# INTEGRATED REPORT

**2017**

EMIRA
PROPERTY FUND

# CONTENTS

# GLOSSARY

**"All Share"**
The JSE All Share Index

**"Arnold"**
Arnold Properties (Pty) Ltd

**"Avuka"**
Avuka Investments (Pty) Ltd

**"AUD"**
Australian dollar

**"B-BBEE"**
Broad-based black economic empowerment

**"BEE"**
Black economic empowerment

**"Broll"**
Broll Property Group (Pty) Ltd

**"Capex"**
Capital expenditure

**"CDP"**
Carbon Disclosure Project

**"CISCA"**
Collective Investment Schemes Control Act, No. 45 of 2002

**"CISP"**
Collective investment scheme in property (alternatively known as a property unit trust)

**"Companies Act"**
Companies Act, No. 71 of 2008, as amended

**"DMTN"**
Domestic Medium Term Notes

**"Emira"; "the Fund"; "the Company"**
Emira Property Fund Limited

**"Enyuka"**
Enyuka Property Fund (Pty) Ltd

**"Eris"**
Eris Property Group (Pty) Ltd

**"EXCO"**
Executive Committee

**"Feenstra"**
Feenstra Group (Pty) Ltd

**"FINDI 30"**
The JSE FINDI 30 Index

**"Freestone"**
Freestone Property Holdings (Pty) Ltd

**"FSB"**
Financial Services Board

**"GBCSA"**
Green Building Council of South Africa

**"GHG"**
Greenhouse gases

**"GDP"**
Gross domestic product

**"GLA"**
Gross lettable area

**"GOZ"**
Growthpoint Properties Australia Limited

**"Group"**
Emira Property Fund Limited and its subsidiaries

**"IASB"**
International Accounting Standards Board

**"IFRS"**
International Financial Reporting Standards

**"IPD"**
Investment Property Databank

**"IT"**
Information technology

**"JSE"**
JSE Limited

**"JSE Listings Requirements"**
Listings Requirements of the JSE Limited

**"King III"**
King Report on Corporate Governance for South Africa 2009

**"KPI"**
Key performance indicator

**"NAV"**
Net asset value

**"OHS Act"**
Occupational Health and Safety Act

**"PMI"**
Purchasing Managers Index

**"PUT"**
Property unit trust (alternatively known as a collective investment scheme in property (CISP))

**"PSTC"**
Property Sector Transformation Charter

**"REIT"**
Real Estate Investment Trust

**"RMB"**
Rand Merchant Bank

**"Rode"**
Rode's Report on the South African Property Market

**"Shalamuka"**
The Shalamuka Foundation

**"SAPOA"**
South African Property Owners Association

**"SARB"**
South African Reserve Bank

**"SAICA"**
South African Institute of Chartered Accountants

**"SAREITA"**
South African Real Estate Investment Trust Association

**"STREM"**
Strategic Real Estate Managers (Pty) Ltd

**"the Board"**
The Board of Directors of Emira

**"$tCO_2e$"**
Tonnes carbon dioxide equivalent

**"ZAR"**
South African rand

# ABOUT THIS REPORT

## Scope and boundary

This integrated report to stakeholders is for Emira Property Fund Limited ("Emira" or "the Fund" or "the Company") for the year ended 30 June 2017.

Emira's previous report covered the year ended 30 June 2016. This report is aimed at providing stakeholders with an integrated view of Emira's economic, social and environmental performance and to demonstrate its ability to create and sustain value over the short, medium and long term.

The information contained herein relates to Emira's operational activities and interests in South Africa as well as Australia, for the past 12 months, however, post-balance sheet events have been included for the sake of completeness.

Emira's most relevant material issues are presented herein. These issues pertain to Emira's strategy, which underpins its sustainability, its performance, associated risks and opportunities and its prospects in a manner that is transparent, accurate and balanced. Preparation of this integrated report was done in accordance with best practice, applying the principles of the King Report on Corporate Governance, International Integrated Reporting Council's International <IR> Framework ("<IR> Framework"), the Companies Act, No. 71 of 2008 ("the Companies Act"), International Financial Reporting Standards ("IFRS"), the Listings Requirements of the JSE Limited ("the JSE Listings Requirements") and the Carbon Disclosure Project (the "CDP").

## Assurance and comparability

The Board of Directors ("the Board") is required to prepare annual financial statements in terms of the Companies Act and the JSE Listings Requirements, which represent the financial affairs of Emira in a fair manner conforming with IFRS. Emira's external auditors are obliged to examine the annual financial statements and have reported their opinion thereon.

Emira has not pursued external assurance for its non-financial information disclosed in this integrated report. There are no material changes to the structure of this report when compared to the 2016 report, other than further elaboration on Emira's strategic priorities, risk management, corporate governance and environmental management and the inclusion of information in line with the <IR> Framework.

## Stakeholder feedback

Stakeholders are welcome to address any comments to **gjennett@emira.co.za** with feedback on this integrated report.

## Forward-looking statements

This integrated report contains certain forward-looking statements relating to the financial performance and position of the Group. All forward-looking statements are solely based on the views and considerations of the directors. While these forward-looking statements represent the directors' judgments and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from their expectations. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, global and local market and economic conditions, industry factors as well as regulatory factors.

Emira is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

This forward looking information has not been reviewed or reported on by the external auditors.

## Board responsibility statement

The Board acknowledges its responsibility to ensure the integrity of the integrated report. The directors confirm that they have individually and collectively reviewed the content of the integrated report and believe it addresses material issues, as determined by using Emira's risk framework as a screening mechanism, and is a fair presentation of Emira's integrated performance. The Board approved the release of the 2017 integrated report on 15 September 2017.

For and on behalf of the Board

**Gerhard van Zyl**
Chairman

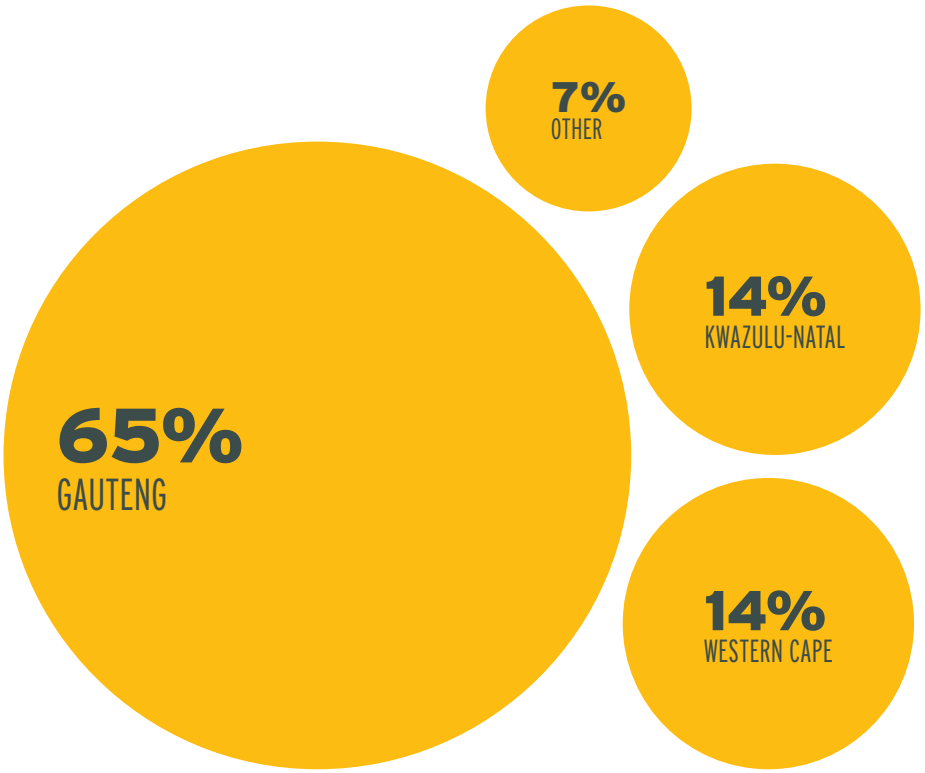
**Geoff Jennett**
Chief Executive Officer

Bryanston
15 September 2017

# FOOTPRINT AND PROFILE

Emira is a diversified, predominantly South African real estate investment trust ("REIT") company. It has been listed in the real estate investment trusts sector on the JSE Limited since 28 November 2003. Its property portfolio is spread across the office, retail and industrial sectors in line with its strategic objectives.

**Emira** is managed by a strong team of 28 staff, with offices in Bryanston and Cape Town. Broll, Eris and Feenstra manage the Fund's property portfolios.




**134**
PROPERTIES

**2 138**
TENANTS

**R13,2bn**
TOTAL PROPERTY ASSET VALUE

**1 131 577m²**
TOTAL GLA

To sustain and enhance its distribution growth to shareholders, the Fund has an ongoing focus on strengthening the quality of its property portfolio, through acquisitions and disposals as well as refurbishments, upgrades and redevelopment of specific properties. All investment decisions are underpinned by Emira's stringent investment criteria to ensure that yields are optimised. As at 30 June 2017, Emira had a total of 134 properties with a total asset value of R13,2 billion, a market capitalisation of R7,2 billion and the share price closed at 1 386 cents per share on the JSE.

## WONDERPARK SHOPPING CENTRE
### Karenpark, Pretoria

| | |
|---|---|
| GLA ($m^2$) | 90 882 |
| TENANTS | 172 |
| AVERAGE NET RENTALS | R136,60/$m^2$ |

| | | | |
|---|---|---|---|
| Pick n Pay | 12 867$m^2$ | Virgin Active | 3 508$m^2$ |
| Game | 5 292$m^2$ | Caltex | 3 461$m^2$ |
| Woolworths | 4 135$m^2$ | | |
| Edgars | 3 998$m^2$ | | |
| Checkers | 3 981$m^2$ | | |

**01**

## MENLYN CORPORATE PARK
### Menlyn, Pretoria

| | |
|---|---|
| GLA ($m^2$) | 26 659 |
| TENANTS | 28 |
| AVERAGE NET RENTALS | R161,58/$m^2$ |

| | |
|---|---|
| King Price Insurance | 8 298$m^2$ |
| SALGA | 7 025$m^2$ |
| Santam | 4 524$m^2$ |
| BVI Engineering | 1 533$m^2$ |

**02**

## QUAGGA CENTRE
### Pretoria West

| | |
|---|---|
| GLA ($m^2$) | 29 409 |
| TENANTS | 62 |
| AVERAGE NET RENTALS | R126,52/$m^2$ |

| | |
|---|---|
| Shoprite | 5 715$m^2$ |
| Pick n Pay | 4 878$m^2$ |
| Woolworths | 1 807$m^2$ |
| FNB | 1 367$m^2$ |
| Edgars | 1 065$m^2$ |

**03**

## SUMMIT PLACE
### Menlyn, Pretoria

| | |
|---|---|
| GLA ($m^2$) | 14 834 |
| TENANTS | 8 |
| AVERAGE NET RENTALS | R205,61/$m^2$ |

| | |
|---|---|
| Assupol Life | 3 200$m^2$ |
| Kempster Sedgwick | 2 484$m^2$ |
| SizweNtsalubaGobodo | 2 402$m^2$ |
| Planet Fitness | 1 469$m^2$ |
| Grant Thornton | 657$m^2$ |

**04**

# TOP 10 PROPERTIES BY VALUE


## MAKRO SELBY
### Selby, Johannesburg

| | |
|---|---|
| GLA ($m^2$) | 19 705 |
| TENANTS | 1 |
| AVERAGE NET RENTALS | R129,17/$m^2$ |

| | |
|---|---|
| Makro | 19 705$m^2$ |

* Single tenanted weighted net average retail rentals across the portfolio.

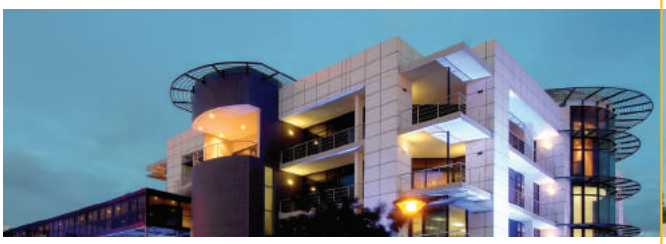
05


## RANDRIDGE MALL
### Randpark Ridge, Randburg

| | |
|---|---|
| GLA ($m^2$) | 22 447 |
| TENANTS | 86 |
| AVERAGE NET RENTALS | R127,52/$m^2$ |

| | | | |
|---|---|---|---|
| Pick n Pay | 4 473$m^2$ | Foschini | 594$m^2$ |
| Woolworths | 2 124$m^2$ | Mr Price | 581$m^2$ |
| Dis-Chem | 2 035$m^2$ | | |
| Health-Worx Medical Centres | 697$m^2$ | | |
| FNB | 615$m^2$ | | |

06



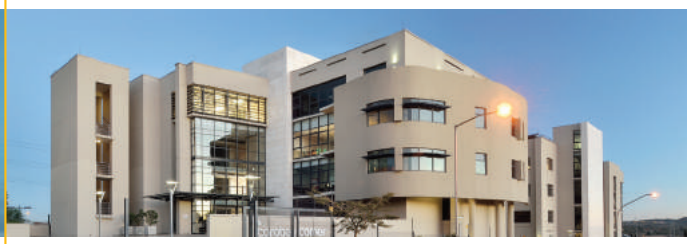
## RTT ACSA PARK
### East Rand

| | |
|---|---|
| GLA ($m^2$) | 46 673 |
| TENANTS | 1 |
| AVERAGE NET RENTALS | R50,91/$m^2$ |

| | |
|---|---|
| RTT Group | 46 673$m^2$ |

* Single tenanted weighted net average industrial rentals across the portfolio.

07



## COROBAY CORNER
### Menlyn, Pretoria

| | |
|---|---|
| GLA ($m^2$) | 13 865 |
| TENANTS | 5 |
| AVERAGE NET RENTALS | R150,95/$m^2$ |

| | |
|---|---|
| Council for the Built Environment | 2 236$m^2$ |
| X-DSL Networking Solutions | 863$m^2$ |
| Eris Property Group | 803$m^2$ |

08

## HYDE PARK LANE
### Hyde Park, Johannesburg

| | |
|---|---|
| GLA ($m^2$) | 15 539 |
| TENANTS | 50 |
| AVERAGE NET RENTALS | R128,05/$m^2$ |

| | |
|---|---|
| Standard Bank | 1 919$m^2$ |
| DTH Service | 1 616$m^2$ |
| Bowden & Company | 650$m^2$ |
| Truffle Asset Management | 595$m^2$ |
| Deutsche Lufthansa Group | 489$m^2$ |

09

## KRAMERVILLE CORNER
### Kramerville, Sandton

| | |
|---|---|
| GLA ($m^2$) | 18 460 |
| TENANTS | 37 |
| AVERAGE NET RENTALS | R110,26/$m^2$ |

| | |
|---|---|
| Griffiths & Griffiths | 3 597$m^2$ |
| Il Lusso | 1 732$m^2$ |
| Collaro Designs | 1 174$m^2$ |
| Nicci Boutiques | 793$m^2$ |
| Décor Republic | 768$m^2$ |
| Design Plus Interiors | 746$m^2$ |

10

# 5-YEAR REVIEW

| | 13 | 14 |
|---|---|---|
| DISTRIBUTIONS PER SHARE (C) | 114,59 | 123,18 |
| LISTED MARKET PRICE PER SHARE (C) | 1 496 | 1 470 |
| MARKET CAPITALISATION (RM) | 7 440 | 7 113 |
| NUMBER OF PROPERTIES | 146 | 141 |
| VACANCY FACTOR (%) | 5,6 | 4,5 |
| LOAN-TO-VALUE (%) | 27,2 | 32,3 |

| 15 | 16 | 17 |
|---|---|---|
| 134,27 | 146,10 | 143,18 |
| 1 698 | 1 354 | 1 386 |
| 8 669 | 6 993 | 7 244 |
| 145 | 144 | 134 |
| 4,0 | 5,3 | 5,7 |
| 33,1 | 35,4 | 36,6 |

## 03

Emira listed on the JSE Limited.

## 07

Acquired 100% of Freestone, comprising 81 properties across the commercial, retail and industrial sectors for R1,8bn.

## 10

In a first for a JSE-listed CISP, Emira made two investments in GOZ, an Australian REIT, for a total consideration of AUD35,5m (R233,8m).

Emira became the first JSE-listed CISP to restructure the fee payable to its Manager, to an amount covering costs only. The new structure improved alignment of the interests of the management company, while incentivising management and staff.

## 11

Emira increased its holdings in GOZ to 6,3%, the stake was valued at R418m, compared to the Fund's cost of R296m.

# OUR MILESTONES

## 12

In November, Eris and Broll were awarded the contracts to manage Emira's portfolio from 1 January 2013, after invitations were extended for national property management companies to tender on Emira's entire portfolio.

## 13

From 1 July, Emira was granted REIT status by the JSE, which had a positive financial effect including a R205m reduction in deferred capital gains tax, which increased the Fund's net asset value by 41,2 cents per share.

## 15

Emira purchased 25 000m$^2$ A-grade office Menlyn Corporate Park for R614m – Emira's single largest acquisition in its history.

Emira acquired the Integri-T Property Fund, a portfolio of eight diversified properties for R836,9m.

Emira completed the R561m Wonderpark Shopping Centre extension project.

## 16

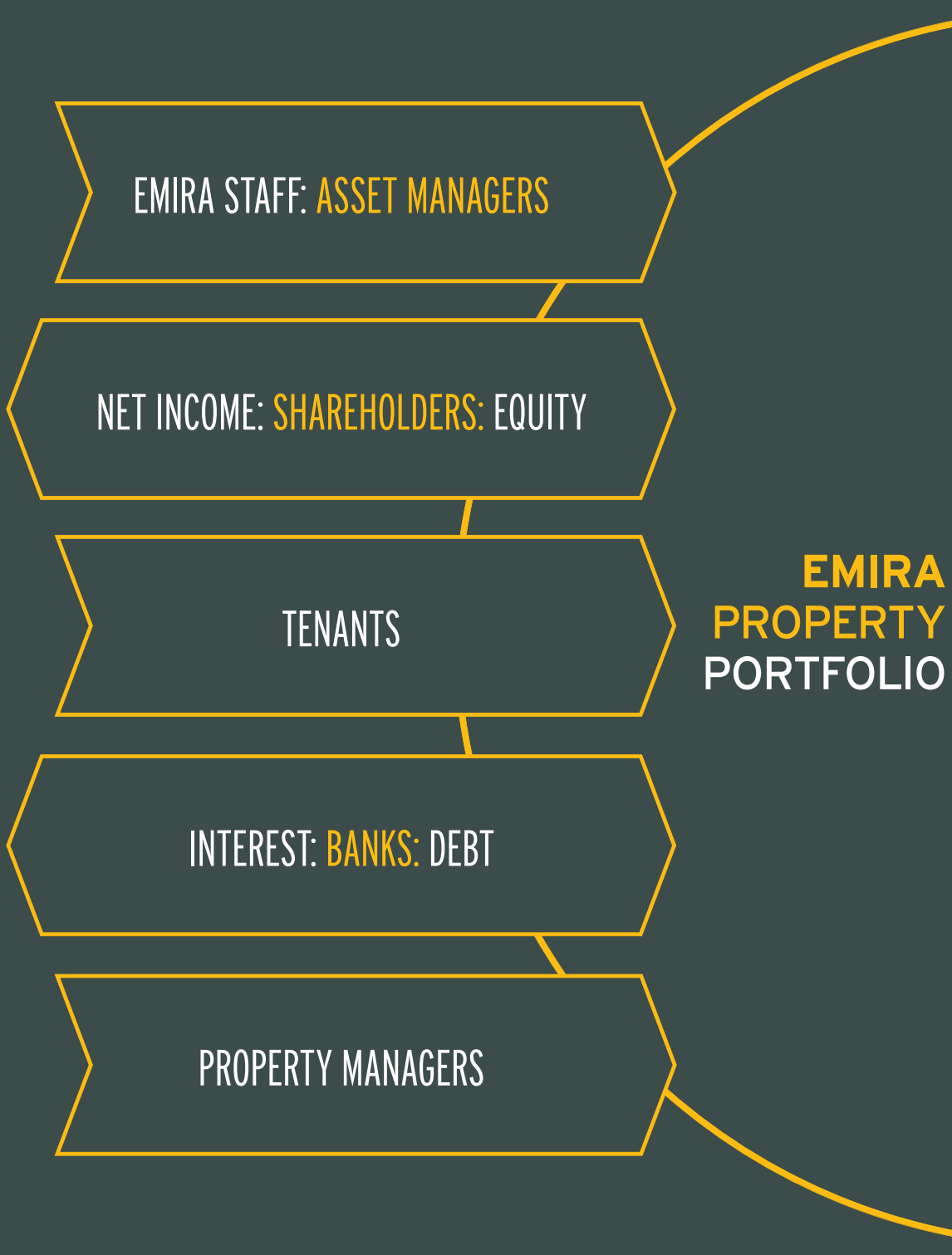
Emira purchased a 50% undivided share in Summit Place for R403,5m. The mixed-use development consists of five buildings and increases Emira's exposure to P-Grade office space.

With effect from 1 July 2015, after a corporate REIT conversion process, Emira became a new entity – Emira Property Fund Limited.

## 17

Rebalanced Fund's exposure to offices to 41%. Successfully concluded the Enyuka transaction as well as the Letsema Holdings and Tamela Holdings BEE transactions to the value of R575,0 million and R364,2 million respectively.

# BUSINESS MODEL



# GOVERNANCE STRUCTURE

## GEOFFREY MICHAEL JENNETT (49)
### Chief Executive Officer

**Qualifications:** BCom, BCom (Hons), HDipAcc, CA(SA)
**Appointment date:** 1 September 2015
**Committees:** Executive Committee member, Social and Ethics Committee member and invitee to Audit Committee, Risk Committee, Investment Committee, Finance Committee, Remuneration and Nominations Committee

Geoff, a qualified chartered accountant by training, has over 20 years' experience in the financial markets, particularly in the structured capital markets and the corporate equity derivatives spaces. He has worked at FNB Corporate, Coronation Capital, Nedbank Capital and Absa Capital, as well as was the financial and operations director of Honey Fashion Accessories (Pty) Ltd. Geoff joined Emira on 1 November 2014 becoming Chief Financial Officer with effect from 1 January 2015. He was then appointed as Emira's CEO effective from 1 September 2015.

## GREG STANLEY BOOYENS (40)
### Chief Financial Officer

**Qualifications:** BCom, BCom (Hons), CA(SA)
**Appointment date:** 1 January 2016
**Committees:** Executive Committee member and invitee to Audit Committee, Risk Committee, Investment Committee, Finance Committee, Social and Ethics Committee

Greg is a qualified chartered accountant with over 10 years' experience in finance and operations management, five of which have been in the listed property sector. Greg completed his articles at PKF in South Africa and thereafter spent eight years in the United Kingdom where he held various financial positions at UBS (London), Barclays Plc and Evolution Group Plc. Greg joined Emira on 1 January 2016 from Delta Property Fund where he had been the Chief Financial Officer.

## ULANA VAN BILJON (50)
### Chief Operating Officer

**Qualifications:** BCom
**Appointment date:** 10 February 2012
**Committees:** Executive Committee member and invitee to Audit Committee, Risk Committee, Investment Committee, Finance Committee, Social and Ethics Committee

Ulana has over 22 years' experience in the property industry, in particular retail management, property management and asset management. Her experience relates to both the corporate and listed property fund environments. She is responsible for the asset management of the property portfolio. Ulana was appointed Executive Director on 10 February 2012 and Chief Operating Officer effective 1 September 2015.

# BOARD OF DIRECTORS

## GERHARD VAN ZYL
**(58)**
### Independent Non-executive Chairman

**Qualifications:** B Eng, B Eng (Hons), Hons B (B&A), MBA
**Appointment date:** 10 September 2013
**Committees:** Investment Committee, Remuneration and Nominations Committee

Gerhard brings a wealth of knowledge and more than 20 years' experience in the commercial property industry having been the CEO of two listed property funds. He also was the SAPOA president in 2003/4.

## MICHAEL SIMPSON AITKEN
**(60)**
### Independent Non-executive Director

**Qualifications:** BA, LLB
**Appointment date:** 16 April 2007
**Committees:** Investment Committee (Chairman)

Michael has considerable experience in property-related activities, with specific expertise in asset and fund management related to directly held and listed property vehicles. He is currently actively involved in property investment both locally and internationally. Michael is a non-executive director of Transcend Residential Property Fund and immediate past Chairman of Hyprop Investments Limited.

## BRYAN HUGH KENT
**(72)**
### Lead Independent Non-executive Director

**Qualifications:** BCom, FCMA, CA(SA)
**Appointment date:** 16 April 2007
**Committees:** Audit Committee (Chairman), Risk Committee (Chairman), Remuneration and Nominations Committee, Finance Committee

Bryan is a financial business consultant with considerable experience in property matters and financial structuring, and was previously a partner at PriceWaterhouse. He is currently a non-executive director of Cadiz Holdings Limited, Raubex Limited and Anchor Yeast.

## VUSI MAHLANGU
## (47)
### Independent Non-executive Director

**Qualifications:** BSc Eng (Chem), MBA (Harvard)
**Appointment date:** 24 June 2010
**Committees:** Audit Committee, Risk Committee, Remuneration and Nominations Committee (Chairman), Finance Committee

Vusi is a former investment banker with over 19 years' experience. He is a founder and director of Tamela Holdings (Pty) Ltd. Between 2005 and 2008, he was the CEO of Makalani, a JSE listed mezzanine fund. Prior to joining Makalani he worked for Investec and African Oxygen Limited.

## NOCAWE EUSTACIA MAKIWANE
## (58)
### Independent Non-executive Director

**Qualifications:** BSocScience (UCT), BA (Hons) Economics (Wits), Executive Leadership Programme (Wharton Business School), MBA (University of Exeter)
**Appointment date:** 24 August 2006
**Committees:** Social and Ethics Committee (Chairman)

Nocawe was a former portfolio manager at Stanlib Asset Management. Currently she serves as a non-executive director of Xau Investments (Pty) Ltd, Women in Capital Growth (Pty) Ltd, Pacific Breeze Trading, Micawber 410 (Pty) Ltd, Black Management Forum Investment Company Ltd, , and iNnovative Strategic Projects Group (Pty) Ltd. She is an executive director of all AM Mfolozi Group Holdings (Pty) Ltd companies.

# BOARD OF DIRECTORS

## WAYNE MCCURRIE
**(57)**
### Independent Non-executive Director

**Qualifications:** BCompt (Hons), CA(SA)
**Appointment date:** 10 December 2008
**Committees:** Finance Committee (Chairman)

Wayne started his career in the financial services industry in 1988, when he joined Lifegro Limited as a management accountant. Lifegro was subsequently taken over by the Momentum Group in 1989 where he stayed until it was incorporated into RMB Asset Management in 1994. He left RMB Asset Management for Sage in 2002 and re-joined the FirstRand Group in 2004 as Managing Director of Momentum International Multi-Managers. He joined the broader MMI Group as an investment professional on 1 March 2008, where he managed various retirement fund and private client portfolios. In November 2016 Wayne joined Ashburton Investments (part of the FirstRand Group) as portfolio manager.

## VUYISA NKONYENI
**(48)**
### Independent Non-executive Director

**Qualifications:** BSc (InfProc), BSc (Hons) Computer Science, Postgraduate Diploma in Accounting, CA(SA)
**Appointment date:** 24 August 2011
**Committees:** Audit Committee, Risk Committee

Vuyisa has 19 years' experience in investment banking and private equity. He is a chartered accountant by training having served his training contract with PriceWaterhouse, which he completed in 1996. Subsequent to his training, he joined Deutsche Bank in 1997 where he gained investment banking experience primarily in corporate and project finance advisory work over a four-year period. He has also served as the Financial Director of Worldwide African Investment Holdings (Pty) Ltd and Director at Actis LLP.

# STRATEGIC PRIORITIES

| | FINANCIAL | | PORTFOLIO | |
|---|---|---|---|---|
| STRATEGIC OBJECTIVES | Optimise net income and grow distributions in excess of inflation and sector average | Gearing to be limited to 40% of total assets | Selectively recycle and upgrade assets | Have a balanced sectoral and geographical exposure |
| **2017 PERFORMANCE** | **NOT ACHIEVED: While the strategic objective was not attained the Fund anticipated there would be a negative 2% growth, which was met** | **ACHIEVED: 36,6% LTV** | **ACHIEVED: Knightsbridge manor redevelopment nearing completion and phase 2 commenced** | **ACHIEVED: Rebalancing of the portfolio underway with R441m of office properties disposed of** |
| 2018 TARGETS | Positive growth | 35% – 39% | Continue to selectively upgrade assets | Continue to reduce office exposure while increasing retail and offshore assets |
| | 1 | 2 | 3 | 4 |

## STAKEHOLDER

| | | | | |
|---|---|---|---|---|
| Dispose of non-core or non-performing properties | Reduce vacancies and manage lease expiry profile | Increase market capitalisation, liquidity and spread of investors by selective acquisitions and capital raising | Reduce our environmental impacts | Improve our transformation credentials |
| **ACHIEVED: 11 properties sold for R519,7m at a 1,1% premium to book value** | **NOT ACHIEVED: As expected, vacancies increased to 5,7% and tenant retention increased to 77%** | **ACHIEVED: 26 133 364 new shares issued (partially offset by 14 016 201 shares strategically repurchased at the start of the financial year)** | **ACHIEVED: 3% year-on-year reduction in carbon emissions** | **ACHIEVED: 5% of the Company's enlarged issued share capital placed in the hands of new B-BBEE partners** |
| 16 properties to the value of R1,1bn identified for disposal | Retain vacancy levels between 5,5% and 6,0%. Tenant retention at 70% | Ongoing | Carbon footprint reduction of 16% over five years (based on FY15 footprint) | Increase B-BBEE ownership |
| **5** | **6** | **7** | **8** | **9** |

| FINANCIAL CAPITAL | MANUFACTURED CAPITAL | INTELLECTUAL CAPITAL |
|---|---|---|
| **INPUTS** | | |
| Equity and debt | Office, retail and industrial properties and a planned expansion into the residential sector | Asset management expertise |
| R8,8 billion equity | Listed REIT investments | Property management expertise |
| R5,4 billion debt | | Debt structuring skills |
| | | Currency management skills |
| | | IT skills |
| **OUTPUTS** | | |
| Capital investment in physical portfolio in order to further grow distributions to investors | Growing distribution and increasing NAV | Exposure to a diversified portfolio of properties that is actively managed within a strict governance framework |
| **OUTCOMES** | | |
| Improved property portfolio | Well diversified property portfolio | Reliable and trustworthy data and good reputation |
| Improved tenant profile | | Investor confidence and shareholder support |
| Stronger, more sustainable income growth | | |

# STAKEHOLDER VALUE

| HUMAN CAPITAL | SOCIAL CAPITAL | NATURAL CAPITAL |
|---|---|---|
| **INPUTS** | | |
| Hands-on asset management team | Participation in community-based organisations and industry bodies | Water and electricity conservation |
| External property management | Sponsorships and charitable involvement | Low carbon footprint |
| Board of directors | B-BBEE Initiatives | Low environmental impact |
| Share appreciation rights scheme with a new Forfeitable Share Plan being proposed with share ownership facilitation | Emerging supplier development | Utility management |
| | Township and rural development | Recycling of assets |
| **OUTPUTS** | | |
| Service level agreements with property managers | Real estate investment in underinvested communities | Energy and water efficient buildings |
| Incentivised and motivated team of 28 people | SMME empowerment through procurement support and enterprise development | Reduced electricity and water consumption |
| **OUTCOMES** | | |
| Loyalty and retention | Black empowerment | Reduced costs for tenants, resulting in improved tenant retention |
| Employee and service provider satisfaction | Job creation | Responsible waste removal |
| | Township development investment | |
| | Economic growth for communities | |

# OUR FOCUS

## OUR PORTFOLIO

Our portfolio comprises a diversified mix of property assets located across South Africa and beyond, serving many different kinds of tenants and communities. We deliver value for our stakeholders by ensuring that our properties perform to expectations: from our P-grade office developments in metropolitan nodes, to our rural retail assets, residential properties and industrial parks. We grow the value of our portfolio through a strategic combination of acquisitions, value-enhancing capex projects, refurbishments or maintenance projects, each carefully planned and budgeted for prior to execution.

## OUR PLAN

We are guided by our nine strategic priorities, which are clearly articulated and listed as objectives, according to financial, portfolio, and stakeholder categories. This forms the basis of our strategy or plan, as approved by the Board, to assist our senior management in successfully navigating through economic cycles and challenges. The very aim of our strategic priorities is to deliver value growth to our stakeholders: having a sound plan is essential to achieving our objectives and reaching greater heights.

## OUR PEOPLE

Effectively managing our portfolio of 134 properties is the task of our team of 28 experts. Led by the Chief Executive Officer, Chief Financial Officer and Chief Operations Officer, our senior asset managers and development managers have the requisite skills to maintain and grow the value of the portfolio's retail, office and industrial properties. Because people are at the heart of our success, we have joined forces with other businesses: partnerships whereby our skills and strengths are complemented by teams of experts in attractive markets we have accessed.

## PREMIUM QUALITY

In recent years, we have actively and strategically grown the proportion of our portfolio's A- and P-grade properties. In so doing, this move up the quality curve has raised the image of Emira's overall quality. The concept of premium quality, however, goes beyond grading and into the attributes that make our assets worthy of a place in the portfolio. We cast our net wider, to include attractively high-yielding properties regardless of grade, with strong leases in place and potential for growth.

# STAKEHOLDER ENGAGEMENT

## OUR MAIN STAKEHOLDER GROUPS INCLUDE OUR EMPLOYEES, SHAREHOLDERS, INVESTORS AND ANALYSTS AS WELL AS PROVIDERS OF CAPITAL, TENANTS, SUPPLIERS, LOCAL GOVERNMENT STRUCTURES, INDUSTRY BODIES, THE COMMUNITIES IN WHICH IT OPERATES AND THE MEDIA.

It is the Board's responsibility to keep all stakeholders informed and up to date on our policies, performance and practices and encourages open discussions in an informal manner. We are committed to transparent, honest and timely engagement and we acknowledge that we are responsible for protecting the interests of all of our stakeholders.

With the aid of our property managers, we engage with stakeholders in accordance with the various methods illustrated in the diagram below, however the engagement strategy is continuously reviewed to ensure that the engagement methods employed are best suited to the respective stakeholder groups.

Interactivity with our stakeholders is of vital importance to us. Stakeholder contact focuses on building mutually beneficial relationships with our most important stakeholders whom we define as those most likely to influence or be affected by the Company.

## Specific 2017 engagements

### Shareholders

We engaged with our shareholders regarding remuneration matters at the 2016 annual general meeting. The previous remuneration policy was voted against by more than 25% of the voting rights exercised. We approached certain institutional shareholders to gain further clarity and insight as to what was of concern. Our key focus, as a result of this engagement process, was to ensure that there was a significant improvement in the disclosures of the remuneration policy in general, with specific attention being given to the disclosure of the formulae and KPIs for CEO remuneration. To this end, we consulted PwC, to review the Company's past remuneration disclosure to shareholders and to provide recommendations for enhancement thereto. A comprehensive discussion commences on page 56 of the remuneration report.

We also engaged with shareholders concerning our proposed BEE transaction with Letsema Holdings and Tamela Holdings to gain their support and approval, which was readily given once the deals were extensively explained and tabled.

### Providers of debt capital

Debt is a permanent part of our capital structure, and as a result, we need to ensure that it is managed correctly. We held two debt road shows in August 2016 and February 2017. The latter engagement occurred just after our equity update. These two days of intensive discussion with our DMTN debt providers was invaluable as confidence in the Company's business strategy was vigorously discussed.

### Property brokers

We organised several site visits during the year under review, in November 2016 and in May/June 2017, taking our brokers to Knightsbridge development, as well as Hyde Park Lane, Albury Park and the Summit Place development. Engagement with the site visitors took place between the CEO and the asset managers who discussed each of the properties in great detail.

## ENGAGEMENT METHODS

| STAKEHOLDER | METHOD OF ENGAGEMENT |
|---|---|
| Employees | Face-to-face, daily contact, electronic and social media and training are the general methods of engagement. Performance appraisals are carried out every six months, with performance measured against set KPIs. |
| Tenants | Our executive directors and asset managers engage with tenants directly and through Eris, Broll and Feenstra and via electronic and social media. |
| Providers of debt capital | Regular meetings with the providers of debt finance to assess their ongoing needs, contractual obligations and funding requirements as well as bi-annual debt roadshows. |
| Shareholders, analysts and investors | Transparent disclosure via presentations of the Fund's annual and interim results in Johannesburg and Cape Town followed by one-on-one meetings with major shareholders. Executive contact with investors occurs directly as well as via SENS and monthly press releases published in the media and social media as well as site visits. |
| Suppliers and property managers | Regular contact with property managers and semi-annual meetings with other suppliers through the property managers. |
| Communities | Marketing and public relations events held at the portfolio's retail shopping centres and social media. |
| Industry bodies | Active participation in the commercial property industry and membership of SAPOA, SAREITA, the Property Sector Transformation Council, the South African Council of Shopping Centres, SAICA, SA Institute of Valuers and the Green Building Council of South Africa. |
| Government | Regular meetings with government departments on issues such as the REIT legislation and the Property Sector Transformation Charter. Engagement with government departments regarding rates, zoning and planning. |

# RISK MANAGEMENT AND MATERIAL MATTERS

## THE OBJECTIVE OF RISK MANAGEMENT IS TO IDENTIFY, ASSESS, MANAGE AND MONITOR RISKS TO WHICH THE BUSINESS IS EXPOSED. GOVERNANCE OF RISK IS THE BOARD'S ULTIMATE RESPONSIBILITY INCLUDING DETERMINING THE RISK APPETITE AND TOLERANCE LEVELS AND THE APPROVAL OF THE RISK STRATEGY, POLICY AND FRAMEWORK.

### Risk management approach and policy

The Board, together with senior management, has set risk strategy policies. A comprehensive risk register is in place, which is supported by policies that have been reviewed by the Board.

A strong vision, mission and strategy and a high level of awareness at the operational level support the risk management policies. The Board has delegated the responsibility to design, implement and monitor the risk management plan to the Risk Committee and to management to ensure that Emira manages risks appropriately.

Risk management does not attempt to eliminate risk completely, but rather provides a process and structure to continuously identify, assess, evaluate and manage risk. Risk management forms part of Emira's policy framework and is embedded in its overall governance.

Management's philosophy on risk recognises that managing risk is an integral part of generating sustainable value and enhancing stakeholder interests. It also recognises that an appropriate balance should be struck between entrepreneurial endeavour and sound business practice.

The identification of key risks entails a systematic, documented assessment of the processes and outcomes surrounding these risks and addresses Emira's exposure to physical and operational risks, human resource risks, technology risks, business continuity and disaster recovery, credit and market risks, and compliance risks. Business continuity plans are in place at the premises of Emira's property managers, as well as at head office.

Current market conditions remain challenging with low GDP growth forecast in South Africa, the expected impact on the property portfolio is continually assessed. As a result, management is currently reviewing various methodologies of risk management in order to better anticipate certain categories of risk and their corresponding impacts on the Company. A more integrated and combined approach is to be adopted to reduce future financial and portfolio-based effects that put income and capital growth under pressure. Improved information systems and data analysis are imperative to actively manage risk and Emira continues to scrutinise these areas as early warning systems to better manage its risk.

Management's approach to enterprise risk management involves:

- Aligning risk appetite and strategy which considers the risk appetite in evaluating strategic alternatives, setting related objectives and developing mechanisms to manage related risks;
- Enhancing risk response decisions by selecting alternative risk responses, which includes risk avoidance, reduction, sharing or acceptance;
- Reducing operational losses by gaining enhanced capabilities to identify potential events and establish responses;
- Identifying and managing multiple cross-enterprise risks;
- Seizing opportunities by identifying a full range of potential events; and
- Improving deployment of capital by obtaining robust risk information to allow management to effectively assess overall capital needs and enhance capital allocation.

Enterprise risk management helps to ensure effective reporting and compliance with laws and regulations, and helps avoid reputational damage to Emira and the associated impacts thereof. These capabilities inherent in enterprise risk management help management achieve Emira's key performance and profitability targets, while protecting its assets and avoiding loss of resources.

The Board has set Emira's risk limits and tolerance levels and is committed to reporting on instances where risks fall outside of these limits or deviates materially from the limits of Emira's risk tolerance. The table commencing on page 27 sets out these limits and tolerance levels as determined by the Board. The Board is satisfied with the effectiveness of the risk management policies and procedures that are in place.

No material deviations to the limits of risk tolerance have occurred and Emira has not suffered any material losses during the year. There have been no claims against Emira's resources. The Board is also not aware of any current, imminent or envisaged risk that may threaten Emira's long-term sustainability.

Emira has identified its risks from the perspective of its stakeholders who are impacted by or who can affect its ability to deliver on its strategy. The analysis of these influences or material impacts is presented on page 27.

Emira's strategic objectives are founded on three key risk management mechanisms, namely its balanced portfolio across all property sectors, the diversification of the portfolio by region and property, as well as a smooth and balanced profile of leases with blue-chip tenants. Emira continues to assess these three mechanisms.

The following actions were taken to manage and mitigate risk during the year under review:

- The Company is in the process of rebalancing the portfolio and has relooked the list of underperforming or noncore assets, particularly in the office sector.
- The planned introduction of residential property to the portfolio will add further diversification.
- Acquisitions of property with joint venture partners have further mitigated risk and enhanced Emira's capabilities.
- The recent BEE transactions have been significant and meaningful steps forward in the Company's evolution, which is a further demonstration of Emira's efforts to rebalance its portfolio. It has improved the Company's balance sheet and has strengthened its Board with the appointment of a new a non-executive director.
- The planned geographical expansion into new offshore territories in high-growth regions is a further risk mitigation strategy.
- Meaningful progress has been made with regard to the Company's management information systems, which has complemented current data and added improved access to detailed high-level information.

### Material matters

Those matters which Emira's various stakeholders wish to see reported on are taken into account during the process of preparing this integrated report and those that are deemed material are included in the report. Emira identifies its material matters as those issues that are of importance to it and its stakeholders, which are strategic to the portfolio and are of substantial risk. Emira has focused on its strategic priorities, risk management framework and stakeholder feedback gained through formal and informal channels of engagement as a guide to determine materiality.

Income and capital growth, human capital as well as governance, compliance and environmental matters are considered to be strategic material matters affecting Emira. The table on page 27 provides a brief discussion of each material matter in the context of the risk management framework which is then linked to potential impacts and mitigation responses, along with the primary stakeholders to whom the matter pertains.

For a more comprehensive discussion on these material matters, refer to the performance review and sustainability matters, commencing on pages 32 and 66 respectively.

| MATERIAL MATTER | RISK | STAKEHOLDER GROUP AFFECTED | POTENTIAL IMPACT | MITIGATION RESPONSE |
|---|---|---|---|---|
| INCOME AND CAPITAL GROWTH | Vacancies and failure to retain tenants | › Investors<br>› Providers of capital<br>› Tenants<br>› Employees | ECONOMIC<br>› Negative impact on Emira's revenue stream, resulting in failure to meet budgets.<br>› Deteriorating building values and net asset value. | Management of expiry profiles with a maximum tolerance level of 30% of all leases expiring in any one year.<br>Emphasis on retention of existing tenants on lease expiries and tracking successful retentions with a minimum of 70% of all tenants to be retained.<br>Monthly analysis performed on current and projected vacancy levels, taking into account expiring leases.<br>Broker consultants with singular focus.<br>Regular contact with external leasing brokers.<br>Incentives put in place to encourage brokers to focus on Emira's vacancies.<br>Leasing strategy per property.<br>Continued engagement with tenants.<br>Willingness to negotiate leases to retain tenants.<br>Continual review of information systems and data analysis tools to ensure accurate information is available on demand. |
| | Liquidation of major tenant | › Investors<br>› Providers of capital<br>› Employees | ECONOMIC<br>› Immediate negative impact on financial results. Difficulty in re-letting large areas. | Significant diversification in tenant mix with regard to type of premises and geographical location.<br>Assess the sectorial and geographic exposures on an ongoing basis. |
| | Interest rate risk | › Investors<br>› Providers of capital | ECONOMIC<br>› Increase in interest rates will have a negative impact on Emira's financial results. | Debt to assets ratio is limited to 40%. A minimum of 80% of long-term borrowings (excluding commercial paper) are to be fixed at any point in time. Interest rate hedging agreements are entered into to fix interest rates for a weighted average period of at least 2,0 years. |
| | Liquidity risk | › Investors<br>› Providers of capital | ECONOMIC<br>› Inability to refinance debt facilities will have a negative effect on Emira's ability to acquire properties.<br>› Insufficient cash resources to meet interest payments on due dates. | Multiple and varied sources of debt capital. Reduced and manageable amounts of debt expiring at any one point in time. Availability of back-up and liquidity facilities.<br>Market conditions are monitored and contact is maintained with bankers in order to establish what funding options are available.<br>Expiry profiles and amounts expiring at any one point in time are monitored, in order to reduce this risk.<br>Investment in Growthpoint Australia provides immediate access to liquidity to refinance any expiring facilities should there be no bank appetite.<br>Cash flows are drawn up, noting the due dates of interest payments, ensuring that sufficient funds will be available from the access bond and/or term loan facilities. |
| | Property market risk, pricing risk on purchase and sale of properties and impact on yield | › Investors<br>› Providers of capital | ECONOMIC<br>› Achieving lower than anticipated returns. Value of property could be written down on revaluation.<br>› Emira receives less sales proceeds than it should have for reinvestment in new acquisitions, refurbishments or debt. | Investment Committee considers acquisitions, which are thereafter recommended for purchase to the Board.<br>Selling prices approved by the Investment Committee, which makes recommendations to the Board.<br>Bi-annual valuations carried out.<br>One third of portfolio valued externally each year. |
| | Joint venture partners are not aligned | › Investors<br>› Providers of capital | ECONOMIC<br>› Reduction in income and/or the value of the property within the joint venture. | Continual monitoring of how the joint venture is operating.<br>Regular meetings held with joint venture partners.<br>Agreements are put in place to protect Emira's rights. Joint ownerships are included where there is an expectation of the other party to do something. |
| | High levels of bad debts and arrears | › Investors<br>› Providers of capital<br>› Employees | ECONOMIC<br>› Failure to recover amounts owing.<br>› Negative impact on Emira's cash flow.<br>› Large write-offs in income statement. | Continued engagement with tenants.<br>Diversification by tenant and geography. Vigilant credit control by property managers with arrears not to exceed 7,5% of monthly debits raised.<br>Strong internal legal team and outside attorneys following up hand-overs in conjunction with property managers.<br>Willingness to negotiate lease terms to retain tenants.<br>Tight lease agreements and rigorous tenant credit checks.<br>Deposits and sureties.<br>Appropriate and conservative provisioning.<br>Provision for bad debts regularly reviewed. |
| | Changes to forecasted distributions are not picked up timeously | › Investors<br>› Providers of capital<br>› Employees | ECONOMIC<br>› Reduction in distributions with concomitant effect on share price. | Monthly analysis by asset managers of projected income and expenses.<br>Forecasts prepared, including current financial year and future periods.<br>Quarterly board reporting on forecasted distributions and variances to budget and prior period forecasts. |

| MATERIAL MATTER | RISK | STAKEHOLDER GROUP AFFECTED | POTENTIAL IMPACT | MITIGATION RESPONSE |
|---|---|---|---|---|
| INCOME AND CAPITAL GROWTH continued | Underperforming vs. the market – distribution growth, capital growth and market capitalisation growth | › Investors<br>› Providers of capital<br>› Employees | ECONOMIC/STRATEGIC<br>› Poor returns to investors and other providers of capital and deteriorating rating relative to peers results in inability to attract new capital and grow Emira. | Annual strategic sessions<br>Setting of financial targets and strategic priorities and monitoring of these goals by the Board.<br>Purchase of new properties.<br>Disposing of non-core properties.<br>Effective asset management including redevelopments and/or refurbishments. |
| | IT systems failure at property managers or at Emira due inter alia to virus/malicious intent/ on site fire | › Investors<br>› Providers of capital<br>› Tenants<br>› Employees | OPERATIONAL<br>› Inability to access information, record transactions or send out rent statements, which would negatively impact Emira's finances.<br>› A maximum of one week's data would be lost, excluding email correspondence, which is stored in the cloud. | The internal auditors review the IT operations at both main property managers and report to the Audit and Risk Committees with regard to the IT operations and adequacy of the back-up and continuity plans in place at the managers' offices.<br>IT security policies and firewalls are in place.<br>In addition to daily backups into the cloud, weekly off-site back-ups are maintained.<br>The IT Steering Committee has prepared policies, which have been adopted by Emira. The Steering Committee also oversees the IT functions at Emira's offices. |
| | Development risk | › Investors<br>› Providers of capital | ECONOMIC<br>› Return achieved being lower than anticipated.<br>› Value of property could be written down on revaluation. | Development manager oversees all new development/refurbishment projects.<br>Direct control – employment of qualified, experienced developers, project managers and leasing consultants.<br>Monthly internal meetings to monitor progress of projects.<br>Developments are considered by the Investment Committee, which recommends them to the Board.<br>Insurance cover is taken where appropriate.<br>Endeavour to ensure that developments are majority let prior to completion. |
| | Investment in foreign countries, equity price risk and exchange rate risk | › Investors<br>› Providers of capital | ECONOMIC/OPERATIONAL<br>› Volatility in and/or declining returns to investors.<br>› A fall in the listed price of Growthpoint Australia Limited ("GOZ") could result in a material write-down of Emira's investment.<br>› A strengthening of the ZAR could result in reduced returns being received in ZAR, from GOZ. | Investments in listed entity with appropriate regulations.<br>Regular contact with management team of investment.<br>GOZ has a well-located property portfolio, let to bluechip tenants, on long leases, with escalations.<br>Management monitors ZAR/AUD forecasts and as per the foreign income hedging policy, forward foreign exchange contracts up to a 24-month period are taken out.<br>Matching of synthetic foreign currency denominated debt to the asset via CCIRS. |
| | UTILITIES<br>Disruption of supply through load-shedding, as well as water cuts and above inflation increases in the cost of utilities. Municipalities are not taking actual readings but billing on estimates | › Investors<br>› Providers of capital<br>› Tenants<br>› Property managers<br>› Service providers | ECONOMIC/SOCIAL<br>› Inability of tenants to trade, which may result in their inability to pay rentals and operating costs.<br>› Impact of cost increases on tenants' ability to service rental liabilities, increasing lease default risk.<br>› Negative effect on Emira's net income.<br>› Buildings may be incorrectly charged resulting in accruals being made which may be inaccurate. | Installation of smart meters.<br>Installation of generators at certain buildings to keep electricity supplies available.<br>Various methods of achieving savings on utility costs are being investigated and introduced, including greening initiatives.<br>Tenants are also being advised on the methods of calculating their usage, which could result in savings being achieved, if usage patterns are improved.<br>Utility management.<br>Utilities administrator to request municipalities to read meters regularly. |
| | Municipal infrastructure and property service risk | › Investors<br>› Providers of capital<br>› Tenants<br>› Property managers<br>› Service providers | ECONOMIC/SOCIAL<br>› Tenants unable to operate due to no electricity or water. | Emira is continually assessing the installation of back-up electricity and water facilities where necessary, as well as alternative power supplies, and providing means to make buildings more energy and water efficient. |

| MATERIAL MATTER | RISK | STAKEHOLDER GROUP AFFECTED | POTENTIAL IMPACT | MITIGATION RESPONSE |
|---|---|---|---|---|
| HUMAN CAPITAL | Attraction and retention of skilled human resources | › Investors<br>› Property managers<br>› Employees | ECONOMIC/SOCIAL<br>› Loss of skilled staff could result in an increased extra workload being placed on existing staff members. | By effectively internalising management, the interests of staff and investors have been aligned.<br>Incentivisation plans have been put in place, in order to retain and attract experienced members of staff. |
| | Confidential information in the hands of staff when they leave Emira's employ | › Investors<br>› Providers of capital<br>› Employees | ECONOMIC/SOCIAL<br>› Reputational issues.<br>› Financial impacts. | Processes and documentation are in place to be completed by staff on exit to protect Emira's confidential information. |
| GOVERNANCE, COMPLIANCE AND ENVIRONMENTAL MATTERS | Statutory and regulatory compliance with the Companies Act, JSE Listings Requirements, Income Tax Act, Competition Act and the Consumer Protection Act | › Government<br>› Regulators<br>› Employees | ECONOMIC/SOCIAL<br>› Fines and public censures if non-compliance occurs.<br>› Reputational issues.<br>› Increase in legal and compliance resource costs. | Compliance with JSE regulatory frameworks.<br>Ongoing engagement with legal advisers and JSE sponsors, and Board of Directors.<br>Solid system of control in place.<br>Full time in-house legal resource and an outsourced qualified company secretary. |
| | Company risk and conflicts of interest | › All | ECONOMIC/SOCIAL<br>› Reputational issues.<br>› Negative effects on investor returns. | Board and independent directors' oversight.<br>Annual general meeting to address queries.<br>JSE Listings Requirements.<br>Code of ethics and JSE sponsors.<br>Adoption of King III principles plus future adoption of King IV.<br>Objective decision-making in case of potential conflict with full record of motivation.<br>Dealings with property managers are properly and fully disclosed. |
| | Failure to comply with OHS Act and safety requirements | › Tenants<br>› Property managers | ECONOMIC/SOCIAL<br>› Possible prosecution. | Review of compliance by the property managers and implementation of their recommendations.<br>Regular OHS Act training updates are held. |
| | Reduce Emira's carbon footprint and environ- mental impacts specifically with regard to water | › All | ENVIRONMENTAL<br>› Negatively impacts on climate change. | Conducted a water consumption audit in 2015/6 to identify the top 20 buildings that are the highest water consumers. Interventions are being investigated. Greening initiatives are constantly being investigated, including PV farms.<br>Strategy with targets has been set for carbon management programme.<br>Continued participation in the Carbon Disclosure Project.<br>Human resources allocated to implement green building strategies. |
| | Climate change mitigation | › All | ECONOMIC/SOCIAL/ENVIRONMENTAL<br>› Utility supply to buildings may be affected. | Monitoring of climate change impact and further focus on green energy and renewable sources plus grey water for buildings. |

# OUR PEOPLE

Highly skilled, competent people are just as integral to Emira's ongoing success, as the portfolio of 134 high quality properties that they collectively manage.

