK MANAGEMENT CONTINUED

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Group will be unable to meet its financial commitments. The risk is minimised by holding cash balances and by a floating loan facility.

The Group monitors liquidity risk by regularly monitoring forecast cash flows. The following table details the maturity of financial assets and liabilities and is used by management to manage liquidity risks.

The amounts disclosed in the below table are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within one year or less generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

The fair value of the derivative financial instruments fluctuates in line with interest rate movements. This value will reduce to nil on expiry date.

R'000	Weighted average effective interest rate %	1 year or less	1 – 5 years	More than 5 years	Total
GROUP					
Year ended 30 June 2016					
Financial assets					
Listed property investment		940 364			940 364
Accounts receivable		253 721			253 721
Derivative financial instruments:					
– swaps		11 031	6 759	1 632	19 422
– options		1 656	2 652		4 308
– forex options		852			852
– cross-currency swaps		3 309	4 466		7 775
Cash and cash equivalents	5,75	55 549			55 549
Total financial assets		1 266 482	13 877	1 632	1 281 991
Financial liabilities					
Interest-bearing debt	8,0	1 034 000	3 944 172		4 978 172
Accounts payable		338 072			338 072
Derivative financial instruments:					
– swaps		3 574	3 334	4 480	11 388
– forex options		316			316
– cross-currency swaps		27 415	5 183		32 598
– forward contracts		6 006	12 083		18 089
Total financial liabilities		1 409 383	3 964 772	4 480	5 378 635
Year ended 30 June 2015					
Financial assets					
Listed property investment		796 930			796 930
Accounts receivable		220 903			220 903
Derivative financial instruments:					
– swaps		5 206	7 235	1 960	14 401
– options		7 666	6 860		14 526
Cash and cash equivalents	5,35	53 211			53 211
Total financial assets		1 083 916	14 095	1 960	1 099 971
Financial liabilities					
Interest-bearing debt	8,74	1 061 965	3 448 396		4 510 361
Accounts payable		352 553			352 553
Derivative financial instruments:					
– swaps		11 252	8 733	6 856	26 841
Total financial liabilities		1 425 770	3 457 129	6 856	4 889 755

25. FINANCIAL RISK MANAGEMENT CONTINUED

R'000	Weighted average effective interest rate %	1 year or less	1 – 5 years	More than 5 years	Total
COMPANY					
Year ended 30 June 2016					
Financial assets					
Listed property investment		940 364			940 364
Accounts receivable		200 568			200 568
Derivative financial instruments:					
– swaps		11 031	6 759	1 632	19 422
– forex options		852			852
– cross-currency swaps		3 309	4 466		7 775
Cash and cash equivalents	5,75	24 867			24 867
Total financial assets		1 180 991	11 225	1 632	1 193 848
Financial liabilities					
Interest-bearing debt	8,0	1 034 000	3 744 436		4 778 436
Derivative financial instruments:					
– swaps		3 574	3 334	4 480	11 388
– forex options		316			316
– cross-currency swaps		27 415	5 183		32 598
– forward contracts		6 006	12 083		18 089
Total financial liabilities		1 071 311	3 765 036	4 480	4 840 827
Year ended 30 June 2015					
Financial assets					
Listed property investment		796 930			796 930
Accounts receivable		185 686			185 686
Derivative financial instruments:					
– swaps		5 206	7 235	1 960	14 401
Cash and cash equivalents		20 628			20 628
Total financial assets		1 008 450	7 235	1 960	1 017 645
Financial liabilities					
Interest-bearing debt		1 061 965	3 248 826		4 310 791
Accounts payable		244 637			244 637
Derivative financial instruments:					
– swaps		11 252	8 733	6 856	26 841
Total financial liabilities		1 317 854	3 257 559	6 856	4 582 269

CASH AND CASH EQUIVALENTS

It is the Group's policy to deposit short-term cash investments with FirstRand Bank Limited, which has been given an AA- rating.

