REVIEWED CONDENSED PRELIMINARY FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2019 AND DIVIDEND DISTRIBUTION DECLARATION

78,48c
FINAL DIVIDEND PER SHARE
(UP BY 3,1%)

USD75,9m
USA INVESTMENTS

1 791c
NET ASSET VALUE PER SHARE

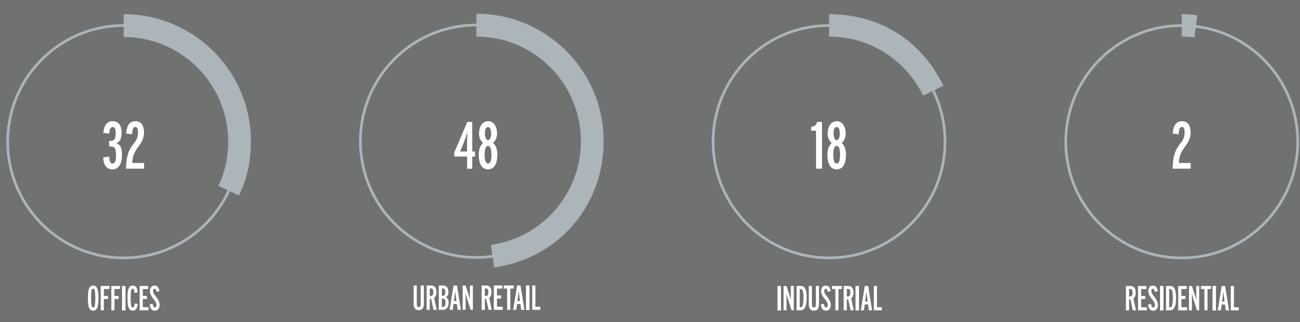
36,1%
LOAN TO VALUE

3,6%
VACANCIES

R1,8bn
SALE OF OFFICE PORTFOLIO
(TRANSFERRED 24 OF 25 PROPERTIES)

INVESTMENTS (%)

DIRECT PROPERTY LOCAL: VALUE SPLIT PER SECTOR (%)



COMMENTARY

The board of directors of Emira ("Board") is pleased to report that a final dividend of 78,48 cents per share has been declared for the six months to 30 June 2019. This is a 3,1% increase year-on-year, bringing the full year dividend per share to 151,34 cents. This is in line with the guidance provided after the six-month period to 31 December 2018.

DISTRIBUTABLE EARNINGS

Emira achieved positive growth despite the continuing difficult local economic conditions. Tenant retention remained a key strategy to maintain the Fund's low vacancy levels. This was achieved by working closely with tenants to better understand their needs and challenges. Downward rental pressure continued in all sectors, particularly due to the ongoing over-supply of offices. Emira's office portfolio disposal to Inani Property Fund ("Inani") reduced Emira's risk in this regard. The smaller office portfolio and further investments in the United States of America ("USA") and local residential property have enhanced Emira's geographical and sectorial diversification strategy and improved the defensiveness of its income streams.

Revenue reduced year-on-year by 2,9% from R1,75bn to R1,70bn (excluding straight-lining adjustments in respect of future rental escalations). This reduction was due to the office portfolio disposal where 24 of the 25 properties were transferred out between January 2019 and May 2019. The stable portfolio performed well, with a pleasing like-for-like revenue growth of 5,7% for the year ended 30 June 2019, driven mostly by contractual escalations.

Property expenses (excluding amortised upfront lease costs) decreased by 0,6%, again driven by the office portfolio disposal. Expenses on the stable portfolio showed a like-for-like increase of 9,9% for the year, in line with expectations and driven by a national hike in electricity costs as well as higher municipal rates charges, predominantly in the Johannesburg and Pretoria portfolios. The gross cost-to-income ratio increased to 37,6% from 36,8% demonstrating that expenses grew at a faster rate during the year when compared to income.

Administration expenses, which includes property management fees, increased by 20,2% to R123,3m (June 2018: R102,5m). Most of this increase was due to incremental administration costs arising from the Fund's investments into the USA and increased staff costs, which included a further tranche on the forfeitable share plan.

Income from the Fund's listed investment in Growthpoint Australia Limited ("GOZ") decreased by 3,0% to R53,4m (which includes R5,6m recognised for distribution purposes only in respect of the *cum* dividend element of 7 420 119 GOZ units sold during the period). The decrease was due to the GOZ units sold during the year. The underlying Australian dollar ("AUD") distribution per unit of GOZ increased year-on-year by 3,6% to 23,0 AUD cents.