Maximising the returns of the portfolio is no simple matter, and to this end, Emira employs an expert team of 28 people, led by the Chief Executive Officer, Chief Financial Officer and Chief Operations Officer, as well as five senior asset managers, and a development manager.

The compact team of individuals possess the required skills to maintain and grow the value of the portfolio's retail, office and industrial properties. Emira's working environment fosters mutual respect throughout the team, regardless of position or seniority. A positive and friendly atmosphere has attracted loyal people, who continue to learn from their approachable seniors, with an open door policy to encourage growth at every level. Diversity is promoted and encouraged throughout all levels of the Company.

**GEOFF JENNETT**
Chief Executive Officer

**ULANA VAN BILJON**
Chief Operating Officer

**GREG BOOYENS**
Chief Financial Officer

**143,18**
DISTRIBUTIONS PER SHARE (c)

**5,7**
VACANCY FACTOR (%)

**R1,0bn**
CAPEX

**1 735**
NET ASSET VALUE PER SHARE (c)

**77**
TENANT RETENTION (%)

**36,6**
GEARING (%)

# DIRECTORS' REPORT INCLUDING PERFORMANCE REVIEW

# 2017 STRATEGIC PROGRESS

## EMIRA PERFORMED IN LINE WITH OUR EXPECTATIONS FOR THE YEAR UNDER REVIEW, DELIVERING DISTRIBUTIONS OF 143,18 CENTS PER SHARE (2016: 146,10 CENTS PER SHARE), WHICH WE FORECAST AND COMMUNICATED TO THE MARKET IN FEBRUARY 2017. WE ANTICIPATE A RECOVERY AND RETURN TO A POSITIVE GROWTH POSITION IN THE 2018 FINANCIAL YEAR.

In terms of our income, we have met our distributions target for the year, which was set by the Board, in the context of challenging market conditions. This achievement was dampened by existing vacancies in our office portfolio, which were adversely impacted by the office oversupply in the market. We addressed this and continue to do so by strategically rebalancing the portfolio and managing vacancies through aggressive letting and tenant retention strategies. This risk mitigation comes after having previously exited our exposure to the Sandton node, where the oversupply is most prevalent and intensifying through new building activity.

Emira is a predominantly South African REIT company that has been listed in the real estate investment trusts sector on the JSE Limited since 28 November 2003. It has a diversified portfolio of property investments that are predominantly located in South Africa and are spread across the office, retail and industrial sectors.

On matters of transformation, our BEE transaction with Letsema Holdings and Tamela Holdings was of strategic importance during the year. The transaction puts 5% of shares in issue into the hands of strategic black partners and was approved by Emira's shareholders. Letsema is a private investment holding group focused on management consulting, third-party investment management and industrial businesses with a 21-year track record of using business as a catalyst for significant societal impact. Tamela is a black-owned and managed investment holding, corporate finance advisory and fund management company. For more information on our BEE deal, see the Transformation section on page 44 of this review.

Successfully concluding the Enyuka deal was another transformation-related focus during a difficult year. Reported as a post year-end event in our 2016 integrated report, Enyuka signifies the start of a new path forward, utilising partners to grow our low LSM retail portfolio at a faster rate than was previously achievable. Enyuka began with Emira's R575 million portfolio of 17 retail properties at 30 June 2017, with a further three properties due to transfer by October 2017. The Enyuka/Emira relationship is an additional method of risk mitigation and will strengthen our ability to achieve income and capital growth.

Another notable move during the year was our unprecedented entry into the residential sector of the market. Until now, our position of strength has been operating exclusively in our traditional sectors: office, retail, and industrial properties. Our knowledge and understanding of these sectors therefore necessitates experience in the residential property sector. To this end, we have entered into a mutually beneficial partnership, where our partner has the requisite skills, knowledge and experience, which we will absorb over time. While bold, the move is responsible, representing between 1% and 2% of our assets initially.

The residential property sector has a different profile and our focus is on attractive, lower to mid LSM residential assets. LSM7 and LSM8 residential property has average monthly rentals of between R6 000 and R9 000 per month, and we are implementing this new strategy in our ex-Sasol assets at 2 Sturdee and 12 Baker, which are being converted to a residential asset. Pending the successful outcome of this "alternative use" conversion, a similar project could take place at 1 Kikuyu. Entering the residential sector further diversifies our portfolio and mitigates risk by adding an additional property sector to the portfolio mix. This in turn will assist in rebalancing our asset base by reducing our office exposure even further and reinvesting the proceeds into residential assets thus optimising the performance of the portfolio.

Emira is a predominantly South African REIT, and the proportion of our offshore investment is currently 7% of the total portfolio. This investment is in Growthpoint Australia ("GOZ"), which continues to be a success for Emira. To bolster our offshore exposure and grow our South African knowledge and skills base, senior management has a mandate from the Board to seek out strategic offshore investment opportunities. Our growth strategy in this regard is to increase the proportion to a greater minority percentage of the portfolio, through acquisitions within attractive markets and higher growth economies.

In October and November 2016, we followed a rights issue, acquiring a further 1 332 753 GOZ shares. Consequently, Emira holds 4,5% of GOZ shares in issue, valued at R901,4 million after an investment cost of R416,8 million, equating to a 116,3% increase in value. Emira's income from GOZ grew by 1,7%, while the weaker Australian dollar offset some distribution growth. We continue to manage the growth of our offshore investment responsibly over time, to further diversify our portfolio geographically.

Our strategic objective of having a balanced sectorial and geographical exposure is becoming more refined in terms of implementation. Our team of 28 skilled personnel, as well as our new partners, are embedded in driving our strategy to fruition. Through the dedication and efforts of our talented staff, our portfolio of assets has moved up the quality curve in recent years. To this end, we have refocused our efforts beyond the mere grading of our properties, to deriving maximum gains from each of our assets. It is therefore crucial to appreciate that premium quality refers not only to the physical attributes of our assets, but also to the yield quality they represent and deliver during their lifespan.

Our internal systems received a boost during the year, with the appointment of a management information system ("MIS") specialist. This improved the quality and accessibility of the information required by management, and broadens the range of reports we can generate. Our top and bottom performing assets can be identified more easily, which leads to more detail being sought and stimulating responses from management to either emulate successes or remedy issues. By increasing the factors for consideration, we can more accurately measure the performance of our assets and make decisions regarding the rebalancing of the portfolio through refurbishments, disposals, or acquisitions of strategically appropriate assets.

The MIS enhances management's strategic decision-making capabilities and provides a basis for more in-depth discussions and improved planning. We are pleased to report a positive impact in our internal discussions – at management level and Board level. Having better conversations is about engaging with our people, gaining a better understanding from their experiences through a new process that determines better quality information. Furthermore, this effective approach focuses on the important areas of inclusivity, staff retention and our succession plans, which are crucial to the continued success of Emira.

We welcomed our new chairman, Gerhard van Zyl in February 2017. Gerhard was appointed to the Board as an independent non-executive director in September 2013. We are pleased that our engagement with our new Chairman and members of the Board has intensified during the year under review. These strategy-enhancing discussions have helped us to navigate the many challenges of the market and environment.

While economies of the developed world are experiencing modest growth within low interest rate environments, South Africa's commodity-based economy persisted with weak GDP growth levels of below 1%. Here, interest rates increased during the year under review, beginning a short upward cycle. In June 2017 however, rates moderated, with base rates improving by between 30 and 50 basis points in terms of fixed long-term funding. For Emira, this has translated to savings from lower interest rates, offset by increased margins on refinanced debt. In terms of hedging, we have maintained our 80 – 100% hedging ratios for mitigating risk and protecting the portfolio and the overall sustainability of the Fund.

The full effects of the 2016 British vote to leave the European Union, the "Brexit" vote, are still unclear. Now, the lengthy process begins for the British to sever ties with European legislation and economic deals spanning over four decades. Until its completion, and possibly beyond, the protracted uncertainty surrounding Brexit will continue to influence our investment approach and strategic decisions in this region.

In November 2016, former businessman and television personality Donald Trump, a Republican, was elected as the 45th President of the United States of America ("US"), coming as a surprise to many political analysts and commentators. Since his January 2017 inauguration, Trump has begun the process of implementing certain campaign promises, which are broadly pro-American. The US has also renegotiated several economic trade deals with other nations, to favour the US more. His stance has sparked controversy at home and abroad, which has added to global economic and political uncertainty.

In January 2017, to the benefit of South Africa and other emerging markets, overseas investors adopted a more "risk on" attitude, despite the uncertainty of Brexit, Donald Trump and even rising international terrorism. While these external forces have yet to play out, their effects still filter through and impact the South African economy. In this environment, the rand continues to outperform expectations, despite domestic concerns and uncertainty. As many of our tenants are subsidiaries of international companies, their concerns are ours, as their leasing requirements are affected by conditions both locally and abroad in the countries where they operate.

Domestically, far-reaching political and economic decisions such as the counter-intuitive cabinet reshuffle decision, have delayed effects that take time to become fully apparent and impact the market and economy. The reshuffle controversially included the position of the South African Finance Minister, whose departure was followed swiftly by negative market sentiment and, crucially, multiple sovereign credit ratings downgrades to sub-investment grade. All three major ratings agencies expressed their concerns about the country's political uncertainty and the effects this has on the economy. This advice however went unheeded and the country slipped into technical recession after two consecutive quarters of economic contraction.

Prior to this, and subsequently, the media has been filled with investigative report exposés on corruption, revealing an illicit network of patronage that appears to have compromised the integrity of the South African Government at its highest levels. These and other issues relating to political uncertainty continue to exacerbate a domestic environment of already low GDP growth levels of less than 1%. Nevertheless, much of this negativity can change swiftly, as the governing party draws nearer to its elective conference in December 2017. Analysts see the outcome of this event as a decisive moment for the country, one that could augur meaningful growth in the economy through political stability and policy certainty.

While external/international political and economic forces are beyond our control, many of our country's challenges are self-inflicted – policy uncertainty impeding the mining sector is an example of this. These challenges negatively affect our country's debt to GDP ratio, slowing down growth in the economy, curbing public spending and increasing unemployment. An early indicator is an increase in office property vacancies, as this sector in property is a reflection of economic conditions. Furthermore, supported by low interest rates, additional office space is yet to come to the market in the Rosebank and Sandton nodes as developers work through their development pipelines.

To meet our strategic objectives and maintain our culture of excellence, we employ a highly competent team of five asset managers and a development manager, complementing our senior management. To further bolster the team, we have appointed a new in-house legal advisor and have once again outsourced the company secretary function, to Acorim Proprietary Limited. As mentioned above, we have made a new appointment to support the MIS function, which provides senior management with new and improved data for managing the business and strategic decision-making. We have grown the team by adding another office manager and taking on a new graduate. Regarding our strategic management, we can report a number of changes to the Board, which are discussed in more detail on page 47 of this report.

As anticipated, vacancy levels increased to 5,7% during the year (2016: 5,3%). These levels are higher than our vacancy target and we are currently rebalancing our portfolio. Office vacancies skew the portfolio average at 12,5%, while our retail and industrial vacancies are better than the national sector averages measured by SAPOA, at 3,2 % and 1,7% respectively. Sectorial vacancies are discussed in more detail on page 40 of this report.

To curb our costs wherever possible, administration expenses are kept under strict management control. These expenses grew during the year as expected, while cost to income ratios increased. This was largely due to a combination of higher costs, increased vacancies and marginal income growth.

Our lease renewal rate by GLA for the year under review was 77%, which was higher than 2016, while the rate by gross rentals was 72%, which is pleasing. Our negative rental reversion rate for the year was 1,1%, which was anticipated, with similar levels of negative reversions expected to continue during the coming financial year.

Eleven properties, totaling R519,7 million, were sold and transferred out of Emira during the 12 months to 30 June 2017: Southern Life Plaza, Cochrane Avenue, Sturdee House, Midrand Motor City, Waterkloof House, Brooklyn Gardens, Brooklyn Forum, 16 Jan Smuts, The Avenues North, 500 Smuts and Tokai Shopping Centre. These 11 properties were sold at a combined forward yield of 10,3% and a combined 1,1% premium to book value. Our ability to transact at prices which are on average higher than book values, bears testimony to the fact that our properties are fairly valued.

## Trends in property

With the lifecycle of buildings increasingly coming into play, a locally emerging trend in property is in the residential sector. In this scenario, the lifespan of an attractive office building can see it transform over time from A grade to B grade to C grade, and ultimately to a residential conversion. This trend is apt in current market conditions as population densification continues, with a corresponding increase in residential starting to emerge within older office nodes. It is seen as a natural progression as office to residential conversions brings the working population closer to their place of work. We have capitalised on this trend with our proposed new strategy in converting our ex-Sasol assets at 2 Sturdee and 12 Baker offices to residential properties.

To save where possible and minimise the impact of higher costs, we ensure that our municipal costs and expenses are correctly calculated through specialised costing experts. As in recent years, municipal costs continued to increase during the year, growing by 12% (2016: 9%). With increased expenses, our gross cost to income ratios are higher, which is exacerbated by increased vacancies that characterise our low growth economy. While the increase in the ratio is due to higher costs, our income has not grown in tandem to offset the impact.

As reported previously and further to the above, an increasingly prevalent trend that continues to impact us as well as the greater market is the issue of rental space oversupply. This has been particularly true of office space, where rental asking prices have been affected and landlords in newly developed nodes poach tenants. The saturation of retail centres is also becoming more noticeable as property developers work through their project pipelines and consumers' buying power is hampered by various socio-economic factors. In the industrial sector, we continue to position ourselves more towards the needs of smaller tenants, thereby reducing our exposure to single tenant risk on large boxes through sub-divisible units.

In terms of international trends filtering though to South Africa, we are seeing increased consumer activity in e-commerce and e-retailing. While South African consumers purchased more goods and services online than they did during the previous year, this still represents a negligible proportion of the economy, especially when compared to developed country economies. This trend is expected to continue, albeit at a small percentage, with digital literacy levels and Internet access remaining low in relation to consumers within the greater population.

## The South African direct property market

In some domestic property nodes, there is an oversupply of available space, leading to competition among landlords who often let their space at discounted rates to avoid vacancies. New developments, conversions, upgrades and refurbishments means that further lettable space will be coming to market in the coming year.

In the Rode Report's regional analysis, the strongest growth in office rentals during the first quarter of 2017 was in Cape Town decentralised, growing by 7% and benefiting from very low vacancy rates in suburban office nodes. This growth was slightly higher than building-cost inflation, which was expected at 6%. The next highest growth was in Durban decentralised at 6% and Pretoria decentralised at 2%. Johannesburg decentralised delivered the weakest performance, as average rentals remained roughly unchanged from the previous year.

Also according to Rode, strong rental growth was evident in parts of Johannesburg decentralised, with growth in excess of inflation in nominal market rentals in Bryanston at 9% and Rosebank at 8%. In other Johannesburg decentralised office nodes, growth of less than building cost inflation came from Randburg/Ferndale at 5%, in Illovo at 4% and Parktown at 2%. Market rentals were lower than the previous year, decreasing in the Sandton CBD by 2% and 4% lower in Rivonia.

In Pretoria decentralised, Menlyn delivered a poor rental performance, as market rentals reduced by 2%, following increased office vacancy rates in the node during the year. Modest growth came from Brooklyn/Waterkloof at 4% and Hatfield at 2%, however rentals in Centurion remained largely unchanged. With exception of Brooklyn/Waterkloof, office nodes in Pretoria decentralised are experiencing vacancy rates in excess of 10%.

In Cape Town decentralised, fully occupied offices in the V&A Portswood Ridge and Pinelands delivered strong growth of 13% and 11% respectively, followed by Century City, with growth of 9%. Rental growth in Rondebosch/Newlands and Tyger Valley were lower, delivering 3% and 2% respectively. In Durban's prime office node of La Lucia/Umhlanga, nominal rental growth was highest at 6%, followed by Berea with 4% growth.

In the second quarter of 2017, SAPOA reported the national office vacancy rate at 11,8%, increasing by 70 basis points from the previous quarter – the highest in 12 years, as recorded in the first quarter of 2005. During the year, asking rental growth slowed significantly in the market, which points to the current low growth environment and an oversupply in the market. Emira's office vacancy rate for the same period increased to 12,5%.

Further to the difficult environment, the current cycle suggests a continuation of lower levels of capital investment. A factor driving the current supply in the market is the large amount of vacant space large corporates leave behind when consolidating their office footprints. This has led to increased vacancies in nodes where additional development projects are due to come to market in the short term.

SAPOA reports that Rosebank is one of the first nodes where backfill risk is becoming evident, due in part to Sasol vacating several buildings in the node, and occupying their new head office in Sandton. During the last two quarters, Rosebank's vacancy rate for existing offices increased from 5,8% to 17,8% as the amount of available office space increased from 24 000m$^2$ to 68 000m$^2$.

At the end of June 2017, national vacancy rates increased across all grades of offices, most evident in the C-grade segment, increasing by 1,7% quarter on quarter, followed by P-grade office vacancies, which increased by 1,6%. Office vacancies in the A and B-grade segments increased only marginally. Emira has no C-grade office buildings in the portfolio.

National inner city office vacancies remain significantly higher than the level of city decentralised nodes, reminiscent of previous years when vacancies approached peak levels. However, current inner city vacancies are lower than 2003 levels due to conversions of CBD office space to residential. For the quarter ending June 2017, the national inner city office vacancy rate reduced to 15,7% while national decentralised nodes had an aggregate vacancy rate increased by 1% to 10,5%.

SAPOA reported that during the year a number of large office developments came to the market, which slightly reduced the aggregate number of developments; this decline is also attributed to development schemes phasing development based on tenant demand and scaling down speculative building activity. At the end of June, developments under construction totalled 690 000m$^2$, down from the peak of 982 000m$^2$ in 2015. As a percentage of existing market stock, development activity was 3,8% at the end of June, which was down from the 6,6% high during 2007, but remained high on a national level in the absence of growth drivers.

The overall pre-let rate of developments is above 65%, but has been on a downward trend since 2015. At the end of June, SAPOA reported the national pre-let rate of developments with ground broken at 65,8%. As many new projects are tenant driven, the aggregate pre-let rate will likely increase further. The concentration of development activity continued during the year, with 92% of office development activity in just 10 nodes, and dominated by Gauteng office nodes. As in previous years, Sandton accounts for the bulk of development activity, comprising 45% of all office development nationally. Over 80% of total office developments in the survey constitute the 20 largest projects. Development activity could contract in 2018 through 2019 with many of these projects due for completion in the next 12 to 18 months and fewer projects currently breaking ground. After Sandton, the top three comprise greenfield development nodes in Waterfall and Highveld Technopark as well as the more mature Rosebank node.

SAPOA reports that in Waterfall, there is a potential downside risk of 6,9% in unlet new developments, however this increases to 12,6% when including unlet developments. In Rosebank post Sasol vacating, unlet new developments are a risk to short to medium term rental growth, with high vacancies in existing stock.

In the South African retail sector, the sustainability of some businesses is in question as tenants face rising rent-to-turnover ratios. The performance of shopping-centre fundamentals relies heavily on the performance of retail sales volumes. There is a robust inverse relationship between the underlying cyclical component of real retail sales and regional shopping centre vacancy rates. This could imply that until this cyclical component reaches a trough and changes direction with higher sales volumes, one cannot expect a drop in regional shopping-centre vacancy rates.

According to SAPOA's Retail Trends Report, while retail vacancy rates are still low relative to office and industrial property, they are on an upward trend. At the end of March 2017, retail vacancies were at 3,5% – higher than the 13-year average of 2,5%.

As measured by the IPD Trading Density Index, retail trading performance held its own in 2016, despite significant headwinds. The index quantifies sales performance as well as other key retail performance metrics across 24 merchandise categories in over 100 retail centres, spanning >4 000 000m². Retail trading densities are calculated as annualised sales per square meter. Year-on-year, trading densities increased by 5,5% by the end of December 2016, marginally higher than 5,4% recorded in the previous quarter.

Constituting the increase in trading density was a 4,9% sales growth and a trading density area decline of 0,7%. This year-on-year 4,9% sales growth is markedly lower than StatsSA's retail sales growth of 8,4% as at the end of December 2016. This implies that retailers in malls underperformed the larger retail market. However, it should be noted that on average, malls are diversified with exposure to different merchandise categories – while the StatsSA figure is heavily weighted towards general dealers and retailers of textiles, clothing, leather and footwear.

In the industrial property sector, the national industrial vacancy rate as recorded by IPD in December 2016, was 5,8%. This was higher than the revised 2,3% of December 2015 and the highest industrial sector vacancy level since 2003. Rental growth has historically delayed shifts in vacancy rates as excess supply or demand typically takes 12 to 18 months to filter through to pricing. Similarly, at this stage of the cycle, the current higher vacancy rates do not reflect in rental growth as yet. As at December 2016, rental growth in industrial property was at 9,6% – its highest since 2009.

On a segmental level, standard industrial units, warehousing and light manufacturing property were under pressure during the year, all recording negative real capital growth. Due to the global economic slowdown, industrial manufacturing volumes remain constrained, with contributing factors being the weak local economy and lower commodity prices. However, supply remains below peak levels of 2007 and 2008, driving above inflation rental growth and low vacancy rates in certain segments and geographies.

An analysis of industrial property by box size shows more available space on the upper end of the scale. At the end of December 2016, industrial property with GLA over 25 000m² had vacancies of 6,5%, while properties between 10 000m² and 25 000m² reported vacancies of 7,4%. Larger box-size segments of 10 000m² to 25 000m² and >25 000m² also recorded the largest increases in vacancies for 12 months ending December 2016, at 5,4% and 3,6% higher respectively.

Larger-box segments have had the lowest vacancy rate through the cycle, suggesting that tenants may now be downsizing their space requirements or dividing operations to increase capacity utilisation. Emira has one industrial property with a GLA exceeding 25 000m². For the 12 months ended December 2016, all industrial segments saw occupancy rates come under pressure, with the exception of High Tech Industrial property.

While the aggregate industrial vacancy rate remains low in historical terms at 5,8%, a significant variance exists between nodes. Some nodes currently have almost no available space and in most cases are experiencing improvements in rental growth momentum. However, other nodes have vacancy rates in excess of 6%, with sluggish rental growth in these nodes slipping to levels below three-year averages in some instances.

## The South African listed property market

During the year under review, the listed property sector performed well once again, despite significant market headwinds. The JSE's four major indices recorded returns of less than 4,0% during the second quarter of 2017, with the Findi 30 recording returns of 3,5%. The R186 Long Bond ("R186") and the South African Property Index ("SAPI"), which is a consolidated index of all South African PLSs, PUTs and REITs, recorded returns of 2,4% and 1,4% respectively while the JSE All Share Index ("ALSI") recorded returns of negative 0,2%.

### TOTAL RETURNS TO 30 JUNE 2017 (PRE-TAX)

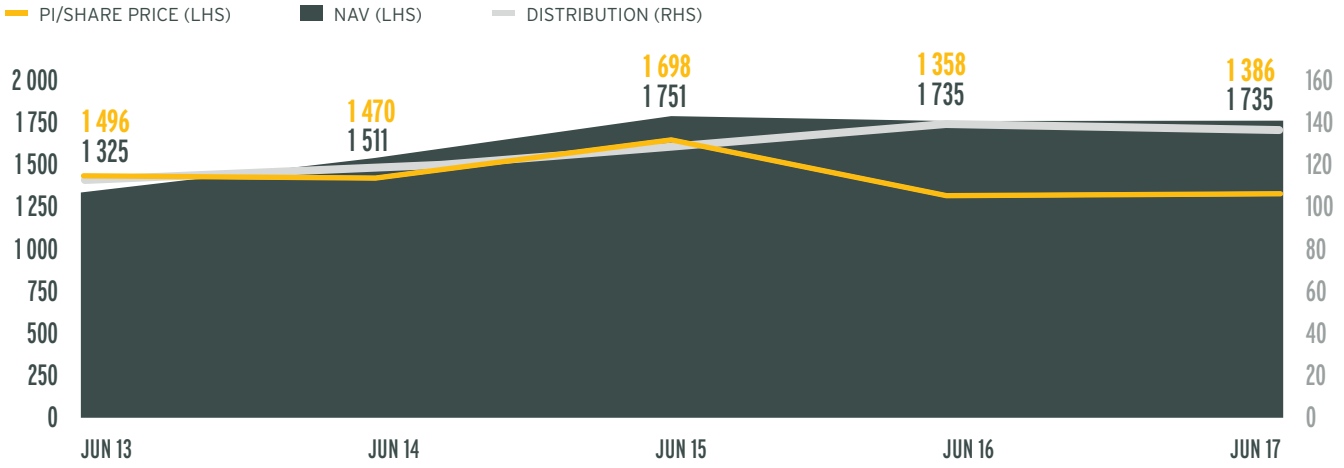
| PERIOD | All Share (%) | Findi 30 (%) | SAPI (%) | R186 (%) |
|---|---|---|---|---|
| 3 months | (0,2) | 3,5 | 1,4 | 2,4 |
| 6 months | 3,3 | 8,3 | 2,3 | 4,9 |
| 12 months | 1,7 | 2,9 | 2,6 | 8,4 |
| 36 months | 10,1 | 23,2 | 38,5 | 20,5 |

Source: Inet-Bridge

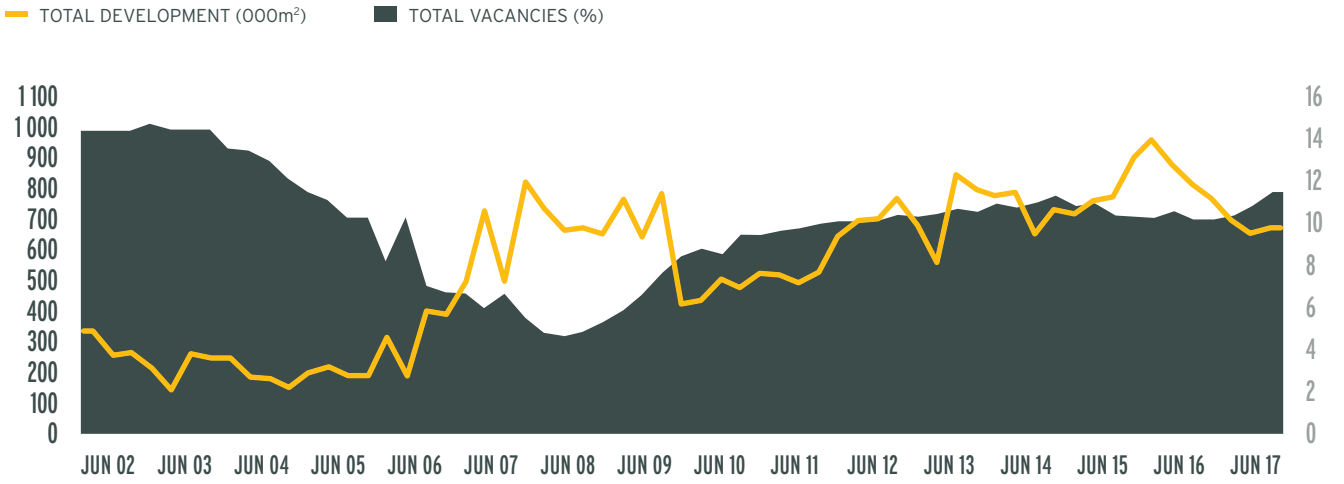
### PORTFOLIO EXPOSURE

| | Office | | Urban retail | | Rural retail | | Industrial | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| SECTOR | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Number of properties | 52 | 61 | 21 | 23 | 17 | 15 | 44 | 45 | 134 | 144 |
| Number of tenants | 674 | 704 | 848 | 868 | 325 | 292 | 291 | 266 | 2 138 | 2 130 |
| Value (Rbn) | 5,3 | 5,7 | 5,0 | 4,8 | 0,7 | 0,5 | 1,9 | 1,9 | 12,9 | 12,9 |
| Total GLA (m²) | 356 406 | 404 081 | 324 705 | 335 245 | 89 517 | 79 997 | 360 949 | 366 666 | 1 131 577 | 1 185 989 |
| Average value/property (Rm) | 101,7 | 93,3 | 240,6 | 207,9 | 41,0 | 38,4 | 43,2 | 41,1 | 96,5 | 89,8 |

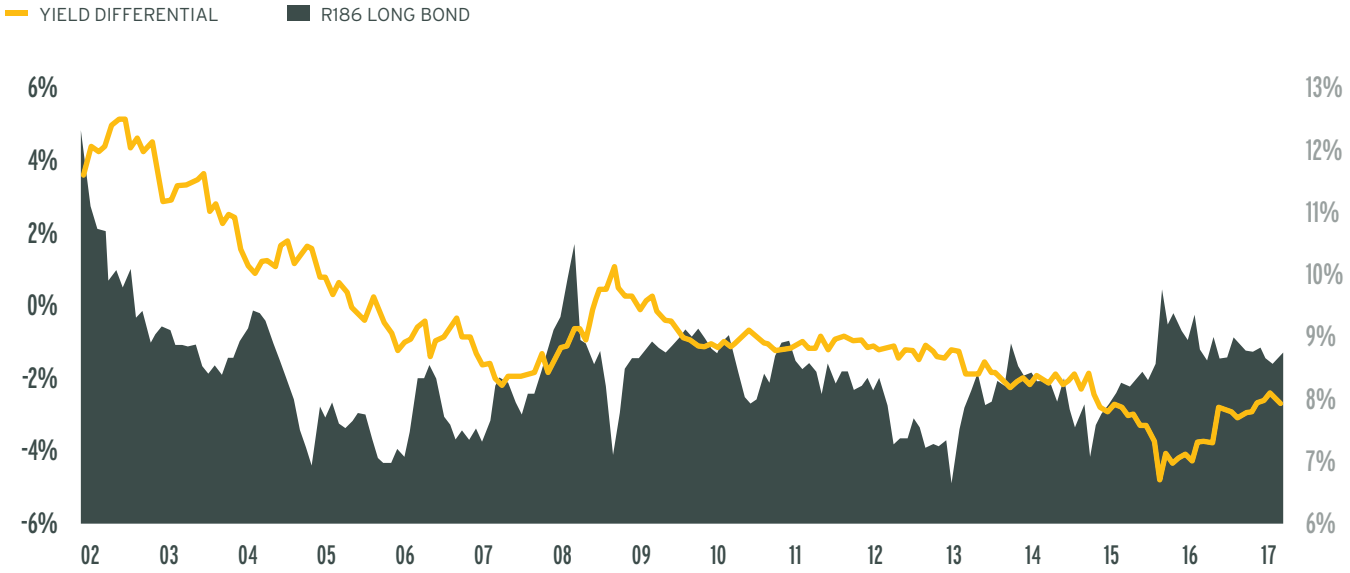
## SHARE PRICE AND DISTRIBUTIONS 2013 TO 2017 (CENTS)




## SAPOA NATIONAL OFFICE VACANCIES RELATIVE TO DEVELOPMENTS (JUNE 2016)




## EMIRA AND R186 LONG BOND



For the first six months of 2017, positive returns were delivered to investors from the ALSI, which reported 3,3% growth, while the Findi 30 reported 8,3% growth, the SAPI improved by 2,3% and the government R186 improved by 4,9%.

For the 12 months to June 2017, all four indices recorded positive returns to investors. The R186 led the way, returning with 8,4%, while the Findi 30 and SAPI returned similar levels of growth at 2,9% and 2,6% respectively. Of the four indices, the ALSI reported the lowest returns for the period, at 1,7%.

Over a three-year period at the end of June 2017, the four indices delivered varying levels of growth to investors. The SAPI delivered the highest returns of 38,5%, followed by the Findi 30 at 23,2%, the R186 at 20,5%, and the ALSI reported modest growth of 10,1%.

The average quarterly yield of the R186 decreased marginally by 20 basis points, to a five-month average of 8,7% between February and June 2017, compared to a yield of 8,9% in the previous five-month period, from November 2016 to March 2017.

The yield differential between the SAPI and government bonds remains unchanged with an average of negative 2,6% in first and second quarter.

A negative differential is expected, due to continued growth in distributions within the listed property sector, which supports the view that listed property is trading at a premium relative to bonds.

## Emira's performance analysed

As Emira Property Fund, we define ourselves as a diversified predominantly South African, mid-cap listed REIT. Some 93% of our assets are located in South Africa, as is our core skillset, which ensures that we have knowledge and experienced people on the ground. By value, the balance of our portfolio is currently 41% office, 44% retail, and 15% industrial.

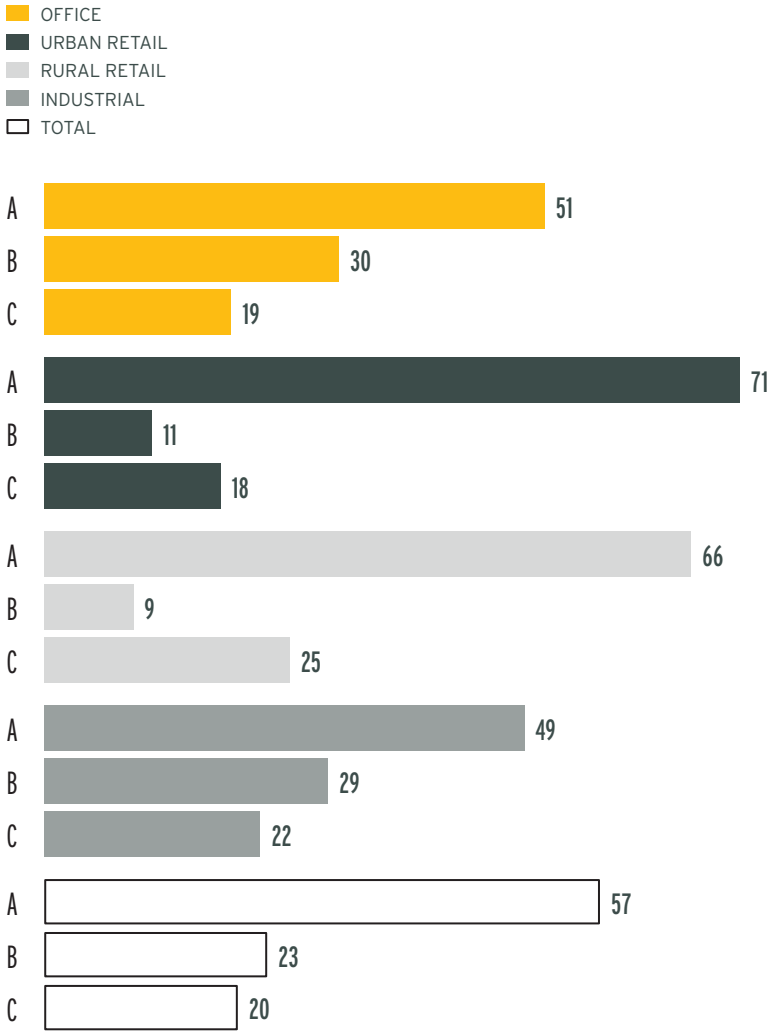
### Office

We are cognisant of the poor performance of the office property sector, which is a significant barometer of business and sensitive to the adverse economic conditions in South Africa. As mentioned, we are therefore mindful of our levels of exposure to this sector and are in the process of rebalancing our portfolio to mitigate this risk.

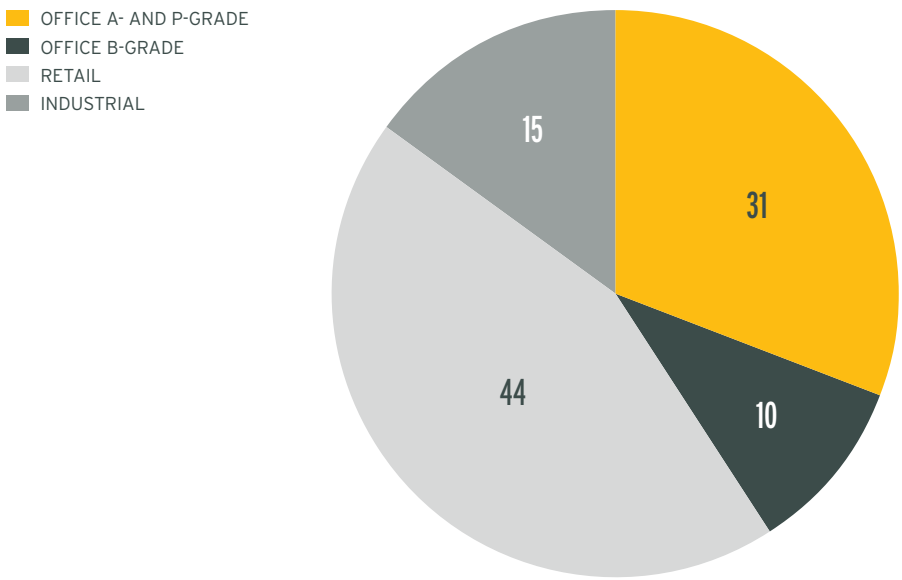
During the year under review, our office properties were 41% of the total portfolio by GLA. While our office vacancies have increased to 12,5% (2016: 10,5%), our levels are in line with market and national levels reported by SAPOA. Our major office vacancies are located at: Corobay Corner (8 992m$^2$), as well as 1 Kikuyu (7 383m$^2$), and Iustitia (5 141m$^2$).

We have set our office vacancy target for 2018 at 8%, as we aim to improve on our performance within a highly challenging environment.

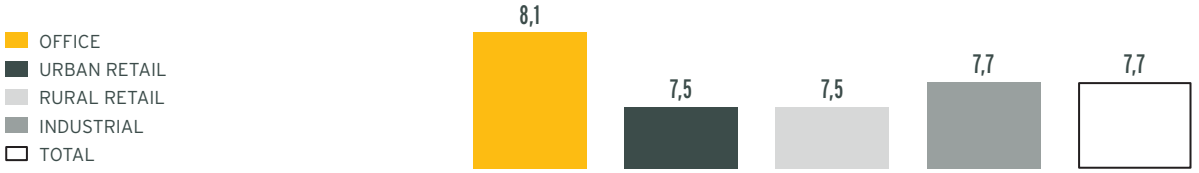
**TENANT GRADING BY GLA PER SECTOR** (%)



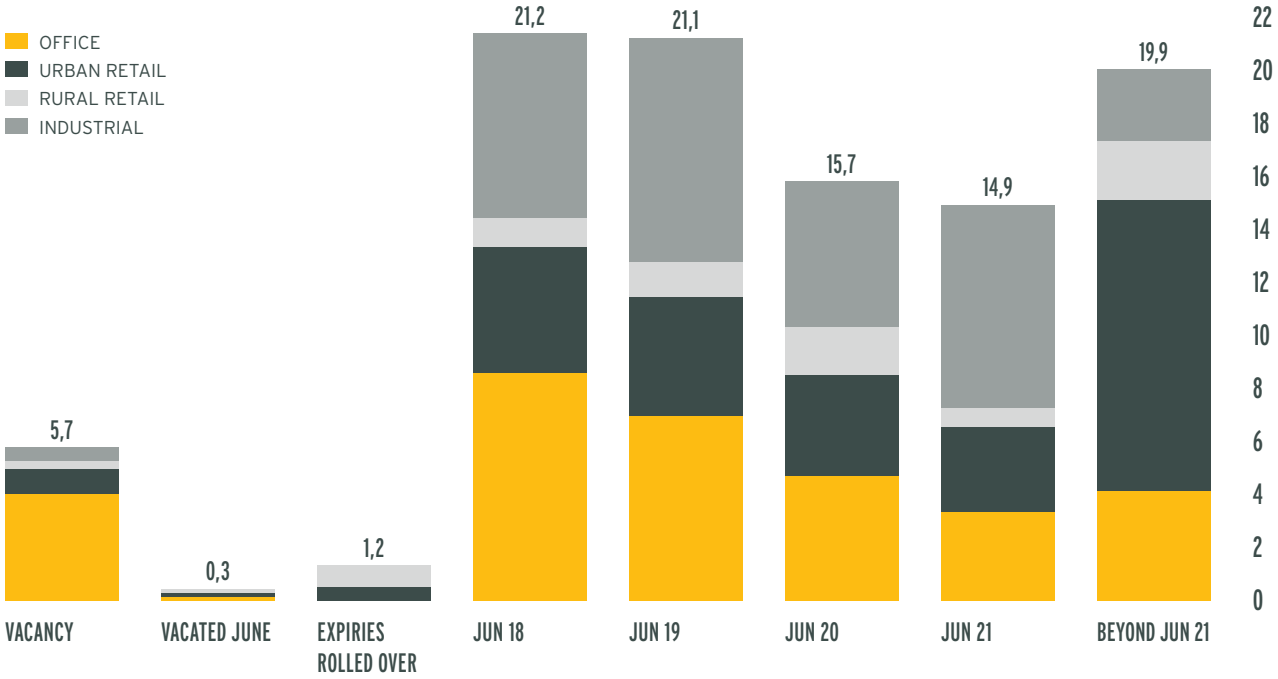

**PORTFOLIO VALUE SPLIT PER SECTOR** (%)



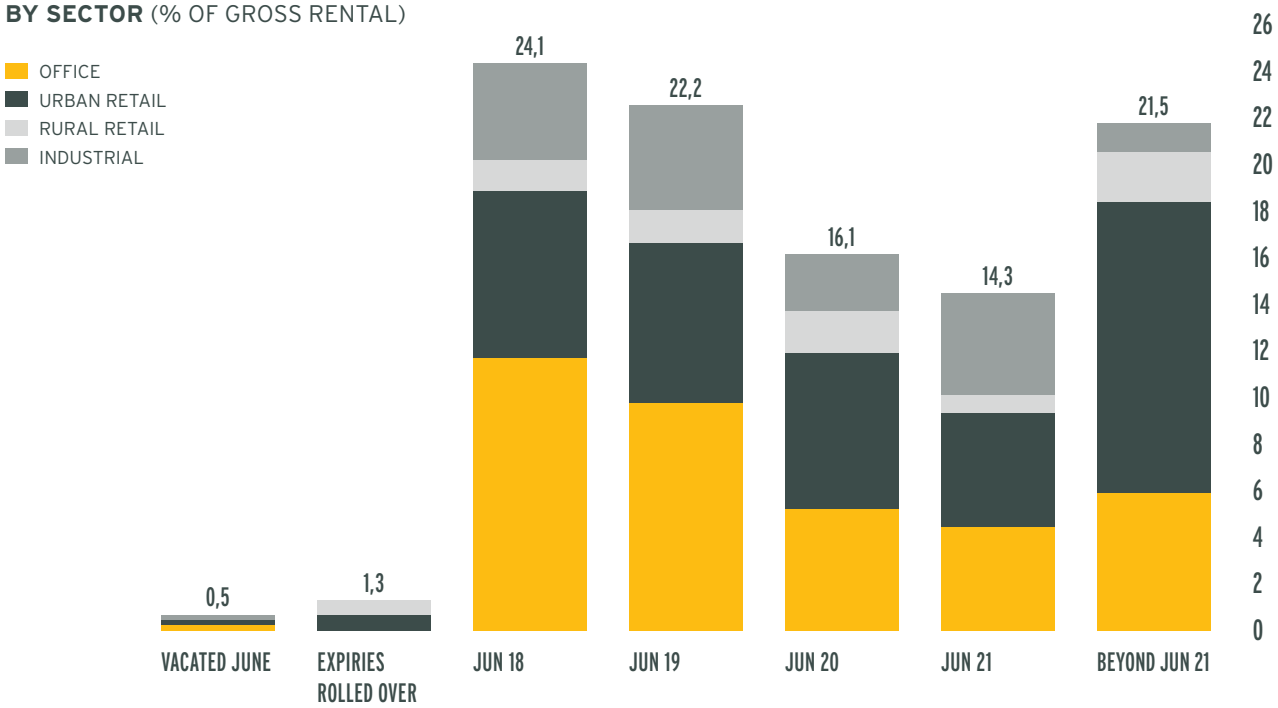
## LEASE ESCALATIONS (%)



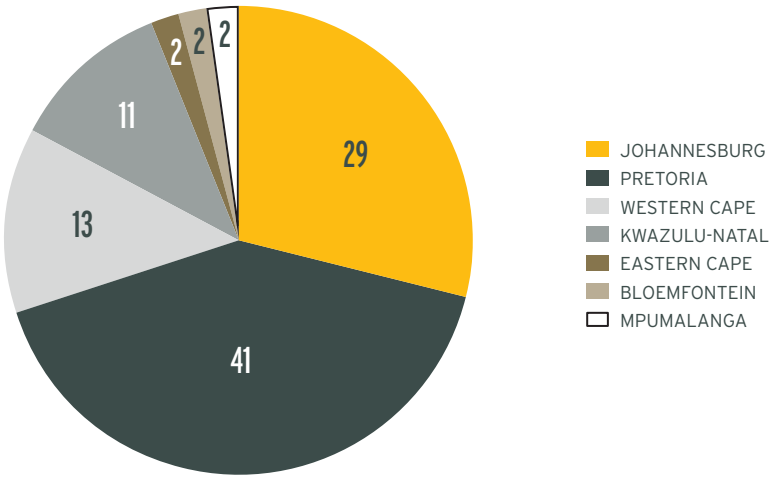

## LEASE EXPIRY PROFILE BY SECTOR (% OF GLA)



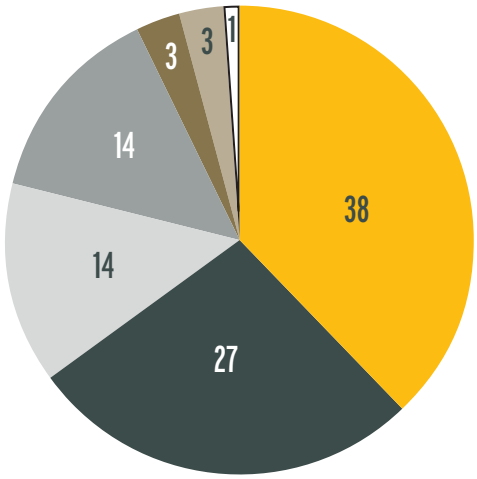

## LEASE EXPIRY PROFILE BY SECTOR (% OF GROSS RENTAL)



## PORTFOLIO VALUE BY REGION (%)




## PORTFOLIO GLA BY REGION (%)




## PROPERTY PORTFOLIO

| | Office | | Retail | | Industrial | | Total | |
|---|---|---|---|---|---|---|---|---|
| SECTOR | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Portfolio value (Rbn) | 5,3 | 5,7 | 5,7 | 5,3 | 1,9 | 1,9 | 12,9 | 12,9 |
| Portfolio value (%) | 41 | 44 | 44 | 41 | 15 | 15 | 100 | 100 |
| Vacancy levels | 12,5 | 10,5 | 3,2 | 2,8 | 1,7 | 2,4 | 5,7 | 5,3 |
| Gross income movement (%) | -8,1 | +1,4 | +7,1 | +9,0 | +5,5 | +6,0 | +0,8 | +5,3 |
| Gross income (Rm) | 712,7 | 770,2 | 799,1 | 742,7 | 283,1 | 267,6 | 1 794,9 | 1 780,5 |
| Expenditure movement (%) | +0,6 | -2,3 | +14,1 | +10,0 | +9,4 | +15,2 | +8,2 | +5,6 |
| Expenditure (Rm) | 259,0 | 257,5 | 309,2 | 265,5 | 99,4 | 90,0 | 667,6 | 613,0 |
| Net income movement (%) | -13,0 | +3,3 | +2,6 | +8,5 | +3,3 | +1,2 | -3,6 | +5,1 |
| Net income (Rm) | 453,7 | 512,8 | 490,0 | 477,2 | 183,6 | 177,5 | 1 127,3 | 1 167,5 |

## RENT REVERSIONS BY SECTOR

| SECTOR | $m^2$ | Avg. expiry rental ($R/m^2$) | Avg. new lease rental ($R/m^2$) | Increase/ (decrease) % |
|---|---|---|---|---|
| Office | 76 049 | 117,74 | 111,89 | (5,0) |
| Urban retail | 46 349 | 138,00 | 139,82 | 1,3 |
| Rural retail | 11 293 | 97,34 | 102,68 | 5,5 |
| Industrial | 139 389 | 48,00 | 48,13 | 0,3 |
| **Total Jun 17** | **273 080** | **84,66** | **83,71** | **(1,1)** |
| **Total Jun 16** | **285 970** | **101,67** | **100,97** | **(0,7)** |
| **Total Jun 15** | **200 929** | **92,50** | **92,33** | **(0,2)** |

## TOTAL PORTFOLIO MOVEMENT

| | June 2016 | | June 2017 | | Difference | |
|---|---|---|---|---|---|---|
| SECTOR | R'000 | $R/m^2$ | R'000 | $R/m^2$ | % | R'000 |
| Office | 5 591 639 | 15 689 | 5 713 237 | 14 139 | (2,1) | (121 598) |
| Retail | 5 761 500 | 13 909 | 5 370 812 | 12 934 | 7,3 | 390 688 |
| Industrial | 1 902 450 | 5 271 | 1 880 830 | 5 130 | 1,1 | 21 620 |
| **Total** | **13 255 589** | | **12 964 879** | | **2,2** | **290 710** |

During the year under review, gross income decreased on a like-for-like basis by 1,9% to R551,4 million, while expenditure increased by 7% to R220,3 million, which resulted in a net income decrease of 7% to R331,1 million.

## Retail

In the retail sector, consumers continue to be under financial pressure stemming from unfavourable economic conditions. There is also a general lack of credit-fuelled growth in the market, which comes as a consequence of the low growth economy. Consumer confidence has also dipped meaningfully, which has led to many adopting a wait and see attitude before making significant financial decisions. These include choosing not to buy motor vehicles, purposely avoiding taking on further or new debt and generally being more risk averse. The knock-on effect ripples through the economy, from consumer to business owner to landlord, which ultimately impacts on asking rental prices.

During the year under review, our retail properties comprised 44% of the total portfolio by GLA, from 35% in the previous year. Retail continued to outperform the other sectors from a rental perspective, and we have seen retail net-rental growth levels increase by 6,8%. As mentioned in this review, we are however mindful that retail tenants are experiencing rising costs, which add to existing pressures on consumers, stemming from higher inflation and lower household and disposable income. By GLA, our tenant retention rate for urban retail was 82% and rural retail was 94% for the year under review.

We maintained our retail portfolio's low vacancy rate of 3,2% through the combined efforts of our expert management teams. Our retail vacancies remain below those reported by the South African Council of Shopping Centres. As shown in the table on page 40, these vacancy levels have contributed to our portfolio's overall performance. Our major retail vacancies are located at: Tramshed (1 902m$^2$), as well as Wonderpark (1 724m$^2$), and Kramerville (1 067m$^2$). The 2018 retail vacancy target is set at 2,5%.

Gross income increased in the year under review, on a like-for-like basis by 5,1% to R709,2 million, with expenditure increasing by 9,3% to R283,1 million. Net income for the year also improved by 2,4% to R426,1 million.

## Industrial

The industrial sector of our portfolio delivered good results during the year, a performance that includes low vacancies, at 1,7%, which remains below SAPOA's national vacancy levels of 5,8%. Rental growth in the sector remains sluggish, which has been due in part to readily available, new high-quality industrial developments in the market. Furthermore, many of these properties are being made available to rent at attractive rentals, which is maintaining the low asking rental prices in the sector. We have set our 2018 industrial vacancy target at 1,7%.

While trying economic conditions persisted during the year under review, we achieved a tenant retention rate of 84% by GLA in our industrial portfolio.

On a like-for-like basis, gross income increased by 6,9% to R282,1 million and expenditure increased by 8,7% to R104,1 million with net income up by 5,9% to R178,1 million.

## Major leases concluded

A total 849 leases were concluded during the year under review in terms of 322 547m$^2$, for a value of R805,4 million. Our most notable new leases concluded during the year by GLA include: an early renewal of the RTT lease (46 000m$^2$) from 2018 to 2020; the 13 000m$^2$ RTT Continental facility; Auction Operation (13 662m$^2$); as well as WSP/Parsons Brinckerhoff (5 828m$^2$); KFC (3 150m$^2$); and GIBB (1 380m$^2$).

## Tenant retention

Our tenant retention rate is higher than reported last year, at 77%, despite a number of significant vacancies that have persisted in our office portfolio. A total of 608 leases, representing a GLA of 252 702m$^2$ were due to expire between July 2016 and June 2017. Thanks to the significant efforts of our team, and despite trying conditions, we have succeeded in renewing 443 or 74% of our leases, which represent 194 624m$^2$, or 77% of our portfolio's GLA with leases expiring during the year. We are pleased with this performance and the positive implications of the renewals on our portfolio.