25. FINANCIAL RISK MANAGEMENT CONTINUED

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

R'000	Fair value	Amortised cost	Loans and receivables	Total
GROUP				
Financial assets				
Listed property investment	940 364			940 364
Derivative financial instruments	32 357			32 357
Accounts receivable			301 312	301 312
Cash and cash equivalents			55 549	55 549
Total financial assets	972 721	–	356 861	1 329 582
Financial liabilities				
Interest-bearing debt		4 978 172		4 978 172
Derivative financial instruments	62 391			62 391
Accounts payable			396 250	396 250
Total financial liabilities	62 391	4 978 172	396 250	5 436 813
COMPANY				
Financial assets				
Listed property investment	940 364			940 364
Derivative financial instruments	28 049			28 049
Accounts receivable			240 952	240 952
Cash and cash equivalents			24 867	24 867
Total financial assets	968 413	–	265 819	1 234 232
Financial liabilities				
Interest-bearing debt		4 778 436		4 778 436
Derivative financial instruments	62 391			62 391
Accounts payable			276 737	276 737
Total financial liabilities	62 391	4 778 436	276 737	5 117 564

26. PORTFOLIO SUMMARY

SECTORAL PROFILE

	Office	Retail	Industrial	Total
% of GLA	34,1	35,0	30,9	100,0
Weighted average lease escalation (%)	8,2	7,6	7,6	7,8
Lease expiry profile (% of revenue)				
Vacant	5,9	1,4	0,4	7,7
Expiries rolled over	0,3	0,9	–	1,2
Year 1	10,9	7,5	4,8	23,2
Year 2	7,9	7,2	2,7	17,8
Year 3	6,5	6,6	4,7	17,8
Year 4	2,0	4,5	0,7	7,2
Year 5+	9,3	13,8	2,0	25,1
	42,8	41,9	15,3	100,0
Lease expiry profile (% of GLA)				
Vacant	3,9	1,3	1,0	6,2
Expiries rolled over	0,1	0,8	0,1	1,0
Year 1	10,4	5,1	9,9	25,4
Year 2	6,2	5,7	4,8	16,7
Year 3	5,7	5,3	9,4	20,4
Year 4+	7,5	16,9	5,9	30,3
	33,8	35,1	31,1	100,0
Vacancy profile (% of GLA)	10,5	2,8	2,4	5,3

GEOGRAPHICAL PROFILE

	Gauteng and Mpumalanga	Western and Eastern	KwaZulu-Natal	Free State	Total
% of GLA	67,0	16,2	13,2	3,6	100,0

Average annualised yield achieved by the portfolio was 8,7%.

TENANT PROFILE

	Grade A	Grade B	Grade C	Total
% of GLA	57,8	23,9	18,3	100,0

Tenants have been graded as follows:

"A" grade: Large national tenants, large listed tenants, government and major franchisees. These include, inter alia, ABSA Bank, Afrox, Audi, Bidvest, Checkers, Clicks, Coricraft Group, Defy, Department of Public Works, FirstRand Bank, J D Group, Mr Price Group, Nedbank, Pepkor, Pick n Pay, RTT Group, Shell, the Standard Bank Group, Ster-Kinekor, Truworths International, Virgin Active and Woolworths.

"B" grade: National tenants, listed tenants, franchisees and medium to large professional firms. These include, inter alia, Amalgamated Power Solutions, Baby Boom, Builder's Express, Cash Crusaders, Debonairs Pizza, Dial-a-Bed, Easylife Kitchens, Fishaways, Little Green Beverages, Postnet, Rage Distribution, Tile Afrika, Torga Optical, Verimark and Vodacom.

"C" grade: Other tenants comprise all other tenants that do not fall into the above two categories.

27. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

27.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the following:

Investment properties — Note 6

The valuation of investment properties was determined principally using discounted cash flow projections, based on estimates of future cash flows, supported by the terms of any existing lease contracts and by external evidence such as current market rentals for similar properties in the same location and condition, and using discount rates that reflect current market assessments, of the uncertainty in the amount and timing of the cash flows.

The future rental rates were estimated depending on the actual location, type and quality of the properties and taking into account market data and projections at the valuation date, as well as the length of vacant periods following the expiry of existing lease agreements.

Accounts receivable — Note 11

At each statement of financial position date, management considers each material debtor in respect of whom legal proceedings have been instituted, in order to determine the level of recoverability. A provision is made for a portion of those considered as irrecoverable.

Derivative financial instruments — Note 17

The valuation of interest-rate swaps was 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 swap curve"). Future floating cash flows are determined using forward rates derived from the swap curve as at 30 June 2016. The net cash flows were discounted using the swap curve as at 30 June 2016.