Distributable income from equity-accounted investments of R158,0m includes the following:

- Income from investments made in the USA of R74,8m represents Emira's share of the net distributable income from the nine properties acquired to 30 June 2019, five of which transferred during the current year.
- Income from Enyuka of R74,8m, being the interest received on Emira's loan to Enyuka (R77,0m) less Emira's portion of Enyuka's net loss (R2,2m after interest). Enyuka's net loss is post an asset management fee of R5,4m of which Emira receives 50%.
- Income from Transcend Residential Property Fund ("Transcend") of R8,4m, which comprises interest on Emira's loan to Transcend. In addition, Emira received dividends of R15,8m from Transcend for the six-month period ended 31 December 2018. This dividend included an antecedent portion of R13,2m, calculated from 1 July 2018 to the date of the investments of which 50% (R6,45m) was included in the distribution for the interim period and 50% was included in the distribution for the six months ended 30 June 2019. Further, an amount of R13,8m has been accrued for distribution purposes only in respect of the dividend declared by Transcend on 8 August 2019 in respect of the six-month period ended 30 June 2019.

Other income of R7,9m relates to raising fees charged in respect of the mezzanine loans provided by Emira to Transcend (R2,2m) and Inani (R3,1m) as well as 50% of the asset management fee charged to Enyuka.

In accordance with the SA REIT Association's best practice recommendations, transaction advisory fees of R0,9m have been excluded from the calculation of distributable earnings. These costs are once-off in nature and relate to the set-up of the investments in the USA and Transcend.

An impairment charge of R41,0m has been accounted for in respect of outstanding debtors, accrued income and legal fees relating to Worley Parsons' lease obligations at Corobay Corner in Pretoria. Refer to the explanatory note under the "Worley Parsons" section below for further details. In line with previous communications the impairment has been disregarded for distribution purposes.

Net finance costs for the year have remained flat at R384,2m. Debt levels during the first six months were higher due to further investments in the USA, the Transcend investment as well as capital expenditure all having been debt funded. Debt was reduced in the second half of the year upon receipt of the proceeds received from the disposal of the office portfolio. Interest received includes interest on loan finance provided on the disposal of certain properties, including those to Inani, as well as interest on the Vendor Loans provided under the BEE Transaction (as defined in the circular to shareholders dated 29 May 2017). The Vendor Loans issued under the BEE Transaction are not recognised for accounting purposes as they are deemed to be the granting of a call option on Emira's shares. In terms of the loan agreements, interest is charged to the BEE parties at a rate equal to Emira's dividend yield and is recognised for distribution purposes. For accounting purposes, the income earned from the BEE parties is classified as a "premium on BEE share option" and recognised as equity. The BEE parties settle the interest charged on a six-monthly basis.

During the period, taxation of R5,2m on foreign dividends declared to Emira by its USA subsidiary, CIL2 LLC ("CIL2"), was withheld.

The distributable income due to minorities amounted to R2,2m, and relates to the following: CIL2, Emira's USA subsidiary in which the minorities hold 3,2%; and Bet All Investments Proprietary Limited, the subsidiary which owns The Bolton where minorities hold 25,0%.

DISTRIBUTION STATEMENT

R'000	Year ended 30 Jun 2019	Year ended 30 Jun 2018	% change
Operating lease rental income and tenant recoveries excluding straight-lining of leases	**1 698 802**	1 748 876	(2,9)
Property expenses excluding amortised upfront lease costs	**(639 018)**	(643 081)	(0,6)
Net property income	**1 059 784**	1 105 795	(4,2)
Income from listed property investment	**47 818**	52 830	(9,5)
GOZ shares sold cum dividend	**5 592**	2 205	153,6
Distributable income from equity accounted investments	**157 957**	94 566	67,0
Dividend received/accrued from Transcend	**29 616**	–	100,0
Administration expenses	**(123 250)**	(102 509)	20,2
Other income	**7 949**	2 221	257,9
Realised foreign exchange losses	**(2 792)**	(165)	1 592,1
Minority shareholders interests	**(2 247)**	(683)	229,0
Taxation	**(5 227)**	(1 707)	206,2
Net finance costs	**(384 210)**	(385 277)	(0,3)
Finance income	**30 451**	15 007	102,9
Premium on share option	**18 723**	18 160	3,1
Finance costs	**(433 384)**	(418 444)	3,6
Interest paid and amortised borrowing costs	**(454 250)**	(446 701)	1,7
Interest capitalised to the cost of developments	**20 866**	28 257	(26,2)
Dividend payable to shareholders	**790 990**	767 276	3,1
No. of shares in issue	**522 667 247**	522 667 247	–
Dividend per share (cents)	**151,34**	146,80	3,1