## Rent reversions

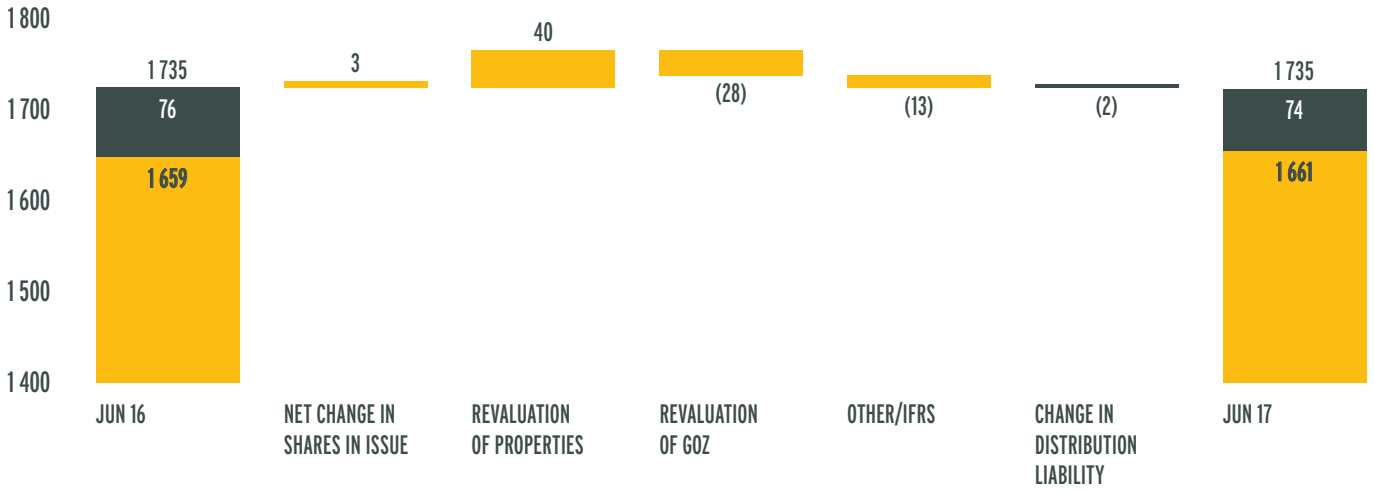
Reversions for the year were higher at negative 1,1% for the whole portfolio (2016: 0,7%). It is however important to note the sectorial differences, whereby reversions of -5% in our offices are offset by much lower reversions in retail and industrial properties. Due to a significant amount of office leases expiring during the year, retaining or attracting office tenants requires the use of incentives, one of which is to reduce the asking rental price. Considering the many challenges within the current market, we are still pleased with the outcome of our rent reversions during the reporting period.

During the year under review, the average expiry gross rental was R84,66/m$^2$ (2016: R101,67/m$^2$) with leases being signed at an average of R83,71/m$^2$ (2016: R100,97/m$^2$).

## Prospects

We anticipate a return to positive growth in distributions in FY2018 taking the current and expected market conditions into consideration for the coming financial year, factoring in vacancy profiles and expected rental reversions.

**NET ASSET VALUE PER SHARE** (CENTS)



The balance of our portfolio is currently 41% office, 44% retail, and 15% industrial. This will adjust when the residential sector has been introduced and brought on line and further disposals of our non-core assets have occurred. The local economic challenges are also the rationale behind our rebalancing of the portfolio and increasing our offshore investment proportion. We will continue to rebalance our portfolio, while continually assessing our strategy. In doing so, we can better determine the appropriate levels of sectorial and geographical exposure, and make any necessary adjustments to optimise the performance of the portfolio.

## Valuations and net asset value

In the year under review, the value of our investment properties increased by R290,7 million (2016: R223,8 million), which comprised capital expenditure including capitalised interest of R663,6 million (2016: R732 million) less disposals of R519,7 million (2016: R284,5 million), and a net upward revision in property values of R146,8 million (2016: R224,2 million). On average, discount rates decreased during the year, as did capitalisation rates. Emira's net asset value remained unchanged at 1 735 cents per share.

In line with our valuations policy, as at the end of June 2017, one third of the property portfolio was valued externally, while two thirds were valued internally, and the Board approved the valuations.

To ensure our portfolio is accurately and fairly valued, we were intentionally conservative in our valuations during the year. We were intent on arriving at real valuations for our assets, and the inputs or metrics we used included exit capitalisation rates and interest rates. We also did this defensively, in anticipation that the economy and the property market would perform even below the current low levels. In June 2016, our base included higher capitalisation rates, while current market evidence suggests no need for increased capitalisation rates.

In terms of net asset value, our realistic approach to valuations has added further credibility to our overall value. After the recent disposals during the year, no less than 11 assets transferred on average at either their fair values or slightly higher. With this in mind, we are positive about any disposals during the year ahead, which on average will also transfer out of the portfolio at or near book value.

## Capital expenditure projects

In order to maximise the use of every asset in our portfolio, we invest in projects that modernise, extend and redevelop our assets to enhance their values and competitiveness and extract value from existing bulk. To meet our strategic objectives, capital expenditure ("capex") projects can offer attractive returns and provide an alternative to acquisitions in a challenging market. Our latest plans include a number of projects to convert office space into residential space to maximise the potential yield of specific properties.

We currently have four capex projects underway, including the complete redevelopment of Knightsbridge to create a 31 584m$^2$ P-grade, four star green-certified office park in Bryanston – the only development of its kind in this popular node. In this phased project, we have secured tenants WSP|Parsons Brinckerhoff (5 828m$^2$), and the African head offices for KFC and Pizza Hut (3 150m$^2$) in efficient, modern office space. The development is progressing well, having begun Phase 2a after meeting our pre-let targets of 50%.

As previously reported our Summit Place mixed-use development is nearing completion in Pretoria's upmarket Menlyn node. In December 2015, Emira acquired a 50% undivided share in the stunning P-grade development within the sought-after node, which comprises five commercial and retail buildings, with a combined GLA of over 30 000m$^2$. The development is progressing well and is expected to reach completion according to schedule.

As a strategic objective and to complement our major capex projects, we continued to reinvest into our portfolio during the year, spending R270,4 million on our programme of maintenance improvements. For more information on our capex projects, please refer to the tables on page 43 of this review.

## Acquisitions and disposals

### Acquisitions

In terms of acquisitions, we were notably less active during the year under review, with unfavourable market conditions leading to fewer opportunities and therefore no new acquisitions for the portfolio. However, in the few short months since its inception, Enyuka, our partnered portfolio, grew from 15 to 20 rural retail assets through the acquisition of five additional shopping centres, which equates to a 31% increase in GLA. To sustain this portfolio's growth, we have a current pipeline of R200 million in similar assets, and further acquisition opportunities of up to R500 million. Our new developments at Knightsbridge and Summit Place are complementary additions to the portfolio and we anticipate strong yield contributions from these new assets. In the absence of acquisitions, we continued to invest in the portfolio, with a focus on maintaining the quality of our assets, with the ultimate aim of maximising yields.

### Disposals

Regarding our disposals, during the year under review, 11 properties were sold and transferred out of Emira for R519,7 million, at a combined premium to book value of 1,1%. Should market conditions be conducive, we have earmarked a further 16 properties for strategic disposal, at a combined valued of R1,1 billion. Unconditional sales have been concluded for R185,5 million worth of these properties, and they are expected to transfer before December 2017. For the details of our disposals, please refer to the table below.

As mentioned, our disposal prices were, on average, at a slight premium to or in line with our valuations, which were intentionally realistic given the economic conditions. The significance of this is evident in our share price, which continues to trade at a substantial discount to net asset value. This in turn gives credence to the accurate valuations attributed to our entire portfolio and identifies opportunities for growth in Emira's share price.

**PROPERTIES TRANSFERRED OUT OF EMIRA DURING THE 12 MONTHS TO 30 JUNE 2017**

| PROPERTY | SECTOR | LOCATION | GLA (m$^2$) | BOOK VALUE (Rm) | SALE PRICE (Rm) | EXIT YIELD (%) | EFFECTIVE DATE |
|---|---|---|---|---|---|---|---|
| Southern Life Plaza | Office | Bloemfontein | 10 697 | 79,5 | 98,2 | 12,0 | Oct 2016 |
| Cochrane Avenue | Industrial | Cape Town | 5 870 | 23,2 | 32,0 | 7,2 | Dec 2016 |
| Sturdee House | Office | Johannesburg | 1 620 | 29,8 | 31,5 | 10,9 | Mar 2017 |
| Midrand Motor City | Retail | Midrand | 7 646 | 27,7 | 32,0 | 15,0 | Apr 2017 |
| Brooklyn Gardens | Office | Pretoria | 3 200 | 87,5 | 78,8 | 13,2 | Apr 2017 |
| Brooklyn Forum | Office | Pretoria | 7 382 | 97,7 | 87,9 | 11,8 | Apr 2017 |
| Waterkloof House | Office | Pretoria | 4 000 | 72,8 | 65,5 | 2,3 | Apr 2017 |
| 16 Jan Smuts Avenue | Office | Johannesburg | 2 328 | 21,7 | 22,0 | 5,9 | May 2017 |
| The Avenues North | Office | Johannesburg | 3 511 | 21,3 | 20,0 | 12,1 | Jun 2017 |
| 500 Smuts Drive | Office | Midrand | 5 201 | 36,6 | 37,0 | 7,5 | Jun 2017 |
| Tokai Shopping Centre | Retail | Johannesburg | 2 603 | 16,2 | 14,8 | 17,7 | Jun 2017 |
| **Total** | | | **54 058** | **514,0** | **519,7** | **10,3** | |

## CAPITAL EXPENDITURE PROJECTS COMPLETED DURING THE YEAR ENDED 30 JUNE 2017

| PROJECT | SECTOR | CAPITAL CONSIDERATION (R) | COMPLETION DATE |
|---|---|---|---|
| Menlyn Corporate Park | Office | 10 871 959 | 30 Sep 2016 |
| Hyde Park Lane – replace internal tiling | Office | 1 197 399 | 30 Oct 2016 |
| Matatiele | Rural retail | 2 691 603 | 30 Sep 2016 |
| Hyde Park Lane – external entrances tiling | Office | 1 999 331 | 31 Dec 2016 |
| Kokstad | Rural retail | 1 934 000 | 30 Nov 2016 |
| Lincolnwood – refurbishment | Office | 4 994 485 | 31 Dec 2016 |
| One Highveld – roofs | Urban retail | 1 841 337 | 30 Jun 2017 |
| Randridge Mall | Urban retail | 16 000 000 | 30 Apr 2017 |
| Epsom Downs Office Park – Optimum House upgrade | Office | 650 000 | 30 Jun 2017 |
| Western Woods Office Park – Phase 1 | Office | 3 990 426 | 31 Dec 2016 |
| Quagga Centre | Urban retail | 1 243 875 | 30 Nov 2016 |
| Kramerville Corner (Sandgate Park and CRB House) | Urban retail | 85 592 401 | 30 Nov 2017 |
| Summit Place – Building G1 | Office | 76 182 705 | 30 Sep 2016 |
| Summit Place – Building D | Office | 61 171 274 | 31 Jan 2017 |
| **Total** | | **270 360 796** | |

## CAPITAL PROJECTS YET TO BE COMPLETED AS AT 30 JUNE 2017

| PROJECT | SECTOR | CAPITAL CONSIDERATION (R) | COMPLETION DATE |
|---|---|---|---|
| Combined – Corp Park 66, Rigel, Menlyn Woods | Office | 1 552 587 | 30 Jun 2017 |
| Dundee Blvd – aircon upgrade | Rural retail | 6 250 564 | 30 Jun 2017 |
| Kramerville Corner – various | Urban retail | 3 721 341 | 31 Jul 2017 |
| Lincolnwood – Block C, E, F | Office | 1 794 588 | 30 May 2017 |
| Menlyn Corporate Park | Office | 24 500 000 | 30 Jul 2017 |
| Tin Roof – Builders World | Rural retail | 145 805 | TBC* |
| Pinnacle | Office | 3 000 000 | TBC* |
| Summit Place – SANRAL | Office | 4 386 482 | TBC* |
| Tramshed – Post Office | Urban retail | 2 559 830 | 31 Aug 2017 |
| 80 Strand Street | Office | 10 518 394 | 31 Jul 2017 |
| Knightsbridge – Phase 1 | Office | 335 751 000 | 30 Sep 2017 |
| Knightsbridge – Phase 2 | Office | 106 477 000 | 30 Jun 2018 |
| Market Square | Urban retail | 9 995 000 | 31 Oct 2017 |
| Summit Place – Block D | Office | 101 712 954 | 30 Sep 2017 |
| Summit Place – Block E | Office | 183 207 646 | 30 Sep 2017 |
| Westernwoods Office Park | Office | 17 077 000 | 30 Jun 2017 |
| The Bolton, Rosebank | Residential | 201 672 351 | 30 Oct 2018 |
| **Total** | | **1 014 322 542** | |

* Delay in City Council approval for project.

To reduce our office exposure, our aim is to rebalance the portfolio by means of strategic disposals. This will complement our other planned initiatives to further diversify the portfolio through our entry into residential, which is a more defensive sector.

## Gearing and debt

In line with our strategic objectives, gearing levels are not to exceed 40% of Emira's total assets. Our diversified mix of funding is strictly managed, as are our funding facilities, which we now have with all six commercial banks in South Africa. Our loan to value ("LTV") is currently 36,6%, a slightly higher level compared to previous years, but remains within our covenant. Overall debt facilities increased during the year to fund our developments at Knightsbridge and Summit Place, as well as servicing our share buybacks, a post-balance sheet event from last year that required a draw down of funding amounting to R200 million.

While slightly higher, we are currently comfortable to operate at this level, when considering the back up we have in our nearly R1 billion GOZ investment, which is a liquid investment and unencumbered. Should we ever require funds in an emergency, our balance sheet position can be transformed into cash in the space of about two weeks, using an accelerated book build. This is a meaningful backup facility that improves our risk profile with all six banks, giving us added confidence to navigate through challenging economic conditions.

At year-end, gearing levels were at 36,6% of total income producing assets of R14,3 billion, which is appropriate, and within our 40% covenant. Debt facilities of R6,1 billion were available, of which R5,3 billion had been utilised. 97,4% of total debt was effectively fixed through the use of interest rate hedging contracts. For information on our debt facilities and swap profile, please refer to the graphs to the right.

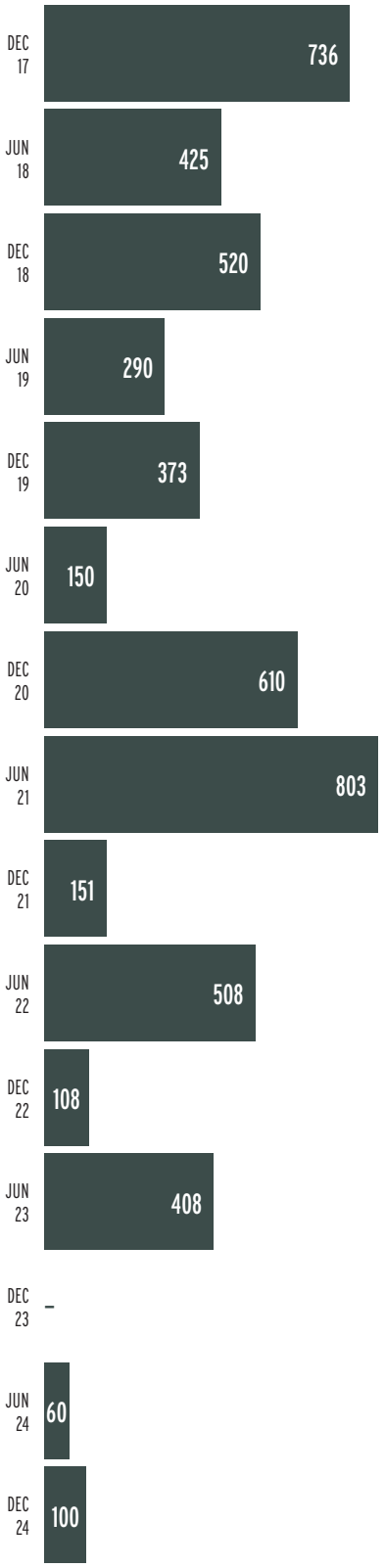
The Finance Committee meets on a quarterly basis to deal with the various finance, interest rate and currency issues, and sets guidelines with respect to managing debt. These include commercial paper issuances of up to 12 months in duration, and not exceeding a maximum 20% of total debt. A maximum of 50% of Emira's total debt can be sourced from the debt capital markets, including commercial paper, with the balance being sourced from financial institutions and commercial banks.

Regarding the cost of debt funding, the yield curve is currently more cost effective than previously. This is due to a lower base level of rate fixes, despite the increased cost of funding margins. Furthermore, due to the additional cross currency interest rate swaps at the end of last year, our debt funding mix has changed. The cost of funding therefore remains at the 8% level, which is similar to what was reported in the previous year.

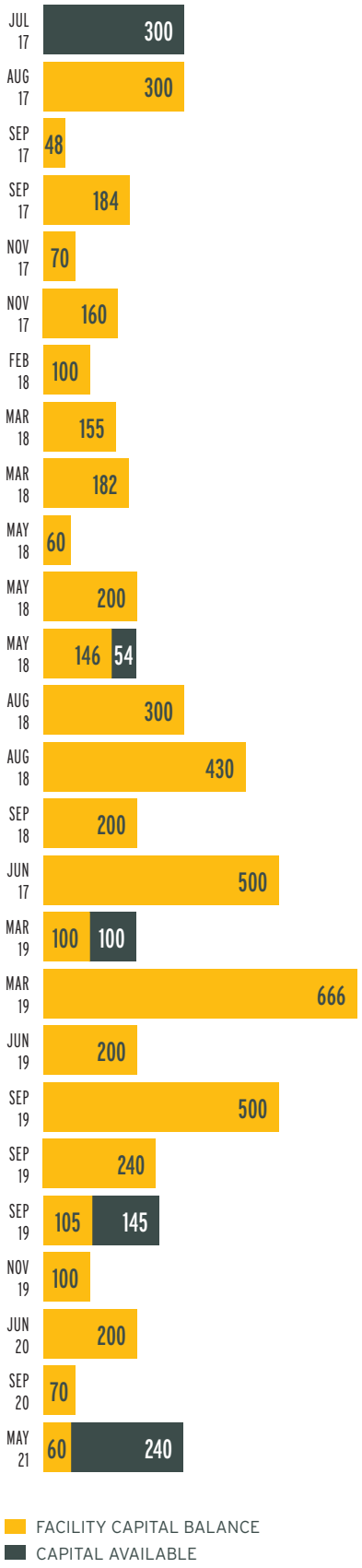
## Transformation

Transformation is an issue of utmost significance, given the history and current socio-economic conditions in South Africa. Therefore, a matter of strategic importance during the year was our BEE transaction with Letsema Holdings and Tamela Holdings. The transaction was approved by Emira's shareholders, putting 5% of shares in issue into the hands of strategic black partners and contributes to transforming the South African economy.

### INTEREST RATE HEDGING PROFILE (Rm)




### DEBT FACILITY EXPIRY – UTILISED/UNDRAWN (Rm)



## GEARING AS AT JUNE 2017

| | Weighted average rate % | Weighted average term | Amount (Rm) | % of debt |
|---|---|---|---|---|
| Debt – Fixed swap | 8,2 | 2,9 years | 5 243,0 | 97,4 |
| Debt – Floating | 8,9 | | 140,4 | 2,6 |
| **Total** | **8,2** | | **5 383,4** | **100,0** |
| Less: Costs capitalised not yet amortised | | | (4,2) | |
| **Per statement of financial position** | | | **5 379,2** | |

## FUNDING ACTIVITIES DURING THE YEAR ENDED 30 JUNE 2017

| | AMOUNT (Rm) | ALL-IN RATE (%) | DATE |
|---|---|---|---|
| Repayment of 12-month commercial paper | 158 | 8,45 | 22 Aug 16 |
| Repayment of 6-month commercial paper | 42 | 8,17 | 22 Aug 16 |
| Repayment of 6-month commercial paper | 30 | 8,27 | 22 Aug 16 |
| Issue of 6-month commercial paper | 184 | 8,17 | 22 Aug 16 |
| Issue of 12-month commercial paper | 48 | 8,56 | 22 Aug 16 |
| Repayment of 2-year domestic medium term notes | 270 | 8,60 | 12 Sep 16 |
| Issue of 3-year domestic medium term notes | 240 | 9,16 | 12 Sep 16 |
| Issue of 18-month domestic medium term notes | 60 | 8,66 | 30 Sep 16 |
| Repayment of 12-month commercial paper | 170 | 8,43 | 4 Nov 16 |
| Repayment of 6-month commercial paper | 70 | 8,17 | 4 Nov 16 |
| Issue of 6-month commercial paper | 70 | 8,11 | 4 Nov 16 |
| Issue of 12-month commercial paper | 160 | 8,51 | 4 Nov 16 |
| Repayment of 2-year domestic medium term notes | 100 | 8,65 | 6 Nov 16 |
| Issue of 3-year domestic medium term notes | 100 | 9,14 | 7 Nov 16 |
| Repayment of 12-month commercial paper | 179 | 8,56 | 22 Feb 17 |
| Issue of 12-month commercial paper | 182 | 8,51 | 22 Feb 17 |
| Repayment of 6-month commercial paper | 184 | 8,17 | 6 Mar 17 |
| Issue of 6-month commercial paper | 184 | 8,36 | 6 Mar 17 |
| Partial drawdown on 2-year Nedbank term facility | 100 | 8,92 | 13 Mar 17 |
| Repayment of 6-month commercial paper | 70 | 8,11 | 4 May 17 |
| Issue of 6-month commercial paper | 70 | 8,09 | 4 May 17 |
| Extension of 12-month Investec facility | 200 | 8,40 | 11 May 17 |
| Partial drawdown on 4-year Standard Bank term facility | 60 | 8,83 | 22 May 17 |
| Issue of 3-year domestic medium term notes | 200 | 9,29 | 12 Jun 17 |
| Partial repayment of 4-year unsecured Nedbank facility | 314 | 8,99 | 30 Jun 17 |
| Drawdown on new Sanlam 2-year facility | 200 | 9,19 | 30 Jun 17 |

The deal is divided between our two new partners with each holding 2,5%, which mitigates the risk of either party selling their shareholding. The transaction also paves the way for potentially larger BEE deals in the future.

The move brings differently skilled business minds into our company, while making positive strides in improving our B-BBEE rating. This in turn is good for Emira, our tenants and the South African economy. Tenants with a preference towards landlords with improved B-BBEE ratings will welcome this development, as it could enhance their own ratings and boost compliance levels. Another positive outcome was evident on our balance sheet at 30 June, having raised equity in a BEE transaction. While the transaction caused a projected small dilution of 0,4% of our distributions, the amount is relatively negligible and well worth the cost.

An important aspect is the mechanics of the transaction, which sees all parties invested alongside each other, standing to benefit from any gains, while also sharing the burden of risk. This aspect provides an added sense of realism in our engagements and through their participation at board meetings. The deal is also innovative in that the structure of the deal has not been done previously.

As previously reported, Emira joined forces with retail property specialists ONE Property Holdings ("ONE") and formed the specialised Enyuka Property Fund. With effect from 16 January 2017, Emira holds a 49,9% share of the ordinary equity in Enyuka, while ONE holds 50,1%. We benefit from returns from our retail properties in the portfolio, as well as from a share of any surplus income generated. Once the investment has been realised, Emira and ONE receive 49,9% and 50,1% of the proceeds respectively. We also benefit from the acquisition of new assets and enjoy meaningful participation in an actively managed and growing the base of lower LSM retail assets.

Since its inception, Enyuka's portfolio has grown its GLA by 31%, increasing from 15 to 17 rural retail assets, after acquiring two additional shopping centres. Enyuka has concluded agreements to acquire a further three shopping centres which are expected to be transferred by October 2017. To sustain this portfolio's growth, we have a current pipeline of R229,1 million of similar assets.

## Worley Parsons update

The arbitration hearing between Emira and Worley Parsons, regarding their lease obligations at Corobay Corner, took place in November 2016. The arbitrator delivered his judgment on 3 February 2017 and ruled that the lease existed, had been unlawfully repudiated by Worley Parsons and that Emira is entitled to damages. Emira has commenced its damages claim against Worley Parsons.

In the appeals process that followed the judgment, Worley Parsons had 20 court days to make their submission, which expired. They then submitted an amended statement of claim, to the effect that they were amending their claim. They alleged that the arbitrator had not considered all the facts correctly. Post this amendment to their claim, the legal process continues. For the 12-month period to 30 June 2017, no income has been accrued in respect of rentals due by Worley Parsons.

## Changes to the Board and management

With effect from 15 February 2017, Gerhard van Zyl became Chairman of Emira, after longstanding former chairman Ben van der Ross retired. Prior to this, Gerhard was an independent non-executive director on Emira's board and has vast experience in the property sector. Thys Neser also retired from the Emira board, effective 14 February. We would like to thank both Ben and Thys for their contributions and insight over the last 13 years under challenging market conditions. Your commitment is appreciated and we wish you well in your retirement.

Derek Thomas was appointed to the Board as a non-executive director effective 15 August 2017. Derek is the CEO and co-founder of Letsema which participated in Emira's BEE transaction that was concluded in June 2017.

## Outlook

We draw renewed vigour and confidence from our investment case, which we believe is attractive due to our portfolio's underlying value and propensity for growth. Our confidence is underpinned by our high quality managed assets, our highly skilled and dedicated team, and our share price, which is currently undervalued by approximately 20% when compared with our net asset value, and backed up by our proven asset valuations. We are therefore buoyed by our ability to deliver further growth and value to our stakeholders in the coming year.

Our BEE transaction with Letsema and Tamela further boosts our investment proposition, with added benefits to our tenants through an improved B-BBEE procurement level. Furthermore, the transaction stands to strengthen Emira's balance sheet through the issue of new shares at an undiscounted price. The deal also improves our gearing ratio, with the subscription proceeds being deployed to decrease interest-bearing debt.

The office sector will likely continue to be under pressure, with retail property showing signs of difficulty due to the financial stresses on consumers coupled with saturation in the market. New entrants in the form of international brands and retailers are adding to the pressure on both local chains and independents. The purpose of rebalancing of our portfolio is to mitigate risk through added diversification.

Key to rebalancing the portfolio is changing the portfolio's profile and sectorial mix, increasing our low levels of offshore investment and entering the residential sector. The aim is to preserve the long-term sustainability of the business, which can be bolstered through increased diversification across new sectors and geographies. To this end, we anticipate concluding disposals of between R500 million and R700 million in office assets in the coming year.

Apart from the well-documented Sandton node oversupply, an additional 150 000m$^2$ to 200 000m$^2$ worth of commercial space is estimated to be coming to market in the Rosebank node. Instead of competing with all of the extra office space, our Rosebank residential units will support the office space by providing residential space for the workforce to occupy, close to their place of work.

Our 280 residential units are well priced for this role, with appropriate asking rentals, with 260 of the 280 being one-bedroom units.

The performance thus far of our Enyuka partnership has surpassed our initial expectations and it has grown its portfolio significantly during the year. Our venture was based on Enyuka's potential to deliver greater returns, at a faster rate than we could have achieved on our own, we are pleased to see this plan coming to fruition. We anticipate further growth in this specialised lower LSM retail property fund during the year.

We remain confident in the robust fundamentals that underpin our portfolio despite the globally pervasive factors that continue to plague economies including those of South Africa and Europe. As part of our 2020 milestone plan, our objective for the year ahead is to navigate these challenges and capitalise on the growth opportunities we have identified. Our focus is on delivering for our stakeholders through the implementation of our strategic objectives, with a prudent approach to financial management, and portfolio initiatives that enhance value.

## Acknowledgements

We express our sincere thanks to the people of Emira, our team of 28 individuals whose dedication and hard work is a source of pride for the Company. Their efforts are not to be understated, especially in light of the trying and uncertain conditions facing South Africa and indeed the world. We therefore commend our people for their steadfast commitment to seeing our plans come to fruition.

Our heartfelt gratitude goes to our Board of Directors and our executives, for providing their balanced leadership to navigate the challenges that characterise these times. Their collective wisdom is a product of their vast knowledge and experience, imparted as sage advice to the benefit of Emira and our ongoing success.

For their patience and trust in Emira through the years, we extend our sincere appreciation to our faithful stakeholders. Their support for our leadership has been vital for our journey thus far, and that which lies ahead. We are also invigorated by our new partnerships and look forward to achieving our goals together.

Finally, we give our special thanks to our former Chairman, Ben van der Ross, for his 13 years of dedicated support at the helm. During Ben's tenure, Emira grew into the organisation we are so proud of today. Thanks also to Thys Neser for his 13 years of invaluable service as an independent non-executive director of Emira. Our new Chairman, Gerhard van Zyl, was previously an independent non-executive director of Emira – we welcome him in his new role and wish him well for the years to come.

Geoff Jennett.

**Geoff Jennett**
Chief Executive Officer

Bryanston
15 September 2017

# CORPORATE GOVERNANCE

## Ethical leadership

An ethical culture is the basis upon which long-term business value and stakeholder support is created. Good corporate governance is integral to delivering sustainable growth and to that end, the Board of Directors reviews the governance climate, structures and processes, which are enhanced to accommodate internal developments and ensuring best practice.

The effective leadership provided by the Board is based on an ethical foundation of transparency, accountability, fairness and responsibility. The Board acknowledges and embraces the responsibilities bestowed upon it by the Companies Act and the King Report on Corporate Governance and is fundamentally responsible for ensuring that Emira's strategy, risk, performance and sustainability are inseparable.

Principles in the Charter of Corporate Governance set up firm operational processes, procedures and tools to institute, implement, monitor and control internal policies and procedures in furtherance of corporate governance, effective compliance and risk management.

## Board of Directors

### Structure and composition

The Board follows a unitary board structure and, as at 30 June 2017, it comprised 10 directors, seven of whom are independent non-executive directors and three are executive directors.

Ben van der Ross, who served as Emira's Chairman since its listing in 2003 reached retirement age and retired from the Board with effect from 14 February 2017. Emira thanks Ben for his valued contributions over the years and wishes him well in his retirement. Gerhard van Zyl, an existing independent non-executive director, took up the position of Chairman with effect from 15 February 2017.

Thys Neser, an independent non-executive director, also retired effective 14 February 2017. The Company would like to thank Thys for his sage advice and the wealth of experience that he brought to Emira over the past 14 years.

Emira believes that its Board composition is in line with best practice guidelines and represents a balanced Board. The roles of Chairman and Chief Executive Officer are completely separated. The Board has a clear division of responsibilities to ensure a balance of power and authorities such that no director has unfettered powers of decision-making.

The directors as at 30 June 2017 were:

- **G van Zyl –** Independent Non-executive Chairman
- **BH Kent –** Lead Independent Non-executive Director
- **V Mahlangu –** Independent Non-executive Director
- **MS Aitken –** Independent Non-executive Director
- **W McCurrie –** Independent Non-executive Director
- **NE Makiwane –** Independent Non-executive Director
- **V Nkonyeni –** Independent Non-executive Director
- **GM Jennett –** Chief Executive Officer
- **G Booyens –** Chief Financial Officer
- **U van Biljon –** Chief Operating Officer

The directors have a vast range of knowledge, expertise and experience in strategic, financial, commercial and property activities, which allows them to exercise independent judgment in Board decisions and deliberations. These combined skills and experience benefit the Board as a whole in its supervisory role. Biographies of the Board are provided on pages 14 to 17 of this integrated report.

Derek Thomas, aged 47, holds a Master's degree in Economics from Wits University. He was appointed to the Board as a non-executive director post year-end, effective 15 August 2017. Derek is the CEO and co-founder of Letsema Holdings (Pty) Ltd which participated in Emira's BEE transaction that was concluded in June 2017 and is the current chairman of Transpaco Limited. Derek brings a wealth of experience in investment management, financial structuring and business strategy to the Board.

Diversity, race and gender are also taken into account when appointments are made and the Board, through its Remuneration and Nominations Committee, ensures that it has the right balance of skills, expertise appropriate to the strategic direction of the Company. In this regard, Emira has achieved its B-BBEE Board representative target of 25% to 33%, however, it has not met the target of 25% female representation for this reporting period.

The Board continuously reviews the diversity of its members and succession requirements.

### Appointment, rotation and tenure

The appointment of directors follows a formal and fair process supported by a transparent policy including approval by the Board upon the recommendations of the Remuneration and Nominations Committee, which consists of a majority of independent directors. One-third of the directors of the Board will retire at the coming annual general meeting and will be eligible for re-election.

Independent Non-executive Director, Bryan Kent, is 72 years of age and his re-appointment at Emira's annual general meeting in November 2017 will be subject to a separate vote, however, the Board is of the opinion that Mr Kent's expertise, especially in the accounting and audit fields, is valuable to Emira and he should be retained as a member of the Board.

### Development of directors

Newly appointed directors are provided with induction and training and they are directed to the courses run by the JSE and Institute of Directors, at Emira's expense. In addition, relevant new developments are communicated to directors at Board meetings, including those regarding the Companies Act, corporate governance and other relevant legislation.

During the year under review, the members of the Board attended a King IV-specific presentation, conducted by PricewaterhouseCoopers which covered the "apply and explain" concept as well as the approach to disclosures and additional duties and responsibilities it imposes.

### Independence and performance of the Board

The Board ensures that it has the expertise, independence and diversity it needs to function independently. The Remuneration and Nominations Committee regularly assesses the independence of directors and reports on this to the full Board. Independence of the Board from the management team is achieved by:

- Maintaining an independent non-executive chairperson;
- maintaining a majority of non-executive directors including independent non-executive directors;
- the remuneration of the non-executive directors being unrelated to the financial performance of Emira; and
- all directors being entitled to seek independent professional advice concerning the affairs of Emira at the Fund's expense.

In light of the recent BEE transaction between Tamela Holdings and Emira, the independence of Vusi Mahlangu was assessed. Vusi was appointed to Emira's Board in 2010, making this a related-party transaction. An independence opinion was compiled by an independent expert and Vusi remains an independent non-executive director.

Emira's strategic objectives are set by the Board, who determines its investment and performance criteria. The Board is responsible for the proper management, control, compliance and ethical behaviour of the business under its direction.

Due to the change of company secretary, the Company did not complete its board evaluation process before year-end. Going forward, as Emira has previously done, the Board will undertake an annual evaluation by way of a questionnaire set by the company secretary. The external independent assessment evaluates the performance of the Board, its committees and individual directors, including the key function of the Chairman and Financial Director. The company secretary collates the information and provides feedback in the form of a report which includes focus areas which require training or further attention by the Board.

### Directors' management of conflict of interests

When directors become aware that they have a direct or indirect interest in any existing or proposed transaction with an entity of Emira, they must notify the Company Secretary who in turn informs the Board Chairman. Directors are obliged to update any changes in these interests and this is done prior to or during each Board meeting. This process was adhered to for the year under review and directors recused themselves from any discussions as a result of personal conflict of interests. Any potential professional conflict of interests is disclosed by the director concerned and noted in the Board minutes. The lead independent non-executive director deals with matters where the Chairman may be conflicted.

## Information requirements

The Board continuously assesses the information needs of directors to enable them to perform their duties and fulfil their obligations responsibly. In order to make informed decisions, Board members must have sufficient information covering the matter at hand.

All directors have access to Emira's records, information, documents and property.

Non-executive directors also have unfettered access to management at any time. Directors are informed timeously of matters that will be discussed at meetings and comprehensive information packs are provided well in advance of all meetings.

## Board responsibilities

The Board Charter sets out a clear division of the directors' responsibilities and accountability, both collectively and individually, to ensure an appropriate balance of power and authority.

The primary Board responsibilities in terms of the Board Charter are:

- to provide strategic direction to Emira.
- to determine Emira's purpose, values and stakeholders relevant to its business and to develop strategies combining all three elements.
- to ensure that procedures are in place to monitor and evaluate the implementation of strategies, policies, performance criteria for executive management (including business partners) and business plans.
- to review and approve objectives, plans and actions, including significant capital allocations and expenditure.
- to define its mission as representing the interests of Emira and its stakeholders in perpetuating a successful business that adheres to the vision and values of Emira and creates long-term value for stakeholders.
- to be accountable and responsible to stakeholders for the performance and affairs of Emira.
- to appoint the Chief Executive Officer, other executive directors and the Company Secretary and ensure that succession is planned.
- to ensure that Emira complies with all relevant laws and regulations and that it communicates with its stakeholders openly and with substance prevailing over form.
- to assess the key risk areas of the business on a regular basis and to determine the policies and processes necessary to ensure the integrity of internal control and risk management of Emira.
- to develop the framework, policies and guidelines for safety, health and environmental management and other matters relating to sustainability.
- to define levels of materiality, reserving specific powers for itself and delegating other matters with written authority to management.
- to establish and set the terms of reference for the Board committees. The Board reviews and approves the terms of reference for the Board committees on an annual basis or when the need arises due to a change in legislation.

The Board confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate and the Board Charter.

## Board committees

### Delegation of authority

The Board is satisfied that the delegation of authority framework contributes to the role clarity and effective exercise of authority and responsibilities. Certain Board responsibilities have been delegated to the Audit Committee, Risk Committee, Remuneration and Nominations Committee, Social and Ethics Committee, Finance Committee and Investment Committee to assist the Board in discharging its collective responsibilities. The delegation of authority framework is reviewed by the Audit Committee and presented to the Board on an annual basis.

Each committee acts within the boundaries of clearly defined Board-approved terms of reference. These committees meet independently and provide detailed feedback to the Board via their chairmen. All committee meetings are minuted and directors may raise any questions arising from these minutes.

The various committee chairmen have confirmed that the terms of reference have been materially complied with for the year under review.

### Audit Committee

#### Composition

The committee comprises three independent non-executive directors. The committee met five times during the year with the executive management as well as the executives responsible for finance, the compliance officer, and external and internal auditors.

The Chief Executive Officer, Chief Financial Officer and Chief Operational Officer attend these meeting by invitation. The Company Secretary attends all meetings as secretary to this committee. The table on page 49 references the attendance of committee meetings.

The Audit Committee members are:

- **Bryan Kent** (chairman)
- **Vusi Mahlangu**
- **Gerhard van Zyl** (stepped down from committee on 15 February 2017)
- **Vuyisa Nkonyeni** (joined committee on 25 May 2017)

The detailed biographies of these directors are presented on pages 15 to 17 of this integrated report. The report of the Audit Committee, including more detail on its responsibilities, commences on page 54 of this integrated report.

The committee has satisfied itself of the appropriateness of the expertise and experience of the financial director and the finance function.

### Risk Committee

#### Composition

This committee comprises three independent non-executive directors. The Board nominates members of this committee and its chairman. The chairman of the Audit Committee is also the chairman of this committee. The committee met four times during the year.

The Chief Risk Officer, who is also the Chief Financial Officer, assists the committee in executing its duties. The Chief Executive Officer and the Chief Operating Officer attend these meeting by invitation and the Company Secretary is the secretary to this committee. The table on page 49 references the attendance of committee meetings.

The committee has an independent role, supervising and making recommendations to the Board for its due consideration and ultimate approval. The committee does not assume the functions of management, which remain the responsibility of the executive directors and other members of senior management. The role of the committee is to assist the Board to ensure that Emira has implemented an effective policy and plan for risk management that will enable it to achieve its strategic objectives and that the disclosure regarding risk is comprehensive, timely and relevant.

Risk management is discussed in detail and presented on page 26 of this integrated report.

The Risk Committee members are:

- **Bryan Kent** (chairman)
- **Vusi Mahlangu**
- **Gerhard van Zyl** (stepped down from committee on 15 February 2017)
- **Vuyisa Nkonyeni** (joined committee on 25 May 2017)

The detailed biographies of these directors represented on pages 15 to 17 of this integrated report.

#### Responsibilities

The committee's responsibilities include:

- Overseeing the development and annual review of a policy and plan for risk management.
- Monitoring implementation of the policy and plan or risk management taking place by means of risk management systems and processes.

## ATTENDANCE AT BOARD AND COMMITTEE MEETINGS FOR THE YEAR ENDED 30 JUNE 2017

| MEMBER | BOARD | AUDIT COMMITTEE | RISK COMMITTEE | REMUNERATION AND NOMINATIONS COMMITTEE | SOCIAL AND ETHICS COMMITTEE | INVESTMENT COMMITTEE | FINANCE COMMITTEE |
|---|---|---|---|---|---|---|---|
| CHAIRMAN | G van Zyl | BH Kent | BH Kent | V Mahlangu | NE Makiwane | MS Aitken | W McCurrie |
| NUMBER OF MEETINGS HELD | 6 | 5 | 4 | 5 | 2 | 4 | 5 |
| BJ van der Ross* | 3/6 | | | 2/5 | | | |
| BH Kent | 6/6 | 5/5 | 3/4 | 4/5 | | | 5/5 |
| MS Aitken† | 6/6 | | | | | 4/4 | |
| V Mahlangu | 6/6 | 5/5 | 4/4 | 5/5 | | | 3/5 |
| NE Makiwane‡ | 6/6 | | | | 1/2 | | |
| W McCurrie | 6/6 | | | | | | 5/5 |
| MSB Neser* | 3/6 | | | | | 3/4 | |
| V Nkonyeni | 5/6 | 2/5 | 1/4 | | 1/2 | | |
| G van Zyl** | 5/6 | 3/5 | 3/4 | 2/5 | | 4/4 | 4/5 |
| GM Jennett | 6/6 | 5/5 | 4/4 | 5/5 | 2/2 | 4/4 | 5/5 |
| G Booyens | 6/6 | 5/5 | 4/4 | | 2/2 | 4/4 | 5/5 |
| U van Biljon | 6/6 | 5/5 | 2/4 | | 2/2 | 4/4 | 2/5 |

* retired effective 14 February 2017.

** appointed as Chairman of the Board; joined Remuneration and Nominations Committee; and stepped down from the Audit Committee and Risk Committee on 15 February 2017. He further stepped down as chair of the Investment Committee but remains a member.

† appointed chair of the Investment Committee on 15 February 2017.

‡ appointed as chair of the Social and Ethics Committee on 15 February 2017.

On 25 May 2017, Vuyisa Nkoyeni joined as a member of the Audit Committee and Risk Committee and John Greve of Devcon (Pty) Ltd joined the Investment Committee as a specialist invitee and expert consultant following Mr Neser's retirement.

- Making recommendations to the Board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board.
- Overseeing that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the company.
- Ensuring that risk management assessments are performed on a continuous basis.
- Ensuring that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- Ensuring that management considers and implements appropriate risk responses.
- Ensuring that continuous risk monitoring by management takes place.
- Liaising closely with the Audit Committee to exchange information relevant to risk.
- Expressing the committee's formal opinion to the Board on the effectiveness of the system and process of risk management.
- Reviewing reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.

The committee has fulfilled its responsibilities during the year, complying with its legal, regulatory and other responsibilities.

## Remuneration and Nominations Committee

The committee comprises three independent non-executive directors. The Chief Executive Officer attends these meeting by invitation. A new charter has been adopted by the Board setting out the purpose, role and responsibilities of this committee.

The committee meets on an ad hoc basis as required and met five times during the year under review. The table above references the attendance of committee meetings.

The Remuneration and Nominations Committee members are:

- **Vusi Mahlangu** (chairman)
- **Gerhard van Zyl**
- **Bryan Kent**

The detailed biographies of these directors are presented on pages 15 and 16 of this integrated report.

The committee confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate and its charter. The more detailed remuneration report commences on page 56 of this integrated report.

## Social and Ethics Committee

The Social and Ethics Committee has been constituted in terms of section 72(4) of the Companies Act No. 71 of 2008, as amended and its accompanying regulations, to implement the mandate prescribed by regulation 43(5).

### Composition

The Social and Ethics Committee enhances Emira's oversight of key issues, including entrenching sustainability in its long-term strategy. The committee met twice during the year under review. The table above references the attendance of committee meetings.

The Social and Ethics Committee members at year-end were:

- **Nocawe Makiwane** (chairman)
- **Geoff Jennett**

The Chief Financial Officer and Chief Operating Officer attend these meetings by invitation.

The detailed biographies of these directors are presented on pages 14 and 16 of this integrated report.

### Responsibilities

The committee's responsibilities include:

- **Specifically in relation to the market place to ensure:** (i) the company's standing in terms of the 10 principles set out in the UN Global Compact; (ii) the development and implementation of anti-corruption policies that meet statutory requirements (Prevention and Combating of Corrupt Activities Act) and best practice as defined in the Organisation for Economic Co-operation and Development's Recommendations and the Tenth Principle of the Global Compact; (iii) compliance with competition legislation and regulations; (iv) conformance to any relevant industry charter; (v) the adequacy of systems and policies required to achieve the required B-BBEE ratings and targets; and (vi) all market place risks to ensure that they are properly identified and regularly assessed.
- **Specifically in relation to the workplace, to ensure that:** (i) employment equity policies meet all relevant legislative requirements; (ii) the company complies with all relevant workplace health and safety regulations and statutes; (iii) suitable and effective policies are in place to ensure that suitable staff members are attracted and retained by the company; (iv) staff churn and staff satisfaction levels are regularly monitored; (v) staff members are given appropriate opportunities for career improvement through training and education; (vi) the company provides decent work and working conditions to employees that are aligned with International Labour Organisation recommendations; (vii) the company manages its ethics effectively in accordance with the King III recommendations on ethics management; (viii) there is effective collaboration between the company and its stakeholders to promote corporate citizenship; (ix) there are policies and processes in place to ensure conducive employee relations; and (x) all workplace risks are identified and properly monitored.
- **Specifically in relation to the social environment, to ensure the following:** (i) the compliance of all public relations and advertising with the requirements of the Code of Advertising Practice of the Advertising Standards Authority of South Africa and any other relevant legislation; (ii) compliance with the provisions of the Consumer Protection Act on its products and services and that appropriate steps have been taken to fully inform all staff of the same; (iii) the effectiveness of the communication mediums (including possible use of social media) used to communicate effectively with its consumers and to monitor stakeholder relations; (iv) adherence to the South African constitution and the Bill of Rights; (v) the adequacy of disclosures made to consumers relating to the contents of the company's products (through appropriate labelling or otherwise) to ensure that they are fully informed of any possible side-effects and/or incorrect applications and that adequate product safety provisions are in place; (vi) the impact of the business operations on the health and safety of society; (vii) actions are taken to protect, enhance and invest in the well-being of society; (viii) the effectiveness of suitable management committee(s) and/or senior executive(s) in framing and developing appropriate, relevant and measurable corporate social responsibility programmes (CSR) aligned with the needs of the communities in which the business operates; (ix) the appropriateness of the budget allocated for the purposes of community development and CSR programmes; (x) the effectiveness of policies in place to ensure that all donations and sponsorships are aligned with the company's community development and CSR programmes; (xi) the efficiency of systems to ensure that neither the company, nor its business associates are complicit in human rights abuses (e.g. child or bonded labour); and (xii) the identification monitoring of all risks relating to the company's social environment.
- **Specifically in relation to the natural environment, to monitor:** (i) compliance with all environmental laws and regulations applicable to the company's business operations; (ii) the adequacy of environmental policies to fully identify and address the impact of its operations and to protect, enhance and invest in the well-being of the environment; (iii) relevant sustainability risks inherent in its impact on the environment and incorporated the same into its environmental policy; (iv) systems and tools used to report on its carbon emissions, energy and water usage; (v) the appropriateness of measures taken to deal with any pollutant emissions and/or waste/effluent and in an environmentally friendly manner that is independently verifiable; and (vi) actions taken to reduce or minimise the environmental impact of the company's product(s) when they reached the end of their life-cycle and/or when disposed of by the consumers.

The Social and Ethics Committee must ensure that the above-mentioned issues align with company strategy. It must select suitable criteria with which to monitor and report the progress with regard to the implementation of the above policies and programmes and facilitate integration of the same in Emira's sustainability report.

A review of Emira's sustainability contributions for the year under review commences on page 66 of this integrated report.

## Finance Committee

This committee offers the Board specific advice and technical assistance on all financial matters, including strategy relating to debt structures, interest rate hedging, foreign currencies and makes recommendations to the Board on sound deliberated proposals for these matters.

The committee does not assume the functions of management, which remain the responsibility of the executive directors. It is governed by formal Board-approved terms of reference that are regularly reviewed and updated.

### Composition

The committee comprises three independent non-executive directors. The Company Secretary is the secretary to this committee. The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer attend these meetings by invitation. The committee meets on an ad hoc basis as required and met five times during the year under review. The table on page 49 references the attendance of committee meetings.

The committee members at year-end were:

- **Wayne McCurrie** (chairman)
- **Bryan Kent**
- **Vusi Mahlangu**
- Gerhard van Zyl (stepped down after being appointed as Chairman of the Board on 15 February 2017)

The detailed biographies of these directors are presented on pages 15 to 17 of this integrated report.

### Responsibilities

The committee's responsibilities include:

- Identifying issues relating to important financial matters, which are relevant to Emira and need to be addressed.
- Advising the Board on financial issues that affect Emira.
- Establishing a work plan to ensure that all relevant matters of the committee's role and responsibilities are covered.
- Reporting at every quarterly Board meeting on activities and progress of the committee.
- Ensuring that the resolutions of the Board are carried out.
- Considering any matter delegated to it by the Board, and advising the Board in connection therewith.

The committee having fulfilled its functions, has executed its duties during the year under review in accordance with its terms of reference.

## Investment Committee

The committee was formed in May 2015, and also supports the Board by considering, interrogating and stress testing potential property investments in great detail. The executive directors attend these meetings by invitation. The committee met four times during the year under review. The table on page 49 references the attendance of committee meetings.

### Composition

The Investment Committee members are:

- **Michael Aitken** (chairman with effect from 15 February 2017)
- **Gerhard van Zyl** (chairman until 15 February 2017 and remained a member thereafter)
- **Thys Neser** (retired as member with effect from 14 February 2017)

John Greve, a specialist investment committee consultant, attends committee meetings by invitation.

The detailed biographies of these directors are presented on page 15 of this integrated report.

### Responsibilities

The committee's primary mandate with full decision-making authority up to Board determined levels include:

- Reviewing and approving the investment mandate, investment proposals, including individual and portfolio acquisitions; major capital expenditure; new developments projects; extensions, upgrades and refurbishment projects; and the acquisition of assets forming part of a particular corporate activity;
- Reviewing and approving the overall sales mandate and annual list of properties to be sold;
- Reviewing and approving the property portfolio composition from time to time;
- Executing its mandate subject to the limits contained within the approval framework;
- Ensuring that all approvals authorised by the committee are reported to the Board at the next meeting after such authorisation;
- Reviewing due diligence processes for investments periodically;
- Reviewing and recommending to the Board the annual capital and refurbishment expenditure budgets proposed by management;
- Providing a high-level review of annual property valuations;
- Considering and satisfying itself of the resources and suitability of the expertise and experience of the investment team;
- Considering and making recommendations to the Board on matters concerning the risk tolerance, risk appetite, and risk monitoring of property investment, sales and portfolio composition related risks;
- Overseeing that the risk management policy is integrated in the day-to-day activities of the property investment, sales and asset management teams, and that adequate risk assessments are made, appropriate risk responses are adopted and continuous risk monitoring takes place; and
- Ensuring that the investment and sales process complies with applicable laws and regulations as well as the investment and sales mandate and Company Approval Framework. The duties and responsibilities of the committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities who must continue to exercise due care and judgement in accordance with their legal obligations as directors.

The committee confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate.

### Executive Committee

The committee assists the Chief Executive Officer in managing Emira and is focused on formulating and implementing Emira's strategies and policies. Subject to matters reserved for decision by the Board, the Chief Executive's authority in managing Emira is unrestricted, however, unbudgeted transactions in excess of R20 million require Board approval. The Executive Committee comprises the three executive directors who meet at least once a month.

Succession planning, while important to the Company, is dealt with in an informal manner. As Emira is a relatively small company with a headcount of 28 staff members, including three executive directors, management and the Board are of the opinion that it is unnecessary to have potential successors in place for the executive directors. In the short term, the Board Chairman, as well as the Chief Financial Officer and/or Chief Operating Officer would be able to fulfill the role and assume the responsibilities of the Chief Executive Officer. Likewise, the current Chief Executive Officer was Emira's previous Chief Financial Officer and would be able to assume these duties while the recruitment for the needed position was underway. The current senior asset managers would assume the duties of the Chief Operating Officer.

## Company Secretary

The Board as a whole and the individual directors have unrestricted access to the advice and services of the Company Secretary, who provides guidance to the Board and to the directors with regard to how their responsibilities are to be discharged.

The Company Secretary will be exposed to the daily operations of the company further embedding and embracing good corporate governance with the aim to improve all areas of compliance.

Meredith Leyds resigned as Company Secretary with effect from 28 April 2017. Acorim (Pty) Ltd. ("Acorim") was appointed as Emira's Company Secretary, also with effect from 28 April 2017. Acorim is an independent company secretarial and corporate governance advisory service provider and is represented by Nikita Brocco.

The Company Secretary also has oversight of the induction of newly appointed directors and training of all directors. The Chief Executive Officer, however, ensures that the annual Board plan is set and that the Board agendas are relevant to Board decision making.

The Board is satisfied with the expertise, experience, competence and qualifications of the Company Secretary and confirms that the relationship between the Board and the Company Secretary remains at arm's length.

## Integrated compliance

Emira is made aware of and complies with all legislation and anticipates the statutory requirements of bills and regulations by the compliance function. It ensures that all business, legislative and administrative processes and procedures are implemented, monitored and adhered to and that in ensuring that compliance is enforced, eliminates reputational risk, alerts the compliance officer to aspects of non-compliance and endeavours to minimise any potential financial loss. King III recommendations were complied with in the year under review with the following exceptions:

The remuneration for the top three earning employees has not been disclosed due to the small size of the staff complement, and the highly competitive market in which Emira operates. The Board does not consider disclosure of this remuneration to be appropriate for privacy reasons.

The compliance function and processes are subjected to an internal audit review on a regular basis.

## Going concern and internal control

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that Emira will not be a going concern in the foreseeable future, based on forecasts and available cash resources.

These financial statements support Emira's viability, accountability and effective internal control processes.

Systems of internal and operational control are the Board's responsibility. The executive directors are however, responsible for ensuring that assets are protected, losses arising from fraud and/or other illegal acts are minimised, all valid transactions are recorded properly and systems operate effectively.

The internal auditor performed comprehensive reviews and testing of the effectiveness of the internal control systems in operation and reported its findings to the Audit Committee. The internal audit function coordinates with other internal and external providers of assurance to ensure proper coverage of financial, operational and compliance controls.

The Audit Committee has the cooperation of all directors, management and staff and is satisfied that controls and systems within Emira have been adhered to during the period under review.

## IT management

The IT Steering Committee, chaired by the Chief Financial Officer, is governed by policies, which have been adopted by Emira. It also oversees the IT functions at Emira's offices and has established the necessary IT security policies and firewalls. Weekly off-site back-ups are maintained for added IT security.

While Emira is not IT critical, IT management remains of importance. Emira's two main property managers, Eris and Broll maintain electronic records with regard to property management matters and Eris is responsible for the maintenance and storage of Emira's financial records.

