

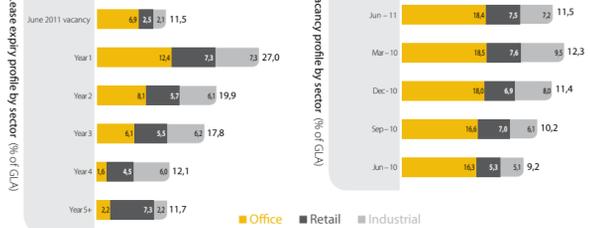


Distributable income
R576,7 million

Distribution per PI
113,52 cents

Reviewed financial results for the year ended 30 June 2011 and income distribution declaration

(A property fund created under the Emira Property Scheme, registered in terms of the Collective Investment Schemes Control Act)
Share code: EMI
ISIN: ZAE000050712
(*Emira* or *the Fund*)



Net asset value per PI
1 150 cents

12 month total return
16,1%

Commentary

The Board of directors of Strategic Real Estate Managers (Pty) Limited ("STREM" or "the Manager") hereby announces a distribution of 113,52 cents per Emira participatory interest (PI) for the 12 months to 30 June 2011. This represents growth in distributions of 5,0% on the previous comparable period.

Emira PI holders enjoyed a healthy total return of 16,1% during the 12 months to 30 June 2011, comprising capital appreciation of 7,2% and an income return of 8,9%, which represents the distributions actually paid out during the period under review. During the period capital values in the listed property sector benefited from a search for yield from investors, while expectations that global and local interest rates will remain lower for longer benefited bonds yields, to which property yields are closely related. The percentage of weighted average PIs in issue that traded in the 12-month period equated to 31,5%.

The highlight during the period under review was the announcement by the Fund on 16 September 2010 that the conditions precedent required for the amendments to the Trust Deed had been met. The amendments, which were approved by virtually all PI holders who cast their ballots and became effective on 15 September 2010, would enable the Scheme to: (i) extend the ambit of the Manager's investment policy so that the Fund can invest in a broader class of assets; (ii) increase the limit of borrowing by the Scheme from the current limit of 30% to 40% of the value of the underlying assets comprising the relevant portfolio; and (iii) amend the existing service charge arrangement in respect of the Fund from a monthly charge based on enterprise value, to a monthly charge equal to the actual operating costs incurred by the Manager in administering the Fund, and the payment of a cancellation payment of R197,4 million – R68 million of which is deferred until October 2011 – to the Manager. Emira was also able to raise an amount of R244 million to fund the cancellation payment, as well as other capital requirements, through the issue of PIs for cash. The transaction was earnings enhancing from the effective date.

Another feature during the period was the increased investment in Growthpoint Properties Australia ("GOZ"). The acquisition of a further 9,175 million stapled securities in GOZ for a total consideration of A\$17,43 million (R116,8 million) was secured via a rights issue that took place in September 2010 and resulted in Emira's stake in GOZ rising to a total of 19,426 million stapled securities, at a total cost of R24,5 million, or 3,1% of the total securities in issue. This investment in GOZ, which had a market value of R26,2 million as at 30 June 2011, represents a small (3,1% of Emira's total assets), passive stake in a high quality, but under-rated, listed Australian REIT, backed by extremely secure, long-term leases with blue-chip tenants at a yield higher than that which is achievable by buying South African commercial property. The transaction was earnings enhancing from the date of purchase and is expected to be realised on a re-rating of the stapled securities, which is expected to occur in the medium to long term.

Subsequent to year-end Emira increased its stake in GOZ by a further 4,4 million stapled securities at a price of A\$1,90 per stapled security through its participation in the A\$102,7 million rights issue by GOZ to facilitate the acquisition of Rabinov Property Trust and reduce gearing. This took Emira's holding in GOZ to 23,8 million stapled securities, or 8,2% of the securities in issue, at a total cost of R29,5 million, which has a current market value of R32,8 million.