The valuation of cross-currency interest-rate swaps was determined by discounting the future cash flows using the basis swap curve of the respective currencies at the dates when the cash flows will take place. Future floating cash flows are determined using forward rates derived from the basis swap curve of the respective currencies as at 30 June 2016. The net cash flows were discounted using the basis swap curve of the respective currencies as at 30 June 2016.

The valuation of the AUD forward exchange contracts was determined by discounting the forward rates applied at 30 June 2016 to the open hedged positions.

The valuation of the call option contracts relating to the employee share scheme was determined using a Black Scholes option pricing model. The model took into account the spot price, the expected volatility and the risk-free rate as at 30 June 2016.

The valuation of the forward contracts relating to the employee share scheme was determined using a Black Scholes option pricing model. The model took into account the spot price and the risk-free rate as at 30 June 2016.

27.2 CRITICAL ACCOUNTING JUDGEMENTS

Business combination versus asset acquisition

Management has assessed the properties acquired during the previous financial year and concluded that the assets acquired do not constitute a business as defined by IFRS 3 – Business Combinations due to the following:

- Processes or significant ancillary services were not acquired, and therefore integrated sets of activities were not identified, and
- The purchase price of the assets does not include an element of goodwill.

The acquisition of these properties was accounted for as the acquisition of assets and in line with IAS 40 – Investment Property.

Current and deferred tax

In accordance with the Group's status as a REIT, the distributions made in line with the Group's distribution policy meet the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). In determining the tax obligation of the Group, the "qualifying distribution" is deducted from taxable profits. As all taxable profits are distributed as a "qualifying distribution", no current tax liability was raised in the current year. In addition, the Group is not liable for capital gains tax on the disposal of directly held properties. The Group would not either be liable for any capital gains tax on the disposal of its investment in GOZ on the basis that Emira holds less than 10% of the equity and that it is a subsidiary of a REIT.

No deferred tax liabilities were raised on the "Allowance for future rental escalations", "Unamortised upfront lease costs" and other balances as these will form part of the Group's "qualifying distribution" in the future and are not expected to attract any tax.

Disclosure of comparative information

Effective 1 July 2015, Emira Property Fund converted to a Corporate REIT, Emira Property Fund Limited. The Directors of the Company assessed this to be a capital re-organisation and comparatives within the financial statements disclose the position of Emira Property Fund since nothing has changed from a shareholder point of view.

28. SHAREHOLDERS' PROFILE AND JSE INFORMATION AT 30 JUNE 2016

	Number of holders	% of holders	Number of shares	% of capital
Directors' holdings	5	0,11	2 722 435	0,53
Empowerment partners excluding directors' holdings	3	0,06	64 176 272	12,57
Non-public	8	0,17	66 898 707	13,10
Public	4 746	99,83	443 651 377	86,90
Total	4 754	100,00	510 550 084	100,00
Distribution of shareholders				
Banks	64	1,35	39 129 709	7,66
Close corporations	47	0,99	2 163 633	0,42
Empowerment	3	0,06	64 176 272	12,57
Endowment funds	114	2,40	5 504 028	1,08
Individuals	3 182	66,93	23 327 854	4,57
Insurance companies	50	1,05	28 178 856	5,52
Investment companies	5	0,10	5 954 894	1,17
Medical schemes	16	0,34	1 924 871	0,38
Mutual funds	249	5,24	218 336 130	42,76
Other corporations	10	0,21	69 915	0,01
Private companies	84	1,77	4 807 206	0,94
Public companies	3	0,06	386 487	0,08
Retirement funds	144	3,03	102 155 352	20,01
Trusts	783	16,47	14 434 877	2,83
Total	4 754	100,00	510 550 084	100,00
Range analysis at 30 June 2016				
1 - 1 000 shares	621	13,06	291 563	0,06
1 001 - 10 000 shares	2 689	56,56	12 722 602	2,49
10 001 - 100 000 shares	1 097	23,08	31 625 206	6,19
100 001 - 1 000 000 shares	259	5,45	80 448 947	15,76
1 000 001 shares and over	88	1,85	385 461 766	75,50
Total	4 754	100,00	510 550 084	100,00

The following holders of shares hold, beneficially directly or indirectly, at 30 June 2016 in excess of 5% of the issued share capital:

	Number of shares	% of capital
Redefine Properties Limited	58 564 627	11,47
Government Employees Pension Fund	45 982 670	9,01
Old Mutual	37 240 571	7,29
Prudential Investment Managers	28 757 053	5,63