The internal auditors review the IT operations at Eris, Feenstra and Broll and report to the Audit and Risk Committees with regard to the IT operations and adequacy of the back-up and continuity plans in place at the managers' offices.

In December 2016, a management information systems ("MIS") specialist joined the Emira staff complement. This appointment was in line with the target set in the year to improve on the Company's MIS. Meaningful progress has been made with the new systems, which were put in place. The outcome being that the internal asset managers have greatly benefited from the accessible analytical information generated in these monthly reports.

Information can now be used to better effect and can be assessed in practical terms. Top risks are also identified through this process, with variances in data being immediately detectable allowing for the necessary remedial actions to be taken in a much shorter timeframe. The new MIS will allow for scenarios to be simulated and opportunities are thereby also identified. These monthly reports are consolidated quarterly for insertion into the circulated Board packs, which are dispatched to directors.

The MIS undergoes constant refinement which has resulted in improved reporting since its implementation.

There have been no further material changes to the IT management during the year under review, however Emira is assessing and re-evaluating the IT system and its functionality. In order to extract the maximum from its IT and data systems, Emira wishes to own and manage its own system at some stage in the future. In the next 12 months, Emira will be assessing and re-evaluating its IT systems on how best to improve it in the areas of property management and financial matters. The Company plans to make allowance for capital expenditure and the funding impacts into the IT system functionality.

## Ethics performance

### Code of ethics and conduct

Ethical business practices are set out in Emira's board-approved and adopted code of ethics. The code actively promotes the avoidance of possible conflicts of interest within specific areas of competence. The code bolsters the values of responsibility, honesty, fairness and respect and dictates that all actions must be trustworthy and ethical. The code also obliges all directors, officers and employees to interact with one another and with stakeholders with integrity. Ethical business practices have been included in the terms of appointment of contract and service providers. The code can be found on Emira's website: **www.emira.co.za**.

While Emira has considered implementing a whistle-blowing facility, it does not currently have any such facility in place due to the small size of the Company.

Employees must act in accordance to the highest personal and moral standards and must demonstrate respect for human dignity of all other people. All members of staff are expected to conduct personal affairs in a proper and responsible manner and must sign the code of conduct on commencement of employment.

In terms of the code of ethics, there have been no issues of non-compliance, fines or prosecutions levied against Emira or its management. There is currently no need to change focus with regard to ethics.

### Directors' dealings

In terms of the Board-adopted policies in place, directors as well as certain other managers are prohibited from dealings in shares in periods immediately prior to the announcement of Emira's interim and year-end financial results and at any other time deemed necessary by the Board or as required in terms of the JSE regulations.

Directors need written clearance from the chairman prior to trading in the shares. The chairman consults with the executive directors before granting the clearance to ensure that there is no material price-sensitive information that has not been disclosed to the market. Clearance is provided on receipt of a written request from the director.

### Liability insurance

Liability insurance is in place, which provides cover for directors and prescribed officers against legal action by third parties.

## Stakeholder communications

Emira and its management acknowledge their responsibility to society to report and communicate in a manner that is transparent and accountable regarding matters of an economic, social and environmental nature. Emira's executive directors conduct timely presentations on the company's performance and strategy to financiers, institutional investors, financial analysts and the media in South Africa.

Presentations, corporate actions and reports on performance, as well as any other information deemed relevant, are published on Emira's website. Shareholders and other stakeholders are also advised of such newly-published items via SENS.

Emira publishes and reports on its half- and full-year financial results, in print and electronic media as specified by the JSE Listings Requirements from time to time and the executive directors maintain regular contact with the media by disseminating relevant information.

It is the Board's duty to present a balanced and understandable assessment of Emira's position in reporting to stakeholders. Engagement and communication with stakeholders is discussed fully on page 24 of this integrated report.

## ENGAGEMENT METHODS

For ease of use and comparability, all references to "Company/companies" in the table below, refer to Emira.

The Board is satisfied that the company has complied with all King III recommendations. Emira is in the process of assessing and applying the provisions of King IV.

| PRINCIPLE | APPLIED | COMMENT |
|---|---|---|
| The Board should act as the focal point for and custodian of corporate governance. | Yes | See page 47 – Corporate governance |
| The Board should appreciate that strategy, risk, performance and sustainability are inseparable. | Yes | See page 47 – Structure, composition and rotation |
| The Board should provide effective leadership on an ethical foundation. | Yes | See page 47 – Ethical leadership |
| The Board should ensure that the Company is and is seen to be a responsible citizen. | Yes | See page 49 – Social and Ethics Committee<br>See page 66 – Sustainability matters |
| The Board should ensure that the Company's ethics are managed effectively. | Yes | See page 52 – Ethics performance |
| The Board should ensure that the Company has an effective and independent Audit Committee. | Yes | See page 48 – Audit Committee<br>See page 54 – Audit Committee report |
| The Board should be responsible for the governance of risk. | Yes | See page 26 – Risk management<br>See page 48 – Risk Committee |
| The Board should be responsible for IT governance. | Yes | See page 52 – IT management |
| The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards. | Yes | See page 51 – Integrated compliance |
| The Board should ensure that there is an effective risk-based internal audit. | Yes | See page 55 – Audit Committee report in respect of internal audit and internal control |
| The Board should appreciate that stakeholders' perceptions affect the Company's reputation. | Yes | See page 24 – Stakeholder engagement |
| The Board should ensure the integrity of the Company's integrated report. | Yes | See page 3 – Board responsibility statement |
| The Board should report on the effectiveness of the Company's system of internal controls. | Yes | See page 55 – Internal control |
| The Board and its directors should act in the best interests of the Company. | Yes | See page 47 – Director's management of conflict of interests |
| The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act. | Yes | See page 51 – Going concern<br>See page 72 – Statement of directors' responsibilities |
| The Board should elect a chairman of the board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of Chairman of the Board. | Yes | See page 47 – Structure, composition and rotation for explanation as to why the chairman is not independent, appointment of lead independent non-executive director. |
| The Board should appoint the CEO and establish a framework for the delegation of authority. | Yes | See page 48 – Board responsibilities<br>See page 48 – Delegation of authority |
| The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent. | Yes | See page 48 – Board responsibilities<br>See page 47 – Structure, composition and rotation |
| Directors should be appointed through a formal process. | Yes | See page 47 – Structure, composition and rotation |
| The induction of and on-going training and development of directors should be conducted through formal processes. | Yes | See page 47 – Structure, composition and rotation<br>See page 51 – Company Secretary |
| The Board should be assisted by a competent, suitably qualified and experienced company secretary. | Yes | See page 51 – Company Secretary |
| The evaluation of the Board, its committees and individual directors should be performed every year. | Yes | See page 47 – Independence and performance of the Board |
| The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities. | Yes | See commentary on page 48 – Board committees |
| A governance framework should be agreed between the Group and its subsidiaries' boards. | Yes | The subsidiaries are wholly owned by Emira and follow its governance framework |
| Companies should remunerate directors and executives fairly and responsibly. | Yes | See remuneration report commencing on page 56 |
| Companies should disclose the remuneration of each individual director and certain senior executives. | Yes<br>In part | See note 3 commencing on page 87 |
| Shareholders should approve the Company's remuneration policy. | Yes | Remuneration report commencing on page 56 |

Full disclosure on King III compliance may be found on our website.

# AUDIT COMMITTEE'S REPORT

## Introduction

The Audit Committee is an independent statutory committee and has the cooperation of all directors, management and staff in order to perform its duties.

## Charter and role of the committee

The committee is governed by a charter and terms of reference that have been approved by the Board, which was updated during the year under review. The committee's prime objective is to assist the Emira Board in evaluating the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within day-to-day management of its business. This includes:

- Facilitating and promoting communication regarding the matters referred to above or any other related matter between the board of directors and the executive officers of both the external auditor and the internal auditor.
- Introducing such measures that in the committee's opinion, may serve to enhance the creditability and objectivity of the financial statements and reports prepared with reference to the affairs of Emira.

## Composition

The Audit Committee members are:

- **Bryan Kent** (chairman)
- **Vusi Mahlangu**
- **Gerhard van Zyl** (stepped down from committee on 15 February 2017)
- **Vuyisa Nkonyeni** (joined committee on 25 May 2017)

The detailed biographies of these directors are presented on pages 15 to 17 of this integrated report. The committee members are all independent non-executive directors and the Lead Independent Non-executive Director chairs the committee.

## Meetings

The committee met five times during the year with the executive management as well as the executives responsible for finance, the compliance officer, and external and internal auditors. The Company Secretary attends all meetings as secretary to this committee. The table on page 49 references the attendance at these committee meetings.

## Responsibilities

The responsibilities of the committee are to:

- Nominate for appointment as auditor a registered auditor, who is independent of Emira.
- Determine the fees to be paid to the auditor and the auditor's terms of engagement.
- Ensure that the appointment of the auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors.
- Determine the nature and extent of any non-audit services that the auditor may provide or that the auditor must not provide to Emira.
- Pre-approve any proposed contract with the auditor for the provision of non-audit services to Emira.
- Review and approve the interim and final financial results and their press releases and the reviewed statements of financial position and statements of comprehensive income of Emira with the relevant press releases for recommendation to the Board.
- Evaluate the quality of the financial information produced to ensure the integrity of reporting and to ensure that measures necessary, in the committee's opinion, are introduced to enhance the integrity of such reporting.
- Review the insurance cover effected by Emira annually to ascertain its sufficiency, scope and costs.
- Receive and evaluate reports from management on significant breakdowns and/or potential areas in the risk management and assessment process, including the disaster recovery plan.
- Consider the audit plans for the external and internal auditors to ensure completeness of coverage, reduction of duplicate effort and the effective use of audit resources.
- Consider any significant findings and recommendations of the external and internal auditors as well as the adequacy of corrective actions taken in response to these findings.
- Promote communication by and provide an open avenue of communication between the external and internal auditors, and the committee.
- Evaluate the independence and effectiveness of the internal auditors.
- Encourage and, where appropriate, approve the development of codes of ethical conduct and receive reports from internal audit of significant contraventions thereof.
- Review the effectiveness of the systems of internal control.
- Evaluate and ensure Emira's compliance with statutes and regulations governing Emira's business.
- Ensure that any matters, which have come to its notice, which may significantly affect the financial position or affairs, are reported to the Board.
- Ensure Emira's adherence to accounting standards and policies.
- Evaluate the adequacy and effectiveness of Emira's accounting practices, information systems and audit processes.
- Perform other functions determined by the Board including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within Emira.
- Monitor any corrective actions to be taken in terms of its charter.
- Receive and deal appropriately with any complaints (whether from within or outside the organisation) relating either to Emira's accounting practices and internal audit or to the content or auditing of its financial statements, Emira's internal financial controls, or to any related matter.

The committee has fulfilled its function and responsibilities, as mentioned above, and has executed its duties during the year under review, complying with its legal, regulatory and other responsibilities in accordance with its terms of reference. The Board did not assign any additional responsibilities to the committee.

The expertise and experience of the Chief Financial Officer and Financial Director, Greg Booyens, was reviewed during the committee's annual assessment and the committee has satisfied itself thereof. In addition, it has considered and further satisfied itself of the expertise of the finance function and adequacy of resources and experience of senior members of management responsible for the financial function.

## Independence of external auditors

The committee is satisfied of the required independence of the external auditors, PricewaterhouseCoopers Inc., from Emira, as set out in section 94(8) of the Companies Act, after considering the following factors:

- Representations made by PricewaterhouseCoopers Inc. to the committee.
- The criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.
- The auditor does not, except as external auditor, receive any remuneration or other benefit from Emira.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor.

The external auditor performed the following non-audit services: reports in respect of the issue of commercial paper, a King IV gap analysis and consulting services on the Emira's remuneration policy. Should further services be required in the future, they will be approved on the basis that no conflict of interests arise.

## External auditor rotation

In accordance with the Company's policy on audit firm rotation, whereby every five years the committee will formally assess the rotation of the independent auditors, the Company will be proposing that shareholders consider and approve, at the annual general meeting to be held on 23 November 2017, the appointment of new independent auditors for the Group.

The committee performed an informal tender process during July 2017, which encompassed an evaluation of six audit firms. Having considered all relevant factors in relation to the evaluation process, the committee made a recommendation to the board to propose the appointment of Ernst & Young Inc. as the Company's independent external auditor for the 2018 financial year.

PricewaterhouseCoopers Inc. has served for an extended period as the Company's external auditor, and has executed these responsibilities with diligence and distinction. We would like to thank PricewaterhouseCoopers Inc. for their much appreciated service over many years.

## Internal control

The system of internal financial and operational control is the responsibility of the Board. The executive directors ensure that assets are protected, systems operate effectively and all valid transactions are recorded properly.

The MIS specialist appointed in December 2016 running and guiding the Company's MIS has bolstered Emira's internal control. Reports generated on a monthly basis have added value to the way the business detects and assesses risk of its fundamentals.

Internal auditors, reporting directly to the Audit Committee, have conducted extensive reviews, testing the effectiveness of the internal control systems. These systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability of Emira's assets and to identify and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

The internal audit function coordinates with other internal and external providers of assurance to ensure proper coverage of financial, operational and compliance controls.

Based on these reviews, information and explanations given by management and discussions with the external auditors on the results of their audit, the committee is satisfied that Emira's system of internal controls operated effectively in the year under review. Nothing has come to the committee's attention that causes it to believe that the system of internal financial controls is not effective.

## Internal audit

The Board is of the opinion that a separate Internal Audit Charter in not required at this time as the Audit Committee terms of reference clearly defines the role and associated responsibilities and authority of internal audit. In addition, the committee reviews and amends the internal audit mandate, where necessary, to ensure that it complies with all the necessary regulatory and legislative requirements. This mandate has been presented to and approved by the Board.

It is the committee's responsibility to ensure that the internal audit function is independent and has the necessary resources, standing and authority to discharge its duties. The appointed internal auditors are responsible for regularly reporting the findings of internal audit to the committee.

The internal auditors are tasked to perform their function in accordance with a rolling three-year plan. This year, in addition to the annual reviews of the property management function and portfolio finance function, the following work was performed:

- A review of municipal utilities and tenant arrears;
- A review of the Company's IT infrastructure, which included the polices around firewalls, backups and the Company's disaster recovery plan; and
- A review of the Company's risk register.

It was pleasing to note that good feedback was received on all areas, and recommendations that were made, were implemented where it was considered they would be effective.

Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the Board of Directors and these functions.

Grant Thornton is the internal auditor who has been mandated to perform the internal audit functions. The committee conducts an assessment of the performance of the internal audit function on an annual basis.

## Oversight of risk management

The committee plays a vital role in the process of risk management and the Chief Risk Officer reports directly to the committee. All risk identification, measurement and management is addressed through these channels. A risk management plan, risk register and risk policy were reviewed and approved by the committee during the year. A full discussion on risk management is presented on pages 26 to 29 of this integrated report.

## Integrated report

Following the review by the committee of the annual financial statements of Emira Property Fund for the year ended 30 June 2017, the committee is of the view that in all material respects they comply with the relevant provisions of the Companies Act and IFRS and fairly presents Emira's financial position at that date and the results of operations and cash flows for the year then ended.

The committee has also satisfied itself of the integrity of the remainder of the integrated report. Having achieved its objectives, the committee has recommended the integrated report for the year ended 30 June 2017 for approval to the Board.

The Board has subsequently approved the integrated report, which will be open for discussion at the forthcoming annual general meeting.

On behalf of the Audit Committee

**Bryan Kent**
Chairman

Bryanston
15 September 2017

# REMUNERATION REPORT

**Dear Stakeholders**

On behalf of the Emira Remuneration Committee ("the committee" or "REMCO") and the Board of Directors, I present the Company's Remuneration Report for the year under review.

## Part 1

The Company has adopted, where possible, the recommendations of King IV, and have decided to present a three-part report approach. Part 1 sets out the chairman's statement, providing context on the decisions and considerations taken during the reporting year, which influenced the remuneration outcomes. Part 2 sets out information on Emira's remuneration philosophy and policy and Part 3 gives details on the remuneration awarded during the reporting period.

During the year under review, the committee's membership changed with the retirement of Ben van der Ross. Ben was replaced by the appointment of Gerhard van Zyl as committee member with effect from 15 February 2017.

Succession planning for the committee members is well provided for as suitable new candidates can be selected from the current members of the Board of Directors.

Subsequent to the 2016 annual general meeting, Emira engaged with its stakeholders regarding the previous remuneration policy that was voted against by more than 25% of the voting rights exercised. A key focus of the committee as a result of this engagement process, was to ensure that there was a significant improvement in the disclosures of the remuneration policy in general, with specific attention being given to the disclosure of the formulae and KPIs for CEO and executive remuneration.

To this end, the committee has consulted PwC to review Emira's past remuneration disclosure to stakeholders and to provide recommendations for enhancement thereto. These disclosures can be found in parts 2 and 3 of the committee's report below.

The committee also ensured that there was better alignment between the Company's remuneration policy to current trends in the listed property sector when compared to that of its peers. This is covered by the introduction of the new forfeitable share plan and share ownership facilitation mechanisms.

In line with these recommendations, the committee is of the opinion that the remuneration policy discussed below and the implementation thereof reflects improved disclosure and it is working towards further improvement going forward in order to realise the principles and recommendations as set out in King IV and the Companies Act.

**Vusi Mahlangu**
Chairman

15 September 2017

## Part 2

### Introduction

The staff complement comprises a total team of 28 employees (2016: 24) including executive management, asset managers and support staff.

Emira has an outsourced property management structure for which Eris, Broll and Feenstra Group are the external property managers who deal with the daily property management functions in respect of Emira's property portfolio. Property management fees paid for the year were R43,7 million (2016: R42,6 million).

### Remuneration philosophy

Emira's philosophy is that employees should be fairly remunerated and rewarded for their performance and contributions to the Company. The aim is to pay employees' market-related remuneration according to industry, market and country benchmarks, as well as to encourage long-term participation in the health and wellness of the Company through share ownership. Emira has taken a balanced approach to remuneration ensuring that employees are encouraged to achieve both the short- and long-term strategic goals of the Company. The strategic objectives of the remuneration policy are to optimise income growth and distributions, while employing and retaining high-calibre staff.

In the current challenging and volatile local environment, it is more important than ever that Emira remunerates its employees in a fair manner that is representative of the packages being granted to its peer group employees.

Remuneration comprises three components, namely the total guaranteed package ("TGP"), variable annual short-term incentives ("STIs") and the long-term incentives ("LTIs") – currently in the form of a cash-settled share appreciation rights ("SARs") scheme that will be replaced going forward with an equity-settled forfeitable share plan ("FSP") scheme and a share ownership facilitation plan, as discussed below.

Emira rewards its employees by way of incentives when meeting their key performance objectives. This helps align the Company's strategic goals with those of its staff which ultimately ensures the Company's long-term sustainability and success in challenging times.

The committee approves all components of remuneration, and may amend the schemes in place from time to time should it assess that the objectives are not being achieved as anticipated.

### Remuneration and Nominations Committee

#### Composition

The committee comprises three independent non-executive directors. Vusi Mahlangu, is the committee's chairman and the Chief Executive Officer attends these meetings by invitation.

Meetings occur on an ad hoc basis and the committee met five times during the year under review as indicated in the table found on page 49 of this integrated report.

The Remuneration and Nominations Committee members are:

- **Vusi Mahlangu** (chairman)
- **Bryan Kent**
- **Gerhard van Zyl** (appointed February 2017)
- **Ben van der Ross** (retired February 2017)

#### Responsibilities

The committee's responsibilities include:

- upholding, reviewing and amending, if appropriate, the remuneration philosophy and policy.
- ensuring that staff members are rewarded fairly for their individual contributions to Emira's overall performance, having regard to the interests of stakeholders and Emira's financial condition.
- approving remuneration packages designed to attract, retain and motivate high-performing employees including, but not limited to, basic salary, performance-based short- and long-term (and share-based) incentives, retirement fund contributions and other benefits.
- encouraging and facilitating long term share ownership to better align the interests of staff members to that of shareholders and ultimately to encourage longer term wealth creation for staff through share ownership in the business that they work for.
- establishing appropriate criteria to measure the performance of employees.
- reviewing and recommending appropriate levels of remuneration to be paid to the non-executive directors and submitting these recommendations to shareholders for approval.

#### Key remuneration decisions taken in the 2017 financial year for the future

The committee, in execution of its duties and responsibilities, considered the following matters and made the appropriate decisions:

- Amendment of the short-term incentive performance conditions to align to market best practice. Key performance indicators ("KPIs") were better defined and these KPIs are to be assessed annually to ensure that they remain aligned with the Company's strategic objectives;
- Review of executive directors' remuneration against market benchmarks;
- Review of non-executive directors' fees based on market practice;
- Enhancement to the remuneration report disclosure based on stakeholder comments;
- Inclusion of a new LTI scheme to:
  - ensure that stakeholders can clearly define and understand the long-term incentive reward made available to employees compared to the current cash settled option scheme;

## COMPONENTS OF REMUNERATION

| ELEMENTS OF REMUNERATION | | ELIGIBILITY | PURPOSE | DESCRIPTION |
|---|---|---|---|---|
| FIXED | TGP | All staff | This is the non-variable element of the employee's package that is benchmarked and positioned taking into account the peer group and industry market norms. The scope and nature reflects the role. | Guided by industry surveys and a comparison with Emira's listed peers, it comprises a total cost to company package that includes base salary and standard benefits such as health and retirement fund contributions. |
| VARIABLE | STIs | All staff | Aligns individual and group performance with the short-term objectives of the Company primarily through the annual budgeted growth in dividends and the key operational performance targets. It focuses employees on achieving their targets in terms of their KPIs. | This takes the form of cash bonuses paid to staff members annually after fiscal year-end based on the achievement of set personal KPIs and performance of the portfolio.<br>For bonus amounts in excess of R250 000 the amount is paid in two equal proportions, in August and December.<br>For key staff, there is a provision for a portion to be refunded should they no longer remain in the Company's employ within 12 months of date of payment.<br>Payments made are subject to *malus* and clawback provisions. *Malus* and clawback means the recovery of a bonus amount upon the discovery of malice or *male fide* error becoming apparent up to 12 months after date of payment. |
| | LTIs – FSP | All staff | These incentives promote a longer-term view of the business and aims to ensure wealth creation for both shareholders and employees. Importantly it ensures that employees think like shareholders – looking after the long-term health and wellness of the Company. | Previously LTIs were dealt with in accordance with the cash-settled SARs scheme, however this is being amended to an FSP scheme where employees are allocated forfeitable shares in line with their achievement of long-term objectives. If the performance criteria are not met then, to the degree that they are not met, the LTI is forfeited. There is a retention element so that employees would stand to forfeit their "unvested" shares should they leave the Company's employ. |
| | LTIs – share ownership | All staff but with particular focus on executives and selected senior management | These mechanisms encourage staff members to acquire shares in the company so that they participate in the long-term health and wellness of the Company. | Mechanisms to encourage and facilitate share ownership have also been put in place; being a matching share scheme with performance criteria, a loan finance scheme and the ESSA Trust scheme, all to encourage share ownership in the Company. |

» encourage and facilitate share ownership; and
» provide a retention mechanism so that there is a deferral of the benefit under the LTI scheme so as to create a meaningful deterrent for key employees leaving the Company's employ.

## Service contracts and terms of appointment

Executive directors have standard terms and conditions of employment. They do not receive any special remuneration or other benefits for their additional duties as executive directors save as contained herein. None of the executive directors has an employment contract with a maximum notice period longer than three months or any special termination benefits and there is no restraint of trade in place. In order to ensure the retention of key staff, the committee may structure the variable pay incentive such that a part thereof must be repaid should the staff member leave the Company's employ within a 12-month period after payment of that variable incentive. In addition, the Company now includes a *malus* and clawback provision in its STI such that if there is malice or *male fide* error, then the Company can clawback STIs paid out within 12 months of payment. Furthermore, with the adoption of the new equity-settled FSP scheme and its deferred vesting over a period of time, this will serve as an additional retention mechanism.

A process is underway to ensure that all non-executive directors sign a letter of appointment, and that their remuneration, in the form of non-executive director fees, is fair for both the Company and the directors in comparison with Emira's peer group of companies.

## Components of remuneration

Remuneration comprises both fixed and variable pay. It is broken down into three components making up the overall remuneration package, namely:

1. **Total guaranteed packages ("TGP") and increases**, which are market related and ensure that employees are remunerated fairly;

2. **Short-term incentives ("STIs")** to ensure that employees are properly incentivised to perform in excess of their guaranteed packages, in a manner that is fair in comparison to market and industry norms, and very importantly in the context of the achievement of pre-set key performance targets; and

3. **Long-term incentives ("LTIs") and share ownership** to ensure that employees also contribute to the long-term health and wellness of the Company by rewarding employees for their long-term performance against a predetermined set of long-term objectives. This takes the form of share ownership. Therefore, the better the company performs, so to do the employees. The long-term incentive has also been implemented as an effective retention tool aimed at key members of staff where share ownership by employees is encouraged. With key staff members invested in the Company, it aligns their interest to that of Emira's shareholders which further encourages the attainment of the Company's longer-term objectives.

### KPIs in relation to STIs

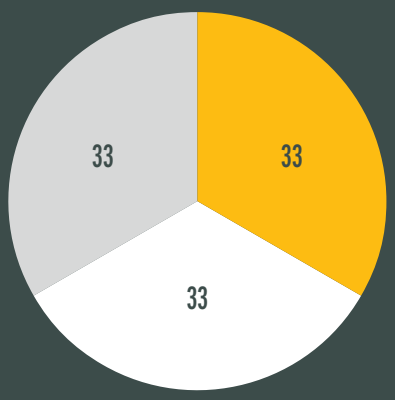
The individual's achievement of set KPIs affects the STI component of variable pay in the form of an annual incentive bonus, and is dependent upon personal performance, as well as that of the Company. Set KPIs are dependent on seniority and include strategic direction and business growth; financial performance inclusive of business funding and other financial measures; staff management; stakeholder communication; portfolio performance inclusive of net income, vacancies and tenant retention, effective and legal arrears management; active asset management; work ethic and contribution to the team.

Depending on the Company's performance and the level at which KPIs are achieved, general staff can expect a bonus ranging from 0% to 25% of their TGP, senior staff can expect a bonus ranging from 0% to 75% of their TGP and executive management can expect a bonus ranging from 0% to 200% of their TGP. The Company applies linear vesting (or linear interpolation) in measuring the achievements of performance criteria, where applicable.

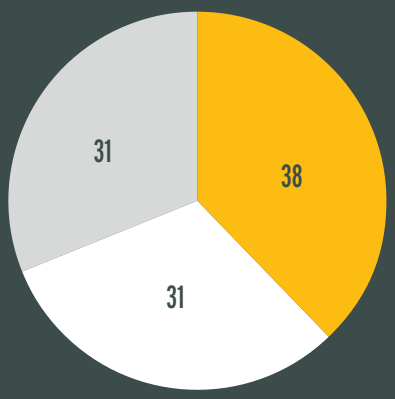
In certain instances, subject to the committee's approval, the use of retention incentives can be employed, for the purposes of retaining key staff. Such retention incentives will form part of the annual incentive bonus and will be repayable should the staff member leave Emira within a 12-month period after payment thereof. The extent of retention incentives will be approved by the committee on a case-by-case basis and will not exceed 50% of the TGP of a key staff member.

## ON-TARGET PERFORMANCE (%)

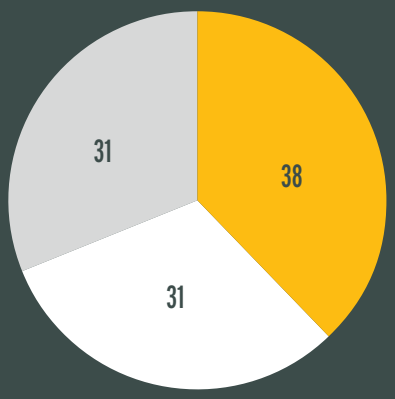
### CEO




### CFO

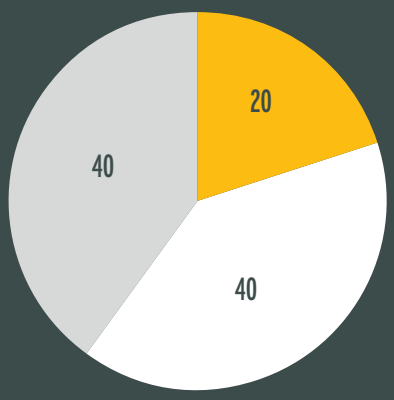



### COO

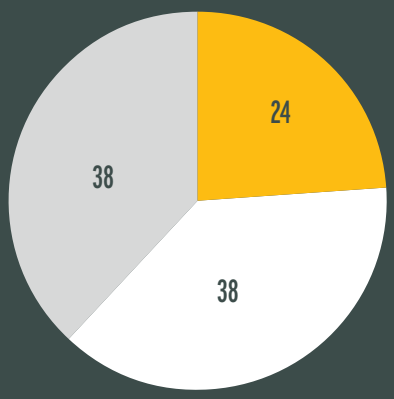



## ABOVE EXPECTATION PERFORMANCE (%)

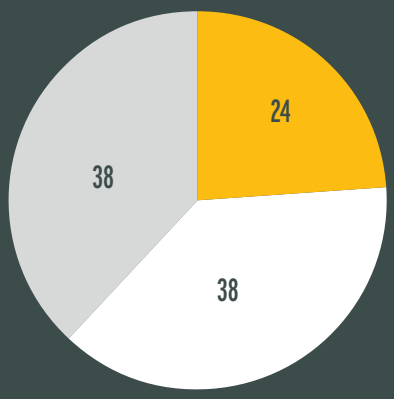
### CEO




### CFO

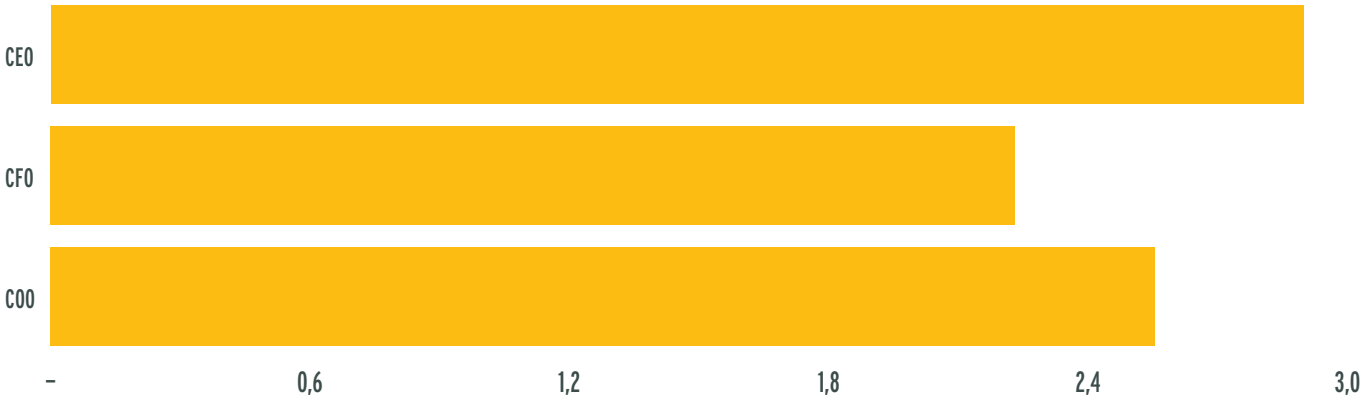



### COO

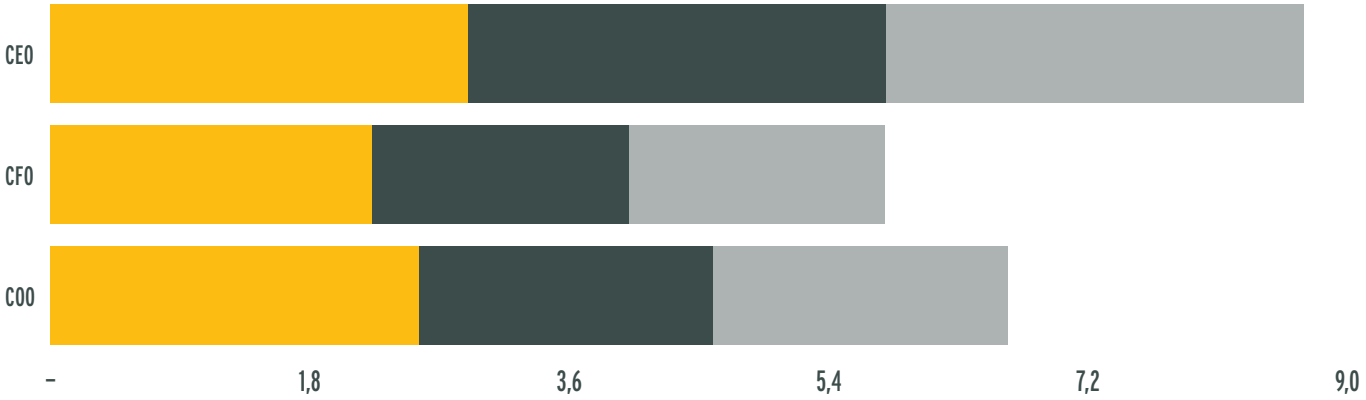



TOTAL GUARANTEED PACKAGE
SHORT-TERM INCENTIVE
LONG-TERM INCENTIVE

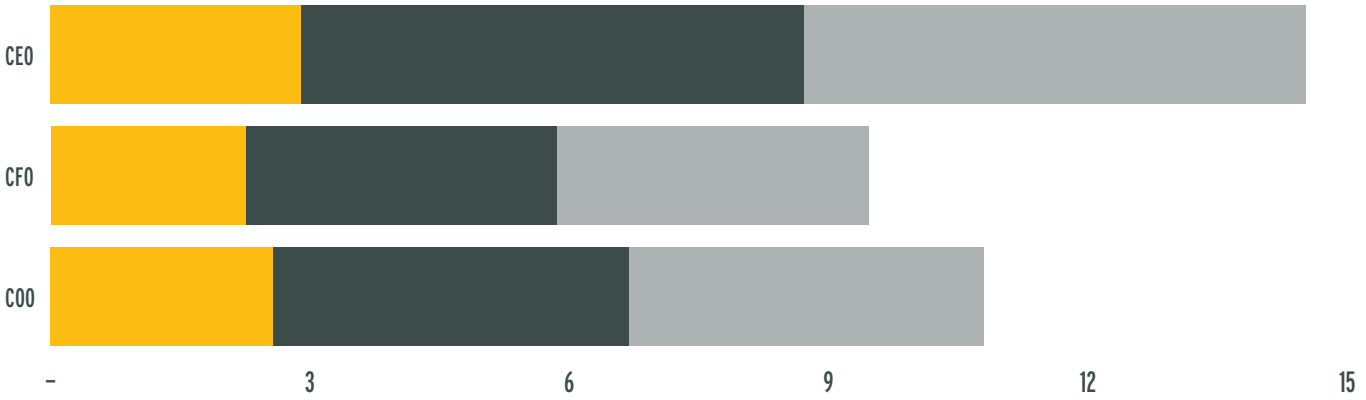
**BELOW EXPECTED PERFORMANCE FY18** (R MILLION)




**AT ON-TARGET/EXPECTED PERFORMANCE PAY MIX FY18** (R MILLION)




**ABOVE EXPECTED/STRETCH PERFORMANCE FY18** (R MILLION)

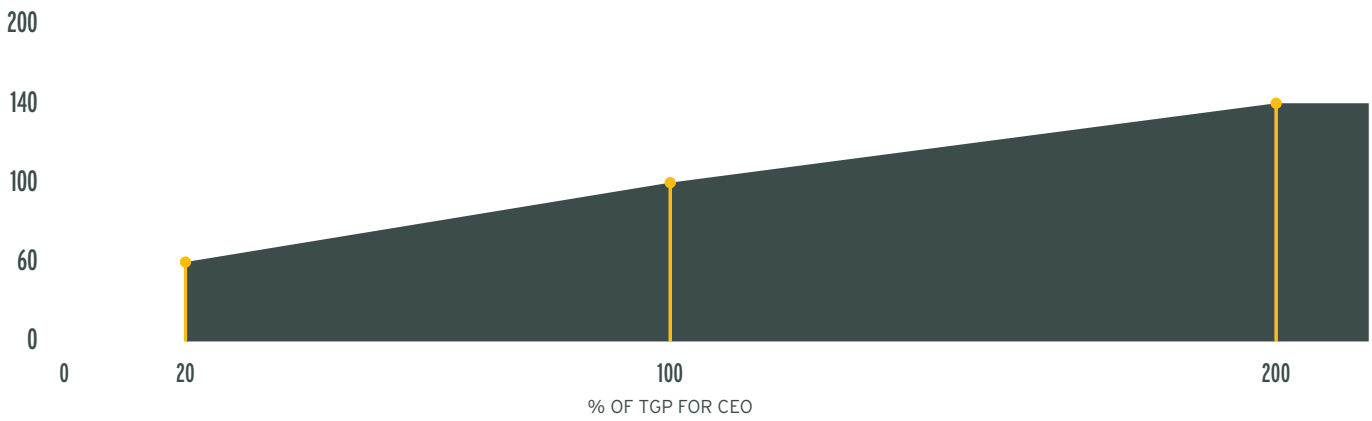



TOTAL GUARANTEED PACKAGE
SHORT-TERM INCENTIVE
LONG-TERM INCENTIVE

## ASSUMPTIONS FOR PURPOSES OF ILLUSTRATIVE EXAMPLE

| | CEO | CFO | COO |
|---|---|---|---|
| | **Range of 0% to 200% of STI and LTI with at target being 100%** | **Range of 0% to 160% of STI and LTI with at target being 80%** | **Range of 0% to 160% of STI and LTI with at target being 80%** |
| BELOW EXPECTED PERFORMANCE<br>Which is less than 60% of KPI targets | TGP + STI (0%) + LTI (0%) | TGP + STI (0%) + LTI (0%) | TGP + STI (0%) + LTI (0%) |
| AT-TARGET<br>100% of KPI targets | TGP + STI (100% of TGP) + LTI (100% of TGP) | TGP + STI (80% of TGP) + LTI (80% of TGP) | TGP + STI (80% of TGP) + LTI (80% of TGP) |
| STRETCH PERFORMANCE<br>Which is capped at 140% of KPI targets | TGP + STI (200% of TGP) + LTI (200% of TGP) | TGP + STI (160% of TGP) + LTI (160% of TGP) | TGP + STI (160% of TGP) + LTI (160% of TGP) |

## PAYOUTS IN TERMS OF KPIs ACHIEVED (%)




The current business scorecard for FY18 setting out the targeted KPIs and Emira's performance against these targets will be measured for the CEO as set out below:

| KPI | WEIGHTING (%) | TARGET | ACHIEVEMENT AGAINST TARGET | COMMENTS |
|---|---|---|---|---|
| FINANCIAL MEASURES: 70% | | | | |
| Share total return relative to peer group | **10** | Average total return of peer group comparison* | | |
| Distribution against budget | **25** | Comparison to approved budget growth in distribution per share | | |
| Target yields and asset returns | **10** | Quantum of accretion achieved on acquisitions and disposals versus pre-set targets | | |
| Optimal capital structure | **15** | Management of optimal gearing, hedging, debt management, cost of capital, assessed against pre-set targets | | |
| Operational metrics | **10** | Portfolio growth, vacancies, tenant retention and effective arrears, assessed against pre-set targets | | |
| NON-FINANCIAL MEASURES: 30% | | | | |
| Strategic initiatives | **10** | Positioning of Emira as a diversified fund, recycling of capital, building pipeline on acquisitions and disposals, offshore initiatives, assessed against pre-set targets | | |
| Transformation: B-BBEE strategy | **5** | Improve B-BBEE rating, satisfy diversity plan | | |
| Sustainability: Green strategy | **5** | Roll out and implementation of the Sustainability plan | | |
| Risk and governance | **5** | Achieve clean audit and compliance reports | | |
| Contribution to people in company | **5** | People development | | |
| TOTAL | **100** | | | |

* Peer group: Growthpoint, Redefine, Vukile, SA Corporate and Investec Property Fund.

## LTIs

| | |
|---|---|
| PARTICIPANTS | All staff with particular focus on executives and selected senior management. |
| PURPOSE AND OPERATION | The LTI aligns participants closely with stakeholders interest through the awards of newly adopted FSPs, the vesting of which are subject to predetermined performance metrics and continued employment, which are intended to be used as an incentive to participants to deliver the Company's business strategy and goals over the long term through the selection of appropriate and stretch performance conditions. |
| ON-TARGET AWARD LEVELS | Regarding the SARs – this was an annual award provided to staff members on the basis of rewarding and aligning employees interest with that of stakeholders, taking into account the proposed notional loan allocation and a multiple of the employees TGP. This has now been replaced with a new FSP scheme.<br>Regarding the new FSP – on the achievement of the KPIs, awards are made in terms of the table on page 60 for the CEO 100% (0% to 200% range), CFO and COO 80% (0% to 160% range), and senior management staff 37,5% (0% to 75% range). |
| PERFORMANCE MEASURES RELATING TO THE VESTING OF THE PERFORMANCE SHARES | **SARs:** for tranches 4 and 5, distribution growth should be in excess of CPI over the period. Should this not be achieved, a linear vesting will be applied, subject to final determination by the committee on the date of vesting.<br>**FSP:** (linear vesting)<br>In terms of Emira's financial performance (75% total weighting)<br>› growth in distributions relative to Peer group (37,5% weighting) over equivalent period<br>› growth in distributions relative to budget (37,5% weighting)<br>In terms of non-financial performance (25% total weighting)<br>› personal performance over the vesting period (12,5% weighting)<br>› retention – automatic vesting of 12,5% due to employee still being employed. |
| PERFORMANCE PERIOD | Assessment of the performance conditions after three years, with 1/3 of the award being vested annually based on the achievement of the performance measures. |
| MINIMUM SHAREHOLDING REQUIREMENT | The overall level of shares that can form part of the LTI is limited to no more than a maximum of 5,0% of the total number of shares in issue at any point in time, being a maximum of 1,5% for FSP shares and a maximum of 3,5% for SARs or share ownership mechanisms. The maximum number of shares that may be allocated to any individual may never exceed a maximum of 0,5% for FSP shares and 1,20% for SARs or share ownership mechanisms. |

### LTIs – SARs scheme (no new or further issues)

In order to better align our LTI scheme with that of our peers, the SARs scheme has been discontinued for future issuances and is replaced with a FSP scheme where staff are awarded physical shares at no cost, depending on performance conditions. What follows below is an explanation of the historical SARs scheme.

In September 2010, a phantom scheme was put in place as a staff retention and incentive mechanism, where shares were notionally allocated for the benefit of all Emira staff. All employees took up the opportunity to participate, which was intended to instill a culture of share ownership. All SARs awards post 2015 were linked to a growth in distributions in excess of CPI. The Company applies linear vesting (or linear interpolation) in measuring the achievements of performance criteria, where applicable.

The SARs scheme is cash-settled and does not lead to in any dilution of capital. However, in line with market benchmarks, the following limits were approved by the committee:

› **SARs Company limit:** A maximum limit of 3,5% of total outstanding share capital exposure was applied as the overall Company limit.
› **SARs Individual limit:** A maximum limit of 1,2% of total outstanding share capital exposure was applied per participant.

The Company limit is in line with global best practice now applied by the ISS, which is the most influential global proxy advisor. The 1,20% individual limit is in line with market practice for mid-cap companies. In addition, the annual SARs awards were limited to a maximum of 1,05% of the outstanding share capital.

The phantom SARs scheme was set up to exactly replicate the buying of shares with loaned funds: notional shares were issued, with notional loans at notional rates being serviced and reduced by distributions from the notional shares. This went some way to facilitating the long-term alignment of management and shareholders' interests, which the Board believes is critical to Emira's performance.

The scheme has a vesting period of three to five years, and allows the participating staff to exercise their rights in equal tranches within three months after each expiry in years three, four and five and to receive cash bonuses derived from the difference between the then prevailing share price and the value of the notional debt.

The details of the executive directors' SARs are set out on page 65.

Prior to becoming a corporate REIT, the employment company of Emira purchased matching cash-settled options from financial institutions to match its exposure to the SARs issued to staff. The premium paid was expensed through the income statement over the period of the options.

Since becoming a corporate REIT, Emira utilises a different methodology of hedging. The Company is now able to enter into cash-settled forward contracts which removes the need to pay hedging premiums to financial institutions. The fair value of the options and cash-settled forward contracts as at 30 June 2017, was a liability of R15,6 million (2016: R13,8 million/liability).

### LTIs – new FSP scheme

The Company has decided to change the basis upon which it bases its LTIs to employees, to move away from a cash-settled SARs scheme to an equity-settled FSP scheme. This move better aligns Emira's LTI scheme with that of its peers.

The FSP awards shares to staff members, the vesting of which is subject to the predetermined performance conditions and continued employment condition, and which is intended to be used primarily as an incentive to staff members to deliver the Company's business strategy and goals over the longer term through the selection of appropriate and stretch target performance conditions. The on-target LTI levels, performance measures and vesting periods are discussed in the table above.

Dividends on the shares awarded under the FSP are paid to staff members in accordance with the normal dividend cycle.

Overall, the FSP works as follows:

1. An allocated number of shares are awarded to staff based on their achievement of their KPIs, as discussed in the table on page 60 above.

2. The range of the award that can be granted is the same as the range granted in terms of the STI.

The infographic on page 62 serves as an explanation of how this scheme works.

Subject to stakeholder approval at the AGM, the first awards of the FSP are anticipated to be made in November 2017, in respect of the June 2017 year-end, with subsequent awards being made annually in September of each year thereafter.

**TGP**
= R1 000

**ON-TARGET**
LTI ACHIEVED

**100% LTI AWARD**
= R800

**R800 VALUE IN SHARES**
= 270 SHARES ALLOCATED (ASSUMED) VESTS OVER 3 YEARS

**YEAR 3**
90 SHARES

**YEAR 4**
90 SHARES

**YEAR 5**
90 SHARES

**IF 90% KPIs ACHIEVED**
= 81 SHARES VESTED

DIVIDENDS ON UNVESTED SHARES ARE PAID IN TERMS OF THE NORMAL CYCLE

## LTIs – proposed new share ownership facilitation mechanisms

These are new mechanisms to encourage staff to acquire shares and participate in the long term health and wellness of the company through share ownership. These are in addition to the new FSP scheme.

There are three mechanisms, to cater for different risk profiles of staff members, all with the view to encourage staff to acquire shares in Emira:

### Matching share co-investment plan

To encourage staff members to use their own resources to acquire shares in the Company, the Company will match the shares that are held by each staff member as follows:

- A matching contribution of one share for every three shares held by the staff member.
- A minimum of three years apply to the matching.
- It includes a performance criterion that the employee must achieve greater than 75% of their KPIs over that period in order for the matching contribution to be made i.e. if less than 75% is achieved, then no matching takes place.
- There will be a maximum matching amount of no more than 50% of TGP (calculated as TGP/share price = number of matching shares) in any three-year cycle.
- Staff members may not make use of the company provided loan finance for the acquisition of shares for purposes of this matching scheme.
- The company may facilitate the acquisition of shares through the general order book of the JSE on behalf of staff in order to deliver these matching shares to qualifying staff members on achievement of the requirements.

**SARs OUTSTANDING**

| | TRANCHE 2 | TRANCHE 3 | TRANCHE 4 | TRANCHE 5 |
|---|---|---|---|---|
| ORIGINAL ISSUE PRICE (R) | 14,40 | 15,17 | 17,77 | 14,21 |
| NUMBER OF SARs | 1 157 407 | 1 318 393 | 5 375 000 | 5 093 000 |
| ISSUE DATES | September 2013 | September 2014 | September 2015 | September 2016 |
| VESTING DATES | September 2017/18 | September 2017/18/19 | September 2018/19/20 | September 2019/20/21 |
| PERFORMANCE CONDITION | None | None | Annual growth in distributions to be >CPI | Annual growth in distributions to be >CPI |
| NOTIONAL LOAN VALUE (R) | 16 666 667 | 20 000 000 | 95 513 750 | 72 371 530 |
| NOTIONAL INTEREST RATE (%) | 8,80 | 9,46 | 9,10 to 9,80 | 9,60 to 10,20 |

### Provision of loan finance to encourage staff members to acquire shares

For staff members with a greater risk profile, the Company has implemented a loan-funding scheme to further encourage staff members to acquire shares in the Company, whereby it will loan amounts to staff members as follows:

- For the purchase of shares in the Company, by the staff member, through the general order book of the JSE.
- The maximum loan amount will not exceed 50% to 250% of TGP, the loan % to TGP being dependent on their position in the Company.
- The interest rate is set at the all-in cost of borrowing of the Company from year to year, or the Fringe Benefit Tax interest rate, whichever is higher.
- The interest repayments will be required to be serviced by the dividends.
- The shares will be pledged to the Company as security for the repayment of the staff loan.
- The loan will be repayable or refinanced by the staff member within five years or on leaving the Company's employ, whichever is the earlier. Acknowledgements of debt are signed by all staff members who decide to partake of the loan finance.
- Staff members will be allowed two occasions per annum to raise this loan finance from the company.
- It is noted that these shares so acquired cannot form part of the matching share co-investment plan.
- For the avoidance of doubt, participants may avail themselves of this loan finance for their participation in the ESSA Trust.

### Long-term share acquisition trust (The ESSA Trust)

A further mechanism has been put in place to encourage and facilitate executives and senior staff to acquire a more geared position in the shares in the Company. This share trust mechanism works on a similar basis to the BEE scheme put in place in June 2017:

- It is for executives and senior/key staff members only.
- It is for the purchase of shares in the company on the same basis as the BEE scheme.
- The BEE scheme provided a 10% contribution together with 40% external bank finance and a 50% company funded interest-bearing vendor loan to acquire shares.
- The maximum participation by any participant may not exceed more than 1,0% of the shares in issue.
- The maximum participation by all participants in the ESSA Trust may not exceed more than 3,5% of the shares in issue at any point in time (as a part of the overall 5,0% limit across all schemes).
- To the extent requested by participants, they may avail themselves of the standard loan funding share purchase scheme for their 10% contribution on the same terms and conditions with the same maximum loan amount at any point in time not to exceed 100% to 200% of their TGP, depending on their position in the Company. Participants are required to utilise a minimum of 50% of their after-tax short-term incentives to reduce this staff loan used for this purpose.
- For the avoidance of doubt, there will be no matching share co-investment plan by the Company on the participant's exposure to shares in the Company.
- The ESSA Trust will be open for allocations within the agreed limits on an annual basis.
- Shares acquired by the ESSA Trust for staff members will be effected either through the general order book of the JSE or as a separately authorized issue by the Company, subject to the necessary regulatory and shareholder approvals.

# Part 3

## Implementation of policy in the 2017 financial year

### Executive remuneration

Information pertaining to the executive directors' remuneration paid in 2017 is summarised in the table on page 65 of this report and is discussed in detail in note 3 commencing on page 87 in the annual financial statements. Remuneration for the top three earning employees has not been disclosed due to the small size of the staff complement and the highly competitive property market, nor does the Board consider it appropriate for privacy reasons.

## Directors' trading in company securities

As standard group policy, directors are required to obtain clearance prior to trading in the company's securities. Such clearance must be obtained from the Chairman or CEO, or a designated director if it is the Chairman requesting approval.

Directors may not trade in company securities during closed periods and are prohibited from dealing at any time when they are in possession of unpublished price sensitive information in relation to the company, or when clearance to trade is not given.

## Non-executive directors' fees

The annual non-executive directors' fee comprises a base annual fee paid quarterly in arrears, with an expectation of a certain number of meetings per annum, which, if exceeded, will incur additional fees at the ad hoc per hour rate. Fees paid have been benchmarked to the peer group and compare favourably. Committee fees are constructed on the same basis with the expectation of a certain number of meetings per annum and additional meetings charged at the ad hoc per hour rate. Should non-executive directors perform any ad hoc work that may be required of them, over and above the expectations set, hourly fees are also paid.

All travel and accommodation expenses incurred by directors to attend Board and committee meetings and site visits, are paid in full by Emira. Detailed information pertaining to the emoluments paid to non-executive directors in 2017 are set out in note 3 commencing on page 88 in the annual financial statements and a summary thereof is contained in the on page 65.

After no increase in 2017, the 2018 proposal is driven by an annual increase and peer group comparison, taking into account the expectation of five board meetings per year with five meetings for Audit, Risk, Finance, Investment and Remuneration Committees, and two meetings for Social Ethics committees. Specific upward adjustments are proposed to be made to the REMCO chairman and REMCO member fees in order to reflect the actual work done and to better align with the other committees and the peer group comparison.

Additional meetings above the expected number of meetings indicated will incur fees at the ad hoc rate of R2 660 per hour.