On 20 June 2011 Emira repaid R500 million that was raised in 2006 through the Freestone Finance Series 1 commercial mortgage backed securitisation by drawing down on a new R500 million facility with Rand Merchant Bank (RMB). This facility will be repaid via the issue of R500 million of notes issued in terms of a four year, secured corporate bond. These notes, which were accorded an AA (SA) rating by Global Credit Ratings are to be issued on 19 August 2011 at an all in margin of 163bp. The RMB facility will thereafter be retained for the capital requirements of the Fund outlined below.

In line with the long-term strategy of the Fund, management continues to improve the quality of the Emira portfolio through: (i) the acquisition of new properties; (ii) the refurbishment of existing assets; as well as (iii) the disposal of those properties deemed to be non-core. Activity in the portfolio increased significantly during the period and comprised the following:

Acquisitions: In June 2010, Emira, in partnership with the Eris Property Group, agreed to purchase a 50% undivided share in a 12 500 m², multi-tenanted office building located at 80 Strand Street, Cape Town for R124 million (Emira's share is R62 million). The property comprises several ground floor retail units, with ten floors of offices above and, when compared to similar Cape Town CBD commercial buildings, has a high parking ratio of 3,0 bays per 100 m². The property was transferred on 11 October 2010 and is expected to yield 10,4%.

In January 2011, the Board approved the acquisition of a new 13 782 m² A grade office building to be developed by Eris Property Group, on the corner of Corobay Avenue and Aramist Avenue, in Menlyn Pretoria, for R306,9 million. The building, which is 70% pre-let to K3 Engineers for 10 years and has a one year gross rental warranty on the balance of the vacant space from completion from the developer, is expected to be completed by 30 June 2012 and to yield 9,1% in the first year.

Refurbishments and extensions concluded: Eight earnings enhancing projects totalling R146,5 million were concluded during the period, which consisted of: (i) extensions to and the refurbishment of Randridge Mall (R110 million) for existing blue-chip tenants including Pick n Pay, Woolworths and Dis-Chem; (ii) the refurbishment of Rigel Park, which is now substantially let (R14 million); (iii) the refurbishment of Wesbank House (R9,8 million); (iv) the rebuilding of a portion of Universal Print House (R4,1 million); (v) extensions for Woolworths at Market Square shopping centre (R3,8 million); (vi) refurbishment of WGA Epping for Santam (R3,2 million); as well as smaller projects at One Highveld and Tin Roof for national tenants.

Refurbishments and extensions underway: A further seven projects worth approximately R297,0 million are underway, which include: (i) the redevelopment of Podium Office Park in Menlyn, comprising the construction of 9 239 m² of prime, ideally located office space by April 2012 at a total cost of R17,6 million, for which tenants are being sought; (ii) the complete refurbishment of 267 West, located opposite the Gautrain station in Century (R36,3 million); (iii) the construction of a new Audi dealership with a ten-year lease and refurbishment of the Virgin Active at Cresta Corner (R32,0 million); (iv) the extensions to Market Square shopping centre for Edgars and Clicks (R28,8 million); and (v) the refurbishment of Albany Office Park in Dunkeld West (R19,1 million).

Refurbishments and extensions approved: Three further projects totalling R75 million – FNB Heerengracht, Gift Acres and Park Boulevard – have been approved by the Board, however have yet to be initiated as the Fund is waiting for the conclusion of certain leases before commencing construction.

Disposals: The disposal of non-core buildings continued during the period, with five properties being transferred out of the Fund – Howick Gardens, Standard Bank Glenwood, QD House, 8 Grader Road and Nampak Building – for R75,3 million, while a section of Georgian Place and Crocker Road Industrial Park have been lodged subsequent to year-end (R25,1 million). Offers have been accepted for Hurlingham Office Park, Umhlanga Centre, Midline Business Park, Linkview, Century Gate, Ciro's House, Dresdner House and Flexitainer (R233,3 million) at in excess of December 2010 book value, although these sales are still conditional.