NET ASSET VALUE ("NAV")

The NAV has risen to 1 791 cents per share (June 2018: 1 758 cents). This was mainly as a result of a gain on bargain purchase of R129m (being the difference between the cost and the fair value at the date of acquisition) recognised on the investment in Transcend as well as an improvement in the value of the held shares in GOZ. The number of shares used to calculate NAV was 501 648 438 and is made up as follows:

	2019	2018
Actual shares in issue	**522 667 247**	522 667 247
Adjusted for:		
Vendor funded shares under the BEE Scheme [i]	**(12 370 510)**	(12 370 510)
Shares acquired for the Forfeitable Share Plan [ii]	**(1 448 299)**	–
Shares held by the ESA Trust [iii]	**(7 200 000)**	–
Adjusted shares in issue	**501 648 438**	510 296 737

i Emira shares relating to the outstanding capital on the Vendor Loans provided to the BEE Parties under Emira's June 2017 BEE Transaction are deemed to not be issued for accounting purposes.

ii Emira shares held by Emira's Forefeitable Share Plan are classified as treasury shares for accounting purposes.

iii Emira shares held by the ESA Trust are classified as treasury shares upon consolidation of the ESA Trust.

VACANCIES

Vacancies are pro-actively managed by focusing on tenant retention, innovative letting strategies and, where necessary, the disposal of non-core properties. The lack of local economic growth has increased the pressure on tenants making their retention one of Emira's strategic priorities over the past 12 months.

Although overall vacancies increased marginally from 3,4% at 30 June 2018 to 3,6 % at 30 June 2019, they are still lower than the vacancies of 3,7% reported at 31 December 2018. While urban retail sector vacancies have increased slightly from 2,0% to 2,3%, they are well below the SAPOA national average of 4,2% (SAPOA reported March 2019). Industrial vacancies have increased to 4,1% from 1,3%, which is slightly above the SAPOA national average of 3,6% (SAPOA reported Dec 18). The increase is entirely due to Defy vacating Denver Warehouse, which subsequently went through a major upgrade, and since completion in May 2019, is attracting keen interest. Emira's office sector vacancies have shown a marked year-on-year improvement, decreasing to 5,3% from 7,1%. This is well below the SAPOA national levels of 11,3%, and is due to the strategies Emira has executed.

Emira's residential conversion, The Bolton, is the sole directly held residential property. The Bolton was fully completed in May 2019 and at 30 June 2019 24,5% of the 282 units were vacant. As at 31 July 2019, only 17% remain vacant.

COMMERCIAL VACANCIES

	No. of buildings Jun 2019	GLA Jun 2019 (m²)	Vacancy Jun 2019 (m²)	Vacancy Jun 2019 (%)	No. of buildings Jun 2018	GLA Jun 2018 (m²)	Vacancy Jun 2018 (m²)	Vacancy Jun 2018 (%)
Office	**21**	**166 026**	**8 757**	**5,3**	44	318 524	22 584	7,1
Retail	**20**	**313 317**	**7 063**	**2,3**	21	322 065	6 303	2,0
Industrial	**38**	**342 639**	**13 956**	**4,1**	39	348 699	4 621	1,3
Total	**79**	**821 982**	**29 776**	**3,6**	104	989 288	33 508	3,4

RESIDENTIAL VACANCIES

	No. of buildings Jun 2019	Units Jun 2019	Vacancy Jun 2019	Vacancy Jun 2019 (%)	No. of buildings Jun 2018	Units Jun 2018	Vacancy Jun 2018	Vacancy Jun 2018 (%)
Total	**1**	**282**	**69**	**24,5**	–	–	–	–

MAJOR LEASES CONCLUDED AND TENANT RENEWALS

The largest new leases concluded during the year under review, by lease value, were WeWork at 80 Strand Street in Cape Town, of which Emira is a 50% owner (3 340m² for a total value of R68,0m), Verifone Africa at Knightsbridge in Johannesburg (864m² for a total value of R19,9m) and OBC Chicken & Meat at Wonderpark in Pretoria (792m² for a total value of R15,4m).