# 2016 KPIs – TARGETS VS ACHIEVED

## 2016 KPIs WEIGHTED BASED ON ROLE, INCLUDE:

**1**
STRATEGIC PLANNING AND BUSINESS GROWTH

**2**
FINANCIAL PERFORMANCE AGAINST BUDGET AND PEERS

**3**
CAPITAL STRUCTURE, FUNDING OF THE BUSINESS

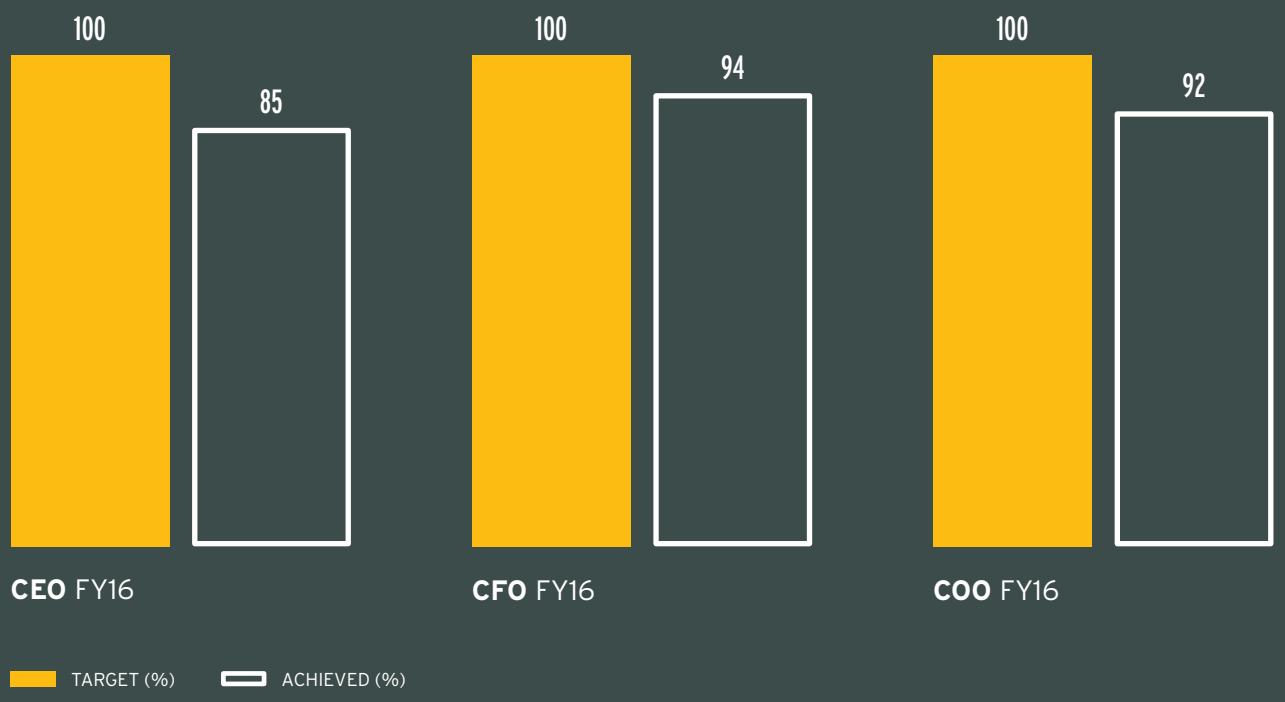
**4**
OPERATIONAL METRICS: NET INCOME, VACANCIES, TENANT RETENTION AND ARREARS

**5**
ACTIVE ASSET MANAGEMENT, PORTFOLIO PERFORMANCE AND INITIATIVES IMPLEMENTED

**6**
STAFF MANAGEMENT

**7**
STAKEHOLDER COMMUNICATION AND MANAGEMENT

**8**
WORK ETHIC AND CONTRIBUTION TO TEAM



## EXECUTIVE DIRECTORS' REMUNERATION

### TGP AND STIs

| R'000 | FY17 salary | FY17 short-term bonus | FY17 retention bonus | **2017 total** |
|---|---|---|---|---|
| **EXECUTIVE DIRECTORS** | | | | |
| GM Jennett | 2 822 | 1 215 | 1 000 | **5 037** |
| GS Booyens | 2 158 | 500 | 350 | **3 008** |
| U van Biljon | 2 480 | 1 034 | 800 | **4 314** |

### LTIs

| | Opening number | Granted in the year | Grant price (ZAR) | (Expired) in the year | (Settled) in the year | Closing number | Cash received (ZAR)[1] | Closing fair value (ZAR)[2] |
|---|---|---|---|---|---|---|---|---|
| **GEOFF JENNETT – CEO** | | | | | | | | |
| Tranche 2 SARS | 555 556 | – | 14,40 | (185 185) | – | 370 371 | – | – |
| Tranche 3 SARS | 329 598 | – | 15,17 | – | – | 329 598 | – | – |
| Tranche 4 SARS | 1 580 000 | – | 17,77 | – | – | 1 580 000 | – | – |
| Tranche 5 SARS | – | 1 200 000 | 14,21 | – | – | 1 200 000 | – | – |
| **Total** | **2 465 154** | **1 200 000** | | **(185 185)** | **–** | **3 479 969** | **–** | **–** |
| **GREG BOOYENS – CFO** | | | | | | | | |
| Tranche 2 SARS | 56 166 | – | 14,40 | (18 722) | – | 37 444 | – | – |
| Tranche 3 SARS | 98 879 | – | 15,17 | – | – | 98 879 | – | – |
| Tranche 4 SARS | 725 000 | – | 17,77 | – | – | 725 000 | – | – |
| Tranche 5 SARS | – | 1 000 000 | 14,21 | – | – | 1 000 000 | – | – |
| **Total** | **880 045** | **1 000 000** | | **(18 722)** | **–** | **1 861 323** | **–** | **–** |
| **ULANA VAN BILJON – COO** | | | | | | | | |
| Tranche 2 SARS | 555 556 | – | 14,40 | (185 185) | – | 370 371 | – | – |
| Tranche 3 SARS | 263 678 | – | 15,17 | – | – | 263 678 | – | – |
| Tranche 4 SARS | 1 250 000 | – | 17,77 | – | – | 1 250 000 | – | – |
| Tranche 5 SARS | – | 1 000 000 | 14,21 | – | – | 1 000 000 | – | – |
| **Total** | **2 069 234** | **1 000 000** | | **(185 185)** | **–** | **2 884 049** | **–** | **–** |

1 Number SAR awards settled in the year x settlement price.

2 Closing number of SAR awards x "in the money" value of a SAR award at year end (based on the year-end share price versus the Grant price).

## NON-EXECUTIVE DIRECTORS' REMUNERATION

| R | Directors' fees | **2017 total remuneration** | 2016 total remuneration |
|---|---|---|---|
| | Draft proposed 2018 | | |
| Chairman | 242 800 | **228 000** | 228 000 |
| Board member | 198 000 | **186 000** | 186 000 |
| Audit and Risk chairs | 125 000 | **117 500** | 117 500 |
| Audit and Risk members | 85 000 | **80 000** | 80 000 |
| Finance and Investment chairs | 65 500 | **61 500** | 61 500 |
| Finance and Investment members | 58 000 | **54 500** | 54 500 |
| REMCO Chair | 65 500 | **27 800** | 27 800 |
| REMCO members | 58 000 | **23 500** | 23 500 |
| Social and Ethics chair | 41 000 | **38 500** | 38 500 |
| Ad hoc meetings/hour | 2 660 | **2 500** | 2 500 |

# SUSTAINABILITY MATTERS

## Social and Ethics Committee

The information pertaining to the composition and responsibilities of this committee is presented on page 49 within the Corporate Governance report.

## Environmental management

Emira understands the value of implementing sustainable environmental business practices in order to reduce the impact its activities have on its surroundings. Indeed, global warming is widely known as a medium-term risk to business operations around the world.

The Company manages the impacts of its activities through the initiatives articulated in its Sustainability Plan, which is presided over by a dedicated committee. The purpose of this formalised policy is to facilitate continuous improvement: on the environmental, energy and economic performance of new, refurbished and existing buildings over their entire life cycle.

Retaining high-quality tenants and the rentals they provide, creates value for Emira's stakeholders. This is achieved in part by regularly upgrading the portfolio, which is both a strategic imperative and responsible investing.

Emira takes the interests of all its stakeholders seriously, and protects these interests by adhering to strict requirements for transparency and remaining responsible to the broader community it serves, while operating profitably and respecting the natural environment.

Emira's specific goals are to:

- Create a common and consistent framework for green building standards across all properties within the portfolio.
- Take better care of the environment in which it operates, including identifying and responding to risks and opportunities associated with climate change.
- Minimise the negative environmental impacts associated with building site selection, construction, refurbishment, operation, maintenance, repair and demolition without impairing the intended use of the function of the building.
- Reduce overall expenditure through improved building performance.
- Lower greenhouse gas ("GHG") emissions from buildings by improving energy efficiency and expanding the use of clean, renewable energy.
- Capitalise on other benefits often achieved by green buildings such as healthier, more productive indoor environments and improved asset value.

## Carbon footprint reporting and Carbon Disclosure Project ("CDP")

### Carbon footprint – FY17

On an annual basis, Emira discloses the carbon emissions data for the properties that comprise its portfolio. This includes all water, electricity and fugitive emissions and equates to 1 131 547m$^2$ of total normalised GLA forming part of the disclosure (including tenant consumptions).

The tables on page 67 can be summarised as follows:

- Carbon emissions have decreased by 3,82% year-on-year.
- With regard to electricity provided from the national provider, the carbon emissions factor has remained unchanged at 1.00t$CO_2$/MWh this year.
- The prorata of the portfolio's GLA decreased by 3,51%.
- Intensities/GLA have all declined except for retail due to a change in activities which were in line with expectations.
- Fugitive emissions have decreased by 31,50% due to the ongoing phase out program of R22 gases.
- Stationary fuels have increased by 1 180% due to better reporting and data collection.

### CDP – audited results – FY16

For an independent third-party verification of Emira's greenhouse gas ("GHG") emissions inventory for FY16, as quantified by GCX Africa ("GCX"), the Company once again appointed Moore Stephens Cape Town Sustainability (Pty) Ltd ("Moore Stephens"). This was Emira's third GHG inventory verification, and all have been carried out by Moore Stephens.

The purpose of the verification process was to assess:

- The accuracy, completeness and consistency of the GHG quantification, as well as the methodologies, documentation and data concerning Emira's emissions-generating activities for the FY16 reporting period;
- The conformance of the procedures, methodologies, documentation, data and GHG reporting with the principles of the WBCSD/WRI GHG Protocol Corporate Standard (2nd edition, 2004).

The verification was carried out in accordance with ISO 14064 Part 3 'Specification with guidance for the validation and verification of greenhouse gas assertions'.

## Green buildings

Emira recognises that the GreenStar South Africa rating system is the new benchmark for comparative green-building analysis and supports the Green Building Council of South Africa's ("GBCSA") initiatives to enhance the South African property sector, wherever possible. Emira is proud to be a member of the GBCSA.

At its Knightsbridge development, Emira is currently constructing three new buildings, which have been submitted for certification by the GBCSA. Each building is aiming to achieve a minimum 4-Star Green Star SA design certification.

Each new building will then undertake a Green Star Existing Building Performance Rating, after a year of operation, and Emira anticipates a minimum of 4-Stars per building. For tenants to experience optimum performance from certified buildings, this rating system ensures that green buildings are operated and managed in the way in which they were designed.

## Solar farm projects

During FY15, Emira installed a R6 million photovoltaic or solar power farm on the roof of its Epsom Downs Shopping Centre in Bryanston, Johannesburg. This pilot project was Emira's first investigation into adding renewable energy solutions to its property portfolio.

At 100% efficiency, the system was designed to produce a theoretical 515 172kWh. By operating at optimum efficiency for over a year, it is delivering substantial carbon emission savings and will continue to do so for years to come.

During the year under review, the Company has successfully completed the installation of a 1,2MWp solar power farm on the roof of its Randridge Mall Shopping Centre. It is estimated that the R17,6 million solar power farm will save an estimated 2GWh of electricity per year, which will be available for consumption in the shopping centre.

## Water projects

The current water shortages being experienced across the country have been identified as a medium-term risk to the ongoing lettability of certain properties. During the last financial year, numerous water efficiency projects were undertaken within the portfolio. A case in focus is the recent installation of a rainwater harvesting system at One Highveld, which will save in excess of 1 000 000 litres of drinking water annually. Rainwater is harvested, purified on site and then stored in tanks for later use by tenants.

## Science-based targets

Emira has reviewed its previous carbon reduction targets and realigned them using the International Science Based Targets method, which seeks to align reduction targets to the global goal of keeping the average mean increase in global temperatures to a maximum of 2ºC.

The Company has targeted a 13% reduction in absolute Scope 1 and 2 emissions from the base year by 2022. This target has been set via the SDA methodology, using 2015 as a base year and a total projected growth rate of 10% in square meters during the timeframe.

## EMIRA GROUP EMISSIONS FY17

| | | TONNES $CO_2e$ | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SCOPE | SOURCE | HEAD OFFICE | OFFICE | RETAIL | INDUSTRIAL | RESIDENTIAL | TOTAL | % OF TOTAL |
| SCOPE 1 | Product use: refrigerant gases (Kyoto Protocol) | 0 | 501 | 11 | 11 | 0 | 523 | 0,26 |
| | Stationary fuels | 3 | 126 | 320 | 0 | 0 | 449 | 0,23 |
| SCOPE 2 | Purchased electricity (location based) | 1 127 | 57 739 | 102 630 | 33 977 | 0 | 195 473 | 98,94 |
| **SUBTOTAL – SCOPE 1 AND 2** | | **1 130** | **58 366** | **102 962** | **33 988** | **0** | **196 445** | **99,43** |
| SCOPE 3 | Business travel | 38 | 0 | 0 | 0 | 0 | 38 | 0,02 |
| | Purchased goods and services: water | 5 | 294 | 373 | 373 | 0 | 1 045 | 0,53 |
| | Purchased goods and services: paper | 2 | 0 | 0 | 0 | 0 | 2 | 0,00 |
| | Employee commute | 35 | 0 | 0 | 0 | 0 | 35 | 0,02 |
| **SUBTOTAL – SCOPE 3** | | **80** | **294** | **373** | **373** | **0** | **1 120** | **0,57** |
| **TOTAL TONNES $CO_2e$** | | **1 210** | **58 660** | **103 334** | **34 361** | **0** | **197 565** | **100** |
| OUTSIDE OF SCOPE | Product use: refrigerant gases (non-Kyoto Protocol) – HCFC-22 | 0 | 348 | 279 | 19 | 0 | 646 | |
| **TOTAL TONNES $CO_2e$ INCLUDING OUTSIDE OF SCOPES EMISSIONS** | | **1 210** | **59 008** | **103 613** | **34 380** | **0** | **198 211** | **100** |
| **PERCENTAGE OF TOTAL (EXCLUDING OTHER DIRECT)** | | **0,61** | **29,69** | **52,30** | **17,39** | **0,00** | **100,00** | |

## EMIRA GROUP EMISSIONS FY13 TO FY17

| | | TONNES $CO_2e$ | | | | | |
|---|---|---|---|---|---|---|---|
| SCOPE | SOURCE | 2013 | 2014 | 2015 | 2016 | 2017 | % CHANGE 2016 – 2017 |
| SCOPE 1 | Product use: refrigerant gases (Kyoto Protocol) | 458 | 50 | 337 | 762 | 522 | (31,50) |
| | Stationary fuels | – | – | – | 35 | 448 | 1 180,00 |
| SCOPE 2 | Purchased electricity (location based) | 178 307 | 186 082 | 216 790 | 203 409 | 195 473 | (3,90) |
| **SUBTOTAL – SCOPE 1 AND 2** | | **178 765** | **186 132** | **217 127** | **204 206** | **196 443** | **(3,80)** |
| SCOPE 3 | Electricity (leased assets) | 47 | – | – | – | – | – |
| | Business travel | 19 | 21 | 29 | 36 | 38 | (5,56) |
| | Purchased goods and services: water | 1 149 | 1 128 | 1 353 | 1 186 | 1 046 | (11,80) |
| | Purchased goods and services: paper | 3 | 2 | 2 | 1 | 2 | 100,00 |
| | Employee commute | 19 | 32 | 45 | 46 | 35 | (23,91) |
| **SUBTOTAL – SCOPE 3** | | **1 237** | **1 183** | **1 429** | **1 269** | **1 121** | **(11,66)** |
| **TOTAL TONNES $CO_2e$** | | **180 002** | **187 315** | **218 556** | **205 475** | **197 564** | **(3,85)** |
| OUTSIDE OF SCOPE | Product use: refrigerant gases (non-Kyoto Protocol) – HCFC-22 | 3 350 | 2 979 | 1 427 | 598 | 645 | 7,86 |
| **TOTAL TONNES $CO_2e$ INCLUDING OUTSIDE OF SCOPES EMISSIONS** | | **183 352** | **190 294** | **219 983** | **206 073** | **198 210** | **(3,82)** |

### INTENSITY REPORTING

| INTENSITY: SCOPE 1 AND 2 | 2013 | 2014 | 2015 | 2016 | 2017 | % CHANGE |
|---|---|---|---|---|---|---|
| **TONNES $CO_2e/m^2$** | **0,158** | **0,164** | **0,181** | **0,174** | **0,169** | **(2,87)** |
| **TONNES $CO_2e$/PROPERTY** | **1 199,77** | **1 216,55** | **1 391,84** | **1 326,01** | **1 292,39** | **(2,54)** |
| **TONNES $CO_2e/m^2$** | | | | | | |
| Head office | – | 0,190 | 0,363 | 0,115 | 0,177 | 53,91 |
| Office | 0,143 | 0,152 | 0,165 | 0,163 | 0,149 | (8,59) |
| Retail | 0,249 | 0,258 | 0,283 | 0,259 | 0,262 | 1,16 |
| Industrial | 0,082 | 0,076 | 0,091 | 0,098 | 0,092 | (6,12) |
| Residential | – | 0,052 | 0,068 | – | – | – |
| **TONNES $CO_2e$/PROPERTY** | | | | | | |
| Head office | – | 651,05 | 1 270,20 | 401,20 | 564,58 | 40,72 |
| Office | 888,13 | 883,13 | 1 034,41 | 968,74 | 871,13 | (10,08) |
| Retail | 2 474,78 | 2 666,06 | 2 945,06 | 2 652,62 | 2 709,52 | 2,15 |
| Industrial | 660,58 | 605,75 | 725,79 | 815,45 | 755,28 | (7,38) |
| Residential | – | 102,44 | 133,02 | – | – | – |

### EMIRA GROUP EMISSIONS FY13 TO FY17

| | GLA ($m^2$) | | | | | Number of properties | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| SECTOR | 2013 | 2014 | 2015 | 2016 | 2017 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Head office | – | 6 842,50 | 6 989,64 | 6 989,50 | 6 396,15 | – | 2 | 2 | 2 | 2 |
| Office | 448 261,25 | 413 854,87 | 433 730,26 | 405 367,11 | 390 890,17 | 72 | 71 | 69 | 68 | 67 |
| Retail | 348 403,61 | 371 427,50 | 385 364,24 | 388 912,39 | 393 229,43 | 35 | 36 | 37 | 38 | 38 |
| Industrial | 338 302,81 | 343 998,57 | 373 000,00 | 372 629,00 | 369 634,21 | 42 | 43 | 47 | 45 | 45 |
| Residential | – | 1 970,00 | 1 960,00 | 490,00 | 0,00 | – | 1 | 1 | 1 | – |
| **TOTAL** | **1 134 967,67** | **1 138 093,44** | **1 201 044,13** | **1 174 388,00** | **1 160 149,95** | **149** | **153** | **156** | **154** | **152** |

## Transformation

Emira endorses the South African Government's B-BBEE initiatives and appreciates the importance of achieving a sustainable economic and political environment through the meaningful participation of Black people in the mainstream economy.

To this end, Emira aims to meet the requirements and principles as set out in the Property Sector Transformation Charter ("the Charter"). The Board acknowledges that B-BBEE shareholding in Emira is an important step towards achieving the targets as set out in the Charter and these fundamental principles form part of the Board's transformation agenda.

During the year Emira completed a B-BBEE transaction which resulted in 5% of the Company's shares in issue being placed in the hands of black partners. Emira's B-BBEE holdings at year-end was 6,1%. The key shareholders are:

- Tamela Property Investments (Pty) Ltd
- Luxanio Trading 57 (Pty) Ltd
- Micawber 410 (Pty) Ltd ("Micawber")
- The Shalamuka Foundation Trust ("Shalamuka")

The shareholders of Micawber are:

- Shalamuka
- The RMBP Broad-based Empowerment Trust
- Avuka Investments (Pty) Ltd
- Ben van der Ross

At the time of the compilation of this report, Emira was in the process of verifying its annual B-BBEE rating. The current assessment is being performed in terms of the amended Property Sector Code which became effective on 28 June 2017. Emira's existing B-BBEE status is a Level 5 Contributor, which was assessed under the previous Property Sector Code.

## Community involvement

Shalamuka is one of Emira's B-BBEE shareholders and the funder of Penreach, a social impact organisation that was established in the early 1990s to provide improved education for children from marginalised communities. Penreach is a non-profit in-service education development organisation that assists disadvantaged and under-resourced schools in Mpumalanga by improving the teaching skills of both qualified and unqualified educators.

By improving the quality of education and school management, Penreach contributes to the upliftment of local communities. It focuses on the development of quality teaching and learning outcomes, and provides leadership development in schools. By reaching approximately 500 000 beneficiaries per annum, the programme is the largest of its kind in the world.

Penreach clearly articulates its mission: "to improve the quality and accessibility of education in under-resourced schools in black rural communities". It aims to provide skills training for teachers and ultimately help schools teach young people the requisite skills to become well-balanced, productive, economically active adults.

Beneficiaries include primary and high school educators, (focusing on literacy, numeracy, mathematics, physical science and English language development), school governing bodies, school management teams, learners (through IT-assisted online learning), early childhood development ("ECD") practitioners, children in home-based ECD situations and their caregivers.

The programme's beneficiaries are 100% black with 86% comprising black women, of which more than 50% are rural-dwelling.

The Shalamuka trustees provide their services on a voluntary basis and are respected members of the business community. Shalamuka is 100% compliant as a broad-based organisation in accordance with the Department of Trade and Industry Codes and has Empowerdex certification.

## Retail social initiatives

Emira reaches out to local communities that surround its portfolio of retail shopping centres, engaging through social initiatives programmes during the course of every year. Initiatives are developed to address a wide range of social needs, and implemented by centre management that are familiar with their respective local areas and communities across South Africa. Emira helps to create opportunities for social upliftment and attracts people who wish to assist in a variety of worthy causes. By helping to build a better society and making a difference to communities in need, Emira is playing its part in building a better South Africa. Below are some of the initiatives undertaken by Emira's retail property portfolio:

### Wonderpark Shopping Centre

- The Wonderpark Cares Calendar assists various organisations as the centre hosts a variety of charitable days on a monthly basis. The campaign aims to enhance the centre's involvement with its immediate community.
- As it has done for a number of years, the centre grows vegetables for Luvuyo Orphanage in Soshanguve, which visits the garden regularly. The fresh vegetables are grown behind the centre and collected on a regular basis to feed the children at the orphanage.
- To make the centre more accessible to surrounding communities, a user-friendly, covered mini taxi rank was built on the premises, complete with clean restrooms. The taxi rank can accommodate the various buses and taxis that transport customers from as far away as the centre's tertiary catchment area.
- In August 2016, the centre celebrated Nurses Day by donating 60 Wonderpark branded, gift-filled cooler bags to the Akasia Netcare Hospital staff, to the value of R6 200.
- In September 2016, the centre hosted a Coca-Cola campaign, and the remaining soft drinks were donated to charity, to the value of R6 850.
- In October 2016 for Oncology Day, the centre visited a home care unit that treats cancer patients, treating them each to a small gift, cupcakes and set up an amusing photo booth for comic relief, to the value of R4 200.
- For Police Day in November 2016, the centre visited Akasia Police Station to deliver pizzas and bonus vouchers sponsored by Panarotti's, while the centre sponsored soft drinks, all to the value of R960.
- In November 2016, the centre hosted the Groot FM Stationery Drive, where customers were encouraged to sponsor stationery, which was then distributed to a number of non-profit organisations. Groot FM did an on-site broadcast to boost awareness for the event, with donations totalling R3 000.
- In December 2016, the centre placed festive gift-wrapping stations at the Pick n Pay, Absa and Woolworths court areas. The charity drive raised a total R14 400, which was donated to the Gracia Children's Home.
- In February 2017, the centre hosted its annual cancer fundraiser, the CANSA Shavathon, at the food court area. The centre helped to raise donations of R2 035 and provided the setup for the event.
- In March 2017, the centre's marketing team visited Wollies Animal Shelter, after a month in which customers donated dog and cat food in a branded car provided by Toyota Pretoria North. The centre also donated food items to the shelter, with the charity drive achieving a total value of R5 800.
- To celebrate Oldies Day in April 2017, pensioners from the community were treated to a movie at the centre's Ster-Kinekor theatres. The centre sponsored popcorn and beverages as they watched 'Beauty and the Beast'. The value of the donation reached a total of R9 600, and some pensioners watched their first ever movie in a cinema.
- In May 2017, the centre held a Blood Donation Drive in conjunction with the South African National Blood Service ("SANBS"). Located at the Pick n Pay court, the first 50 blood donors received a free Wonderpark branded blanket, and the value of the centre's sponsorship was R8 350.
- In May 2017 the centre sponsored Akasia High School's first rugby team, donating Wonderpark branded kitbags as part of its brand awareness campaign, to the value of R6 200.

### Randridge Mall

- In February 2017, the centre hosted a highly successful annual CANSA Shavathon. The centre and its patrons raised the most funds for the year within the Johannesburg area, collecting a total of R103 342 for this worthy cause.
- The centre continued its support for small business "Blessed Hands", and its founder Tish, who has become part of the community. Trained in small business enterprises by Seeds of Africa, Tish helps unemployed people start their own businesses. Now some three years later, he helps five unemployed women who assist with arts and crafts.
- Every month, the centre assists the SANBS by sponsoring exhibition space to accommodate their mobile blood donation unit and staff on the premises. The number of donors is growing on a monthly basis, as patrons' awareness of the drive is increased.
- The centre sponsors exhibition space for the National Sea Rescue Institute ("NSRI") for one week per six month cycle at a discounted rate. The aim is to build awareness around the NSRI and the crucial services is provides, while collecting donations to help keep it running.
- In January – June 2017, the centre held the Nelson Mandela Day Squares project, with tenants, employees and patrons taking part for the second year running. Volunteers helped by either collecting or making knitted squares for the annual Nelson Mandela Day blanket drive where the squares are made into blankets for the needy This year saw an excellent response from the elderly in retirement homes, as they helped to knit many of the total 1 700 squares produced for the project.
- In May 2017, the centre assisted the Northcliff Rotary Club's Blanket Drive, by helping to sell the blankets for charity. The drive was well received by the centre's patrons, collecting over R10 600 for the worthy cause.
- Throughout the year, the centre also provided exhibition space to assist a number of other non-profit organisations, namely: the Ann Harding Cheshire Home, Milk for Change, UNICEF, and Fourpaws.

### Boskruin Village

- In April 2017, the centre assisted local schoolgirls with Thandanani – the Randpark High charity drive to help members of the community. The centre donated space to help raise funds for Thandanani, which was also hosted by Randridge Mall. The schoolgirls raised an impressive R8 000 in a matter of just eight hours, thanks to the kindness of patrons and tenants alike.

### Linksfield Terrace

- The centre continued to assist the Marike De Klerk Children's Fund during the year. For one Friday and one Saturday of each month, a representative of the fund is stationed in front of the centre's Woolworths store to raise funds for children in need.

### Granada Square

- In December 2016, the centre hosted the UIP and Rotary Carols by Candlelight event for the fifth consecutive year. The centre's festive season charity programme is well known and supported by the surrounding communities, with games and competitions for the family as well as prizes awarded to the winners by Father Christmas. Donations from patrons, holidaymakers and passers by were then distributed to underprivileged children.
- The centre's Woolworths store donates surplus food to different charities each day of the week, thereby supporting seven different charities. The tenant also supported the Sikhone Charity in Bester for Mandela Day, spending time with the children and donating food, clothes and toys.

### Park Boulevard

- In October 2016, the centre supported the Pink Drive, to offer free testing and educate the local community on breast cancer. The centre's pharmacy and Spar assisted the campaign, offering pap smears for just R150 for the weekend of the drive. The campaign was extensively promoted and a total 54 customers received breast examinations and four PSA examinations.
- The centre gives discounts and special offers to local retirees in its pensioner days, held throughout the year. The centre has a strong retired community presence in the area.

### Market Square

- On a quarterly basis every year, the centre facilitates the collection of pet food and blankets for the Plett Animal Welfare Society ("PAWS"). The centre also holds a car boot sale to collect funds for PAWS, which has been successful for a number of years.
- Once again, the centre hosted the WP Blood Transfusion Service blood drive, every eight weeks during the course of the year. This important service received a significant contribution of blood from visitors to the centre during the year.
- On one Saturday morning every month, the centre hosts a local school or charity, which can then bake and sell pancakes to raise funds.
- In September 2016, the centre again hosted the annual Wittedrift High School "Entrepreneurs Day". In the event, learners had the opportunity to win centre vouchers by putting their learned entrepreneurial skills on display.
- In December 2016, 12 charities were selected to benefit from the annual festive season gift-wrapping stations located around the centre. Over R65 000 in funds were raised, up from R53 000 in the previous year.

### Quagga Shopping Centre

- In August 2016, the centre held a guide dog campaign, in support of the South African Guide Dogs Association. The aim was to create awareness around the crucial role of guide dogs in communities, with donations totalling R3 300.
- Also in August 2016, the centre collaborated with the City of Tshwane, which launched the "Fraud stops with me" campaign. The aim of the campaign was to make the reporting of corruption and fraud easier for the community.
- In September 2016, Clearview clinic had an exhibition in the centre's parking area. The clinic offers a place of healing for people coping with harmful habits and addictions. The value of the donation of space was R1 000.
- In March 2017, the Departments of Education and Health partnered to focus on the health of school children with a basic health screening for learners. National school health week took place during the month, and Die Heuwel Primary School received health-related puppet shows to educate learners.
- Also in March 2017 the centre visited the SAVF Margaretha Ackerman Old Age Home, delivering cupcakes to treat the elderly residents.
- Throughout the year, the centre donated exhibition space valued at R12 000 to Doctors without Borders.
- From November 2016 until March 2017, the centre hosted the SANBS, accommodating them in the parking area for a total value of R10 000. During the blood drive, the SANBS gained a total of 35 new donors, and bled 167 donors in total.
- In June 2017, the centre partnered with the Women's Network SAPS Academy: Tshwane, donating 770 bath soaps and face cloths to all Patogeng Primary learners in Atteridgeville.

### Tramshed Shopping Centre

- From July to December 2016, the centre donated space at the exhibitions court to the SANBS for its blood drive campaign, bleeding a total 52 donors. The centre donated advertising space and exhibition space to the value of R1 000 and R9 000 respectively.
- To raise awareness around HIV/AIDS and the prevention of child abuse, the centre hosted Universal Peace Federation at the Pick n Pay court, with brochures, pens and promotional merchandise for fundraising. The charity received a discount from the centre to the value of R4 550.
- From August 2016 until May 2017, the centre hosted non-profit organisation Doctors without Borders, which delivers emergency medical services worldwide. The centre donated R4 500 worth of exhibition space to this worthy cause.

### Springfield Retail Centre

- In May 2017, the centre donated much needed furniture to the Liv Village, a home for orphaned and vulnerable children. The home relies heavily on donations, as it provides long-term cluster foster care, where children have a sense of belonging in a supportive community, modelled on an African village lifestyle. The Liv Village looks after each child holistically, seeing to all of their developmental and educational needs.
- The centre's Foodlovers store supports a number of charities, supplying monthly groceries to take care of orphans and abandoned babies. Donations of vegetables and cash are made by Foodlovers every month to benefit the food, education and clothing needs of disadvantaged schools, also providing bursaries for qualifying students.

### Dundee Boulevard

- In October 2016, the centre hosted the local SPCA, which ran an anti-animal cruelty awareness campaign and donation run.
- In November 2016, the centre welcomed the Uelzen Church, which held a highly successful Christmas fundraiser, with the proceeds going to fund their Christmas children's event.
- Also in November 2016, the local Rotary Club held their Christmas fundraiser for the local SPCA and managed to collect a significant amount of donations, food and blankets.
- In December 2016 the centre once again hosted the SPCA, which ran a Christmas gift-wrapping service to raise funds.
- In January 2017, the Department of Health held a "Milk Bank" awareness campaign at the centre, to promote and encourage the donation of breast milk to local clinics and hospitals as well as natural breastfeeding.
- Also in January 2017, the local athletic club ran through the centre and parking areas to raise awareness and promote healthy living.
- In February 2017, CANSA held its annual Shavathon at the centre, and was successful in collecting donations and raising awareness for cancer.
- In April 2017, the centre accommodated the Uelzen Ladies Guild, which held its annual Easter sale to raise funds for the Uelzen Church meals on wheels endeavour.

## Environmental and energy saving initiatives

As always, Emira remains committed to being an environmentally responsible property fund, and makes a difference by developing and implementing initiatives in the areas and communities surrounding its properties. This proactive approach inspires others to join the effort and multiply the positive effect on society and the environment. Some of the portfolio's retail property environmental initiatives from the year under review are listed below:

### Wonderpark Shopping Centre

- The centre has generated its own compost for a number of years, by using food and plant waste supplied by the centre's tenants and members of the community. All organic material found on site is turned into compost, which is used in all of the centre's gardens and flowerbeds.
- Three public recycling stations feature outside the centre, at locations around the property. Tenants and members of the public use the facilities on a daily basis to recycle their waste metals, plastics, paper and glass. As part of its green initiative, a waste collection area for recycling materials is positioned behind the centre to decrease the impact of pollution on the environment.
- The centre replaces all light bulbs with approved power saving bulbs to reduce its carbon footprint.

### Randridge Mall

- The centre's photovoltaic ("PV") solar farm project is now fully operational. The system significantly decreases the centre's carbon footprint and provides consumption data that is accurate and credible.
- The centre installed power saving LED lights throughout the Kingsmead shoes premises.
- The centre's glass recycling initiative continues to be successful, having gained the support of tenants and members of the public.
- To address the country's persisting water shortages, water harvesting is being considered for possible implementation at the centre.

### Epsom Downs Centre

- The centre's PV solar farm project has been fully operational for a number of years, generating about 30% of the centre's electricity requirements, saving a substantial amount of energy each year.
- The potential cost savings of solar streetlights is being investigated for possible implementation at the centre.
- Energy efficient geyser blankets have been installed throughout the centre's public areas.
- The centre's waste plan is in place.

### Linksfield Terrace

- The centre systematically replaces its older globes with newer, energy efficient ones to save on cost and be kinder to the environment.
- Solar street lights with modern technology are being installed at the centre to reduce its carbon footprint.

### The Colony

- Newer, more efficient globes and light fittings with day and night sensors were installed at the centre during the year.

### Granada Square

- The centre uses a private service provider to control, sort and recycle the centre's waste, paper and glass. The results of the recycling of the waste generated at the centre are expected to be encouraging.
- When the centre replaces its air-conditioners, it does so with eco-friendly R410A units, while replacing all older units that use harmful R22 gas.
- When replacing its light fittings, the centre ensures that only new technology energy saving fittings and globes are used.
- The centre has a glass-recycling bin, installed on the premises by the Glass Recycling Company, and used daily by the centre's restaurant tenants.
- The centre also has paper bin on property to encourage the local community to recycle paper waste materials.

### Park Boulevard

- The centre launched its Art Smart campaign to encourage local schools to collect various recyclable goods to turn into art. The best artworks were showcased at the centre, the creator of the winning artwork collected a cash prize, and a cash prize went to the overall winning school. First place and R1 500 was awarded to an eight-year-old from Chelsea Preparatory, which won R5 000 as the winning school. Prizes for second and third place were also awarded.
- The centre once again held its Durban beach clean up in June 2017, to coincide with National Environment Month. The clean-up was in association with #CleanBlueLagoon, a group dedicated to cleaning up and maintaining the Blue Lagoon and Beachgrove Mangrove areas, as well as other areas of Durban in need of improvement.
- To help alleviate the country's scarce water shortages and ease demand, the centre performs regular inspections to ensure that it has no costly leaks on the premises.
- The centre installs newer, environmentally friendly air conditioning units that do not use harmful R22 gas, as and when its older air conditioning units are replaced.
- The centre's smart meter system delivers cost savings through accurate readings and monitoring. The centre only uses modern, energy saving light fittings and lamps.

### Market Square

- The centre continued with its recycling effort during the year, as all cardboard box and paper waste generated by tenants was separated from other waste and collected for processing.
- All of the centre's bulbs have been replaced with energy efficient ones to reduce its carbon footprint, while all neon signage was removed from the centre's main sign and replaced with more efficient LED fittings.

### Quagga Shopping Centre and Tramshed Shopping Centre

- In December 2016, the centres replaced less efficient, old light fittings in the basement area with modern LED lighting to improve utility cost savings.
- In July 2017, the centre collaborated with the SAPS Pretoria West to address the issue of illegal dumping, which is increasingly becoming an environmental challenge in Pretoria North.

### Springfield Retail Centre

- The centre uses a specialist service provider to control, sort and recycle the various types of waste materials generated. The move has already proved to be successful, with 62% of all waste at the centre being recycled.
- To address the nation's water shortages, the centre promotes and encourages water saving, leading by example to tenants. High-pressure water cleaning of walkways and roofs is done less often to conserve water.
- When older air-conditioners reach the end of their lifespan, the centre replaces them with eco-friendly R410A units.
- The centre's smart meter system curbs utility wastage, and only new, energy saving light fittings and lamps are used.

### Dundee Boulevard

- The centre's two waste cages are located behind its stores for cardboard and plastic waste, which is collected for recycling by a local business.
- The centre has new energy saving light fittings and globes, thereby replacing inefficient products and reducing consumption. Environmentally friendly air conditioners are also being installed at the centre, to replace older technology.
- To further reduce consumption and cost, light fittings with day and night sensors are installed throughout the common area.
- The centre has a JOJO water tank to collect rainwater, which is then repurposed for use in the restrooms. Due to its success, the installation of additional tanks is being investigated for implementation.

## Health and safety initiatives across Emira's portfolio

- Emira has awareness meetings with its contractors, which must comply with the requisite health and safety standards.
- Emira ensures that all applicable agreements with mandatory and workmen's compensation documentation are in place by conducting internal administrative assessments on all suppliers.
- All of Emira's centre contractors must comply with OHS requirements, and specialist contractors are hired to provide on-site fire equipment and safety training for centre staff.
- Emira ensures that all fire fighting equipment is properly maintained and kept in working order through scheduled services by accredited companies.
- Emira has implemented a hazard identification programme, which improves the occupational health and safety reporting process across the portfolio.
- On-going training for cleaners and security staff ensures that Emira complies with safety standards.
- Emira's centres perform regular health and safety inspections, to ensure regulatory compliance.
- Emira attends to all required maintenance and repairs swiftly, to prevent health and safety incidents.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors of the Company are responsible for the preparation, integrity, and fair presentation of the financial statements of the Company and the Group. The financial statements presented on pages 76 to 128 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all standards of International Financial Reporting Standards that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Fund at year-end. The directors also prepared the other information included in the report and are responsible for both its accuracy and its consistency with the financial statements.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Fund to enable the directors to ensure that the financial statements comply with the relevant legislation.

The Fund operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business, are being controlled. The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Fund will not be a going concern in the foreseeable future, based on forecasts and available cash resources.

These financial statements support the viability of the Fund. The Fund's external auditor, PricewaterhouseCoopers Incorporated, audited the financial statements, and their report is presented on page 73.

**G van Zyl**
Chairman

**GM Jennett**
Chief Executive Officer

# CERTIFICATE BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act of South Africa, 71 of 2008, as amended (the Companies Act), I declare that, to the best of my knowledge, for the year ended 30 June 2017, Emira Property Fund Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

**Acorim Proprietary Limited**
Company Secretary

Hyde Park, South Africa
15 September 2017

# APPROVAL OF ANNUAL STATEMENTS

The annual financial statements of the Company and Group, incorporating statutorily required information in respect of the Company, for the year ended 30 June 2017 set out on pages 76 to 128 were approved by the Board of Directors of Emira on 15 September 2017 and are signed on its behalf by:

**G van Zyl**
Chairman

**GM Jennett**
Chief Executive Officer

# REPORT OF THE INDEPENDENT AUDITOR

## Independent auditor's report to the shareholders of Emira Property Fund Limited

### Report on the audit of the consolidated and separate financial statements

#### Our 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 (the Company) and its subsidiaries (together the Group) as at 30 June 2017, 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.

#### What we have audited

Emira Property Fund Limited's consolidated and separate financial statements set out on pages 76 to 116 comprise:

- the group and company statements of financial position as at 30 June 2017;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### Basis for opinion

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

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

#### Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

#### Our audit approach

##### Overview

**Overall group materiality**

- R35,6 million, which represents 5% of consolidated profit before tax.

**Group audit scope**

- Full scope audits were performed at all financially significant components and further audit and analytical review procedures were performed over the remaining balances and the consolidation process in order to gain sufficient evidence over the consolidated financial statements.

**Key audit matters**

- Valuation of investment properties of R13,3 billion at year end.
- Accounting for the Enyuka transaction.
- Accounting for the BEE transaction, which included the issue of shares to the BEE Special Purpose Vehicles (SPVs).

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

##### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out below.

These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

**Overall group materiality**

- R35,6 million.

**How we determined it**

- 5% of consolidated profit before tax.

**Rationale for the materiality benchmark applied**

- We chose consolidated profit before tax as the appropriate benchmark because, in our view, it is the benchmark which best represents the performance of the Group as most commonly measured by users and is a generally accepted benchmark for profit-oriented companies. We chose 5% which is consistent with quantitative materiality thresholds used for widely held, public companies.

##### How we tailored our group audit scope

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

The Group consists of 17 legal entities. Our scoping assessment included consideration of financially significant components, based on the indicators such as the contribution to consolidated assets, consolidated revenue and consolidated profit before tax, as well as sufficiency of work performed over material line items in the financial statements. Based on our assessment three components were scoped for full scope audits. In addition, the group engagement team performed further audit and analytical review procedures over the remaining balances and the consolidation process in order to gain sufficient evidence over the consolidated financial statements.

All audit work was performed by the centralised engagement team (group engagement team) and did not require involvement of component auditors.

#### Key audit matters

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

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| **VALUATION OF INVESTMENT PROPERTIES OF R13,3 BILLION AT YEAR-END**<br><br>The valuation of investment properties at year-end is considered a matter of most significance to our audit due to the significance of the balance in relation to the statement of financial position. Management also make subjective judgements relating to the determination of the market related cash flows, growth, exit capitalisation and discount rates, in arriving at their estimates of the fair value.<br><br>Refer to notes 6 and 25 for the detailed disclosure in this regard.<br><br>**This key audit matter relates to the audit of the consolidated and separate financial statements.** | We obtained an understanding of and tested the relevant controls related to:<br><br>› Entering and amending of leases in support of contractual rental income;<br>› Setting and approval of budgets by the Group;<br>› Detailed analysis of forecasts and trends against actual results that inform management of the business; and<br>› Board approval of the valuations obtained.<br><br>Management engaged independent, qualified real estate appraisers (the external appraisers) to calculate the fair values of a third of the investment properties as required by the JSE Listing Requirements. We used the valuations of the external appraisers during the course of the audit. To use the work of the external appraisers we considered their objectivity, independence and expertise by:<br><br>› inspecting the external appraisers' valuation reports for a statement of independence and compliance with generally accepted valuation standards; and<br>› confirming the external appraisers' affiliation with the relevant professional body.<br><br>The remainder of the properties were valued by the internal appraiser. We assessed the internal appraiser's expertise by performing the procedures outlined above.<br><br>On a sample basis, we independently tested the calculation of the fair values in the external and internal appraisers' valuation reports by performing, amongst others, the following procedures:<br><br>› Assessing the reasonableness of the cash flows, growth, exit capitalisation and discount rates against market related data; and<br>› Independent recalculation of the accuracy of the valuations.<br><br>Whilst acknowledging that fair value itself includes subjective assumptions, we accepted that management's aggregate fair values fell within acceptable ranges.<br><br>For a sample of the valuations, we agreed the fair values recorded by management for the properties in the accounting records to the external and internal valuation reports. |
| **ACCOUNTING FOR THE ENYUKA TRANSACTION**<br><br>The Group entered into a transaction with One Property Holdings Proprietary Limited (OneProp) and contributed the majority of the properties of its subsidiary, Arnold Properties Proprietary Limited (Arnold) and two properties directly from Emira Property Fund Limited, to a new entity, Enyuka Property Fund Proprietary Limited (Enyuka).<br><br>We considered the accounting for the Enyuka transaction a matter of most significance to our audit, due to the significant amount of management judgement involved in determining whether Enyuka is controlled by the Group and the level and robustness of interactions we had with those charged with governance to determine whether control exists.<br><br>The assessment of control specifically related to the relative levels of ownership by the partners, and the disproportionate funding contributed by the Group, the call option on shares and the employment link created between Enyuka and the shareholders of OneProp.<br><br>Details of management's judgement relating to this assessment are disclosed in note 27.<br><br>**This key audit matter relates to the audit of the consolidated financial statements.** | With the assistance of our accounting specialists we assessed the indicators of control noted in the agreements (as disclosed in note 27) against the guidance in IFRS 10 Consolidated Financial Statements.<br><br>In addition, we assessed the areas of significant management judgement as follows:<br><br>› the relative levels of the ownership and disproportionate funding contributions between the partners' ownership by recalculating the legal ownership and comparing this to the economic exposure created by the vendor funding;<br>› the call option, by recalculating the property yields and comparing this to the interest on the vendor loans; and<br>› independently valuing the share based payment expense relating to the de-facto agents and employment link created for the shareholders of OneProp. While management's judgements remain subjective, we considered management's assessment acceptable. |
| **ACCOUNTING FOR THE BEE TRANSACTION, WHICH INCLUDED THE ISSUE OF SHARES TO THE BEE SPVS**<br><br>To improve the Group's Black Economic Empowerment (BEE) credentials and strengthen the Statement of Financial Position, the Group issued 26 million new shares for the consideration of R364,2 million to two BEE Special Purpose Vehicles (BEE SPVs) on 30 June 2017.<br><br>Management determined that the requirements for control have not been met and therefore the BEE SPVs should not be consolidated since the BEE parties were able to arrange their own funding. As per management's judgement the Group's exposure is limited to the vendor loan amount of R182,1 million, representing 50% of the total number of shares issued to the BEE SPVs.<br><br>Management determined that from an accounting perspective, the economic substance of the vendor loan funded portion of the issuance is deemed to be the granting of a call option on Emira shares to the BEE SPVs and a Share Based Payment expense of R14,8 million was recognised in this regard in terms of IFRS 2 Share Based Payments.<br><br>We considered the BEE transaction a matter of most significance to our audit due to the significant amount of management judgement involved in determining whether control exists over the BEE SPVs.<br><br>Details of management's judgement relating to this assessment is disclosed in note 27.<br><br>**This key audit matter relates to the audit of the consolidated and separate financial statements.** | With the assistance of our accounting specialists we assessed the indicators that management had used in assessing control against the guidance in IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities.<br><br>We assessed the indicators used by management against the contractual provisions between the Group, the BEE parties and the BEE SPVs as disclosed in note 27 to the financial statements.<br><br>We agreed the amount funded by the BEE SPV parties to the bank statements of Emira Property Fund Limited.<br><br>We considered the bank confirmations obtained from the relevant financial institutions with whom Emira Property Fund Limited has a banking relationship, for any evidence of guarantees provided to the external financier to the BEE Parties.<br><br>In addition, we obtained management's representations relating to their involvement in negotiating external funding and providing of additional liquidity to the BEE SPVs.<br><br>While management's judgements remain subjective, we considered management's assessment acceptable. |

## Other information

The directors are responsible for the other information. The other information comprises the Emira Property Fund Integrated Report that includes the Directors' Report Including Performance Review, the Audit Committee's Report and the Certificate By Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

## Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the 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 control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

# Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
Director: V. Muguto
Registered Auditor

Sunninghill
15 September 2017

# STATEMENTS OF COMPREHENSIVE INCOME

**For the year ended 30 June 2017**

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| R'000 | Notes | **2017** | 2016 | **2017** | 2016 |
| **REVENUE** | | **1 721 360** | 1 796 951 | **1 210 788** | 1 158 025 |
| Operating lease rental income from investment properties | | **1 365 307** | 1 349 437 | **913 551** | 859 285 |
| Recoveries of operating costs from tenants | | **429 601** | 431 079 | **301 022** | 295 014 |
| Allowance for future rental escalations | 7 | **(73 548)** | 16 435 | **(3 785)** | 3 726 |
| Dividends received from subsidiaries | | | | **303 810** | 748 291 |
| Income from listed property investment | | **58 516** | 58 045 | **58 516** | 58 045 |
| Property expenses | | **(677 049)** | (637 805) | **(472 616)** | (418 313) |
| Administration expenses | | **(92 410)** | (84 612) | **(77 584)** | (70 905) |
| Transaction and advisory fees | 3 | **(14 303)** | – | **(9 753)** | – |
| BEE charge | 3 | **(14 771)** | – | **(14 771)** | – |
| Depreciation | | **(11 054)** | (14 840) | **(7 667)** | (11 276) |
| **OPERATING PROFIT BEFORE FAIR VALUE ADJUSTMENTS** | | **970 289** | 1 117 739 | **990 723** | 1 463 867 |
| **Net fair value adjustments** | | **135 814** | (87 160) | **49 685** | 66 667 |
| Fair value gain/(loss) on revaluation of investment properties | | **208 177** | (201 028) | **120 531** | (54 865) |
| Change in fair value as a result of straight-lining lease rentals | 7 | **73 548** | (16 435) | **3 546** | (3 726) |
| Change in fair value as a result of amortising upfront lease costs | 8 | **9 440** | 24 778 | **6 818** | 17 957 |
| Change in fair value of investment properties | 6 | **125 189** | (209 371) | **110 167** | (69 096) |
| Revaluation of derivative financial instruments relating to share appreciation rights scheme | | **6** | (25 753) | **1 523** | (18 089) |
| Unrealised gain/(loss) on revaluation of interest-rate swaps | | **11 386** | (3 813) | **11 386** | (3 813) |
| Unrealised (loss)/gain on fair valuation of listed property investment | 10 | **(83 755)** | 143 434 | **(83 755)** | 143 434 |
| **PROFIT BEFORE FINANCE COSTS** | | **1 106 103** | 1 030 579 | **1 040 408** | 1 530 534 |
| **Net finance costs** | | **(393 541)** | (390 493) | **(308 740)** | (375 762) |
| Finance income | | **11 278** | 10 896 | **90 794** | 8 434 |
| Finance costs | | **(404 819)** | (401 389) | **(399 534)** | (384 196) |
| Interest paid and amortised borrowing costs | | **(438 089)** | (411 767) | **(432 804)** | (394 574) |
| Interest capitalised to the cost of developments | 6 | **33 270** | 10 378 | **33 270** | 10 378 |
| **PROFIT BEFORE INCOME TAX CHARGE** | 3 | **712 562** | 640 086 | **731 668** | 1 154 772 |
| **Income tax charge** | 4 | **(383)** | (6) | | |
| SA normal taxation | | **(383)** | (6) | **–** | – |
| **Profit for the year** | | **712 179** | 640 080 | **731 668** | 1 154 772 |
| **Attributable to Emira equity holders** | | **712 179** | 640 080 | **731 668** | 1 154 772 |
| | | **712 179** | 640 080 | **731 668** | 1 154 772 |
| **TOTAL COMPREHENSIVE INCOME** | | | | | |
| **Attributable to Emira equity holders** | | **712 179** | 640 080 | **731 668** | 1 154 772 |
| | | **712 179** | 640 080 | **731 668** | 1 154 772 |
| Basic/diluted earnings per share (cents) | 5 | **142,90** | 125,37 | | |

# STATEMENTS OF FINANCIAL POSITION

**As at 30 June 2017**

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| R'000 | Notes | **2017** | 2016 | **2017** | 2016 |
| **ASSETS** | | | | | |
| **Non-current assets** | | **13 157 379** | 13 085 752 | **12 461 330** | 12 454 371 |
| Investment properties | 6 | **11 827 631** | 11 757 917 | **8 326 288** | 8 234 948 |
| Fixtures and fittings | 6 | **77 887** | 61 784 | **52 909** | 42 778 |
| Allowance for future rental escalations | 7 | **219 571** | 292 077 | **152 790** | 145 811 |
| Unamortised upfront lease costs | 8 | **38 340** | 18 101 | **23 717** | 11 338 |
| Fair value of investment properties | | **12 163 429** | 12 129 879 | **8 555 704** | 8 434 875 |
| Investment in subsidiaries | 9 | | | **2 968 822** | 3 066 275 |
| Listed property investment | 10 | **901 390** | 940 364 | **901 390** | 940 364 |
| Loans receivable | 12 | **56 796** | – | **–** | – |
| Derivative financial instruments | 18 | **35 764** | 15 509 | **35 414** | 12 857 |
| **Current assets** | | **1 575 518** | 1 208 709 | **1 271 667** | 733 911 |
| Accounts receivable | 11 | **247 317** | 258 056 | **188 147** | 197 696 |
| Loans receivable | 12 | **40 252** | 43 256 | **40 252** | 43 256 |
| Derivative financial instruments | 18 | **27 130** | 16 848 | **26 468** | 15 192 |
| Cash and cash equivalents | | **168 659** | 55 549 | **91 740** | 24 867 |
| Investment properties held-for-sale | 6 | **1 092 160** | 835 000 | **925 060** | 452 900 |
| **Total assets** | | **14 732 897** | 14 294 461 | **13 732 997** | 13 188 282 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholders' capital and reserves** | 13,14 | **8 839 852** | 8 857 648 | **8 056 946** | 8 070 718 |
| **Non-current liabilities** | | **3 525 520** | 3 969 252 | **3 474 013** | 3 769 516 |
| Interest-bearing debt | 15 | **3 478 439** | 3 944 172 | **3 426 932** | 3 744 436 |
| Derivative financial instruments | 18 | **47 081** | 25 080 | **47 081** | 25 080 |
| **Current liabilities** | | **2 367 525** | 1 467 561 | **2 202 038** | 1 348 048 |
| Short-term portion of interest-bearing debt | 15 | **1 900 760** | 1 034 000 | **1 845 172** | 1 034 000 |
| Accounts payable | 16 | **419 029** | 383 391 | **320 633** | 276 737 |
| Employee benefits liability | 17 | **11 503** | 12 859 | | |
| Derivative financial instruments | 18 | **36 233** | 37 311 | **36 233** | 37 311 |
| **Total equity and liabilities** | | **14 732 897** | 14 294 461 | **13 732 997** | 13 188 282 |

# STATEMENTS OF CASH FLOWS

**For the year ended 30 June 2017**

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| R'000 | Notes | **2017** | 2016 | **2017** | 2016 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash generated from operations | 19 | **1 092 157** | 1 097 191 | **1 050 219** | 1 459 753 |
| Finance income | | **11 278** | 10 896 | **90 794** | 8 434 |
| Interest paid | | **(438 089)** | (411 767) | **(432 804)** | (394 574) |
| Taxation paid | 19 | **(383)** | (1 783) | | |
| Dividends received on treasury shares from subsidiary | | | | **7 875** | – |
| Dividends paid to shareholders | | **(718 435)** | (714 566) | **(738 715)** | (714 566) |
| **Net cash utilised in operating activities** | | **(53 472)** | (20 029) | **(22 631)** | 359 047 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of and additions to investment properties excluding capitalised interest | 6 | **(601 457)** | (695 282) | **(742 522)** | (637 282) |
| Acquisition of and additions to fixtures and fittings | 6 | **(28 903)** | (26 781) | **(19 127)** | (20 695) |
| Proceeds on disposal of investment properties | 6 | **462 569** | 283 834 | **325 781** | 272 329 |
| Proceeds on disposal of fixtures and fittings | 6 | **1 091** | 666 | **529** | 671 |
| Loans to subsidiaries | 9 | | | **97 453** | (429 595) |
| Acquisition of investment in listed property fund | 10 | **(44 781)** | – | **(44 781)** | – |
| **Net cash utilised in investing activities** | | **(211 481)** | (437 563) | **(382 667)** | (814 572) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Shares issued | 13 | **182 113** | – | **182 113** | – |
| Share issue costs | 13 | **(2 748)** | – | **(2 748)** | – |
| Shares repurchased | 13 | **(200 207)** | – | **(200 207)** | – |
| REIT restructure costs | 13 | **(654)** | (7 881) | **(654)** | (7 881) |
| Share transfer tax on share buy-back | | **(1 469)** | | | |
| Interest-bearing debt raised | | **2 989 510** | 2 620 327 | **3 082 149** | 2 620 327 |
| Interest-bearing debt repaid | | **(2 588 482)** | (2 152 516) | **(2 588 482)** | (2 152 682) |
| **Net cash generated from financing activities** | | **378 063** | 459 930 | **472 171** | 459 764 |
| Net increase in cash and cash equivalents | | **113 110** | 2 338 | **66 873** | 4 239 |
| Cash and cash equivalents at the beginning of the year | | **55 549** | 53 211 | **24 867** | 20 628 |
| **Cash and cash equivalents at the end of the year** | | **168 659** | 55 549 | **91 740** | 24 867 |

# STATEMENTS OF CHANGES IN EQUITY

**For the year ended 30 June 2017**

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| R'000 | Share capital | Fair value reserve | Other reserve | Non-controlling interest | Retained earnings | Total |
| **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 from 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 |
| **2017** | | | | | | |
| Balance at 1 July 2016 | **3 787 628** | **4 811 514** | **(98 262)** | **–** | **356 768** | **8 857 648** |
| REIT restructure costs | **(654)** | | | | | **(654)** |
| Shares issued | **182 113** | | | | | **182 113** |
| Share issue costs | **(2 748)** | | | | | **(2 748)** |
| Shares repurchased | **(200 207)** | | | | | **(200 207)** |
| BEE charge | | | **14 771** | | | **14 771** |
| Share transfer tax on share–buyback | | **(1 469)** | | | | **(1 469)** |
| Total comprehensive income for the year | | | | | **712 179** | **712 179** |
| Dividend paid – September 2016 | | | | | **(376 174)** | **(376 174)** |
| Dividend paid – March 2017 | | | | | **(342 261)** | **(342 261)** |
| Transfer to fair value reserve | | **49 480** | | | **(52 826)** | **(3 346)** |
| **Balance at 30 June 2017** | **3 766 132** | **4 859 525** | **(83 491)** | **–** | **297 686** | **8 839 852** |
| Notes | 13 | 14 | 14 | | 14 | |

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| R'000 | Share capital | Treasury shares | Fair value reserve | Other reserve | Retained earnings | Total |
| **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 |
| **2017** | | | | | | |
| Balance at 1 July 2016 | **3 787 628** | | **4 004 200** | **(98 262)** | **377 152** | **8 070 718** |
| REIT restructure costs | **(654)** | | | | | **(654)** |
| Shares issued | **182 113** | | | | | **182 113** |
| Share issue costs | **(2 748)** | | | | | **(2 748)** |
| Shares repurchased | **(200 207)** | **200 207** | | | | **–** |
| Shares cancelled | | **(200 207)** | | | | **(200 207)** |
| BEE charge | | | | **14 771** | | **14 771** |
| Total comprehensive income for the year | | | | | **731 668** | **731 668** |
| Dividend paid – September 2016 | | | | | **(386 793)** | **(386 793)** |
| Dividend paid – March 2017 | | | | | **(351 922)** | **(351 922)** |
| Transfer to fair value reserve | | | **39 081** | | **(39 081)** | **–** |
| **Balance at 30 June 2017** | **3 766 132** | **–** | **4 043 281** | **(83 491)** | **331 024** | **8 056 946** |
| Notes | 13 | | 14 | 14 | 14 | |

# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2017**

## 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 15 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 2017 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. |
| **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. |
| **IAS 40,** Investment properties | 1 January 2018 | Amendments to clarify that to transfer to or from investment properties, there must be a change in use. The amendments do not have a material impact on the Group. |
| **IFRS 2,** Share based payments | 1 January 2018 | The amendments clarify the measurement for cash settled share based payments and the accounting modifications. |
| **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. |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 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.