A further 15 non-core properties worth approximately R600 million, mainly comprising B-grade office space, remain on the disposal list. The disposal of these properties will significantly improve the quality of the portfolio, reduce vacancies and also allow management to focus on larger buildings, with better income growth prospects. The proceeds from the disposals are expected to be utilised for the Fund's significant capital expenditure project pipeline mentioned above, acquisitions or, in the event that the returns are sufficiently rewarding, PI buybacks.

The period under review was characterised by tougher than expected conditions in the physical portfolio. Although there was still leasing activity in all three sectors that Emira is exposed to – office, retail and industrial – rentals were under pressure and landlords needed to be competitive when trying to attract or retain tenants, particularly in the office sector. The lower than expected growth in net property income was mitigated by the benefits of the amendments to the Trust Deed approved by PI holders in September 2010, which amounted to savings in asset management fees of R23,0 million which was partially offset by the cost of servicing an increased number of PIs in issue.

Vacancies rose from 9,2% in June 2010 to 11,4% by December 2010 and further to 11,5% at June 2011, with all three sectors being impacted. On an adjusted basis (excluding properties under refurbishment or redevelopment), vacancies rose from 7,9% to 10,3%. Despite the rising vacancies, with a substantial portion of Emira's portfolio on long-term, escalating leases, property income continued to grow, albeit at a lower rate.

Excluding the straight-line adjustments from future rental escalations, revenue rose by 2,0% over the comparable period. This was the result of organic growth in income from the existing portfolio, the inclusion of the acquired properties from the effective dates, the conclusion of several capital projects in the previous financial year which contributed for the full period under review, as well as increased recoveries of municipal expenses. Excluding municipal recoveries, revenue growth would have been 5%.

Contractual cost escalations were well managed, however growth in net property income was impacted by sharply rising municipal charges, an increase in building maintenance and significantly higher leasing charges on the comparable period. Tenant arrears also continued to rise, resulting in the actual bad debts charge for the period increasing slightly when compared to the comparable period. The net effect is that property expenses rose by 14,1% and net income from properties was only 3,4% higher. Excluding the increase in municipal charges, maintenance, leasing charges and bad debts, property expenses rose by 2,3%.

The income from the Fund's holding in GOZ of R27,0 million represents the distributions from GOZ for the period to 30 June 2010, 31 December 2010 and 30 June 2011. Although the distribution from GOZ to 30 June 2010 was only received in August 2010, Emira received advice that this income was attributable to the period in which GOZ trades ex-dividend, being the financial year to 30 June 2010. As a result, income from the listed investment is higher than expected by an amount of R5,7 million.

Asset management expenses, being actual asset management expenses to 15 September 2010 plus the recovery of costs for the balance of the year as per the amended deed, declined by 44% year on year to R20,1 million. Net interest costs excluding unrealised gains or losses on interest rate swaps rose by 14,5% as a result of increased levels of gearing in the Fund. The claw-back of R4,1 million represents the income portion of the capital raised in September 2010 that was attributable to PI holders.

Net asset value declined marginally (-0,3%) in the 12 months from 1 153 cents (restated) (1 182 cents excluding the deferred tax liability) at 30 June 2010 to 1 150 cents (1 181 cents), largely as a result of the payment to STREM in respect of the amendment to the existing service charge arrangement.

Distribution statement for the year ended 30 June 2011

R'000	2011	2010	% change
Operating lease rental income and tenant recoveries excluding straight-lining of leases	1 232 911	1 152 167	7,0
Property expenses excluding amortised upfront lease costs	(441 113)	(386 478)	14,1
Net property income	791 798	765 689	3,4
Income from listed property investment	27 001	—	—
Per statement of comprehensive income	22 373	—	—
Pre-acquisition income on stapled securities acquired	4 628	—	—
Management expenses	(20 085)	(36 171)	(44,5)
Per statement of comprehensive income	(8 418)	(36 171)	(76,7)
Reimbursement to STREM in respect of management expenses	(11 667)	—	—
Administration expenses	(45 244)	(43 214)	-4,7
Per statement of comprehensive income	(57 013)	(43 214)	31,9
Management expenses incurred by STREM included in the above	11 769	—	—
Depreciation	(9 805)	(9 704)	1,0
Finance costs	(177 075)	(154 840)	14,4
Interest paid and amortised borrowing costs	(168 106)	(143 219)	17,4
Interest capitalised to the cost of developments	4 115	3 065	34,3
Preference share dividends paid	(11 895)	(13 351)	(10,9)
STC on preference share dividends paid	(1 189)	(1 335)	(10,9)
Investment income	10 103	5 484	84,2
Per statement of comprehensive income	6 098	5 484	11,2
Investment income earned by STREM	(102)	—	—
Claw-back of distribution in respect of participatory interests issued cum distribution	4 107	—	—
Distribution payable to participatory interest holders	576 693	527 244	9,4
Number of units in issue	508 010 229	487 827 654	4,1
Distribution per participatory interest (cents)	113,52	108,08	5,0