### 2.4 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

### 2.6 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (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.

## 2.11 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".

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 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.

### 2.18 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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 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) Short-term incentive

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 3. PROFIT FOR THE YEAR BEFORE INCOME TAX CHARGE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| Profit for the year before income tax charge is arrived at after taking into account the following items: | | | | |
| Dividends received from subsidiaries | | | **295 935** | 748 291 |
| **EXPENSES** | | | | |
| Auditor's remuneration | **3 033** | 2 898 | **2 637** | 2 759 |
| – Audit fee | **2 863** | 2 756 | **2 467** | 2 617 |
| – Non-audit fees | **113** | | **113** | |
| – Expenses | **57** | 142 | **57** | 142 |
| Operating lease payments – leasehold properties | **23 228** | 21 109 | **6 344** | 6 615 |
| Payroll costs | **33 552** | 31 635 | | |
| Transaction and advisory fees | **14 303** | – | **9 753** | – |
| BEE charge | **14 771** | – | **14 771** | – |

## DIRECTORS' EMOLUMENTS

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| R'000 | Basic salary | Contributions to defined contribution plans | Annual bonus * | Phantom share scheme payment | Leave pay | Total |
| **Executive directors** | | | | | | |
| **2017** | | | | | | |
| GM Jennett (CEO) | **2 488** | **334** | **2 215** | | | **5 037** |
| GS Booyens (CFO) | **1 940** | **218** | **850** | | | **3 008** |
| U van Biljon (COO) | **2 130** | **350** | **1 834** | | | **4 314** |
| **Total** | **6 558** | **902** | **4 899** | **–** | **–** | **12 359** |
| **2016** | | | | | | |
| GM Jennett (CEO) | 2 233 | 327 | 938 | 953 | | 4 451 |
| JWA Templeton (ex CEO) | 370 | 96 | 2 208 | 1 743 | 188 | 4 605 |
| GS 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 |

* Bonuses awarded with reference to the financial year ended 30 June 2016.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 3. PROFIT FOR THE YEAR BEFORE INCOME TAX CHARGE CONTINUED

### PHANTOM SHARES HELD

| Number of shares | Balance at 1 Jul 2016 | (Exercised)/ issued/ (cancelled) during the year | **Balance at 30 Jun 2017** |
|---|---|---|---|
| **Second tranche** | | | |
| GM Jennett (CEO) | 555 556 | (185 185) | **370 371** |
| U van Biljon (COO) | 555 556 | (185 185) | **370 371** |
| GS Booyens (CFO) | 56 166 | (18 722) | **37 444** |
| **Total** | 1 167 278 | (389 092) | **778 186** |
| **Third tranche** | | | |
| GM Jennett (CEO) | 329 598 | – | **329 598** |
| U van Biljon (COO) | 263 678 | – | **263 678** |
| GS Booyens (CFO) | 98 879 | – | **98 879** |
| **Total** | 692 155 | – | **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** |
| **Fifth tranche** | | | |
| GM Jennett (CEO) | – | 1 200 000 | **1 200 000** |
| U van Biljon (COO) | – | 1 000 000 | **1 000 000** |
| GS Booyens (CFO) | – | 1 000 000 | **1 000 000** |
| **Total** | – | 3 200 000 | **3 200 000** |

| R'000 | GROUP **2017** | GROUP 2016 |
|---|---|---|
| **NON-EXECUTIVE DIRECTORS** | | |
| G van Zyl (Chairman) | **478** | 253 |
| MS Aitken | **297** | 254 |
| BH Kent (Lead independent director) | **426** | 437 |
| V Mahlangu | **367** | 363 |
| NE Makiwane | **216** | 186 |
| W McCurrie | **248** | 276 |
| V Nkonyeni | **306** | 254 |
| BJ van der Ross (ex Chairman)* | **157** | 214 |
| MSB Neser* | **150** | 426 |
| **Total** | **2 645** | 2 663 |

* Retired effective 14 February 2017.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 4. INCOME TAX CHARGE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **Reconciliation of the taxation charge** | | | | |
| Profit for the year before income tax credit at 28% (2016: 28%) | **199 517** | 179 224 | **206 798** | 323 336 |
| Qualifying distributions | **(207 199)** | (208 856) | **(207 199)** | (208 856) |
| Qualifying distributions received from subsidiaries relating to prior years | | | **–** | (101 983) |
| Fair value adjustments | **(34 840)** | 23 337 | **(10 724)** | (19 734) |
| Allowances for future rental escalations and upfront lease costs | **23 236** | 2 336 | **2 969** | 3 985 |
| Other | **(10 808)** | (4 943) | **(9 048)** | (203) |
| Tax loss not carried forward | **30 094** | 8 902 | **17 204** | 3 455 |
| Prior year under provision | **(383)** | (6) | **–** | – |
| | **(383)** | (6) | **–** | – |

## 5. BASIC AND DILUTED EARNINGS PER SHARE

| | GROUP | |
|---|---|---|
| R'000 | **2017** | 2016 |
| **Reconciliation between earnings and headline earnings and dividend payable** | | |
| Profit for the year attributable to equity holders | **712 179** | 640 080 |
| **Adjusted for:** | | |
| Net fair value gain on revaluation of investment properties | **(208 177)** | 201 028 |
| Change in fair value as a result of straight-lining lease rentals | **(73 548)** | 16 435 |
| Change in fair value as a result of amortising upfront lease costs | **(9 440)** | (24 778) |
| Change in fair value as a result of property appreciation in value | **(125 189)** | 209 371 |
| **Headline earnings** | **504 002** | 841 108 |
| **Adjusted for:** | | |
| Allowance for future rental escalations | **73 548** | (16 435) |
| Amortised upfront lease costs | **9 440** | 24 778 |
| Unrealised surplus on revaluation of interest-rate swaps | **(11 386)** | 3 813 |
| Revaluation of share appreciation rights scheme derivative financial instruments | **(6)** | 25 753 |
| Unrealised gain on listed property investment | **83 755** | (143 434) |
| Credit in respect of leave pay provision and share appreciation rights scheme | **(718)** | (4 238) |
| Dividend received on treasury shares | **20 280** | – |
| Depreciation | **10 743** | 14 563 |
| Transaction and advisory fees | **14 303** | – |
| IFRS2 charge – BEE transaction | **14 771** | – |
| Enyuka associate accounting adjustment | **1 860** | – |
| Antecedent interest | **19 404** | – |
| SA normal taxation | **–** | 6 |
| **Distribution payable to shareholders*** | **739 996** | 745 914 |

* The adjustments made to headline earnings to derive the distribution payable have not been audited.

| | | |
|---|---|---|
| **Dividend per share** | | |
| Interim (cents) | **68,93** | 70,34 |
| Final (cents) | **74,25** | 75,76 |
| | **143,18** | 146,10 |
| Number of shares in issue at the end of the year | **522 667 247** | 510 550 084 |
| Weighted average number of shares in issue | **498 521 707** | 510 550 084 |
| **Earnings per share (cents)** | **142,90** | 125,37 |

The calculation of earnings per share is based on net profit for the year of R712,2 million (2016: R640,1 million), divided by the weighted average number of shares in issue during the year of 498 521 707 (2016: 510 550 084).

| | | |
|---|---|---|
| **Headline earnings per share (cents)** | **101,10** | 164,75 |

The calculation of headline earnings per share is based on net profit for the year, adjusted for headline items, of R504,0 million (2016: R841,1 million), divided by the weighted average number of shares in issue during the year of 498 521 707 (2016: 510 550 084).

| | | |
|---|---|---|
| Diluted headline earnings per share (cents) | **101,10** | 164,75 |

Emira has elected to use dividend per share as the relevant measure of financial results for trading statement purposes.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 6. INVESTMENT PROPERTIES

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| R'000 | Freehold and leasehold land and buildings 2017 | Fixtures and fittings 2017 | Total 2017 | Freehold and leasehold land and buildings 2017 | Fixtures and fittings 2017 | Total 2017 |
| **Net carrying value at 30 June 2017** | | | | | | |
| Cost | 8 528 559 | 189 776 | 8 718 335 | 6 104 673 | 142 499 | 6 247 172 |
| Accumulated depreciation | | (105 717) | (105 717) | | (85 789) | (85 789) |
| Revaluation surplus | 4 385 060 | | 4 385 060 | 3 142 874 | | 3 142 874 |
| Investment properties held-for-sale | (1 085 988) | (6 172) | (1 092 160) | (921 259) | (3 801) | (925 060) |
| | 11 827 631 | 77 887 | 11 905 518 | 8 326 288 | 52 909 | 8 379 197 |
| **Movement for the year** | | | | | | |
| Valuation at 1 July 2016 | 11 757 917 | 61 784 | 11 819 701 | 8 234 948 | 42 778 | 8 277 726 |
| Acquisitions | 85 293 | – | 85 293 | 268 836 | 1 297 | 270 133 |
| Additions | 549 435 | 28 902 | 578 337 | 492 236 | 17 830 | 510 066 |
| Disposals | (518 569) | (1 091) | (519 660) | (325 781) | (529) | (326 310) |
| Depreciation | | (11 054) | (11 054) | | (7 667) | (7 667) |
| Fair value gain on revaluation of investment properties | 208 177 | | 208 177 | 120 531 | | 120 531 |
| Investment properties held-for-sale | (254 622) | (654) | (255 276) | (464 482) | (800) | (465 282) |
| – prior year | 829 482 | 5 518 | 835 000 | 449 899 | 3 001 | 452 900 |
| – prior year straight-lining adjustments | (14 669) | | (14 669) | (9 217) | | (9 217) |
| – current year at valuation | (1 085 988) | (6 172) | (1 092 160) | (921 259) | (3 801) | (925 060) |
| – current year straight lining adjustments | 16 553 | | 16 553 | 16 095 | | 16 095 |
| Valuation at 30 June 2017 | 11 827 631 | 77 887 | 11 905 518 | 8 326 288 | 52 909 | 8 379 197 |
| **Reconciliation to independent and directors' valuations** | | | | | | |
| Valuation at 30 June 2017 – as above | 11 827 631 | 77 887 | 11 905 518 | 8 326 288 | 52 909 | 8 379 197 |
| Allowance for future rental escalations | 219 571 | | 219 571 | 152 790 | | 152 790 |
| Unamortised upfront lease costs | 38 340 | | 38 340 | 23 717 | | 23 717 |
| Investment properties held-for-sale | 1 085 988 | 6 172 | 1 092 160 | 921 259 | 3 801 | 925 060 |
| **Independent and directors' valuations at 30 June 2017** | 13 171 530 | 84 059 | 13 255 589 | 9 424 054 | 56 710 | 9 480 764 |

Ten properties, valued at R454,0 million (which were held-for-sale at 30 June 2016), have not yet been sold as a result of depressed economic conditions. These properties are still being actively marketed. The disposal of these properties are still highly probable and the directors expect to dispose of these in the next financial year.

Two properties were acquired by Enyuka during the year: Jock of the Bushveld in Barberton, Mpumulanga and Hluhluwe Centre in Hluhluwe, KwaZulu-Natal.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 6. INVESTMENT PROPERTIES CONTINUED

| | 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 |

Investment properties held-for-sale have been identified in note 31 – 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 2017 using a discounted cash flow approach based on future income streams, applying an appropriate exit capitalisation rate to each property.

Independent valuations were carried out by Knight Frank, Quadrant Properties, Real Insight and Yield Enhancement Solutions, all 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 R10 685,8 million (2016: R9 937,5 million) have been used to provide security for loans taken out. See note 15.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 7. ALLOWANCE FOR FUTURE RENTAL ESCALATIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| Balance at 1 July 2016 | **292 077** | 286 762 | **145 811** | 148 371 |
| Net straight-lining for the year | **(73 548)** | 16 435 | **(3 547)** | 3 726 |
| Properties acquired | | | **13 970** | – |
| Investment properties held-for-sale | **1 042** | (11 120) | **(3 444)** | (6 286) |
| Balance at 30 June 2017 | **219 571** | 292 077 | **152 790** | 145 811 |
| Current portion | **34 314** | 54 815 | **20 116** | 24 990 |

## 8. UNAMORTISED UPFRONT LEASE COSTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| Balance at 1 July 2016 | **18 101** | 44 387 | **11 338** | 30 195 |
| Net smoothing for the year | **(9 440)** | (24 778) | **(6 818)** | (17 957) |
| Unamortised lease commission | **28 291** | | **17 659** | – |
| Properties acquired | | | **748** | – |
| Investment properties held-for-sale | **1 388** | (1 508) | **790** | (900) |
| Balance at 30 June 2017 | **38 340** | 18 101 | **23 717** | 11 338 |

## 9. SUBSIDIARY COMPANIES

| | GROUP | |
|---|---|---|
| R'000 | **2017** | 2016 |
| Shares at cost | **1 970 231** | 1 888 568 |
| Amounts owing by subsidiary companies | **998 591** | 1 177 707 |
| | **2 968 822** | 3 066 275 |

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

The Directors' valuation of the investment in subsidiaries at 30 June 2017 was R2 968 822 (2016: R3 066 275).

| | ISSUED ORDINARY SHARE CAPITAL | | PROPORTION HELD BY HOLDING COMPANY (%) | | SHARES AT COST | | AMOUNT DUE TO/(BY) HOLDING COMPANY | |
|---|---|---|---|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| **SUBSIDIARIES DIRECTLY HELD** | | | | | | | | |
| Adamass Investments (Pty) Ltd* | **–** | – | **100** | 100 | **13 641** | 13 641 | **42 770** | 39 863 |
| Aquarella Investments 272 (Pty) Ltd* | **–** | – | **100** | 100 | **6 379** | 6 379 | **36 532** | 63 192 |
| Backbone Investments (Pty) Ltd* | **–** | – | **100** | 100 | **11 364** | 3 243 | **(11 364)** | 3 082 |
| Betall Investments (Pty) Ltd* | **–** | – | **100** | – | **–** | – | **–** | – |
| Enyuka Properties (Pty) Ltd# | **2** | – | **49,9** | – | **12** | – | **591 736** | – |
| Freestone Property Holdings Limited | **38 659** | 38 659 | **100** | 100 | **1 339 187** | 1 339 187 | **(437 769)** | 250 081 |
| Libra Investments 5 (Pty) Ltd* | **–** | – | **100** | 100 | **66 412** | 66 412 | **285 699** | 284 901 |
| Lowmer Investments (Pty) Ltd* | **–** | – | **100** | 100 | **111 249** | 111 249 | **99 128** | 96 448 |
| Menlyn Corporate Park (Pty) Ltd* | **–** | – | **100** | 100 | **283 386** | 283 386 | **369 114** | 343 537 |
| Monagon Properties (Pty) Ltd* | **–** | – | **100** | 100 | **14 835** | 14 835 | **50 006** | 49 662 |
| No. 9 Sturdee Holdings Share Block (Pty) Ltd* | **–** | – | **100** | 100 | **22 056** | 497 | **(23 744)** | 7 504 |
| Omnicron Investments 005 (Pty) Ltd* | **–** | – | **100** | 100 | **35 368** | 35 368 | **22 117** | 21 940 |
| Rapidough Properties 509 (Pty) Ltd* | **–** | – | **100** | 100 | **17 832** | 17 832 | **15 409** | 15 356 |
| Strategic Real Estate Managers (Pty) Ltd* | **–** | – | **100** | 100 | **300** | 300 | **7 273** | 12 412 |
| Windrifter Share Block (Pty) Ltd* | **–** | – | **100** | 100 | **48 230** | 20 192 | **(48 230)** | 67 747 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 9. SUBSIDIARY COMPANIES CONTINUED

| | ISSUED ORDINARY SHARE CAPITAL | | PROPORTION HELD BY HOLDING COMPANY (%) | | SHARES AT COST | | AMOUNT DUE TO/(BY) HOLDING COMPANY | |
|---|---|---|---|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| **SUBSIDIARIES INDIRECTLY HELD** | | | | | | | | |
| Arnold Properties (Pty) Ltd* | **–** | – | **–** | 100 | **–** | 8 020 | **–** | 122 174 |
| Azgold Investments (Pty) Ltd* | **–** | 10 382 | **–** | 100 | **–** | 3 247 | **–** | (3 947) |
| Cape Poinsett Property Investments (Pty) Ltd* | **–** | – | **100** | 100 | **3 671** | 159 773 | **255 629** | 254 831 |
| Freestone Property Investments (Pty) Ltd* | **–** | – | **100** | 100 | **–** | – | **775 132** | 817 822 |
| Kenview Share Block (Pty) Ltd* | **–** | – | **–** | 100 | **–** | (1 885) | **–** | (2 222) |
| Paddy's Pad (2091) (Pty) Ltd* | **–** | – | **–** | 100 | **–** | 15 539 | **–** | (16 715) |
| Surgate Share Block (Pty) Ltd* | **–** | – | **–** | 100 | **–** | (1 981) | **–** | (1 585) |
| Emira Property Fund Scheme | **–** | – | **–** | – | **–** | – | **–** | – |

* The zero balances represent nominal amounts under R1 000.

\# Refer to note 27 for the accounting treatment relating Enyuka

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 | **2017** | 2016 | **2017** | 2016 |
| Growthpoint Properties Australia Limited (GOZ) | | | | |
| Fair valuation at 1 July 2016 | **940 364** | 796 930 | **27 225 813** | 27 225 813 |
| Stapled securities acquired | **44 781** | – | **1 332 753** | – |
| Fair value adjustment | **(83 755)** | 143 434 | | |
| **Fair value at 30 June 2017** | **901 390** | 940 364 | **28 558 566** | 27 225 813 |
| Exchange rate ZAR: 1AUD | **10,05** | 10,96 | | |
| The investment is designated as fair value through profit and loss. The fair value is determined using the quoted bid price at 30 June 2017 of AUD3,14. (2016: AUD3,15) | | | | |

## 11. ACCOUNTS RECEIVABLE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| Trade receivables | **63 358** | 85 238 | **45 939** | 56 801 |
| Less: Provision for non-recoverable receivables | **(23 034)** | (25 467) | **(17 841)** | (19 462) |
| Net trade receivables | **40 324** | 59 771 | **28 098** | 37 339 |
| Prepayments | **60 365** | 47 591 | **51 012** | 40 384 |
| Investment income receivable | **29 231** | 28 740 | **29 231** | 28 740 |
| Accrual of recoverable expenses | **36 299** | 35 674 | **27 298** | 24 697 |
| Municipal deposits | **20 939** | 19 304 | **16 051** | 13 191 |
| Amortised lease commission | **–** | 19 926 | **–** | 11 407 |
| Other receivables | **60 159** | 47 050 | **36 457** | 41 938 |
| **Total** | **247 317** | 258 056 | **188 147** | 197 696 |
| Due within one year | **247 317** | 258 056 | **188 147** | 197 696 |

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 11. ACCOUNTS RECEIVABLE CONTINUED

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| Accumulated provision for non-recoverable receivables at 1 July 2016 | **25 467** | 20 953 | **19 462** | 13 618 |
| Amounts written off during the year as uncollectable | **(18 536)** | (18 991) | **(10 992)** | (16 245) |
| Additional provision recognised during the year | **16 103** | 23 505 | **9 371** | 22 089 |
| Accumulated provision for non-recoverable receivables at 30 June 2017 | **23 034** | 25 467 | **17 841** | 19 462 |
| **Ageing of receivables past due but not impaired** | | | | |
| 30 days | **9 484** | 15 908 | **1 895** | 1 294 |
| 60 days | **1 109** | 5 452 | **761** | 2 896 |
| 90 days | **4 469** | 6 201 | **3 478** | 4 958 |
| 120+ days | **25 262** | 32 210 | **21 964** | 28 191 |
| **Total** | **40 324** | 59 771 | **28 098** | 37 339 |
| **Ageing of impaired receivables** | | | | |
| 30 days | **1 561** | 1 878 | **1 137** | 783 |
| 60 days | **937** | 3 039 | **498** | 1 576 |
| 90 days | **884** | 2 906 | **752** | 2 523 |
| 120+ days | **19 652** | 17 644 | **15 454** | 14 580 |
| **Total** | **23 034** | 25 467 | **17 841** | 19 462 |

## 12. LOANS RECEIVABLE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **RAB Property Investments (Pty) Ltd** | | | | |
| The loan bears interest at 9% per annum, is unsecured and is repayable in full on 27 April 2020. The loan relates to finance provided on the disposal of Brooklyn Gardens, Waterkloof House and Brooklyn Forum. | **50 793** | – | | |
| **Africrest Properties (Pty) Ltd** | | | | |
| The loan bears interest at 9,5% from 29 June 2017 to 28 June 2018, 10,0% from 29 June 2018 to 28 June 2019, 10,5% from 29 June 2019 to 28 June 2020 and 11,0% from 29 June 2020 to 28 June 2021. The loan is unsecured and is repayable on 28 June 2021. The loan relates to finance provided on the disposal of The Avenues property. | **6 003** | – | | |
| **Griffin JD Rustenburg Properties (Pty) Ltd** | | | | |
| The loan bears interest at the prime rate, is unsecured and is repayable on 30 September 2017. The loan relates to finance provided on the disposal of a portion of Woodmead Office Park. | **40 252** | 43 256 | **40 252** | 43 256 |
| **Total loans receivable** | **97 048** | 43 256 | **40 252** | 43 256 |
| **Less: current portion of loans receivable** | | | | |
| Griffin JD Rustenburg Properties (Pty) Ltd | **40 252** | 43 256 | **40 252** | 43 256 |
| **Current portion of loans receivable** | **40 252** | 43 256 | **40 252** | 43 256 |
| **Non-current portion of loans receivable** | **56 796** | – | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 13. SHARE CAPITAL

### AUTHORISED

2 000 000 000 ordinary shares of no par value (2016: 2 000 000 000)

### ISSUED

522 667 247 ordinary shares of no par value (2016: 510 550 084)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| **Movements** | | | | |
| Balance at 1 July 2016 | **3 787 628** | 3 795 509 | **3 787 628** | 3 795 509 |
| Re-purchased during the year | **(200 207)** | – | **(200 207)** | – |
| Issued during the year – see note 27.2 | **182 113** | – | **182 113** | – |
| Issue costs | **(2 748)** | – | **(2 748)** | – |
| REIT restructure costs | **(654)** | (7 881) | **(654)** | (7 881) |
| Balance at 30 June 2017 | **3 766 132** | 3 787 628 | **3 766 132** | 3 787 628 |

During the year, the Fund completed a buy-back programme where 14 016 201 shares were purchased at an average price of 1 427 cents per share. The shares were initially held as treasury shares and subsequently cancelled in March 2017.

## 14. RESERVES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **Fair value reserve** | | | | |
| Balance at 1 July 2016 | **4 811 514** | 4 907 017 | **4 004 200** | 3 951 764 |
| Movement for the year | **52 826** | (95 503) | **39 081** | 52 436 |
| Fair value adjustments | **124 428** | (83 347) | **38 299** | 70 480 |
| Allowance for future rental escalations | **(73 548)** | 16 435 | **(3 784)** | 3 726 |
| Unamortised upfront lease costs | **(9 440)** | (24 778) | **(6 820)** | (17 957) |
| Unrealised surplus on interest-rate swaps | **11 386** | (3 813) | **11 386** | (3 813) |
| Other movements | **(3 346)** | – | | |
| Share transfer tax on share buy-back | **(1 469)** | – | | |
| Balance at 30 June 2017 | **4 859 525** | 4 811 514 | **4 043 281** | 4 004 200 |
| **Other reserve** | | | | |
| Balance at 1 July 2016 | **(98 262)** | (98 262) | **(98 262)** | (98 262) |
| BEE charge | **14 771** | – | **14 771** | – |
| Balance at 30 June 2017 | **(83 491)** | (98 262) | **(83 491)** | (98 262) |
| **Retained earnings** | | | | |
| Balance at 1 July 2016 | **356 768** | 341 013 | **377 152** | (10 618) |
| Total comprehensive income for the year | **712 179** | 634 818 | **723 793** | 1 154 772 |
| Profit before income tax charge | **712 562** | 640 086 | **723 793** | 1 154 772 |
| Income tax charge | **(383)** | (6) | | |
| Acquisition of minority interests | **–** | (5 262) | | |
| Dividends to shareholders | **(718 435)** | (714 566) | **(738 715)** | (714 566) |
| Dividends received on treasury shares | | | **7 875** | |
| Transfer to fair value reserve | **(52 826)** | 95 503 | **(39 081)** | (52 436) |
| Fair value adjustments | **(124 428)** | 83 347 | **(38 299)** | (70 480) |
| Allowance for future rental escalations | **73 548** | (16 435) | **3 784** | (3 726) |
| Unamortised upfront lease costs | **9 440** | 24 778 | **6 820** | 17 957 |
| Unrealised surplus on interest-rate swaps | **(11 386)** | 3 813 | **(11 386)** | 3 813 |
| Balance at 30 June 2017 | **297 686** | 356 768 | **331 024** | 377 152 |
| **Total reserves** | **5 073 720** | 5 070 020 | **4 290 814** | 4 283 090 |

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 Fund's BEE partners and vendors of properties in prior years, together with the current year's IFRS2 adjustment in respect of the BEE transaction concluded on 29 June 2017 as detailed in note 27.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 15. INTEREST-BEARING DEBT

| R'000 | GROUP 2017 | GROUP 2016 | COMPANY 2017 | COMPANY 2016 |
|---|---|---|---|---|
| **FirstRand Bank Limited** | | | | |
| Floating rate R300 million seven-year access funding term loan with a capital repayment on termination on 31 July 2017. Interest is payable at prime less 180 basis points. | **412** | | **412** | |
| | **665 539** | 665 335 | **665 539** | 665 335 |
| Floating rate ten-year funding term loan with a capital repayment on termination, on 29 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 | **(356)** | (560) | **(356)** | (560) |
| | **500 000** | 500 000 | **500 000** | 500 000 |
| 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 |
| | **500 000** | 499 456 | **500 000** | 499 456 |
| 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** | 500 000 | **500 000** | 500 000 |
| Less: unamortised structuring fee and bond costs | **–** | (544) | **–** | (544) |
| The facilities above are secured by a first mortgage bond over fixed property with a carrying value of R7 121,3 million. | | | | |
| **Nedbank Limited** | **199 904** | 199 736 | **199 904** | – |
| Three-year term loan repayable on 2 May 2018. Interest is payable at three month JIBAR plus 158 basis points. | **200 000** | 200 000 | **200 000** | – |
| Less: unamortised structuring fee | **(96)** | (264) | **(96)** | – |
| | **99 583** | – | **99 583** | – |
| Two-year R200 million term loan, repayable on 12 March 2019. Interest is payable at three month JIBAR plus 158 basis points. | **100 000** | – | **100 000** | – |
| Less: unamortised structuring fee | **(417)** | – | **(417)** | – |
| **Nedbank Limited-Enyuka** | **41 932** | | | |
| Short-term bridging loan repayable on 7 November 2017. Interest is payable monthly at prime. | **41 932** | – | **–** | – |
| **Nedbank Limited-Enyuka** | **13 656** | | | |
| Short-term bridging loan repayable on 7 May 2018. Interest is payable monthly at prime. | **13 656** | – | **–** | – |
| The facilities above are secured by a first mortgage bond over fixed property with the carrying value of R594,0 million. | | | | |
| | **300 000** | 613 481 | **300 000** | 613 481 |
| Three-year term loan repayable on 1 August 2017. Interest is payable quarterly at three month JIBAR plus 163 basis points. The loan is unsecured. | **300 000** | 614 000 | **300 000** | 614 000 |
| Less: unamortised service fee | | (519) | **–** | (519) |
| **Standard Bank of South Africa Limited** | **199 840** | 199 702 | **199 840** | 199 702 |
| Four-year term loan repayable on 31 August 2018. Interest is payable quarterly at three month JIBAR plus 159 basis points. | **200 000** | 200 000 | **200 000** | 200 000 |
| Less: unamortised structuring fee | **(160)** | (298) | **(160)** | (298) |
| | **58 968** | – | **58 968** | – |
| Three-year term R300 million loan repayable on 21 May 2021. Interest is payable monthly at prime minus 149 basis points. | **60 000** | – | **60 000** | – |
| Less: unamortised structuring fee | **(1 032)** | – | **(1 032)** | – |
| The facilities above are secured by a first mortgage bond over fixed property with the carrying value of R856,5 million. | | | | |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 15. INTEREST-BEARING DEBT CONTINUED

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **ABSA Bank** | **104 198** | 212 635 | **104 198** | 212 635 |
| Two-year R250 million access facility repayable on 15 September 2019. 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 R586,6 million. | **105 000** | 213 000 | **105 000** | 213 000 |
| Less: unamortised structuring fee | **(802)** | (365) | **(802)** | (365) |
| **Bank of China** | **154 857** | 154 642 | **154 857** | 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 R232,0 million. | **155 000** | 155 000 | **155 000** | 155 000 |
| Less: unamortised structuring fee | **(143)** | (358) | **(143)** | (358) |
| **Investec Bank** | **146 000** | 15 000 | **146 000** | 15 000 |
| One-year R200 million general banking facility repayable on 10 May 2018. Interest is payable monthly at the daily negotiable call rate which as at 30 June 2017 was 8,25%. The facility is unsecured. | **146 000** | 15 000 | **146 000** | 15 000 |
| **One Property Holdings** | **51 507** | – | **–** | – |
| Five-year shareholder loan repayable on 31 December 2021. Interest is payable quarterly at a fixed rate of 12% escalating annually on 1 July by 6%. The loan is unsecured. | **51 507** | – | **–** | – |
| **Sanlam** | **199 600** | – | **199 600** | – |
| Two-year term loan repayable on 30 June 2019. Interest is payable quarterly at three month JIBAR plus 185 basis points. This facility is unsecured. | **200 000** | – | **200 000** | – |
| Less: unamortised structuring fee | **(400)** | – | **(400)** | – |
| **Domestic medium-term notes** | **1 499 203** | 1 269 185 | **1 499 203** | 1 269 185 |
| 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) | **–** | (250) |
| Two-year issue repaid on 12 September 2016. Interest is payable quarterly at three month JIBAR plus 130 basis points. The notes are unsecured. | **–** | 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 repaid on 6 November 2016. Interest is payable quarterly at three month JIBAR plus 135 basis points. The notes are unsecured. | **–** | 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 | **430 000** | 430 000 |
| Less: unamortised structuring fee | **(168)** | – | **(168)** | – |
| 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 | **70 000** | 70 000 |
| Less: unamortised structuring fees | **(44)** | (565) | **(44)** | (565) |
| Two-year issue repayable on 12 September 2019. Interest is payable quarterly at three month JIBAR plus 180 basis points. The notes are unsecured. | **240 000** | – | **240 000** | – |
| Less: unamortised structuring fee | **(173)** | – | **(173)** | – |
| Eighteen-month issue repayable on 30 March 2018. Interest is payable quarterly at three month JIBAR plus 130 basis points. The notes are unsecured. | **60 000** | – | **60 000** | – |
| Less: unamortised structuring fee | **(37)** | – | **(37)** | – |
| Three-year issue repayable on 7 November 2019. Interest is payable quarterly at three month JIBAR plus 178 basis points. The notes are unsecured. | **100 000** | – | **100 000** | – |
| Less: unamortised structuring fee | **(78)** | – | **(78)** | – |
| Three-year issue repayable on 12 June 2020. Interest is payable quarterly at three month JIBAR plus 195 basis points. The notes are unsecured. | **200 000** | – | **200 000** | – |
| Less: unamortised structuring fee | **(297)** | – | **(297)** | – |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 15. INTEREST-BEARING DEBT CONTINUED

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **Senior unsecured floating rate listed notes** | **644 000** | 649 000 | **644 000** | 649 000 |
| One-year issue repaid on 22 August 2016. Interest is payable quarterly at three month JIBAR plus 115 basis points. | **–** | 158 000 | **–** | 158 000 |
| Six-month issue repaid on 4 November 2016. Interest is payable quarterly at three month JIBAR plus 85 basis points. | **–** | 70 000 | **–** | 70 000 |
| One-year issue repaid on 4 November 2016. Interest is payable quarterly at three month JIBAR plus 113 basis points. | **–** | 170 000 | **–** | 170 000 |
| Six-month issue repaid on 22 August 2016. Interest is payable quarterly at three month JIBAR plus 87 basis points. | **–** | 42 000 | **–** | 42 000 |
| Six-month issue repaid on 22 August 2016. Interest is payable six monthly at six month JIBAR plus 101 basis points. | **–** | 30 000 | **–** | 30 000 |
| One-year issue repaid on 22 February 2017. Interest is payable quarterly at three month JIBAR plus 120 basis points. | **–** | 179 000 | **–** | 179 000 |
| Thirteen-month issue repayable on 6 September 2017. Interest is payable quarterly at three month JIBAR plus 120 basis points. | **48 000** | – | **48 000** | – |
| One-year issue repayable on 6 November 2017. Interest is payable quarterly at three month JIBAR plus 115 basis points. | **160 000** | – | **160 000** | – |
| One-year issue repayable on 1 March 2018. Interest is payable quarterly at three month JIBAR plus 115 basis points. | **182 000** | – | **182 000** | – |
| Six-month issue repayable on 6 September 2017. Interest is payable quarterly at six month JIBAR plus 40 basis points. | **184 000** | – | **184 000** | – |
| Six-month issue repayable on 3 November 2017. Interest is payable quarterly at three month JIBAR plus 75 basis points. | **70 000** | – | **70 000** | – |
| **Total interest-bearing debt** | **5 379 199** | 4 978 172 | **5 272 104** | 4 778 436 |
| Less: Short-term portion of interest-bearing debt | | | | |
| **Investec Bank** | | | | |
| One-year loan repayable on 10 May 2018. | **146 000** | 15 000 | **146 000** | 15 000 |
| **Nedbank Limited** | | | | |
| Three-year term loan repayable on 1 August 2017. | **300 000** | – | **300 000** | – |
| Three-year term loan repayable on 2 May 2018. | **199 903** | – | **199 903** | – |
| **Nedbank Limited-Enyuka** | | | | |
| Short-term bridging loan repayable on 7 November 2017. | **41 932** | – | **–** | – |
| Short-term bridging loan repayable on 7 May 2018. | **13 656** | – | **–** | – |
| **FirstRand Bank Limited** | | | | |
| Floating rate seven-year access funding term loan with a capital repayment on termination on 31 July 2017. | **412** | – | **412** | – |
| **Bank of China** | | | | |
| Two-year term loan repayable on 24 February 2018. | **154 857** | – | **154 857** | – |
| **Domestic medium-term notes** | | | | |
| Four-year issue repayable on 28 May 2018. | **300 000** | – | **300 000** | – |
| Three-year issue repayable on 6 November 2017. | **100 000** | | **100 000** | – |
| Two-year issue repaid on 12 September 2016. | **–** | 270 000 | **–** | 270 000 |
| Two-year issue repaid on 6 November 2016. | **–** | 100 000 | **–** | 100 000 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 15. INTEREST-BEARING DEBT CONTINUED

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **Senior unsecured floating rate listed notes** | | | | |
| Thirteen-month issue repayable on 6 September 2017. | **48 000** | – | **48 000** | – |
| One-year issue repayable on 6 November 2017. | **160 000** | – | **160 000** | – |
| One-year issue repayable on 1 March 2018. | **182 000** | – | **182 000** | – |
| Six-month issue repayable on 6 September 2017. | **184 000** | – | **184 000** | – |
| Six-month issue repayable on 3 November 2017. | **70 000** | – | **70 000** | – |
| One-year issue repaid on 22 August 2016. | **–** | 158 000 | **–** | 158 000 |
| Six-month issue repaid on 22 August 2016. | **–** | 42 000 | **–** | 42 000 |
| Six-month issue repaid on 22 August 2016. | **–** | 30 000 | **–** | 30 000 |
| One-year issue repaid on 4 November 2016. | **–** | 170 000 | **–** | 170 000 |
| Six-month issue repaid on 4 November 2016. | **–** | 70 000 | **–** | 70 000 |
| One-year issue repaid on 22 February 2017. | **–** | 179 000 | **–** | 179 000 |
| **Short-term portion of interest-bearing debt** | **1 900 760** | 1 034 000 | **1 845 172** | 1 034 000 |
| **Long-term portion of interest-bearing debt** | **3 478 439** | 3 944 172 | **3 426 932** | 3 744 436 |

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

At 30 June 2017, the aggregate indebtedness amounted to 36,6% (2016: 35,4%) of the gross value of the underlying income producing assets. As at 30 June 2017 Emira had total debt facilities available of R6 114,9 million (2016: R5 703,9 million).

As 30 June 2017 interest rates were fixed in respect of 97,4% (2016: 93,1%) of borrowings and the weighted average all in interest rate was 8,2% (2016: 8,0%). Details of the Fund'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 corporate interest cover ratio | **Actual corporate interest cover ratio** | Prescribed transaction LTV covenant (%) | **Actual Transaction LTV covenant (%)** | Prescribed corporate LTV covenant (%) | **Actual corporate LTV covenant (%)** |
|---|---|---|---|---|---|---|
| ABSA Bank Limited | 2,0 | **2,6** | 45,0 | **42,7** | 40,0 | **36,6** |
| Bank of China | 2,0 | **2,6** | – | **66,8** | 40,0 | **36,6** |
| Domestic medium-term notes | – | **–** | 40,0 | **38,6** | 50,0 | **36,6** |
| Senior unsecured floating rate listed notes | – | **–** | – | **–** | 50,0 | **36,6** |
| Nedbank Limited (secured) | 2,0 | **2,6** | – | **67,3** | 40,0 | **36,6** |
| Nedbank Limited (unsecured) | 2,0 | **2,6** | – | **–** | 40,0 | **36,6** |
| First Rand Bank Limited | 2,0 | **2,6** | 40,0 | **27,6** | 40,0 | **36,6** |
| Sanlam | – | **–** | – | **–** | 50,0 | **36,6** |
| Standard Bank of South Africa Limited | 2,0 | **2,6** | 70,0 | **58,4** | 50,0 | **36,6** |

## 16. ACCOUNTS PAYABLE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| Trade payables | **22 536** | 19 147 | **4 473** | 3 033 |
| Tenant deposits | **114 504** | 105 891 | **77 245** | 63 325 |
| Accrued expenses | **207 975** | 189 585 | **182 602** | 157 105 |
| Pre-paid debtors | **39 002** | 41 545 | **20 436** | 24 772 |
| Value added tax | **5 704** | 3 775 | **3 153** | – |
| Other payables | **29 308** | 23 448 | **32 724** | 28 502 |
| **Total** | **419 029** | 383 391 | **320 633** | 276 737 |
| Current | **419 029** | 383 391 | **320 633** | 276 737 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 17. EMPLOYEE BENEFITS LIABILITY

| | GROUP | |
|---|---|---|
| R'000 | **2017** | 2016 |
| Share appreciation rights scheme | **2 605** | 3 730 |
| Provision for leave pay | **1 619** | 1 212 |
| Accrued bonuses | **7 279** | 7 917 |
| **Total** | **11 503** | 12 859 |

The income recognised in the statement of comprehensive income in respect of the share appreciation rights scheme amounted to R1,125 million (2016: R4,427 million).

In total, 1 157 407 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, 5 375 000 shares are outstanding from tranche 4 granted on 15 September 2015 and 5 100 000 shares are outstanding from tranche 5 granted on 16 September 2016. The tranches may be exercised in equal tranches three, four and five years after the date of the grant.

Refer to note 25 for the measurement principles applied relative to the share appreciation rights scheme.

## 18. DERIVATIVE FINANCIAL INSTRUMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **Net fair value of the derivative assets at the statement of financial position date was:** | | | | |
| Interest-rate swap contracts | **3 862** | 19 422 | **3 862** | 19 422 |
| Cross-currency interest-rate contracts | **50 988** | 7 775 | **50 988** | 7 775 |
| Foreign exchange option contracts | **5 013** | 852 | **5 013** | 852 |
| Derivative contracts relating to share appreciation rights scheme | **3 031** | 4 308 | **2 019** | |
| Less: current portion | **(27 130)** | (16 848) | **(26 468)** | (15 192) |
| Non-current portion | **35 764** | 15 509 | **35 414** | 12 857 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **Net fair value of the derivative liabilities at the statement of financial position date was:** | | | | |
| Interest-rate swap contracts | **44 124** | 11 388 | **44 124** | 11 388 |
| Cross-currency interest-rate swap contracts | **13 656** | 32 598 | **13 656** | 316 |
| Foreign exchange option contracts | **6 949** | 316 | **6 949** | 32 598 |
| Derivative contracts relating to share appreciation rights scheme | **18 585** | 18 089 | **18 585** | 18 089 |
| Less: current portion | **(36 233)** | (37 311) | **(36 233)** | (37 311) |
| Non-current liabilities | **47 081** | 25 080 | **47 081** | 25 080 |

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 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 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 18. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

The Group entered into cash settled forward contracts with Investec as an economic hedge, in respect of the fourth and fifth tranches 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 |
| **Fifth tranche** | | |
| 30 September 2019 | 1 700 000 | 12,47 |
| 30 September 2020 | 1 700 000 | 11,90 |
| 30 September 2021 | 1 700 000 | 11,17 |

### INTEREST-RATE HEDGING CONTRACTS

The notional principal amount of the outstanding interest-rate hedging contracts at 30 June 2017 was R5 243,0 million (2016: R4 637,1 million).

The interest-rate hedging contracts are as follows:

| Financial institution | Nominal amount | Commencement date | Maturity date | Fixed rate (%) | Rate basis |
|---|---|---|---|---|---|
| **Interest-rate swaps** | | | | | |
| RMB | R83,3 million | 01 Jul 14 | 03 Jul 17 | 5,760 * | JIBAR-linked |
| RMB | R310,0 million | 01 Jul 14 | 03 Jul 17 | 7,300 | JIBAR-linked |
| RMB | R125,0 million | 15 Aug 14 | 15 Aug 17 | 7,680 | JIBAR-linked |
| RMB | R50,0 million | 23 Sep 10 | 23 Sep 17 | 7,690 | JIBAR-linked |
| RMB | R83,3 million | 01 Oct 14 | 01 Oct 17 | 7,580 * | JIBAR-linked |
| RMB | R176,1 million | 01 Dec 12 | 01 Dec 17 | 7,780 | JIBAR-linked |
| RMB | R83,3 million | 02 Jan 15 | 31 Dec 17 | 7,650 * | JIBAR-linked |
| RMB | R125,0 million | 01 Sep 14 | 01 Mar 18 | 7,670 | JIBAR-linked |
| RMB | R125,0 million | 01 Sep 14 | 01 Mar 18 | 6,960 | JIBAR-linked |
| RMB | R150,0 million | 25 Mar 14 | 25 Mar 18 | 7,250 | JIBAR-linked |
| Nedbank | R150,0 million | 09 Jun 17 | 11 Jun 18 | 7,160 | JIBAR-linked |
| Nedbank | R150,0 million | 12 Jun 17 | 12 Jun 18 | 7,430 | JIBAR-linked |
| RMB | R200,0 million | 15 Aug 14 | 15 Aug 18 | 7,140 | JIBAR-linked |
| RMB | R50,0 million | 23 Sep 10 | 23 Sep 18 | 6,010 | JIBAR-linked |
| RMB | R170,0 million | 03 Nov 14 | 05 Nov 18 | 7,260 | JIBAR-linked |
| RMB | R100,0 million | 01 Jul 14 | 31 Dec 18 | 6,600 | JIBAR-linked |
| RMB | R50,0 million | 11 Mar 16 | 11 Mar 19 | 6,600 | JIBAR-linked |
| RMB | R50,0 million | 01 Apr 11 | 31 Mar 19 | 7,890 # | JIBAR-linked |
| ABSA | R50,0 million | 19 Apr 16 | 23 Apr 19 | 7,340 | JIBAR-linked |
| RMB | R50,0 million | 01 Jul 11 | 30 Jun 19 | 6,980 | JIBAR-linked |
| RMB | R40,0 million | 01 Jul 11 | 30 Jun 19 | 6,740 | JIBAR-linked |
| RMB | R50,0 million | 01 Jul 11 | 30 Jun 19 | 7,840 | JIBAR-linked |
| RMB | R213,0 million | 15 Aug 14 | 15 Aug 19 | 8,020 | JIBAR-linked |
| RMB | R100,0 million | 10 Sep 07 | 12 Sep 19 | 7,260 | JIBAR-linked |
| RMB | R60,0 million | 02 Jun 10 | 31 Dec 19 | 7,950 | JIBAR-linked |
| ABSA | R150,0 million | 29 Jun 17 | 29 Jun 20 | 7,930 | JIBAR-linked |
| RMB | R88,5 million | 01 Nov 13 | 01 Nov 20 | 7,960 | JIBAR-linked |
| ABSA | R150,0 million | 29 Jun 17 | 29 Jun 21 | 7,810 | JIBAR-linked |
| ABSA | R270,0 million | 30 Jun 17 | 30 Jun 21 | 7,630 | JIBAR-linked |
| RMB | R200,0 million | 20 Jun 13 | 20 Jun 22 | 7,940 | JIBAR-linked |
| ABSA | R210,0 million | 30 Jun 17 | 30 Jun 22 | 7,990 | JIBAR-linked |
| RMB | R200,0 million | 20 Jun 13 | 20 Jun 23 | 8,210 * | JIBAR-linked |
| RMB | R100,0 million | 20 Jun 13 | 20 Jun 23 | 8,265 | JIBAR-linked |
| RMB | R60,0 million | 01 Jul 14 | 30 Jun 24 | 7,650 | JIBAR-linked |
| RMB | R100,0 million | 02 Dec 14 | 02 Dec 24 | 8,300 | JIBAR-linked |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 18. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

| Financial institution | Nominal amount | Commencement date | Maturity date | Fixed rate (%) | Rate basis |
|---|---|---|---|---|---|
| **Forward starting interest-rate swaps** | | | | | |
| ABSA | R125,0 million | 15 Aug 17 | 17 Aug 20 | 7,650 | JIBAR-linked |
| ABSA | R50,0 million | 26 Sep 17 | 26 Sep 20 | 7,670 | JIBAR-linked |
| ABSA | R125,0 million | 01 Mar 18 | 01 Mar 21 | 7,820 | JIBAR-linked |
| ABSA | R150,0 million | 03 Apr 18 | 01 Apr 21 | 7,840 | JIBAR-linked |
| **Cross-currency interest-rate swaps** | | | | | |
| RMB | AUD9,0 million | 20 Jun 16 | 06 Sep 20 | 2,480 | JIBAR-linked |
| ABSA | AUD10,0 million | 02 Oct 15 | 08 Sep 20 | 2,490 | JIBAR-linked |
| ABSA | AUD15,5 million | 07 Oct 15 | 08 Sep 20 | 2,100 | JIBAR-linked |
| ABSA | AUD10,0 million | 17 Jun 16 | 08 Mar 21 | 1,510 | JIBAR-linked |
| RMB | AUD4,0 million | 15 Nov 16 | 06 Sep 21 | 2,690 | JIBAR-linked |
| ABSA | AUD10,0 million | 09 Jun 16 | 07 Sep 21 | 1,960 | JIBAR-linked |
| RMB | AUD9,0 million | 20 Jun 16 | 06 Mar 22 | 2,000 | JIBAR-linked |
| RMB | AUD10,0 million | 10 Jun 16 | 06 Sep 22 | 2,260 | JIBAR-linked |
| ABSA | AUD10,0 million | 17 Jun 16 | 06 Mar 23 | 2,270 | JIBAR-linked |

* Subsidised with a cap rate of 10%.

\# Subsidised with a cap rate of 9%.

## 19. NOTES TO THE STATEMENTS OF CASH FLOWS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **Cash generated from operations** | | | | |
| Profit before income tax charge for the year adjusted for: | **712 562** | 640 086 | **723 793** | 1 154 772 |
| Fair value adjustments | **(124 428)** | 83 347 | **(38 298)** | (70 480) |
| Allowance for future rental escalations | **70 202** | (16 435) | **3 546** | (3 726) |
| Unamortised upfront lease costs | **(23 165)** | 24 778 | **(15 063)** | 17 957 |
| Interest paid | **438 089** | 411 767 | **432 804** | 394 574 |
| Interest capitalised to cost of developments | **(33 270)** | (10 378) | **(33 270)** | (10 378) |
| Unrealised (surplus)/deficit on interest-rate swaps | **(11 386)** | 3 813 | **(11 386)** | 3 813 |
| BEE charge | **14 771** | – | **14 771** | – |
| Amortisation of call option | **1 778** | 2 554 | | |
| Finance income | **(11 278)** | (10 896) | **(90 794)** | (8 434) |
| Depreciation | **11 054** | 14 840 | **7 667** | 11 276 |
| Operating profit before working capital changes | **1 044 929** | 1 143 476 | **993 770** | 1 489 374 |
| Decrease/(increase) in accounts receivable | **13 838** | (80 465) | **12 552** | (55 266) |
| Vendor loans advanced | **(796)** | – | **–** | – |
| Increase in accounts payable | **34 186** | 34 180 | **43 897** | 25 645 |
| **Cash generated from operations** | **1 092 157** | 1 097 191 | **1 050 219** | 1 459 753 |
| **Distribution to shareholders** | | | | |
| Dividend payable at 1 July 2016 | **–** | – | **–** | – |
| Dividends for the year | **(718 435)** | (714 566) | **(738 715)** | (714 566) |
| Dividends received on treasury shares from subsidiary | | | **7 875** | – |
| Dividend payable at 30 June 2017 | **–** | – | **–** | – |
| Dividends paid to shareholders | **(718 435)** | (714 566) | **(730 840)** | (714 566) |
| **Taxation paid for the year** | | | | |
| Taxation asset/(liability) at 1 July 2016 | **–** | (1 777) | | |
| Movement in statement of comprehensive income: | | | | |
| SA normal taxation | **(383)** | (6) | | |
| Net taxation liability at 30 June 2017 | **–** | – | | |
| Taxation paid for the year | **(383)** | (1 783) | | |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 20. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| 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 | | | **41 174** | 34 835 |
| Key management personnel compensation: | | | | |
| – short-term benefits | **12 359** | 14 743 | | |
| Relationship: Manager and subsidiary of Emira Property Fund | | | | |
| **Adamass Investments (Pty) Ltd** | | | | |
| Shares | | | **13 641** | 13 641 |
| Loan | | | **42 770** | 39 863 |
| Dividends received | | | **6 745** | 10 637 |
| Relationship: Wholly-owned subsidiary | | | | |
| **Aquarella Investments 272 (Pty) Ltd** | | | | |
| Shares | | | **6 379** | 6 379 |
| Loan | | | **36 532** | 63 192 |
| Dividends received | | | **7 753** | 8 526 |
| Relationship: Wholly-owned subsidiary | | | | |
| **Backbone Investments (Pty) Ltd** | | | | |
| Shares | | | **11 365** | – |
| Loan | | | **(11 365)** | – |
| Relationship: Wholly-owned subsidiary | | | | |
| **Enyuka Properties (Pty) Ltd** | | | | |
| Shares | | | **11 499** | – |
| Loan | | | **591 736** | – |
| Relationship: Wholly-owned subsidiary | | | | |
| **Freestone Property Holdings (Pty) Ltd** | | | | |
| Shares | | | **1 339 187** | 1 339 187 |
| Loan | | | **(437 769)** | 250 081 |
| Dividend received | | | **169 203** | 484 496 |
| Relationship: Wholly-owned subsidiary | | | | |
| **Libra Investments 5 (Pty) Ltd** | | | | |
| Shares | | | **66 412** | 66 412 |
| Loan | | | **285 699** | 284 901 |
| Dividend received | | | **32 273** | 54 179 |
| Relationship: Wholly-owned subsidiary | | | | |
| **Lowmer Investments (Pty) Ltd** | | | | |
| Shares | | | **111 249** | 111 249 |
| Loan | | | **99 128** | 96 448 |
| Dividend received | | | **18 656** | 48 977 |
| Relationship: Wholly-owned subsidiary | | | | |
| **Menlyn Corporate Park (Pty) Ltd** | | | | |
| Shares | | | **283 386** | 283 386 |
| Loan | | | **369 114** | 343 537 |
| Dividend received | | | **47 733** | 105 306 |
| Relationship: Wholly-owned subsidiary | | | | |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 20. RELATED PARTIES AND RELATED PARTY TRANSACTIONS CONTINUED

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **Monagon Properties (Pty) Ltd** | | | | |
| Shares | | | **14 835** | 14 835 |
| Loan | | | **50 006** | 49 662 |
| Dividend received | | | **5 354** | 16 538 |
| Relationship: Wholly-owned subsidiary | | | | |
| **No. 9 Sturdee Share Block (Pty) Ltd** | | | | |
| Shares | | | **22 056** | – |
| Loan | | | **(22 056)** | – |
| Relationship: Wholly-owned subsidiary | | | | |
| **Omnicron Investments 005 (Pty) Ltd** | | | | |
| Shares | | | **35 368** | 35 368 |
| Loan | | | **22 117** | 21 940 |
| Dividend received | | | **4 299** | 10 722 |
| Relationship: Wholly-owned subsidiary | | | | |
| **Rapidough Properties 509 (Pty) Ltd** | | | | |
| Shares | | | **17 832** | 17 832 |
| Loan | | | **15 410** | 15 356 |
| Dividend received | | | **3 919** | 8 929 |
| Relationship: Wholly-owned subsidiary | | | | |
| **Windrifter Share Block (Pty) Ltd** | | | | |
| Shares | | | **48 230** | – |
| Loan | | | **(48 230)** | – |
| Relationship: Wholly-owned subsidiary | | | | |

## 21. MINIMUM CONTRACTED RENTAL INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| The Group has rental income receivable in terms of operating lease contracts: | | | | |
| – Due within one year | **1 333 546** | 1 025 718 | **975 256** | 714 366 |
| – Due within two to five years | **2 612 672** | 2 845 432 | **2 012 188** | 1 978 301 |
| – Due beyond five years | **1 180 524** | 330 793 | **1 110 041** | 300 388 |
| **Total** | **5 126 742** | 4 201 943 | **4 097 485** | 2 993 055 |

The weighted average length of leases is 2,7 years (2016: 2,8 years) and the average lease escalation is 7,7% (2016: 7,8%).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 22. COMMITMENTS AND CONTINGENCIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R'000 | **2017** | 2016 | **2017** | 2016 |
| **Authorised capital expenditure** | | | | |
| – Committed | **201 672** | 24 669 | **201 672** | 24 669 |
| – Contracted for | **812 650** | 512 642 | **776 194** | 495 293 |
| **Operating lease commitments** | | | | |
| Commitments due in respect of leases entered into on leasehold properties: | | | | |
| – Due within one year | **24 505** | 21 730 | **6 865** | 7 178 |
| – Due within two to five years | **115 084** | 103 247 | **33 583** | 34 314 |
| – Due beyond five years | **3 521 036** | 4 727 052 | **2 304 905** | 3 291 342 |
| | **3 660 625** | 4 852 029 | **2 345 353** | 3 332 834 |

### CONTINGENCIES

The Group had no material contingent liabilities at 30 June 2017.

## 23. 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 74,25 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.

### CHANGE IN DIRECTORATE

Derek Thomas was appointed to the Board as a non-executive director effective 15 August 2017. Derek is the CEO and co-founder of Letsema which participated in Emira's BEE transaction that was concluded in June 2017.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 24. 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 2017** | | | | | |
| **Revenue** | 701 101 | 738 896 | 281 363 | | 1 721 360 |
| Revenue | 712 547 | 799 221 | 283 140 | | 1 794 908 |
| Allowance for future rental escalations | (11 446) | (60 325) | (1 777) | | (73 548) |
| **Segmental result** | | | | | |
| Operating profit | 414 192 | 401 122 | 174 594 | (19 619) * | 970 289 |
| **Other information** | | | | | |
| Depreciation | 6 034 | 4 458 | 562 | | 11 054 |
| Investment properties | 4 639 479 | 5 641 500 | 1 882 450 | | 12 163 429 |
| Investment properties held for sale | 952 160 | 120 000 | 20 000 | | 1 092 160 |
| Change in fair value of investment properties | (154 969) | 329 874 | 33 272 | | 208 177 |
| **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 | 5 353 612 | 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) |

* Includes income from listed property investment of R58,5 million less the 14,7 million IFRS2 charge in respect of the BEE transaction, transaction and advisory fees of R13,3 million and general Fund expenses of R49,1 million.

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

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 24. SEGMENT INFORMATION CONTINUED

| R'000 | Office | Retail | Industrial | Other | Total |
|---|---|---|---|---|---|
| **June 2017** | | | | | |
| **Revenue** | | | | | |
| – Gauteng and Mpumulanga | 494 570 | 487 558 | 184 870 | | 1 166 998 |
| – Western and Eastern Cape | 130 484 | 93 757 | 53 255 | | 277 496 |
| – KwaZulu-Natal | 61 419 | 118 123 | 43 238 | | 222 780 |
| – Free State | 14 628 | 39 458 | | | 54 086 |
| | 701 101 | 738 896 | 281 363 | | 1 721 360 |
| **Investment properties** | | | | | |
| – Gauteng and Mpumulanga | 4 126 738 | 4 207 584 | 1 285 650 | | 9 619 972 |
| – Western and Eastern Cape | 1 006 901 | 761 566 | 373 700 | | 2 142 167 |
| – KwaZulu-Natal | 399 400 | 596 000 | 243 100 | | 1 238 500 |
| – Free State | 58 600 | 196 350 | | | 254 950 |
| | 5 591 639 | 5 761 500 | 1 902 450 | | 13 255 589 |
| **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 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 25. MEASUREMENTS OF FAIR VALUE

### FINANCIAL INSTRUMENTS

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

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| R'000 | **Level 1** | **Level 2** | **Level 3** | **Total** | Level 1 | Level 2 | Level 3 | Total |
| **GROUP** | | | | | | | | |
| **Assets** | | | | | | | | |
| Listed property investment | **901 390** | **–** | **–** | **901 390** | 940 364 | – | – | 940 364 |
| Derivative financial instruments – swaps | **–** | **54 850** | **–** | **54 850** | – | 27 197 | – | 27 197 |
| Derivative financial instruments – foreign exchange options | **–** | **5 013** | **–** | **5 013** | – | 852 | – | 852 |
| Derivative financial instruments – share options | **–** | **2 019** | **1 012** | **3 031** | – | – | 4 308 | 4 308 |
| **Total** | **901 390** | **61 882** | **1 012** | **964 284** | 940 364 | 28 049 | 4 308 | 972 721 |
| **Liabilities** | | | | | | | | |
| Derivative financial instruments – swaps | **–** | **57 780** | **–** | **57 780** | – | 43 986 | – | 43 986 |
| Derivative financial instruments – foreign exchange options | **–** | **6 949** | **–** | **6 949** | – | 316 | – | 316 |
| Derivative financial instruments – share forwards | **–** | **18 585** | **–** | **18 585** | – | 18 089 | – | 18 089 |
| **Total** | **–** | **83 314** | **–** | **83 314** | – | 62 391 | – | 62 391 |
| **Net fair value** | **901 390** | **(21 432)** | **1 012** | **880 970** | 940 364 | (34 342) | 4 308 | 910 330 |

### 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.

### INVESTMENTS

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 25. 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 18,0% and the risk-free discount rate used ranged between 7,1% and 7,2%. 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 R1,4 million (2016: R1,8million). A 10% decrease in the spot price results in a decrease to the call options of R0,7 million (2016: R1,4 million). The call option contracts have been classified as level 3. During the year R1,8 million of the option premiums relating to these contracts were amortised and a fair value loss of R1,5 million was recognised at 30 June 2017.

### DERIVATIVE FINANCIAL INSTRUMENTS — FORWARD CONTRACTS

The forward contracts relating to the employee share scheme are valued using a financial model. 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 forward contracts of R11,7 million (2016: R5,5 million). A 10% decrease in the spot price results in a decrease to the forward contracts of R11,7 million (2016: 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 2017:

| | 2017 | 2016 |
|---|---|---|
| R'000 | **Level 3** | Level 3 |
| **GROUP** | | |
| **Assets** | | |
| Investment properties | **12 163 429** | 12 129 879 |
| Investment properties held-for-sale | **1 092 160** | 835 000 |
| **COMPANY** | | |
| **Assets** | | |
| Investment properties | **8 555 704** | 8 434 875 |
| Investment properties held-for-sale | **925 060** | 452 900 |

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 an exit capitalisation 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 2017 were the following:

- The range of the reversionary capitalisation rates applied to the portfolio are between 7,25% and 18,00% with the weighted average being 10,18% (2016: 10,43%).
- The discount rates applied range between 12,5% and 17,5% with the weighted average being 15,09% (2016: 15,28%).
- 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 R195,4 million (1,47%) and a 25 basis decrease will increase the value of the investment property by R202,4 million (1,53%). A 25 basis points decrease in the reversionary capitalisation rate will increase the value of the investment property by R203,5 million (1,54%) and a 25 basis point increase will decrease the value of the investment property by R192,6 million (1,45%).

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 2017 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 26. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and prepayments, derivative financial instruments, interest-bearing debt, accounts payable and distributions payable to shareholders. 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 2017, the Group's strategy, which was unchanged from 2016, was to maintain this ratio and an A credit rating. The Group's GCR's credit rating was A throughout 2017 and 2016. The Group's utilised borrowings capacity at 30 June 2017 can be summarised as follows:

| R'000 | **2017** | 2016 |
|---|---|---|
| **GROUP** | | |
| Total assets | **14 732 897** | 14 294 461 |
| Total borrowings | **5 379 200** | 4 978 172 |
| Utilised capacity (%) | **36,6** | 34,8 |
| **COMPANY** | | |
| Total assets | **13 732 997** | 13 188 282 |
| Total borrowings | **5 272 103** | 4 778 436 |
| Utilised capacity (%) | **37,9** | 36,2 |

### 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 14.

### 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 | **2017** | 2016 | **2017** | 2016 |
| **GROUP AND COMPANY** | | | | |
| Profit or loss excluding value movement | **5 852** | 5 805 | **(5 852)** | (5 805) |
| Investment in listed property investment | **90 139** | 94 036 | **(90 139)** | (94 036) |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 26. 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 2017 (applicable to the fixed interest-rate agreements) was 8,2% (2016: 7,9%). At 30 June 2017 2,6% (2016: 6,9%) of Emira'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 R1,4 million per annum, in respect of the floating portion of the Group's debt.

### EQUITY PRICE RISK

The listed property investment in GOZ, of R901,4 million (2016: R940,4 million) is subject to equity price risk. It is reflected at fair value based on the quoted bid price at 30 June 2017, of AUD3,14. 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:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| R'000 | **10% increase** | **10% decrease** | 10% increase | 10% decrease |
| **GROUP AND COMPANY** | | | | |
| Listed property investment | **90 139** | **(90 139)** | 94 036 | (94 036) |

### 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 2017 was R23,0 million (2016: R25,5 million) net of tenants' deposits and guarantees held as security.

The Group held cash deposits and guarantees with a fair value of 170,2 million at 30 June 2017 (2016: R237,6 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 2017 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 – national scale, long-term)
- Derivative financial instrument – FirstRand Limited: AA (Standard & Poor's – national scale, long-term)
- Derivative financial instrument – ABSA Bank Limited: AA (Standard & Poor's – national scale, long-term)
- Derivative financial instrument – Nedbank Limited: AA- (Standard & Poor's – national scale, long-term)
- Derivative financial instrument – Investec Bank: A (Standard & Poor's – national scale, long-term)
- 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 2017, trade receivables of R40,3 million (2016: R59,8 million) were considered past due but not impaired.

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 26. 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 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 2017** | | | | | |
| **Financial assets** | | | | | |
| Listed property investment | | 901 390 | – | – | 901 390 |
| Accounts receivable | | 183 948 | – | – | 183 948 |
| Loans receivable | | 43 256 | 56 796 | – | 100 052 |
| Derivative financial instruments: | | – | – | – | – |
| – swaps | | 3 567 | 294 | – | 3 861 |
| – options | | 1 196 | 1 835 | – | 3 031 |
| – forex options | | 4 968 | 45 | – | 5 013 |
| – cross-currency swaps | | 17 399 | 26 426 | 7 164 | 50 989 |
| Cash and cash equivalents | 5,5 | 168 659 | – | – | 168 659 |
| **Total financial assets** | | 1 324 383 | 85 396 | 7 164 | 1 416 943 |
| **Financial liabilities** | | | | | |
| Interest-bearing debt | 8,2 | 1 956 798 | 3 422 402 | – | 5 379 200 |
| Accounts payable | | 374 319 | – | – | 374 319 |
| Derivative financial instruments: | | – | – | – | – |
| – swaps | | 15 435 | 19 597 | 9 092 | 44 124 |
| – forex options | | 6 914 | 35 | – | 6 949 |
| – cross-currency swaps | | 4 275 | 9 381 | – | 13 656 |
| – forward contracts | | 9 609 | 8 976 | – | 18 585 |
| **Total financial liabilities** | | 2 367 350 | 3 460 391 | 9 092 | 5 836 833 |
| **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 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 26. 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 2017** | | | | | |
| **Financial assets** | | | | | |
| Listed property investment | | 901 390 | – | – | 901 390 |
| Accounts receivable | | 134 120 | – | – | 134 120 |
| Loans receivable | | 43 256 | – | – | 43 256 |
| Derivative financial instruments: | | – | – | – | – |
| – swaps | | 3 567 | 294 | – | 3 861 |
| – options | | 533 | 1 485 | – | 2 018 |
| – forex options | | 4 968 | 45 | – | 5 013 |
| – cross-currency swaps | | 17 399 | 26 426 | 7 164 | 50 989 |
| Cash and cash equivalents | 5,5 | 91 740 | – | – | 91 740 |
| **Total financial assets** | | 1 196 973 | 28 250 | 7 164 | 1 232 387 |
| **Financial liabilities** | | | | | |
| Interest-bearing debt | 8,2 | 1 901 209 | 3 370 894 | – | 5 272 103 |
| Accounts payable | | 295 861 | – | – | 295 861 |
| Derivative financial instruments: | | – | – | – | – |
| – swaps | | 15 435 | 19 597 | 9 092 | 44 124 |
| – forex options | | 6 914 | 35 | – | 6 949 |
| – cross-currency swaps | | 4 275 | 9 381 | – | 13 656 |
| – forward contracts | | 9 609 | 8 976 | – | 18 585 |
| **Total financial liabilities** | | 2 233 303 | 3 408 883 | 9 092 | 5 651 278 |
| **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 |

### 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 26. 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 | 901 390 | – | – | 901 390 |
| Derivative financial instruments | 62 894 | – | – | 62 894 |
| Accounts receivable | – | – | 183 948 | 183 948 |
| Loans receivable | – | – | 100 052 | 100 052 |
| Cash and cash equivalents | – | – | 168 659 | 168 659 |
| **Total financial assets** | 964 284 | – | 452 659 | 1 416 943 |
| **Financial liabilities** | | | | |
| Interest-bearing debt | – | 5 379 200 | – | 5 379 200 |
| Derivative financial instruments | 83 314 | – | – | 83 314 |
| Accounts payable | – | – | 374 319 | 374 319 |
| **Total financial liabilities** | 83 314 | 5 379 200 | 374 319 | 5 836 833 |
| **COMPANY** | | | | |
| **Financial assets** | | | | |
| Listed property investment | 901 390 | – | – | 901 390 |
| Derivative financial instruments | 61 881 | – | – | 61 881 |
| Accounts receivable | – | – | 134 120 | 134 120 |
| Loans receivable | – | – | 225 369 | 225 369 |
| Cash and cash equivalents | – | – | 91 740 | 91 740 |
| **Total financial assets** | 963 271 | – | 451 229 | 1 414 500 |
| **Financial liabilities** | | | | |
| Interest-bearing debt | – | 5 272 103 | – | 5 272 103 |
| Derivative financial instruments | 83 314 | – | – | 83 314 |
| Accounts payable | – | – | 295 861 | 295 861 |
| **Total financial liabilities** | 83 314 | 5 272 103 | 295 861 | 5 651 278 |

## 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 27. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

### 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 2017. The net cash flows were discounted using the swap curve as at 30 June 2017.

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 2017. The net cash flows were discounted using the basis swap curve of the respective currencies as at 30 June 2017.

The valuation of the AUD forward exchange contracts was determined by discounting the forward rates applied at 30 June 2017 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 as at 30 June 2017.

The valuation of the forward contracts relating to the employee share scheme was determined using a financial model. The model took into account the spot price as at 30 June 2017.

## 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.

### BEE transaction

On 29 June 2017, in furtherance of Emira's BEE strategy, shareholders approved the issue of 26 133 364 new Emira shares (the "Subscription Shares") for a total consideration of R364,2 million (the "BEE Transaction"). The Subscription Shares were issued in equal proportions on 30 June 2017 to Tamela Property Investments (Pty) Ltd ("Tamela SPV") and Luxanio Trading 157 (Pty) Ltd ("Letsema SPV") both wholly owned subsidiaries of Tamela Holdings (Pty) Ltd and Letsema Holdings (Pty) Ltd respectively and collectively the "BEE Parties".

The rationale for the transaction was as follows:

- to place 5,0% of the Company's enlarged issued share capital under strategic black ownership;
- to enhance Emira's investment proposition and value, including through Board and strategic contributions of the BEE Investors;
- to begin to give effect to Emira's long-term goal of transformation within the Company as an initial step of a 5,0% shareholding;
- to contribute to Emira's transformation strategy, including specifically achieving compliance with the objectives as set out in Section 2 of the BEE Act, and the Broad-Based Black Economic Empowerment Regulations, as they relate to the property sector; and
- to improve the Company's gearing ratio, by reducing interest-bearing debt with the cash proceeds received from the Subscription Shares.

The investment was funded by the BEE Parties as follows:

- R182,1 million (50%) was funded by a vendor loan provided by Emira (the "Vendor Funding"). The Vendor Funding runs for a period of five years and bears interest equal to the dividend payable on the vendor loan portion of the underlying shares. The Vendor Funding is secured by means of a reversionary cession and pledge over the Subscription Shares;
- R145,6 million (40%) was funded by external third-party debt provided to the BEE Parties; and
- R36,4 million (10%) was funded by cash.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 27. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

### Accounting treatment of the BEE Transaction

For accounting purposes, the BEE Transaction consists of two elements, which are accounted for as follows:

1. The Cash Funded Specific Issue, being the subscription by the BEE Parties of 13 066 682 Subscription Shares for a cash consideration of approximately R182,1 million.

   This element of the Subscription Shares is funded by the BEE Parties using a combination of their own cash reserves and third party funding. Consequently, the cash proceeds, net of transaction costs, increases share capital and the number of Emira Shares in issue.

2. The Vendor Funded Specific Issue, being the subscription by the BEE Parties for 13 066 682 Subscription Shares to be funded through the vendor loan provided by Emira.

   Based on management's judgement and application of the control principles contained in IFRS 10: Consolidated financial statements, management concluded that the Group does not exercise control and consequently does not consolidate Letsema SPV and Tamela SPV on the following basis:

   - Emira does not hold shares in Letsema SPV or Tamela SPV;
   - Emira has no decision-making powers over or involvement with the BEE parties;
   - Emira has neither substantive or protective rights that would result in Emira having power over decision making of Letsema SPV or Tamela SPV;
   - The BEE parties are responsible for obtaining and negotiating their own financing with third party funders. Emira was not involved during these discussions and has not provided any formal or informal guarantees in relation to the liabilities due to the third-party funders;
   - Emira has no step-in rights or call options relating to the BEE Transaction;
   - Emira will not provide any funding in addition to the Vendor Funding or liquidity to the BEE Parties and there is no intention to do so; and
   - Emira has not guaranteed the amount owed by the BEE parties to third party funders and as at the Last Practicable Date there is no intention to do so. Third party funders can dispose of the BEE parties' interest in Emira at any time if the market value of the pledged Subscription Shares is less than 1,6 times the third-party funding. Contractually, Emira has no rights over the Subscription Shares if the loan covenants are breached and also has no intention to buy back the Subscription Shares in these circumstances. Further, Emira has no rights nor has the intention to support the structure to ensure it continues as intended.

As a result, Letsema SPV and Tamela SPV constitute unconsolidated structured entities as their activities are limited to holding and financing their investments in Emira.

Considering the factors outlined, the economic substance of the Vendor Funded Specific Issue is the granting of a call option on Emira Shares which has been accounted for as an equity settled share-based payment arrangement in terms of IFRS 2: Share based payments. Consequently, the Subscription Shares issued to the BEE Parties in terms of the Vendor Funded Specific Issue have not been treated as issued for accounting purposes.

On initial recognition, being 30 June 2017, the date on which the Vendor Funded Specific Issue of 13 066 682 Subscription Shares were issued, a once-off IFRS 2 charge of R14,8 million and corresponding share based payment reserve has been recognised in respect of the equity settled share based payment arrangement. The share based payment arrangement was measured at fair value, using a Black Scholes option pricing model on the effective date of the BEE Transaction. The assumptions used in this model included:

- A closing spot price of R13,86 per Emira share as at 30 June 2017;
- Volatility of 15,54% (based on historical trends in the Emira Share price);
- A risk-free rate of 7,50%; and
- A dividend yield that ranges between 11,63% to 12,33% during the term of the option.

Consequently, reserves were increased for the share based payment reserve arising as a result.

### Enyuka Property Fund

On 2 September 2016, Emira entered into an agreement with One Property Holdings ("One Prop") to form Enyuka Property Fund ("Enyuka"). Emira contributed its 15-asset rural retail portfolio to the new venture. The transaction became effective on 16 January 2017 when the final suspensive condition was met. Emira provided a shareholder loan of R575,0 million to Enyuka which is equal to the value of the 15 properties it contributed. For the year ended 30 June 2017, Emira has charged interest at a rate equal to the yield generated by the 15 properties. Emira's shareholder loan to Enyuka runs for a period of five years and the interest charge escalates annually by 6%.

For accounting purposes, Emira is deemed to control Enyuka and Enyuka is fully consolidated by the Group based on the following factors being considered in assessing control:

- Ownership interest of Emira in Enyuka (49,9%) relative to the funding provided (92,0%);
- Existence of a call option on One Prop's 50,1% shareholding in Enyuka if certain performance conditions are not met; and
- An in-substance equity settled share based payment option granted to certain shareholders of One Prop in meeting the relevant performance conditions.

The substance of the agreement at year-end is that Emira had effectively appointed certain employees of One Prop to manage these properties for Emira.

At year-end, the in-substance equity settled share based payment option has been accounted for in terms of IFRS 2: Share based payments. The option was assessed to be immaterial at 30 June 2017 and accordingly no IFRS 2 charge has been recognised for the year.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

## Appendices to the financial statements

### 28. SECTORAL PROFILE

| | Office | Retail | Industrial | Total |
|---|---|---|---|---|
| **% of GLA** | 31,5 | 36,6 | 31,9 | 100,0 |
| **Weighted average lease escalation (%)** | 8,1 | 7,5 | 7,7 | 7,7 |
| **Lease expiry profile (% of revenue)** | | | | |
| Vacant | 0,1 | 0,3 | 0,1 | 0,5 |
| Expiries rolled over | – | 1,3 | – | 1,3 |
| Year 1 | 11,6 | 8,4 | 4,1 | 24,1 |
| Year 2 | 9,6 | 8,2 | 4,4 | 22,2 |
| Year 3 | 5,2 | 8,5 | 2,4 | 16,1 |
| Year 4 | 4,4 | 5,6 | 4,3 | 14,3 |
| Year 5+ | 5,8 | 14,5 | 1,2 | 21,5 |
| | 36,7 | 46,8 | 16,5 | 100,0 |
| **Lease expiry profile (% of GLA)** | | | | |
| Vacant | 4,0 | 1,3 | 0,6 | 5,9 |
| Expiries rolled over | 0,1 | 1,1 | – | 1,2 |
| Year 1 | 8,5 | 5,8 | 6,9 | 21,2 |
| Year 2 | 6,9 | 5,8 | 8,4 | 21,1 |
| Year 3 | 4,7 | 5,6 | 5,5 | 15,8 |
| Year 4 | 3,3 | 3,9 | 7,6 | 14,8 |
| Year 5+ | 4,1 | 13,1 | 2,8 | 20,0 |
| | 31,6 | 36,6 | 31,8 | 100,0 |
| **Vacancy profile (% of GLA)** | 12,5 | 6,7 | 1,7 | 5,7 |

### GEOGRAPHICAL PROFILE

| | Gauteng and Mpumalanga | Western and Eastern | KwaZulu-Natal | Free State | Total |
|---|---|---|---|---|---|
| % of GLA | 66,6 | 16,5 | 14,1 | 2,8 | 100,0 |

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

### TENANT PROFILE

| | Grade A | Grade B | Grade C | Total |
|---|---|---|---|---|
| % of GLA | 57,3 | 22,5 | 20,2 | 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 29. SHAREHOLDERS' PROFILE AND JSE INFORMATION AT 30 JUNE 2017

| | Number of holders | % of holders | Number of shares | % of capital |
|---|---|---|---|---|
| Directors' holdings | 2 | 0,05 | 380 000 | 0,07 |
| Empowerment partners excluding directors' holdings | 4 | 0,10 | 31 745 009 | 6,07 |
| Non-public | 6 | 0,14 | 32 125 009 | 6,15 |
| Public | 4 150 | 99,86 | 490 542 238 | 93,85 |
| **Total** | 4 156 | 100,00 | 522 667 247 | 100,00 |
| **Distribution of Shareholders** | | | | |
| Banks/brokers | 70 | 1,68 | 51 931 314 | 9,94 |
| Close corporations | 47 | 1,13 | 2 173 576 | 0,42 |
| Empowerment | 4 | 0,10 | 31 745 009 | 6,07 |
| Endowment funds | 81 | 1,95 | 2 941 644 | 0,56 |
| Hedge funds | 5 | 0,12 | 866 023 | 0,17 |
| Individuals | 2 651 | 63,79 | 19 665 014 | 3,76 |
| Insurance companies | 56 | 1,35 | 33 021 674 | 6,32 |
| Investment companies | 4 | 0,10 | 2 010 352 | 0,38 |
| Medical schemes | 14 | 0,34 | 1 613 673 | 0,31 |
| Mutual funds | 246 | 5,92 | 224 505 293 | 42,95 |
| Other corporations | 14 | 0,34 | 86 838 | 0,02 |
| Private companies | 91 | 2,19 | 45 130 076 | 8,63 |
| Public companies | 3 | 0,07 | 499 590 | 0,10 |
| Retirement funds | 218 | 5,25 | 94 061 338 | 18,00 |
| Trusts | 652 | 15,69 | 12 415 833 | 2,38 |
| **Total** | 4 156 | 100,00 | 522 667 247 | 100,00 |
| **Range analysis at 30 June 2016** | | | | |
| 1 – 1 000 shares | 587 | 14,12 | 253 086 | 0,05 |
| 1 001 – 10 000 shares | 2 185 | 52,57 | 10 178 993 | 1,95 |
| 10 001 – 100 000 shares | 1 045 | 25,14 | 32 170 406 | 6,16 |
| 100 001 – 1 000 000 shares | 261 | 6,28 | 77 773 384 | 14,88 |
| 1 000 001 shares and over | 78 | 1,88 | 402 291 378 | 76,97 |
| **Total** | 4 156 | 100,00 | 522 667 247 | 100,00 |

The following holders of shares hold, beneficially directly or indirectly, at 30 June 2017 in excess of 5% of the issued share capital:

| | Number of shares | % of capital |
|---|---|---|
| Old Mutual | 55 807 955 | 10,68 |
| Government Employees Pension Fund | 45 185 696 | 8,65 |
| U Reit Holdings (Pty) Ltd | 40 469 082 | 7,74 |
| Prudential Investment Managers | 37 008 610 | 7,08 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 30. DIRECTORS' HOLDINGS

The directors' holdings in shares of the Company as at 30 June 2017, were:

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Beneficial direct** | **Beneficial indirect** | **Held by associates** | **Total** | Beneficial direct | Beneficial indirect | Held by associates | Total |
| **Executive directors** | | | | | | | | |
| Geoff Jennett | – | 72 000 | – | 72 000 | – | 50 000 | – | 50 000 |
| **Non-executive directors** | – | – | – | – | – | – | – | – |
| Michael Aitken | 20 000 | – | 288 000 | 308 000 | 20 000 | – | 288 000 | 308 000 |
| Nocawe Makiwane | – | 536 741 | – | 536 741 | – | 536 741 | – | 536 741 |
| Derek Thomas | – | 5 618 673 | – | 5 618 673 | – | – | – | – |
| Vusi Mahlangu | – | 4 254 512 | – | 4 254 512 | – | – | – | – |
| Thys Neser * | – | – | – | – | – | – | 20 000 | 20 000 |
| Ben van der Ross * | – | – | – | – | – | 1 807 694 | – | 1 807 694 |
| **Total** | 20 000 | 10 481 926 | 288 000 | 10 789 926 | 20 000 | 2 394 435 | 308 000 | 2 722 435 |

* Retired effective 14 February 2017.

There has been no other change in the interests of directors in the stated capital of the Fund since the end of the financial year to the date of this report.

## 31. PROPERTY LISTING

| Type | Property | Location | Province | Major tenants (GLA) | GLA ($m^2$) | Weighted avg. gross rent/$m^2$ (excluding parking and storerooms) |
|---|---|---|---|---|---|---|
| Office | 1 Kikuyu Road ^ | 1 Kikuyu Road, Sunninghill, Sandton | Gauteng | Vacant | 7 383 | Vacant |
| Office | 100 on Armstrong | 100 Armstrong Avenue, Forest Park, La Lucia Ridge, Durban | KwaZulu-Natal | Black Label Telecoms, Eris Property Group, Sekela Xabiso CA Incorporated, Amoil, Assegai & Javelin, JBJ Internet | 2 871 | 143,37 |
| Office | 1059 Francis Baard ^# | 1059 Francis Baard Street, Hatfield, Pretoria | Gauteng | SABC Ltd, Media 24, United Nations Office for Drug Control and Crime Prevention, Channel Life, Land and Agricultural Development Bank | 5 993 | 133,27 |
| Office | 12 Baker Street * | 12 Baker Street, Rosebank, Johannesburg | Gauteng | Sasol Group Services (Pty) Ltd | 4 636 | 144,84 |
| Office | 2 Frosterley Park #* | 2 Frosterley Crescent, La Lucia Ridge, Umhlanga Rocks, Durban | KwaZulu-Natal | Telesure Group Services (Pty) Ltd | 2 312 | 127,42 |
| Office | 2 Sturdee Avenue * | 2 Sturdee Avenue, Rosebank, Johannesburg | Gauteng | Sasol Group Services (Pty) Ltd | 5 603 | 144,84 |
| Office | 267 West | 267 West Avenue, Centurion, Pretoria | Gauteng | Minerp Holdings, Connectnet Broadband, Afiswitch, Strategic Simulation Solutions, Thumbz Up Innovation, Cresco Holdings | 9 396 | 148,41 |
| Office | 4 Kikuyu Road ^ | 4 Kikuyu Road, Sunninghill, Sandton, Johannesburg | Gauteng | Hardwood Kirsten Leigh-McCoy, Legal Exchange Corporation (Pty) Ltd, Vision Direct, Zestilor (Pty) Ltd | 4 809 | 93,87 |
| Office | 5 The Boulevard * | 5 The Boulevard, Westway Office Park, Westville, Durban | KwaZulu-Natal | Naidu Consulting (Pty) Ltd | 1 256 | 127,42 |
| Office | 7 Naivasha Road * | 7 Naivasha Road, Sunninghill, Sandton | Gauteng | Group M South Africa (Pty) Ltd | 4 673 | 127,42 |

^ *Held-for-sale.*

\# *Independently valued at 30 June 2017.*

* *Single tenant – weighted average for all single tenant buildings in office sector – R127,42/$m^2$.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 31. PROPERTY LISTING CONTINUED

| Type | Property | Location | Province | Major tenants (GLA) | GLA ($m^2$) | Weighted avg. gross rent/$m^2$ (excluding parking and storerooms) |
|---|---|---|---|---|---|---|
| Office | 80 Strand Street (50% owned) | 80 Strand Street, Cape Town | Western Cape | Associated Media Publishing, Real Automobile Finance and Insurance Consulting, Unitrans Automotive, EZT Travel, Eris Property Group, Miller Du Toit Cloet Inc. | 6 390 | 106,25 |
| Office | 9 Long (Wesbank House) # | 21 Riebeek Street, Cape Town | Gauteng | National Debt Advisors, Department Of Public Works, Transaction Capital Business Solutions, Government of RSA Film and Publication Board, Tower Group | 9 384 | 105,72 |
| Office | Albury Park # | Magalieszicht Avenue, Dunkeld West, Sandton | Gauteng | Aegis Media Central Services, Office Space Online, Charl Cilliers Inc, Bouwers Inc | 8 151 | 138,15 |
| Office | Boundary Terraces # | 1 Mariendahl Lane, Newlands, Cape Town | Western Cape | Professional Provident Society Investments, Savings and Invesment Association SA, Brimstone, World Wide Fund for Nature SA, The Data Factory | 8 023 | 160,83 |
| Office | Bradenham Hall | Mellis Avenue, Rivonia, Sandton | Gauteng | Kantar South Africa, Bramel Business Solutions, Green Team International, Elleyhill Holdings, Questcom (Pty) Ltd | 4 767 | 97,91 |
| Office | Brooklyn Office Park ^ | 105 Nicolson Street, Brooklyn, Pretoria | Gauteng | Shapiro and Haasbroek, Rede Engineering and Management Solutions, Dreamscheme 76 (Pty) Ltd, Diakonia Trust, Mancosa | 5 186 | 98,24 |
| Office | Chiappini House | 26 Chiappini Street, Cape Town | Western Cape | Johann Botha, Stile Milano, De Waterkant Health, None Such Films, Isivumelwano Organisational & HR Development | 1 024 | 140,63 |
| Office | Convention House ^ | 125 Florence Nzama Street, Durban | KwaZulu-Natal | All Life, Danie Hollenbach Motors, Tshwane University of Technology, Europcar, Metropolitan Health Corporate, Imtech Marine South Africa | 6 249 | 94,65 |
| Office | Corobay Corner ^ | Cnr Aramist and Corobay Avenue, Menlyn, Pretoria | Gauteng | Council for the Built Environment, X-DSL Networking Solutions, Eris Property Group, Chickenland, Project Portfolio Office | 13 865 | 152,76 |
| Office | Corporate Park 66 | Cnr Von Willich Avenue and Lenchen Street, Centurion, Pretoria | Gauteng | Nanoteq, Fidelity Security Services, PSG Wealth Financial Planning, Smart Village, Department of Public Works, Waterworks, Towerbridge Projects (Pty) Ltd | 13 277 | 127,07 |
| Office | Derby Downs | 9 Derby Place and 4 Sookhai Place, Derby Downs, Westville, Durban | KwaZulu-Natal | SA Biomedical, Tradebridge, Arrow Altech Distribution, Enterprise Foods, Brainwave Projects 707 (Pty) Ltd | 2 139 | 101,79 |
| Office | Discovery Health PTA *# | Oak Road, Centurion, Pretoria | Gauteng | Discovery Health (Pty) Ltd | 3 863 | 127,42 |
| Office | East Coast Radio House | 314/7 Umhlanga Rocks Drive, Umhlanga Rocks, Durban | KwaZulu-Natal | East Coast Radio, Dimension Data, Bravo Group Lounge Durban, ABSA Bank, Cupcake Heaven | 4 752 | 177,04 |
| Office | East Rand Junction ^ | Cnr Pond and Frank Streets, Boksburg | Gauteng | Hammond Pole Majola Inc, Wesbank, KTVR Bus Services, Home Inspection Pros, Zoltac, Standard Bank | 6 466 | 79,65 |

^ *Held-for-sale.*

\# *Independently valued at 30 June 2017.*

* *Single tenant – weighted average for all single tenant buildings in office sector – R127,42/$m^2$.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 31. PROPERTY LISTING CONTINUED

| Type | Property | Location | Province | Major tenants (GLA) | GLA ($m^2$) | Weighted avg. gross rent/$m^2$ (excluding parking and storerooms) |
|---|---|---|---|---|---|---|
| Office | Epsom Downs Office Park | 13 Sloane Street, Bryanston, Sandton | Gauteng | Angor Property Specialists, Hemocue, Strategic Real Estate Managers, Tedcor (Pty) Ltd, Bright Network Solutions | 9 481 | 108,13 |
| Office | Gateview # | 3 Sugar Close, Umhlanga, Durban | KwaZulu-Natal | Bytes People Solutions, African Spear Trading, Enza Construction, Bargaining Council for the Civil Engineering | 2 799 | 127,56 |
| Office | Hamilton House | 30 Chiappini Street, Cape Town | Western Cape | Switchless (Pty) Ltd, Hyve Mobile, H & M Hennes and Mauritz, Kids Living, Insight Actuaries and consultants | 3 247 | 126,81 |
| Office | Harbour Place ^ | 7 Martin Hammerschlag Way, Cape Town | Western Cape | Hyundai Automotive SA, Mastermax Productions, Kilgetty Statutory Services, Megafreight Services Cape, SA Inshore Fishing Industry Association | 5 015 | 105,94 |
| Office | Highgrove Office Park | Highgrove Office Park, Oak Road, Centurion, Pretoria | Gauteng | Consulta Research (Pty) Ltd, Stowe Holdings, Concilium Technologies (Pty) Ltd, Clear Access | 8 012 | 107,46 |
| Office | Hyde Park Lane # | Cnr Jan Smuts Avenue and William Nicol Drive, Hyde Park, Sandton | Gauteng | Standard Bank, DTH Services, Bowden & Company, Deutsche Lufthansa, WCIS Attorneys | 15 539 | 132,48 |
| Office | Iustitia Building ^ | Cnr St Andrews and Aliwal Streets, Bloemfontein | Free State | Solomon Mpheto Oupa Seobe, Mphafi Khang Incorporated | 5 360 | 163,94 |
| Office | Knightsbridge Manor (Old) | 34 Sloane Street, Bryanston Ext 4 | Gauteng | Norilsk Nickel Africa, Archstone Construction, Tectight Enterprise Technologies | 1 466 | 110,16 |
| Office | Lake Buena Vista 1 ^ | Gordon Hood Avenue, Centurion, Pretoria | Gauteng | Railway Safety Regulator, FX Academy (Pty) Ltd, Business School of South Africa | 6 196 | 112,97 |
| Office | Lincoln Wood Office Park | 6 and 8 Woodlands Drive, Woodmead | Gauteng | Altech, Spur Group, Water & Sanitation Services SA, DSC Transport, Novozymes SA, Majors and Minors SA | 10 569 | 103,64 |
| Office | Lone Creek | 21 Mac Mac Road and Howick Close, Waterfall Park, Midrand | Gauteng | The Concrete Institute, KMJ Services, Tyremart Tyres & Accessories, MV Tronics, The South African Council for Quantity Surveying Profession, Regional Tourism Organisation of Southern Africa | 5 387 | 101,12 |
| Office | Menlyn Corporate Park | Cnr Corobay Avenue and Garsfontein Road, Menlyn, Pretoria | Gauteng | King Price Insurance Company, Feenstra Group, Santam Limited, BVI Consulting Engineers Gauteng, South African Local Government Association | 26 659 | 223,99 |
| Office | Menlyn Square Office Park # | 116 Lois Avenue, Menlyn, Pretoria | Gauteng | Standard Bank, Cell C, Momentum Consult, AZOTEQ (Pty) Ltd, Ditiro IT Resource Services, Karabo Parking Management | 9 852 | 135,48 |
| Office | Menlynwoods Office Park ^# | 291 Sprite Avenue, Faerie Glen, Pretoria | Gauteng | SRK Consulting, Nothemba Properties, Attooh Financial Wellness, Eloquent Learning Health, Strydom Britz Mohulatsi, Ontario Financial Services | 10 322 | 98,02 |
| Office | Newlands Terraces # | 8 Boundary Road, Newlands, Cape Town | Western Cape | UCS Technology Services, Western Province Rugby Football Union, Taquanta Asset Managers, UCS Solutions | 4 531 | 143,01 |

^ *Held-for-sale.*

\# *Independently valued at 30 June 2017.*

* *Single tenant – weighted average for all single tenant buildings in office sector – R127,42/$m^2$.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 31. PROPERTY LISTING CONTINUED

| Type | Property | Location | Province | Major tenants (GLA) | GLA ($m^2$) | Weighted avg. gross rent/$m^2$ (excluding parking and storerooms) |
|---|---|---|---|---|---|---|
| Office | Omni Centrum ^ | 73 Aliwal Street, Bloemfontein | Free State | Surveyor General, Free State Dept of Education, National Dept of Public Works, Agricultural – Dept Public Works | 5 447 | 86,66 |
| Office | Podium at Menlyn # | 43 Ingersol Road, Lynnwood Glen, Pretoria | Gauteng | Hatch Goba, Gibb, South African Forestry Company, Simeka Consultants and Actuaries, Old Mutual Corporate, Golder Associates Africa, Rand Mutual Admin Services | 8 962 | 184,34 |
| Office | Rigel Office Park | 446 Rigel Avenue, Erasmusrand, Pretoria | Gauteng | Black Real Estate, Finbond Group, MSPH South Africa | 4 417 | 92,93 |
| Office | Riverworld ^ | 42 Homestead Road, Edenburg, Sandton | Gauteng | 5th Dimension Marketing, Meril SA, Afrisoft Africa | 5 079 | 70,71 |
| Office | Strathmore Park | 305 Musgrave Road, Musgrave, Durban | KwaZulu-Natal | Chedza International Loss Adjusters, Transport Education Training Authority, Positive Packaging Industries, Production Management Institution of SA | 3 835 | 127,73 |
| Office | Summit Place – Building A, C, D, E & G1 | Corner of Garsfontein Road and N1 Freeway, Menlyn Pretoria | | SizweNtsalubaGobodo, Grant Thornton, BDO South Africa Services, Assupol Life Limited, Planet Fitness, Kempster Sedgwick (Pty) Ltd, Primo Grill, Summit Grill and Sky Bar | 14 834 | 262,72 |
| Office | The Gables ^ | 320 Duncan Street, Hatfield, Pretoria | Gauteng | National Debt Connection, Tshwane Rapid Transit, Pegasys Strategy and Development, Room to read | 2 851 | 108,97 |
| Office | The Pinnacle # | 2 Burg Street, Cape Town | Western Cape | Small Enterprise Development Agency (SEDA), PayU Payment Solutions, Credit Matters, Moonspin, Apache Steak Ranch | 11 867 | 120,02 |
| Office | The View – Tygervalley | 43 Old Oak Road, Bellville, Cape Town | Western Cape | Intercare, Clicks Retailers, MMI Group, Professional Provident Society Insurance Company Limited | 6 642 | 205,04 |
| Office | Tuinhof # | 265 West Avenue, Centurion, Pretoria | Gauteng | Trans Caledon Tunnel Authority, National Tooling Initiative Programs, DEKRA Industrial, TymeTechnical Solutions | 8 816 | 158,06 |
| Office | Turnberry Office Park # | Turnberry Office Park, 48 Grosvenor Road, Bryanston, Sandton | Gauteng | Inuate Group, Rentworks Africa, Managed Healthcare Systems, Amadeus Global Travel Distribution SA | 5 667 | 135,00 |
| Office | Waterside Place 1 and 2 | Waterside Place, South Gate Tyger Waterfront, Carl Cronje Drive, Bellville, Cape Town | Western Cape | AECOM SA, Mobile Telephone Networks, Barrisford Brent Petersen Law Incorporated Southern Canned Products | 4 904 | 156,92 |
| Office | Westway # | 17 The Boulevard, Westway Office Park, Westville, Durban | KwaZulu-Natal | Huawei Technologies Africa, Environmental Resources Management SA, Uniclox, Warwick Services and Operations | 2 313 | 144,88 |
| Office | Western Woods Office Park (Woodmead Office Park – Erf 3) # | 140 and 145 Western Services Road, Woodmead | Gauteng | Mine Health and Safety Council, Leading Edge Business Solutions, Nobel Biocare SA, Globus Medical South Africa, South African Custodial Management | 8 947 | 92,80 |
| **Subtotal Office** | | | | | **356 406** | **139,18** |

^ *Held-for-sale.*

\# *Independently valued at 30 June 2017.*

* *Single tenant – weighted average for all single tenant buildings in office sector – R127,42/$m^2$.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 31. PROPERTY LISTING CONTINUED

| Type | Property | Location | Province | Major tenants (GLA) | GLA ($m^2$) | Weighted avg. gross rent/$m^2$ (excluding parking and storerooms) |
|---|---|---|---|---|---|---|
| Urban Retail | Ben Fleur Shopping Centre | Da Vinci Street, Emalahleni | Mpumalanga | Shoprite Checkers, Spur, Woolworths, Clicks, Liquor City, Crazy Plastics, KFC, Rhapsody's | 10 781 | 117,19 |
| Urban Retail | Boskruin Shopping Centre | Cnr of President Fouche and Hawken Avenue, Bromhof, Johannesburg | Gauteng | Woolworths, Clicks, Luigi's Pizzeria, Image Lab, MICA, Lonehill Café Culture, CNA, KFC, Mugg & Bean, Evolution Boxing and Fitness, Simply Asia, Harcourts Pinnacle | 6 939 | 170,37 |
| Urban Retail | Cresta Corner ^ | Cnr Beyers Naude Drive and Pendoring Street, Cresta | Gauteng | Audi Centre Northcliff, Virgin Active, VMG Consultants, Hesselink Konig Incorporated, Conycare, Bara Consulting | 9 719 | 60,72 |
| Urban Retail | Epsom Downs Shopping Centre # | 13 Sloane Street, Bryanston, Sandton | Gauteng | Pick n Pay, Country Meat, Zhenai International, KFC, Nandos, CNA, 4x4 Megaworld | 6 841 | 145,32 |
| Urban Retail | Granada Square | 16 Chartwell Drive, Umhlanga Rocks, Durban | KwaZulu-Natal | Woolworths, Capsicum Culinary Studio, Europa, Microsoft South Africa, Ferrucci Bakery, Leisure Lounge, Pintxada, Angelo's Trattoria Ristorante | 7 208 | 163,07 |
| Urban Retail | Gateway Centre | 1319 Pretoria Street, Hatfield, Pretoria | Gauteng | McDonalds, KFC, Hatfield Liquor | 1 793 | 196,06 |
| Urban Retail | Kramerville Corner | 16 Desmond Street, Eastgate, Kramerville, Sandton | Gauteng | Griffiths & Griffiths, First Quantum Minerals, U & G Fabrics, Il Lusso, Collaro Designs, Nicci Boutiques, Design Plus Interiors, Pierre Cronje, Décor Republic | 18 460 | 113,04 |
| Urban Retail | Linksfield Road | 110 Linksfield Drive, Linksfield, Edenvale | Gauteng | Woolworths, KEG and Beagle, Sportzlink, Durandt's Boxing and Fitness, Linksfield Pharmacy, ER Buco Restaurant, Sabor Restaurant | 4 634 | 115,57 |
| Urban Retail | Makro Selby * | 15 Hanover Street, Selby, Johannesburg | Gauteng | Makro | 19 705 | 141,20 |
| Urban Retail | Market Square | Beacon Way, Plettenberg Bay | Western Cape | Woolworths, Pick n Pay, Edgars, Clicks, Mr Price Clothing, Mr Price Home, Cape Union Mart, Mugg & Bean, PEP, Ackermans, KFC | 14 723 | 121,97 |
| Urban Retail | Mitchells Plain (50%) # | Town Centre Mitchells Plain | Western Cape | Shoprite, Jet, Pep, Standard Bank, Absa, Nedbank, Choice Clothing, Ackermans | 9 083 | 109,92 |
| Urban Retail | One Highveld | 5 Bellingham Street, Centurion, Pretoria | Gauteng | Henna Motors, Dreamview Glass, Prayer Council Ministries, Phoenix Films, Ikon Dynamics, GPS 4 Africa, Motorrad Executive Rentals, RA Signage, Clifford Hutton | 6 124 | 67,89 |
| Urban Retail | Park Boulevard | 11 Brownsdrift Road, Riverside, Durban North | KwaZulu-Natal | Spar, Tops Spar, Spar Pharmacy, KTM Durban, TOMS Durban, On Tap, Caffe Italia Express | 5 357 | 104,19 |
| Urban Retail | Parklands Health Centre | 11 Village Walk, Cnr Link and Park Road, Table View, Cape Town | Western Cape | Intercare Health Centre, Clicks, Hiit Fitness, Salon Le Blonde, Vanilla Nail and Body Studio | 2 486 | 146,39 |

^ *Held-for-sale.*

\# *Independently valued at 30 June 2017.*

* *Single tenant – weighted average for all single tenant buildings in retail sector – R133,76/$m^2$.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 31. PROPERTY LISTING CONTINUED

| Type | Property | Location | Province | Major tenants (GLA) | GLA ($m^2$) | Weighted avg. gross rent/$m^2$ (excluding parking and storerooms) |
|---|---|---|---|---|---|---|
| Urban Retail | Quagga Centre | Cnr Court and Quagga Streets, Pretoria West | Gauteng | Shoprite Checkers, Pick n Pay, Woolworths, First National Bank, Edgars, Standard Bank, Mr Price, Nedbank, Russells, Clicks, Ackermans, Jet, Pep, Foshini | 29 409 | 135,35 |
| Urban Retail | Randridge Mall # | Cnr John Vorster Drive and Kayburne Road, Randpark Ridge | Gauteng | Pick n Pay, Woolworths, Dis-Chem, First National Bank, Foschini, Mr Price, Health Worx, Ackermans, Kingsmead Shoes, Pep, Truworths, Nedbank, Standard Bank, Absa, Liquor City | 22 447 | 139,23 |
| Urban Retail | Southern Sentrum | Benade Drive, Fichardt Park, Bloemfontein | Free State | Pick n Pay, Shell SA, Clicks, Firstrand Bank Limited, ABSA Bank, The Crazy Store, Pep, Standard Bank, Wimpy, Contempo | 21 267 | 108,40 |
| Urban Retail | Springfield Retail Centre # | 2 Ilala Avenue, Springfield Park, Durban | KwaZulu-Natal | Food Lovers Market, The Hub, Hi Fi Corp, Outdoor Warehouse, Toyzone, Ted's Home Store, Tekkie Town, Baby City, Dial-A-Bed, Standard Bank | 17 290 | 133,65 |
| Urban Retail | The Colony Centre # | 345 Jan Smuts Avenue, Craighall Park | Gauteng | Baby City, Red Chilli Spice, JDI Research, Colony Arms, Sing Fei Chinese Restaurant, Video Spot, Colony Pharmacy, Steers | 7 141 | 172,53 |
| Urban Retail | The Tramshed | 288 Van der Walt Street, Pretoria | Gauteng | Pick n Pay, Virgin Active, The Government of RSA, Edgars Active, SA Post Office, Capitec Bank, Avon Justine, Fashion Fusion | 12 415 | 122,03 |
| Urban Retail | Wonderpark | Cnr Old Brits Road and Heinrich Avenue, Karenpark, Pretoria | Gauteng | Pick n Pay Hypermarket, Game, Checkers, Builders Express, Virgin Active, Caltex, Dis-Chem, Mr Price, Edgars, Cashbuild, Woolworths, Ster Kinekor, Foschini, The Hub, Clicks, Ster-Kinekor, Truworths, Woolworths | 90 882 | 154,48 |
| **Subtotal Urban Retail** | | | | | **324 705** | **134,48** |