Acquisitions

Properties purchased and transferred to Emira during the 12 months to June 2011

Property	Sector	Location	GLA (m ²)	(Rm)	(%)	Effective date	Tenant
80 Strand Street (50% undivided share)	Office	Cape Town CBD	12 500	62,0	10,4	11 October 2010	De Vries Inc, CK Friedlander, Medway Holdings
Corobay (land for development)	Office	Menlyn, Pretoria	n/a	40,0	n/a	18 April 2011	n/a

Disposals

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

Properties transferred out of Emira during the 12 months to June 2011

Property	Sector	Location	GLA (m ²)	Valuation June '10 (Rm)	Sale price (Rm)	Exit yield (%)	Effective date
Howick Gardens	Office	Midrand	3 075	20,7	20,7	9,4	30 August 2010
Standard Bank Glenwood	Retail	Durban	368	4,5	5,0	11,6	22 September 2010
QD House	Industrial	Kyalami	3 470	14,9	16,0	10,7	30 September 2010
8 Grader Road	Industrial	Spartan	3 437	10,3	12,5	9,0	13 December 2010
Nampak Building	Industrial	Denver	24 880	18,0	20,5	8,5	4 January 2011
						75,3	

Condensed consolidated statement of comprehensive income

R'000	Reviewed year ended 30 June 2011	Audited restated year ended 30 June 2010
Revenue	1 223 960	1 162 179
Operating lease rental income from investment properties	1 232 911	1 152 167
Allowance for future rental escalations	(8 951)	10 012
Income from listed property investment	22 373	—
Property expenses	(444 230)	(391 807)
Management expenses	(8 418)	(36 171)
Payment in respect of amendment to existing service charge arrangement	(129 150)	—
Administration expenses	(57 013)	(43 214)
Depreciation	(9 805)	(9 704)
Operating profit	597 717	681 283
Net fair value adjustments	125 165	42 430
Net fair value gain on investment properties	89 551	39 661
Change in fair value as a result of straight-lining lease rentals	8 951	(10 012)
Change in fair value as a result of amortising upfront lease costs	3 117	5 329
Change in fair value as a result of property appreciation in value	77 483	44 344
Unrealised gain on fair valuation of listed property investment	35 614	2 769
Profit before finance costs	722 882	723 713
Net finance costs	(162 892)	(211 839)
Finance income	10 205	5 484
Interest received	6 098	5 484
Claw-back of distribution in respect of participatory interests issued cum distribution	4 107	—
Finance costs	(173 097)	(217 323)
Interest paid and amortised borrowing costs	(168 106)	(143 219)
Interest capitalised to the cost of developments	4 115	3 065
Preference share dividends paid	(11 895)	(13 351)
Unrealised surplus/(deficit) on interest-rate swaps	2 789	(63 818)
Profit before income tax charge	559 990	511 874
Income tax charge	(18 269)	1 511
S A normal taxation	(322)	—
Deferred taxation	(16 758)	2 846
— Revaluation of investment properties	(12 100)	581
— Other timing differences including allowance for future rental escalations	(4 658)	2 265
STC on preference share dividends paid	(1 189)	(1 335)
Profit for the year attributable to equity holders	541 721	513 385
Total comprehensive income attributable to equity holders	541 721	513 385