^ *Held-for-sale.*

\# *Independently valued at 30 June 2017.*

* *Single tenant – weighted average for all single tenant buildings in retail sector – R133,76/$m^2$.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 31. PROPERTY LISTING CONTINUED

| Type | Property | Location | Province | Major tenants (GLA) | GLA ($m^2$) | Weighted avg. gross rent/$m^2$ (excluding parking and storerooms) |
|---|---|---|---|---|---|---|
| Rural Retail | Bizana Shopping Centre | Main Road, Bizana | Eastern Cape | Boxer Superstore, Pep, Power Fashion Factory, KFC, Edgars Active, E-Max Home | 4 710 | 244,43 |
| Rural Retail | Central Square Idutywa # | Cnr Bell Street and Kiddell, King and Richards Roads, Idutywa | Eastern Cape | U-Save (Shoprite Checkers), Pep, Mr Price Group, Lewis Stores, ABSA Bank, Ackermans, Power Fashion Factory, Ideals, Autozone | 5 160 | 120,99 |
| Rural Retail | Cofimvaba Shopping Centre | Main Road, Cofimvaba | Eastern Cape | Boxer Superstores, Pep, Ackermans, Lewis Stores, Dreamteam Trading, Empire Furniture and Hardware, Power Fashion Factory, Queens Furnishers | 5 346 | 103,87 |
| Rural Retail | Dundee Boulevard | Karel Landsman Street, Dundee | Eastern Cape | Pick n Pay, Edgars, Woolworths, Truworths, Clicks, Sheet Street, Miladys, Wimpy | 7 107 | 108,59 |
| Rural Retail | Flagstaff Shopping Centre | Main Road, Flagstaff | Eastern Cape | Engen, Boxer Build, Standard Bank, Mr Price, Shoprite Checkers | 4 723 | 70,84 |
| Rural Retail | Greytown Centre | Bell Street, Greytown | Eastern Cape | Pep, Dunns, KFC, Capitec Bank, Umvoti Liquor Store | 2 315 | 125,97 |
| Rural Retail | Hluhluwe Centre # | Main Road, Hluhluwe | KwaZulu-Natal | Boxer Superstores, King Price, Dunns, KFC | 2 844 | 187,36 |
| Rural Retail | Ingwavuma Shopping Centre | Main Road, Ingwavuma | Eastern Cape | Spar Supatrade, Pep, Ithala Bank, Dunns, Russels, Department of Public Works, Daily Store, FurnMart, Rage | 4 886 | 95,37 |
| Rural Retail | Jock of the Bushveld Centre # | Cnr General and Hillary Streets, Barberton, Mpumalanga | Mpumalanga | Pick n Pay, Absa Bank, Mr Price, Clicks, Truworths, Crazy Store, Miladys | 6 678 | 170,97 |
| Rural Retail | Kokstad Main *# | Main Road, Kokstad | Eastern Cape | Devland Cash & Carry | 2 062 | 62,69 |
| Rural Retail | Kokstad Shopping Centre | Main Road, Kokstad | Eastern Cape | Rhino Cash & Carry, Jet, Ackermans, Pep, Barnetts, Bradlows, Joshua Doore, Jumbo, Dunns | 10 164 | 105,88 |
| Rural Retail | Matatiele Centre | Station Road, Matatiele | Eastern Cape | Rhino Cash & Carry, Power Stores, Pep, Edgars Active, Ideals, Natal Fashion Wear, Capitec Bank, Choice Meat Market, Dunns, Choice Meat Market | 7 823 | 123,15 |
| Rural Retail | Nongoma Centre | Sizwe Road, Nongoma | Eastern Cape | Spar, Furnmart, Jet, Fashion Break, Ideals, Pep, ABSA Bank, Edgars Active, Fashion World, Bradlows, Fashion World | 9 146 | 102,37 |
| Rural Retail | Nqutu | Cnr Manzolwandle and Hlube Roads, Nqutu | Eastern Cape | Boxer Superstore, Ackermans, Pep, Power Fashion Factory, KFC | 4 045 | 99,07 |
| Rural Retail | Old Acre Plaza | Cnr Victoria and Wilson Streets, Dundee | Eastern Cape | OK Value, Jet, Ackermans, Pep, Webbers, Dunns, Jose's Restaurant & Bar, Fashion World, G-Bets | 4 991 | 116,33 |
| Rural Retail | Tin Roof # | Cnr Madeira and Callaway Streets, Umtata | Eastern Cape | Builders World, U-Save (Shoprite), Shoprite Liquor, Hungry Lion, Fish & Chips | 2 108 | 86,85 |
| Rural Retail | Umzimkulu Centre | Cnr National and Franklin Roads, Umzimkulu | KwaZulu-Natal | Rhino Cash & Carry, Lewis Store, Pep, Golden Sun Gaming, KFC, Honchos, Rhino Liquors, Stop Discount Furnishers | 5 410 | 99,56 |
| **Subtotal Rural Retail** | | | | | **89 517** | **118,85** |

^ *Held-for-sale.*

\# *Independently valued at 30 June 2017.*

* *Single tenant – weighted average for all single tenant buildings in retail sector – R133,76/$m^2$.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 31. PROPERTY LISTING CONTINUED

| Type | Property | Location | Province | Major tenants (GLA) | GLA ($m^2$) | Weighted avg. gross rent/$m^2$ (excluding parking and storerooms) |
|---|---|---|---|---|---|---|
| Industrial | 14–16 Boston Circle * | 14–16 Boston Circle, Airport Industria, Cape Town | Western Cape | Bidvest Data | 7 533 | 53,94 |
| Industrial | Admiral House # | 151 Lechwe Street, Corporate Park South, Randjiespark Ext 7, Midrand | Gauteng | The Automobile Association of SA, Bakali Foodstuffs, 4x4 Lightning Solutions | 4 460 | 57,99 |
| Industrial | Aeroport (12/14 Winnipeg Avenue) | 12–14 Winnipeg Avenue, Aeroport, Kempton Park | Gauteng | Bright Idea Projects, Knorr-Bremse, M and T Distributors, Madiba Madibana Logistics and Projects | 1 640 | 56,11 |
| Industrial | Aeroport (34/36 Director Road) | 34–36 Director Road, Aeroport, Spartan, Kempton Park | Gauteng | Thembalihle Holdings and Projects, Bearing Man Group | 1 715 | 57,87 |
| Industrial | Aeroport (96 Loper Road) *# | 96 Loper Avenue, Spartan Ext 2, Kempton Park | Gauteng | Tenova South Africa (Pty) Ltd | 3 966 | 53,94 |
| Industrial | Aeroport (98 Loper Road) * | 98 Loper Avenue, Spartan Ext 2, Kempton Park | Gauteng | Amalgamated Power Solutions | 1 672 | 53,94 |
| Industrial | Arjo Wiggins – Mahogany Ridge * | 1 Monte Carlo Road, Mahogany Ridge, Pinetown | KwaZulu-Natal | Antalis SA (Pty) Ltd | 6 907 | 53,94 |
| Industrial | Assegaai Place – Kraaifontein ^* | 7 Assegaai Rd, Kraaifontein Industria, Cape Town | Western Cape | Roelcor Holdings (Pty) Ltd | 2 877 | 53,94 |
| Industrial | Cambridge Park | 22 Witkoppen Road, Paulshof | Gauteng | Itec Shared Services, Netflorist, Puma SA, Biomet SA | 12 094 | 74,27 |
| Industrial | CEVA Midrand *# | Cnr 16th and Douglas Roads, Randjiespark, Midrand | Gauteng | CEVA Animal Health | 2 781 | 53,94 |
| Industrial | Corporate Park (82 Lechwe) | 82 Lechwe Street, Sage Corporate Park, Randjiespark Ext 70, Midrand | Gauteng | Serrol Ingredients Inc in NSW Australia, Maxxis Tyres SA, Pikitup Johannesburg, Voltex | 6 523 | 55,87 |
| Industrial | Defy Appliances *# | Cnr Mimetes Rd and Kruger St, Denver, Johannesburg | Gauteng | Defy Appliances | 10 100 | 53,94 |
| Industrial | Epping Warehouse (WGA) | 3A Bofors Circle, Epping, Cape Town | Western Cape | Auction Operation, Autozone Retail Distributors, Starways Trading, Transpaco Cores and Tubes | 23 912 | 36,59 |
| Industrial | Evapco * | Cnr Quality and Barlow Streets, Isando, Johannesburg | Gauteng | Evapco SA | 5 715 | 53,94 |
| Industrial | Fosa Park * | 570 Inanda Road, Durban | KwaZulu-Natal | Co-Lab Industries | 4 200 | 53,94 |
| Industrial | Freeway Park # | Cnr Berkley and Upper Camp Roads, Ndabeni, Maitland, Cape Town | Western Cape | Torga Optical, Advanced Materials Technology, Meteor Lighting, Hestico, The Broadband Warehouse, Shine The Way, Ashdan Electronics | 7 764 | 76,70 |
| Industrial | Gateway Landing | 70 Banghoek Crescent, N4 Gateway Industrial Park, Pretoria | Gauteng | Grit Procurement Solutions, Storage King SA, Tidy Files, Bakery Incubation Centre of SA, JVT Vibrating Equipment, Glue Products, Kizo Trading, Sano-Modern Animal, Midcomp Azero | 9 371 | 55,99 |
| Industrial | Greenfields # | 1451 Chris Hani Road, Redhill, Durban | KwaZulu-Natal | Roadswift Logistics, Greenwest Investments, Reitriver Mechanical, Purelux Trading, Nyakatho Plumbing & Hardware Suppliers, Leighjer Designs, Rand Sandblasting Projects Coastals, Rovac Engineering | 9 398 | 67,37 |

^ *Held-for-sale.*

\# *Independently valued at 30 June 2017.*

* *Single tenant – weighted average for all single tenant buildings in office sector – R53,94/$m^2$.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 31. PROPERTY LISTING CONTINUED

| Type | Property | Location | Province | Major tenants (GLA) | GLA ($m^2$) | Weighted avg. gross rent/$m^2$ (excluding parking and storerooms) |
|---|---|---|---|---|---|---|
| Industrial | HBP Commercial unit *# | 36 Park Avenue North, Rooihuiskraal, Centurion, Pretoria | Gauteng | Spero Sensors and Instruments | 2 428 | 53,94 |
| Industrial | HBP Industrial units # | 95 Park Avenue North, Rooihuiskraal, Centurion, Pretoria | Gauteng | DT Designs, Ceramic World, Productive Systems | 7 569 | 67,74 |
| Industrial | Industrial Village Jet Park | Cnr Kelly and Estee Ackerman Roads, Jet Park | Gauteng | Autobax A Division of Maroblox, DSW Wholesalers, Connecto Fasteners, Manuel Adelino De Atouguia, ASP Suspension SA, Coetz Technologies | 11 613 | 49,57 |
| Industrial | Industrial Village Kya Sands # | Cnr Elsecar and Barnie Streets, Kya Sands Ext 2 | Gauteng | Redline Logistics Project Management, Labelit Packaging, Nepean Conveyors, SA Post Office, L.G.B. Distributions, African Bank Limited, Abrimix, T and R Design, Voyager Computers, JSC Marketing, Ronald Leige Collins, Gozone Water, Control Installations and Repair Centre | 16 659 | 36,82 |
| Industrial | Industrial Village Rustivia | 6 Rover Street, Elandsfontein, Germiston | Gauteng | Bambalela Bolts, Phoenix Gifts, Stanley Bassons, Turbofluid Projects, Level Productions, Tough Workwear and Agencies, Mzansi Rolls and Labels, Butlers Point of Sale Logistics, Intense Design | 9 851 | 43,08 |
| Industrial | Isando (20 Anvil Road) * | 20 Anvil Road, Isando, Kempton Park | Gauteng | Little Green Beverages | 12 250 | 53,94 |
| Industrial | Johnson & Johnson *# | 1 Medical Road, Randjiespark Ext 41, Midrand | Gauteng | Johnson & Johnson Medical | 3 472 | 53,94 |
| Industrial | Kyalami Business Park (RS Components) *# | 20 Indianapolis Crescent, Kyalami Park, Midrand | Gauteng | RS Components | 3 856 | 59,49 |
| Industrial | Midline Business Park # | Cnr Richards Drive and Le Roux Road, Midrand | Gauteng | Akula Trading, Eco-Degrease and Separation, Oil Centre GN, Coated Fabrics, Jost Trading, Ocean Basket Wholesale, Flintgroup SA, Smith's Mattress Warehouse, Xeracote | 12 026 | 44,46 |
| Industrial | Midrand (918 Morkels Close) # | 918 Morkels Close, Halfway House, Midrand | Gauteng | TCS John Huxley Africa, Moving Ads South Africa | 2 449 | 67,41 |
| Industrial | Midrand (Cnr Douglas and Old Pretoria Roads) *# | Corner Douglas Road and Old Pretoria Road, Randjiespark, Midrand | Gauteng | Vtech (Pty) Ltd | 2 532 | 53,94 |
| Industrial | Mitek South Africa * | 754 16th Road, Randjiespark, Midrand | Gauteng | Mitek Industries South Africa | 6 604 | 53,94 |
| Industrial | Morgan Creek * | 38 Mahogany Road, Mahogany Ridge, Pinetown | KwaZulu-Natal | Simba (Pty) Ltd | 4 644 | 53,94 |
| Industrial | RTT Acsa Park * | Cnr Springbok and Jones Streets, Bardene, Jet Park | Gauteng | RTT Group (Pty) Ltd | 46 673 | 53,94 |
| Industrial | RTT Continental * | Cnr Springbok and Jones Streets, Bardene, Jet Park | Gauteng | RTT Group (Pty) Ltd | 12 921 | 53,94 |
| Industrial | Steelpark Industrial Park | Symphony Park, Modderdam road, Bellville-South, Cape Town | Western Cape | Easylife Kitchens Manufacturing, Macsteel Service Centre SA, Screamer Electronic Services, Turnkey Telecoms, Trelleborg South Africa | 9 362 | 37,15 |

^ *Held-for-sale.*

\# *Independently valued at 30 June 2017.*

* *Single tenant – weighted average for all single tenant buildings in office sector – R53,94/$m^2$.*

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**For the year ended 30 June 2017**

## 31. PROPERTY LISTING CONTINUED

| Type | Property | Location | Province | Major tenants (GLA) | GLA ($m^2$) | Weighted avg. gross rent/$m^2$ (excluding parking and storerooms) |
|---|---|---|---|---|---|---|
| Industrial | Steiner Services * | Loper Road, Aeroport, Kempton Park | Gauteng | Bidvest Services (Pty) Ltd | 4 804 | 53,94 |
| Industrial | Trellidor *# | 10 Hoist Street, Montague Gardens, Cape Town | Western Cape | Trellidor Innovations (Pty) Ltd | 7 794 | 53,94 |
| Industrial | Technohub | Roan Crescent, Corporate Park North, Midrand | Gauteng | Vodacom, Flavourome, Kawari Wholesalers | 15 261 | 35,09 |
| Industrial | The Studios Atlas Gardens | Atlas Gardens, Potsmandam Road, Durbanville, Cape Town | Western Cape | Expandasign Cape Town, Yoctosign, ZaPrint, Media Film Service, Full Facing, Gateway Christian Family Church, Sugar Direct, Glasrite CC | 9 300 | 80,36 |
| Industrial | The Wolds A – 82 Intersite TNT # | 82 Intersite Avenue, Umgeni Business Park, Umgeni | KwaZulu-Natal | Premier Motor Group, T N T Express Worldwide SA, Woman On Fire | 1 770 | 77,62 |
| Industrial | The Wolds B – 56/58 Intersite Ave | 56 Intersite Avenue, Umgeni Business Park, Umgeni | KwaZulu-Natal | Camicode, Honeywell | 830 | 56,28 |
| Industrial | Umgeni Road A – 98/102 Intersite Ubunye *# | 98–102 Intersite Avenue, Umgeni Business Park, Umgeni | KwaZulu-Natal | Ubunye Uniforms | 1 886 | 53,94 |
| Industrial | Umgeni Road B – 23 Intersite Pharmaceutical WH # | 19–23 Intersite Avenue, Umgeni Business Park, Umgeni | KwaZulu-Natal | Sinclairs Panelbeaters, Tecsa, Jetton Trading, Jeevan's Sarrie Centre | 6 021 | 72,39 |
| Industrial | Universal Industrial Park | 72 Stanhope Place, Briardene, Durban North | KwaZulu-Natal | Liquid Ink Screen Printers, Trader Plus, Royal Distribution Centre, Quadrant Clothing, Powerbrand Signs and Graphics, Dependable Aluminium, Shalden Auto Centre | 12 361 | 42,55 |
| Industrial | Wadeville Industrial Village | 6 Crocker Road, Wadeville, Germiston | Gauteng | Sharp Edge Marketing and Training, Jumbajay Trading, Crescent Manufacturers and Distributors, Wonder Z14 Trading and Projects, Pro-Fit Footwear, Cromech Engineering, Zippel Filing and Storage Systems, Helmut Franz Lehle, Dontgothirsty, Plan It Safety | 13 384 | 42,45 |
| **Subtotal Industrial** | | | | | **360 949** | **52,48** |
| Vacant Land | 1 West Land | West Street, Centurion | Gauteng | | | |
| Vacant Land | Discovery Land | Oak Road, Centurion, Pretoria | Gauteng | | | |
| Vacant Land | Quagga Land | Cnr Court and Quagga Streets, Pretoria West | Gauteng | | | |
| Development | Knightsbridge Office Park Phase 1 and 2 | 33 Sloane Street, Bryanston Ext 4 | Gauteng | | | |
| Subtotal vacant land and developments | | | | | | |
| **Total Investment properties** | | | | | **1 131 577** | |

^ *Held-for-sale.*

\# *Independently valued at 30 June 2017.*

* *Single tenant – weighted average for all single tenant buildings in office sector – R53,94/$m^2$.*

# NOTICE OF ANNUAL GENERAL MEETING

**Emira Property Fund Limited**

(Incorporated in the Republic of South Africa)

Registration number: 2014/130842/06

JSE share code: EMI ISIN: ZAE000203063

(Approved as a REIT by the Johannesburg Stock Exchange)

("Emira" or the "Company")

In terms of section 59(1) of the Companies Act 71 of 2008 ("the Companies Act"), as amended, notice is hereby given that the third annual general meeting ("Annual General Meeting") of the shareholders of Emira will be held (subject to any adjournment, postponement or cancellation) at the office of the Company at 1st Floor, Block A, Knightsbridge, 33 Sloane Street, Bryanston at 14:00 on Thursday, 23 November 2017 for the purpose of considering and, if deemed fit, passing with or without modification the resolutions set out hereafter.

## Record dates

In accordance with section 62(3)(a) read together with sections 59(1)(a) and (b) of the Companies Act, the following dates apply to the Annual General Meeting:

| | 2017 |
|---|---|
| Record date for determining those shareholders entitled to receive the notice of Annual General Meeting | Friday, 22 September 2017 |
| Last day to trade in order to be eligible to participate in and vote at the Annual General Meeting | Tuesday, 14 November 2017 |
| Record date (for voting purposes at the Annual General Meeting) | Friday, 17 November 2017 |

## Action by Shareholders

Shareholders entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the Board. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the Annual General Meeting.

Proxy forms must be completed by certificated shareholders or "own name" registered dematerialised shareholders who wish to be represented at the Annual General Meeting.

Dematerialised shareholders (not with "own-name" registration) must notify their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the Annual General Meeting in order for such CSDP or broker to be able to issue them with the necessary authorisation letter to enable them to attend the Annual General Meeting, or, alternatively, should the dematerialised shareholder not wish to attend the Annual General Meeting, they should provide their CSDP or broker with their voting instructions.

Forms of proxy should be forwarded to be received (but not required) by the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, by 10:00 on Tuesday, 21 November 2017 (or not less than 48 hours before the time fixed for the holding of the Annual General Meeting, which date, if necessary, will be notified on SENS). Thereafter, any form of proxy not delivered to the Transfer Secretary by this time may be handed to the Chairperson of the Annual General Meeting, prior to the commencement of the Annual General Meeting, at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting.

Annual General Meeting participants may be required, in terms of section 63(1) of the Companies Act, to provide identification to the reasonable satisfaction of the Chairperson of the Annual General Meeting. An official identification document issued by the South African Department of Home Affairs, a driver's license or a valid passport will be accepted as sufficient identification.

Shareholders who have any doubt as to the action they are required to take in respect of the following resolutions should consult their CSDP, broker, banker, attorney, accountant or another professional adviser immediately.

## Electronic participation

In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Therefore, shareholders or their proxies may participate in a meeting by way of a teleconference call if they wish to do so. In this event:

- Emira's Company Secretary must be contacted by email (at the address emira@acorim.co.za) by no later than 10:00 on Tuesday, 21 November 2017 in order to obtain a pin number and dial-in details for the conference call;
- shareholders will be billed separately by their own telephone service providers for the teleconference call to participate in the Annual General Meeting; and
- valid identification will be required:
  a. if the shareholder is an individual, a certified copy of their identity document and/or passport;
  b. if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, specifying the name of the individual that is authorised to represent the relevant entity at the Annual General Meeting by way of teleconference call as well as a valid email address and/or facsimile number.

## Presentation of audited annual financial statements

The annual financial statements of the Company and the Group, including the reports of the directors, group audit committee and the independent external auditors, for the year ended 30 June 2017, will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act.

Abbreviated versions have been included in this publication, with the full annual financial statements available on the Company's website, **www.emira.co.za.**

## Purpose

The purpose of the Annual General Meeting is to:

a. present and consider the annual financial statements of the Company for the financial year ended 30 June 2017, including the reports of the auditors, the Directors of the Company ("the Directors") and the Audit and Risk Committee;

b. consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions ("resolutions") set out hereunder in accordance with the requirements of the Companies Act and the Listings Requirements of the JSE Limited ("JSE Listings Requirements"); and

c. consider any and all matters of the Company as may lawfully be dealt with at the Annual General Meeting.

## Resolutions for consideration and adoption

### Ordinary resolutions

To consider and, if deemed fit, to pass, with or without modification, all of the ordinary resolutions relating to business set out below.

Save for ordinary resolutions number 6 and 7, the minimum percentage of voting rights required for each of the ordinary resolutions set out below to be adopted is more than 50% (fifty percent) of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the Annual General Meeting.

Under the JSE Listings Requirements, ordinary resolutions number 6 and 7 must be passed by a 75% (seventy-five percent) majority of the votes cast in favour of the resolution by shareholders present or represented by proxy at the Annual General Meeting.

#### 1. ORDINARY RESOLUTION NUMBER 1: ADOPTION OF ANNUAL FINANCIAL STATEMENTS

"**Resolved to**, receive, consider and adopt the annual financial statements of the Company and the Group for the financial year ended 30 June 2017, including the reports of the Directors, the Audit and Risk Committee and auditors in the integrated report."

#### 2. ORDINARY RESOLUTION NUMBER 2: APPOINTMENT OF INDEPENDENT EXTERNAL AUDITORS

"**Resolved that** Ernst & Young Incorporated be appointed as the independent external auditors of the Company with Mr Ernest van Rooyen, being the individual registered auditor who has undertaken the audit of the Company for the ensuing financial year, and to authorise the Directors to determine the auditor's remuneration."

### Explanatory Note

In recognising the best practice of auditor rotation the Board, in conjunction with Company's Audit Committee, performed an informal tender process which encompassed an evaluation of six audit firms and, having considered all relevant factors in relation to the evaluation process, recommends the appointment of Ernst & Young Incorporated as independent external auditor for the Company.

## 3. ORDINARY RESOLUTION NUMBER 3: RE-ELECTION AND CONFIRMATION OF DIRECTORS

Mr G Van Zyl, Mr BH Kent and Ms NE Makiwane are obliged to retire by rotation at this Annual General Meeting in accordance with the provisions of Articles 20.3 and 20.4 of the Company's Memorandum of Incorporation. Having so retired and being eligible, Mr G Van Zyl, Mr BH Kent and Ms NE Makiwane offer themselves for re-election. Mr DJ Thomas was appointed as a non-executive director on 15 August 2017.

### Ordinary resolution 3.1

"**Resolved that** the re-election of Mr G Van Zyl, as an independent non-executive director who, in terms of Articles 20.3 and 20.4 of the Company's Memorandum of Incorporation retires by rotation at this Annual General Meeting, but being eligible to do so, offers himself for re-election, is hereby confirmed with effect from 23 November 2017."

### Ordinary resolution 3.2

"**Resolved that** the re-election of Mr BH Kent, as an independent non-executive director who, in terms of Articles 20.3 and 20.4 of the Company's Memorandum of Incorporation retires by rotation at this Annual General Meeting, but being eligible to do so, offers himself for re-election, is hereby confirmed with effect from 23 November 2017."

### Ordinary resolution 3.3

"**Resolved that** the re-election of Ms NE Makiwane, as an independent non-executive director who, in terms of Articles 20.3 and 20.4 of the Company's Memorandum of Incorporation retires by rotation at this Annual General Meeting, but being eligible to do so, offers herself for re-election, is hereby confirmed with effect from 23 November 2017."

### Ordinary resolution 3.4

"**Resolved that** the appointment of Mr DJ Thomas, as a non-executive director is hereby confirmed in accordance with Article 20.9 of the Company's Memorandum of Incorporation, with effect from 15 August 2017"

An abbreviated curriculum vitae in respect of each of the Directors noted in ordinary resolution 3.1 to 3.3 above, appear on pages 15 and 16 and the director noted in ordinary resolution 3.4 above appears on page 47 of the integrated report to which this notice of Annual General Meeting ("Notice") is attached.

## 4. ORDINARY RESOLUTION NUMBER 4: APPOINTMENT OF THE CHAIRPERSON AND MEMBERS OF THE AUDIT COMMITTEE

To elect by separate resolutions an Audit Committee comprising independent non-executive directors, as provided in section 94(4) of the Companies Act and appointed in terms of section 94(2) of that Act to hold office until the next Annual General Meeting to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and the King Report on Governance for South Africa 2016 ("King IV") and to perform such other duties and responsibilities as may from time to time be delegated by the Board of Directors for the Company, all subsidiary Companies and controlled trusts. The Board of Directors has assessed the performance of the Audit Committee members standing for election and has found them suitable for appointment.

### Ordinary resolution 4.1

"**Resolved that** the appointment of Mr Bryan Kent as a member and Chairman of the Audit Committee be and is hereby confirmed with effect from 23 November 2017."

### Ordinary resolution 4.2

"**Resolved that** the appointment of Mr Vuyisa Nkonyeni as a member of the Audit Committee be and is hereby confirmed with effect from 23 November 2017."

### Ordinary resolution 4.3

"**Resolved that** the appointment of Mr Vusi Mahlangu as a member of the Audit Committee be and is hereby confirmed with effect from 23 November 2017."

An abbreviated curriculum vitae in respect of each member of the Audit Committee, appears on pages 15 and page 17 of the integrated report to which this Notice is attached.

## 5. ORDINARY RESOLUTION NUMBER 5: APPROVAL OF THE REMUNERATION POLICY

"**Resolved that**, the Company's remuneration policy, as reflected on page 56 of the integrated report, be endorsed, by way of a non-binding advisory vote, in terms of King IV, on the same basis as set out in the audited annual financial statements, proposed as being reasonable by the Remuneration Committee of the Company."

This ordinary resolution is of an advisory nature only and, although the Board will consider the outcome of the vote when determining the remuneration policy, failure to pass this resolution will not legally preclude the Company from implementing the remuneration policy as contained in this integrated report.

## 6. ORDINARY RESOLUTION NUMBER 6: APPROVAL TO ISSUE ORDINARY SHARES, INCLUDING TO SELL TREASURY SHARES, FOR CASH

"**Resolved that** the Company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a renewable general authority, to:

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company,

for cash, to such person/s on such terms and conditions and at such times as the Directors may from time to time in their discretion deem fit, subject to the Companies Act, the Memorandum of Incorporation of the Company and its subsidiaries and the JSE Listings Requirements.

The JSE Listings Requirements currently provide, *inter alia*, that:

- this general authority will be valid until the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given, whichever period is the shorter;
- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the securities which are the subject of a general issue for cash may not exceed 5% (five percent) (26 133 362) of the number of the Companies shares already in issue of that class;
- the calculation of the issued shares is a factual assessment of the issued shares as at the date of the notice of Annual General Meeting, excluding treasury shares;
- any equity securities issued under this authority during the period of 15 (fifteen) months from the date that this authorisation is obtained, will be deducted from the aforementioned 26 133 362 listed securities;
- in the event of a sub-division or a consolidation during the period contemplated above, the authority will be adjusted to represent the same allocation ratio;
- any such general issues are subject to exchange control regulations and approval at that point in time;
- in determining the price at which securities may be issued in terms of this authority, the maximum discount permitted will be 5% (five percent) of the weighted average traded price of such securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between Emira and the party/ies subscribing for the securities;
- an announcement giving full details in accordance with the 11.22 of JSE Listings Requirements, including the number of securities issued and the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue; and
- whenever the Company wishes to use repurchased shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

### 7. ORDINARY RESOLUTION NUMBER 7: APPROVAL OF FORFEITABLE SHARE PLAN

"**Resolved that,** the proposed Forfeitable Share Plan, the salient details of which are set out in Annexure 1 to this Notice of Annual General Meeting, be and is hereby approved."

### 8. ORDINARY RESOLUTION NUMBER 8: SIGNATURE OF DOCUMENTS

"**Resolved that** each Director be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the Annual General Meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and registered where necessary by the Companies and Intellectual Property Commission, in the case of special resolutions."

## Special resolutions

To consider and, if deemed fit, to pass, with or without modification, all of the special resolutions relating to business set out below.

The minimum percentage of voting rights required for each of the resolutions set out in item number 9 to 12 below to be adopted by at least 75% (seventy-five percent) of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the Annual General Meeting.

### 9. SPECIAL RESOLUTION NUMBER 1: NON-EXECUTIVE DIRECTORS' REMUNERATION

In terms of section 66(9) of the Companies Act, as read with King IV and the JSE Listings Requirements, a company is required to pre-approve the payment of remuneration to non-executive Directors for their services as Directors for the ensuing financial year by means of a special resolution passed by shareholders of the Company within the previous two years.

"**Resolved that,** in terms of the provisions of sections 66(9) of the Companies Act, the annual remuneration payable to the non-executive directors for their services as Directors for the financial year ending 30 June 2018, be and is hereby approved on the basis as set out below."

| | APPROVED ANNUAL FEE FOR | |
|---|---|---|
| POSITION | 2017 | 2018 |
| Board Chairperson | R228 000 | R242 800 |
| Board Member | R186 000 | R198 000 |
| Chairperson Audit Committee | R117 500 | R125 000 |
| Audit Committee Member | R80 000 | R85 000 |
| Chairperson Remuneration Committee | R27 800 | R65 500 |
| Remuneration Committee Member | R23 500 | R58 000 |
| Chairperson Finance Committee | R61 500 | R65 500 |
| Finance Committee Member | R54 500 | R58 000 |
| Chairperson Investment Committee | R61 500 | R65 500 |
| Investment Committee Member | R54 500 | R58 000 |
| Social and Ethics Committee Member | R38 500 | R41 000 |
| Ad Hoc Meetings (per hour) | R2 500 | R2 660 |

Save for the fees in respect of the Remuneration Committee Chairperson and Members, the proposed fees equate to a 6,5% increase, and are aligned with the 2017 increases for the management and specialist category employees.

In respect of the Remuneration Committee Chairperson and Members a fee increase is being proposed in order to better align these fees to those of the Company's peer group and other Committees. It is worth noting that this proposed increase will be the first increase since the fee increase proposed for 2016.

### 10. SPECIAL RESOLUTION NUMBER 2: GENERAL APPROVAL TO ACQUIRE ORDINARY SHARES

"**Resolved that,** subject to compliance with the JSE Listings Requirements, sections 46 and 48 of the Companies Act, and clause 3.1(12) of the Company's Memorandum of Incorporation, the Company and/or any of its subsidiaries from time to time be and are hereby authorised, at their discretion, to acquire or repurchase ordinary shares issued by the Company, provided that:

- the number of ordinary shares acquired in any one financial year will not exceed 5% (five percent) of the ordinary shares in issue as at the beginning of the financial year;
- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- this authority shall only be valid until the earlier of the date of the next Annual General Meeting of the Company or 15 (fifteen) months after the date on which this resolution is passed;
- at any point in time, a Company may only appoint one agent to effect any repurchase(s) on the Company's behalf;
- in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 5% (five percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- any such general repurchase will be subject to the applicable provisions of the Act (including sections 114 and 115 to the extent that section 48(8) is applicable in relation to that particular repurchase);
- the number of shares purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 5% (five percent) in aggregate of the number of issued shares in the Company at the relevant times;
- the Company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;
- the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period;
- any such general repurchases are subject to exchange control regulations and approval at that point in time; and
- an announcement in accordance with 11.27 of the JSE Listings Requirements will be released on SENS once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

#### Explanatory note

The reason for and effect of this special resolution number 2 is to authorise the Directors, if they deem it appropriate and in the interests of the Company, to instruct the Company or its subsidiaries to acquire or repurchase ordinary shares issued by the Company, subject to the restrictions contained in the above resolution.

It is the intention of the Directors to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

#### Other disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following further disclosures, which are contained in the integrated report to which this Notice is attached:

- major shareholders of the Company – page 118; and
- share capital of the Company – page 95.

#### Material change

Other than the facts and developments reported in the Group and Company annual financial statements, and this integrated report, there have been no material changes in the affairs, financial or trading position of the Group since publication of the summarised Group annual financial statements for the year ended 30 June 2017.

#### Directors' responsibility statement

The Directors, whose names are given on page 47 of the integrated report, to which this Notice is attached, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this Notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

### Adequacy of working capital

At the time that the contemplated repurchase is to take place, the Directors will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter:

the Company and the Group will be able to pay their debts as they become due in the ordinary course of business;

- the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Company and the Group;
- the share capital and reserves of the Company and the Group will be adequate for the purpose of the ordinary business of the Company and the Group; and
- the working capital to the Company and the Group will be adequate for ordinary business purposes.

## 11. SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE FOR SUBSCRIPTION OF SECURITIES

"**Resolved that,** in terms of section 44 of the Companies Act, the shareholders of the Company hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, financial assistance by way of a loan, guarantee, the provision of security or otherwise, as contemplated in section 44 of the Companies Act, to any person for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, provided that:

a. the Board, from time to time, determines (i) the specific recipient, or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided; and

b. the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 44 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

### Explanatory note

The purpose of this special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance to any person for the purpose of, or in connection with, the subscription for any option or securities issued or to be issued by the Company or a related or inter-related company.

## 12. SPECIAL RESOLUTION NUMBER 4: FINANCIAL ASSISTANCE TO DIRECTORS AND/OR RELATED OR INTER-RELATED COMPANIES

"**Resolved that** the provision by the Company of any direct or indirect financial assistance, as contemplated in section 45 of the Companies Act, to any 1 (one) or more Director or prescribed officer of the Company or of a related or inter-related company, or to related or inter-related companies of the Company and/or to any 1 (one) or more juristic persons who are members of, or are related to, any such related or inter-related company, be and is hereby approved, provided that:

a. the Board, from time to time, determines (i) the specific recipient, or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided;

b. the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 4 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance; and

c. the authority granted in terms of this special resolution will remain valid until a new similar resolution is passed at the next Annual General Meeting or after the expiry of a period of 24 (twenty-four) months, whichever is the later."

### Explanatory note

The purpose of this special resolution number 4 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act to Directors of the Company or a related or inter-related company or corporation.

Notice given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance in respect of special resolution number 4:

a. by the time that this Notice is delivered to shareholders of the Company, the Board will have adopted a resolution ("Section 45 Board Resolution") authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 4 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a related or inter-related company or corporation;

b. the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 4 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and

c. in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company, if applicable.

## 13. SPECIAL RESOLUTION NUMBER 5: APPROVAL TO ISSUE SHARES TO DIRECTORS

"**Resolved that,** subject to the passing of Ordinary Resolution number 7, the Company be and is hereby authorised to issue shares to any director, future director, prescribed officer and/or future prescribed officer of the Company who qualifies as a "Participant" under the Forfeitable Share Plan, from time to time."

### Explanatory Note:

In terms of Section 41(1) of the Companies Act, an issue of shares or securities convertible into shares, or a grant of options contemplated in section 42, or a grant of any other rights exercisable for securities, must be approved by a special resolution of shareholders of a company, if the shares, securities, options or rights are issued to, *inter alia*, a director or prescribed officer of the company.

## 14. REPORT FROM THE SOCIAL AND ETHICS COMMITTEE

In accordance with Regulation 43(5)(c) of the Companies Act, the chairperson of the social and ethics committee or, in his absence, any member of the committee, will present the committee's report to shareholders at the Annual General Meeting.

## 15. OTHER BUSINESS

To transact such other business as may be transacted at the AGM of the Company.

By order of the Board.

**Acorim (Pty) Ltd**
Company Secretary

15 September 2017
Hyde Park

# Annexure 1: Salient features of the Emira Property Fund Limited Forfeitable Share Plan

## Introduction

Emira Property Fund Limited ("Emira" or the "Company") embarked on the process to review its long-term incentive plans. A detailed breakdown of the proposed new long-term incentives can be found in the Company's integrated report. The proposed new Forfeitable Share Plan ("FSP") requires the approval of the Company's shareholders and the purpose of this document is to provide the salient features of the proposed FSP.

The FSP provides the participants with the opportunity of receiving Emira shares ("Forfeitable Shares") and will provide participants with the opportunity to share in the success of the Company, providing direct alignment between participants and shareholders. Participants will have all shareholder rights (including dividends) from the settlement date, shortly after the award date. Further, through the delivery of real shares under the FSP, participants will become shareholders in the Company.

The salient features of the FSP are set out below.

## Purpose

The FSP will be primarily used as an incentive to participants to deliver the group's business strategy over the long-term. The intent of the FSP is to incentivise, motivate and retain executives and senior management through the award of Forfeitable Shares as follows:

- Performance shares, subject to the satisfaction of performance conditions and the employment condition ("Performance Shares"). The majority of any award will comprise of Performance Shares;
- The award of retention shares, subject to the satisfaction of the employment condition ("Retention Shares"), where the Remuneration and Nomination Committee ("the Committee") identifies a specific retention need. The minority of any award will comprise of Retention Shares.

The employment condition and the performance condition(s) are described more fully under the heading "Performance conditions and vesting".

## Participants [14.1(a)]

Eligible employees will include all staff with the focus on executive directors and selected senior management of any company in the group. Participation in the FSP is not a condition of employment and the Committee has absolute discretion to make an award to an employee in terms of the FSP.

## Rights of participants [14.1(e)]

Under the FSP, participants will become owners of the Forfeitable Shares from the settlement date, shortly after the award date, and will immediately benefit from dividends and have shareholder voting rights in respect of the Forfeitable Shares over the employment and vesting periods. The Forfeitable Shares cannot be disposed of by the participant prior to the vesting dates and will be subject to forfeiture and disposal restrictions until the vesting dates.

## Basis of annual awards and award levels [14.1(f)]

In line with the requirements of King IV™ and best practice, regular, annual awards will be made on a consistent basis to ensure long-term shareholder value creation.

The Remuneration Committee will have the discretion to determine the number of awards, by taking into consideration the achievement of the key performance indicators of the annual short-term incentive plan. The Company believes that this principle will further enhance a pay for performance culture.

Notwithstanding the above, overall affordability to the Company will be considered each time an award is made.

## Performance conditions and vesting

Retention Shares will be awarded dependent on the quantum of annual bonus earned during the previous financial year, and will be linked to performance in this manner. Retention Shares will not be subject to future performance conditions, due to their inherent nature as retention instruments, but will be subject to the fulfilment of the employment condition, which will be three, four and five years respectfully from the date of award.

In addition to the quantum of the short-term bonus earned which is used to determine the award size, Performance Shares will be subject to the fulfilment of both the pre-determined performance conditions and continued employment until the vesting dates, which will be the later of the date on which the performance conditions are measured and three, four and five years respectfully from the date of award.

The Committee will set appropriate performance conditions, performance periods, employment conditions and employment periods, as relevant, for each award, taking into account the business environment at the time of making the awards. These will be agreed with the participant in terms of the award letter.

It is envisaged that for the first award, the following employment periods, performance period, performance conditions and targets will apply:

Vesting will occur in equal tranches after a three, four and five-year period respectively, depending on in the case of Performance Shares, the extent to which the performance conditions have been met after a three year performance period. Vesting is in all instances subject to continued employment until the respective vesting dates, unless a participant terminates his services as a "no fault termination" (this is explained in further detail below). It is anticipated that a mix of Performance and Retention Shares will be awarded, using predominantly financial performance conditions set out in the table below.

No vesting will take place below threshold performance, and in line with good governance principles, linear interpolation is applied for performance between threshold and target performance levels. In line with corporate governance principles, performance conditions will not be retested if they are not met at the end of the performance period, and to the extent that they are not satisfied, awards will lapse at this time.

## Manner of settlement

Following the making of an award of Forfeitable Shares, settlement shall take place within 30 (thirty) days of the award date. The rules of the FSP are flexible in order to allow for settlement in any of the following manners:

- by way of a market purchase of shares;
- use of treasury shares;
- issue of shares.

The exact method of settlement will be determined by the Committee from time to time.

| INSTRUMENT | PERFORMANCE CONDITION | WEIGHTING | THRESHOLD – 20% VESTING | TARGET – 100% VESTING |
|---|---|---|---|---|
| PERFORMANCE SHARES | Growth in distributions relative to peer group | 37,5% | 60% of peer group comparison | 100% of peer group comparison |
| | Growth in distributions relative to budget | 37,5% | 60% of budget growth in distributions | 100% of budget growth in distributions |
| | Personal performance over the vesting period | 12,5% | 75% of personal KPIs | 100% of personal KPIs |
| | Total award subject to performance and continued employment | 87,5% | | |
| RETENTION SHARES | Total subject to continued employment only | 12,5% | No prospective performance conditions | |

In order to effect any forfeiture of awards, the Forfeitable Shares will be kept in escrow until vesting.

## Limits and adjustments

The maximum number of shares which may at any one time be settled under the FSP shall not exceed 8 000 000 (eight million) shares, which represents approximately 1,5% (one and a half percent) of the number of issued shares as at the date of approval of the FSP by shareholders.

Shares issued by the Company or shares held in treasury which are used to settle the FSP, will be included in the company limit. Forfeitable Shares which are forfeited will be excluded in calculating the company limit. Similarly, any shares purchased in the market in settlement of the FSP will be excluded. [14.1(b)] The Committee must, where required, adjust the company limit (without the prior approval of shareholders in a general meeting), to take account of a sub-division or consolidation of the shares of the Company. [14.3(a)]

The maximum number of shares which may be settled to an individual may not exceed 2 600 000 (two million six hundred thousand) shares, which represents approximately 0.5% (half a percent) of the number of issued shares as at date of approval of the FSP by shareholders. [14.1(c)] The Committee may, where required, adjust the individual limit to take account of a capitalisation issue, a special distribution, a rights issue or reduction in capital of the Company. [14.3(b)]

The auditors, or other independent advisor acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the FSP and must be reported on in the company's financial statements in the year during which the adjustment is made. The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the Company limit and the individual limit. [14.3(d), (e)]

## Consideration [14.1(d)(i)]

The participant will give no consideration for the award or settlement or vesting of the Forfeitable Shares.

## Termination of employment [14.1(h)]

Participants terminating employment due to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct or on the basis of abscondment will be classified as "fault terminations" and will forfeit all unvested awards of Forfeitable Shares.

Participants terminating employment due to death, ill-health, disability, injury, retrenchment, retirement and early retirement if so determined by the Committee (except to the extent that is constitutes a fault termination as set out above), or the sale of a subsidiary company will be classified as a "no fault terminations" and a portion of their unvested award(s) shall vest on date of termination of employment or as soon as possible thereafter after the performance conditions have been reviewed. This portion will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the respective employment periods and the extent to which the performance conditions (in the case of Performance Shares) have been met. The remainder of the award will lapse.

## Change of control [14.1(g)]

In the event of a change of control of the Company occurring before the vesting date of any award, a portion of the award will vest. The portion of the award which shall vest will reflect the number of complete months served since the award date to the change of control date, over the total number of months in the respective employment periods. In respect of Performance Shares the Committee will calculate whether and the extent to which the performance conditions have been satisfied by reference to the immediately preceding financial year and the number of complete months served since the award date to the change of control date, over the total number of months in the respective employment periods.

The portion of the award which does not vest as a result of the change of control will, except on the termination of the FSP, continue to be subject to the terms of the award letter, unless the Committee determines otherwise.

Awards will not vest as a consequence of an internal reconstruction or similar event which is not a change of control as defined in the rules of the FSP. In this case the Committee shall make such adjustment to the number of awards or convert awards into awards in respect of shares in one or more other companies, provided the participants are no worse off.

## Variation of share capital

In the event of a variation in share capital such as a capitalisation issue, subdivision of shares, consolidation of shares etc., participants shall continue to participate in the FSP. The Committee may make such adjustment to the award or take such other action to place Participants in no worse a position than they were prior to the happening of the relevant event and to provide that the fair value of the award immediately after the event is materially the same as the fair value of the award immediately before the event.

In the event of a rights issue, a participant will be entitled to normal shareholder rights and will participate in any rights issue in respect of their Forfeitable Shares.

The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to awards.

## Liquidation

If the Company is placed into liquidation, other than for purposes of reorganisation, an award of Forfeitable Shares shall *ipso facto* lapse as from the Liquidation Date. [14.1(e)]

## Amendment [14.2]

The Committee may alter or vary the rules of the FSP as it sees fit, however in the following instances the FSP may not be amended without the prior approval of the JSE and a resolution by the shareholders of 75% of the voting rights:

- the category of persons who are eligible for participation in the FSP;
- the number of shares which may be utilised for the purpose of the FSP;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which awards are made;
- the amount payable upon the award, settlement or vesting of an award;
- the voting, dividend, transfer and other rights attached to the awards, including those arising on a liquidation of the Company;
- the adjustment of awards in the event of a variation of capital of the Company or a change of control of the Company; and
- the procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

## General

The Rules of the FSP are available for inspection from Thursday, 2 November 2017 to Thursday, 23 November 2017 at the Company's registered office, 1st Floor, Block A, Knightsbridge, 33 Sloane Street, Bryanston.

In terms of the JSE Listings Requirements, the passing of Ordinary Resolution number 7 requires the approval of a 75% majority of the voting rights exercised on the resolution.

# FORM OF PROXY

**Emira Property Fund Limited**

(Incorporated in the Republic of South Africa)

Registration number: 2014/130842/06 JSE share code: EMI ISIN: ZAE000203063

(Approved as a REIT by the Johannesburg Stock Exchange) ("Emira" or the "Company")

For use only by shareholders who:

1. hold shares in certificated form ("certificated ordinary shareholders"); or
2. have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with "own-name" registration,

at the third annual general meeting ("Annual General Meeting") of shareholders of the Company to be held at 14:00 on Thursday, 23 November 2017 at 1st Floor, Block A, Knightsbridge, 33 Sloane Street, Bryanston, and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the Annual General Meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the Annual General Meeting in person or by proxy and vote. If they do not wish to attend the Annual General Meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder _____

Name of registered shareholder _____

Address _____

Telephone work ( ) _____ Telephone home ( ) _____ Cell: _____

being the holder/custodian of _____ ordinary shares in the Company, hereby appoint (see note):

1. _____ or failing him/her,
2. _____ or failing him/her,
3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the Annual General Meeting of the Company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

| | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| **Ordinary resolutions** | | | |
| 1. Ordinary Resolution 1: Adoption of annual financial statements | | | |
| 2. Ordinary Resolution 2: Appointment of external auditors | | | |
| 3. Ordinary Resolution 3: Re-election and confirmation of directors | | | |
| 3.1 Re-election of Mr G Van Zyl as an independent non-executive director | | | |
| 3.2 Re-election of Mr BH Kent as an independent non-executive director | | | |
| 3.3 Re-election of Ms NE Makiwane as an independent non-executive director | | | |
| 3.4 Appointment of Mr DJ Thomas as a non-executive director | | | |
| 4. Ordinary Resolution 4: Appointment of the chairman and members of the Audit Committee | | | |
| 4.1 Appointment of Mr Bryan Kent as a member and chairman of the Audit Committee | | | |
| 4.2 Appointment of Mr Vuyisa Nkonyeni as a member of the Audit Committee | | | |
| 4.3 Appointment of Mr Vusi Mahlangu as a member of the Audit Committee | | | |
| 5. Ordinary resolution number 5: Approval of remuneration policy | | | |
| 6. Ordinary resolution number 6: Approval to issue ordinary shares, including to sell treasury shares, for cash | | | |
| 7. Ordinary resolution number 7: Approval of Forfeitable Share Plan | | | |
| 8. Ordinary resolution number 8: Signature of documents | | | |
| **Special resolutions** | | | |
| 9. Special resolution number 1: Approval of the non-executive directors' remuneration | | | |
| 10. Special resolution number 2: General approval to acquire ordinary shares | | | |
| 11. Special resolution number 3: Financial assistance for subscription of securities | | | |
| 12. Special resolution number 4: Financial assistance to directors and/or related and inter-related entities | | | |
| 13. Special resolution number 5: Approval to issue shares to directors | | | |

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the Company.

Signed at _____ on _____ 2017.

Signature _____ Assisted by (if applicable) _____

# NOTES TO THE FORM OF PROXY

1. Summary of Rights Contained in section 58 of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act").

   In terms of section 58 of the Companies Act:

   - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
   - a proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting;
   - a proxy may delegate his or her authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
   - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
   - irrespective of the form of instrument used to appoint a proxy, any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
   - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company; and
   - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 6).
   - The completion of a form of proxy does not preclude any shareholder from attending the Annual General Meeting.

2. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".

3. Shareholders who have dematerialised their shares through a CSDP or broker without "own name" registration and wish to attend the Annual General Meeting must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the Annual General Meeting in person or by proxy. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. Should the CSDP or broker not have provided the Company with the details of the beneficial shareholding at the specific request by the Company, such shares may be disallowed to vote at the Annual General Meeting.

4. A shareholder entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the Company) of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.

5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.

6. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 (forty eight) hours before the commencement of the Annual General Meeting.

7. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.

8. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

9. A shareholder's authorisation to the proxy including the Chairperson of the Annual General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the Annual General Meeting.

10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the Annual General Meeting.

12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.

13. Where there are joint holders of ordinary shares:

    - any one holder may sign the form of proxy;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

14. Forms of proxy should be lodged with or mailed to Computershare Investor Services (Pty) Ltd:

    **Hand deliveries to:**

    Computershare Investor Services (Pty) Ltd
    Rosebank Towers, 15 Biermann Avenue
    Rosebank, 2196

    **Postal deliveries to:**

    Computershare Investor Services (Pty) Ltd
    PO Box 61051
    Marshalltown, 2107

to be received by 10:00 on Tuesday, 17 November 2017 (or not less than 48 hours before the time fixed for the holding of the Annual General Meeting, which date, if necessary, will be notified on SENS). Thereafter, any form of proxy not delivered to the Transfer Secretary by this time may be handed to the Chairperson of the Annual General Meeting, prior to the commencement of the Annual General Meeting, at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting.

A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

# ADMINISTRATION

**REGISTERED ADDRESS**
Optimum House
Epsom Downs Office Park
13 Sloane Street
Bryanston
2191
PO Box 69104, Bryanston, 2021

**PROPERTY MANAGERS**
Eris Property Group (Pty) Ltd
3 Gwen Lane
Sandton
2196
PO Box 786130, Sandton, 2146

Broll Property Group (Pty) Ltd
Broll House
27 Fricker Road
Illovo
2196
PO Box 1455, Saxonwold, 2132

Feenstra Group
Menlyn Corporate Park
Third floor, Block C,
Cnr Garsfontein Road and Corobay Street
Waterkloof Glen Ext 11
Pretoria
0063
PO Box 401, Menlyn, 0063

**SPONSOR**
Rand Merchant Bank, a division of
FirstRand Bank Limited
1 Merchant Place
Fredman Drive
Sandton
2196
PO Box 786273, Sandton, 2146

**TRANSFER SECRETARIES**
Computershare Investor
Services (Pty) Ltd
15 Biermann Avenue
Rosebank
2196
PO Box 61051, Marshalltown, 2107

**AUDITOR**
PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill
2157
Private Bag X36, Sunninghill, 2157

**BANKERS**
FirstRand Bank Limited t/a First National Bank
Sandton Outlet
Wierda Valley
2196
PO Box 787428, Sandton, 2146

**ATTORNEYS**
Rowan Attorneys
4 Biermann Avenue
Rosebank
2196
PO Box 1997, Rivonia, 2128

Allen & Overy (South Africa) LLP
6th Floor
90 Grayston Drive
Sandton
Johannesburg
2196
Postnet Suite 1018, Private Bag X9, Benmore, 2010

**CORPORATE ADVISORS**
Macquarie Capital SA Ltd
The Place
South Building
1 Sandton Drive
Sandton
2196
PO Box 783745, Sandton, 2196

EMIRA.CO.ZA