Reconciliation between earnings and headline earnings and distribution

R'000	Reviewed year ended 30 June 2011	Audited restated year ended 30 June 2010
Profit for the year attributable to equity holders	541 721	513 385
<i>Adjusted for:</i>		
Net fair value gain on revaluation of investment properties	(89 551)	(39 661)
Deferred taxation on revaluation of investment properties	12 100	(581)
Headline earnings	464 270	473 143
<i>Adjusted for:</i>		
Allowance for future rental escalations	8 951	(10 012)
Amortised upfront lease costs	3 117	5 329
Unrealised (surplus)/deficit on interest-rate swaps	(2 789)	63 818
Unrealised gain on listed property investment	(35 614)	(2 769)
Pre-acquisition income on stapled securities acquired	4 628	—
Payment in respect of amendment to existing service charge arrangement	129 150	—
S A normal taxation	322	—
Deferred taxation - other timing differences	4 658	(2 265)
Distribution payable to participatory interest holders	576 693	527 244
Distribution per participatory interest	113,52	108,08
Interim (cents)	55,21	51,84
Final (cents)	58,31	56,24
Total (cents)	113,52	108,08
Number of participatory interests in issue at the end of the year	508 010 229	487 827 654
Weighted average number of participatory interests in issue	504 305 482	487 827 654
Earnings per participatory interest (cents)	107,42	105,24

The calculation of earnings per participatory interest is based on net profit for the year of R541,7 million (2010: R 513,4 million), divided by the weighted average number of participatory interests in issue during the year of 504 305 482 (2010: 487 827 654).
Headline earnings per participatory interest (cents) 92,06 96,99
The calculation of headline earnings per participatory interest is based on net profit for the year, adjusted for non-trading items, of R464,3 million (2010: R473,1 million), divided by the weighted average number of participatory interests in issue during the year of 504 305 482 (2010: 487 827 654).

Condensed consolidated statement of financial position

R'000	Reviewed 30 June 2011	Audited restated 30 June 2010	Audited restated 30 June 2009
Assets			
Non-current assets	7 622 389	7 655 558	7 355 777
Investment properties	7 174 508	7 334 034	7 158 603
Allowance for future rental escalations	147 089	162 838	152 826
Unamortised upfront lease costs	32 557	39 019	44 348
Fair value of investment properties	7 354 154	7 535 891	7 355 777
Listed property investment	268 235	119 667	—
Current assets	194 577	103 526	95 233
Accounts receivable and prepayments	100 065	62 845	51 892
Derivative financial instruments	—	—	6 817
Cash and cash equivalents	94 512	40 681	36 524
Non-current assets held for sale	823 054	347 039	362 300
Total assets	8 640 020	8 106 123	7 813 310
Equity and liabilities			
Participatory interest holders' capital and reserves	5 839 530	5 626 621	5 640 480
Non-current liabilities	1 508 553	1 434 194	1 717 289
Redeemable preference shares	—	200 000	200 000
Interest-bearing debt	1 350 748	1 093 067	1 373 316
Deferred taxation	157 785	141 127	143 973
Current liabilities	1 291 637	1 048 308	455 541
Short-term portion of interest-bearing debt	700 000	498 596	—
Accounts payable	241 204	215 357	199 627
Derivative financial instruments	54 212	57 001	—
Distribution payable to participatory interest holders	296 221	274 354	255 914
Total equity and liabilities	8 640 020	8 106 123	7 813 310

Condensed consolidated statement of cash flows

R'000	Reviewed year ended 30 June 2011	Audited year ended 30 June 2010
Cash generated from operations	738 268	691 269
Finance income	10 205	5 484
Interest paid	(168 106)	(143 219)
Preference share dividends paid	(11 895)	(13 351)
Taxation paid	(1 270)	(1 523)
Payment in respect of amendment to existing service charge arrangement	(129 150)	—
Pre-acquisition income on stapled securities acquired	4 628	—
Distribution to participatory interest holders	(554 826)	(508 804)
Cash flows from operating activities	(297 785)	29 856
Acquisition of, and additions to, investment properties and fixtures		