A total of 81% by GLA (June 2018: 84%) and 80% by revenue (June 2018: 85%) of expiring tenants were renewed and retained during the year. The largest renewals were RTT Group at RTT ACSA Park in Johannesburg (46 673m² for a total value of R153,9m), Professional Provident Society at Boundary Terraces in Cape Town (2 748m² for a total value of R42,1m), RTT Group at RTT Continental in Johannesburg (12 921m² for a total value of R31,9m), Trellidor Innovations at Trellidor in Cape Town (7 672m² for a total value of R18,9m), Standard Bank at Hyde Park Lane in Johannesburg (1 722m² for a total value of R18,5m) and Vodacom at Technohub in Midrand (3 342m² for a total value of R15,9m).

DISPOSALS

As notified at the interim results, the disposal of a R1,8bn 25 building office portfolio to Inani became unconditional in December 2018. Inani is 51% owned by Zungu Investment Company ("Zico"), a 98% black-owned, Level 1 B-BBEE entity and 29% by Boyno Trade and Invest Proprietary Limited, a subsidiary of One Property Holdings ("One Prop"), with Emira owning the remaining 20%.

At 30 June 2019, 24 of the 25 assets had transferred from Emira to Inani on an asset-by-asset basis. The final property, being 1059 Francis Baard, has a suspensive condition that requires the lease with the SABC to be renewed for a period of three years before the property can be transferred. Emira has until 30 September 2019 to transfer the property.

Inani financed the acquisitions through a combination of senior debt, equity as well as a mezzanine loan provided by Emira, upon which a 1% capital raising fee was charged on each drawdown. The disposals were concluded at Emira's 30 June 2018 carrying values, and represent a 10,47% average yield for Emira. The proceeds received have been used to fund Emira's offshore acquisitions as well as to reduce local debt levels. Two further properties deemed non-core were disposed of during the period, namely Cresta Corner (retail) and Umgeni Road B (industrial), realising a total of R121,5m.

At 30 June 2019, two assets valued at R138,3m, namely 1059 Francis Baard (offices) and Epsom Downs Shopping Centre (retail), have been classified as held for sale.

DEVELOPMENTS AND REFURBISHMENTS

Emira's policy of recycling its capital and strategically investing in tactical upgrades that unlock value and strengthen its assets was maintained during the period. The quality and attractiveness of its assets are key elements in retaining existing and attracting new tenants.

The conversion of Emira's B-grade ex-Sasol tenanted offices in Rosebank, 12 Baker Street and 2 Sturdee Avenue, into The Bolton, a residential development targeting LSM brackets 7 to 8, was completed in May 2019 at a total cost of R209,3m including land and capitalised interest. The Bolton is a partnership with the Feenstra Group who, in addition to being the developer, acquired a 25% interest in the asset. The Feenstra Group has extensive experience in developing, owning and managing residential units.

In addition to the Bolton, a further R239,2m of capital expenditure (excluding final payments on the Knightsbridge development) was incurred during the year on the Fund's directly held portfolio. The following major projects were commenced or concluded during year:

- A major upgrade and replacement of the air-conditioning system as well the lighting at Southern Sentrum in Bloemfontein which has improved the efficiency of the building and reduced the electricity costs for tenants.
- A redevelopment of Denver Warehouse (previously known as Defy) in Johannesburg into a modern logistics warehouse.
- An extension of the façade at Menlyn Corporate Park in Menlyn to create a more prominent entrance.
- A general refurbishment of Granada Square in Durban to upgrade and modernise the building.
- The installation of photovoltaic (PV) solar farms at Wonderpark in Pretoria, Ben Fleur in Emalahleni and Boskruin in Johannesburg, which will reduce the reliance on Eskom produced power.
- A redevelopment of Hyde Park Lane Office Park in Johannesburg to modernise the building.
- The reconfiguration and partial upgrade of The Tramshed in Pretoria.

DEBT

As at 30 June 2019, Emira had a moderate level of gearing with interest-bearing debt (excl. net derivative liabilities), net of cash, to total income producing assets of 36,1%. The Fund's interest cover ratio at a Group level was 2,9 times at 30 June 2019. Emira has diversified sources of funding and banking facilities in place with all the major South African banks.

A portion of the proceeds realised on the office portfolio disposal were used to permanently reduce debt, which at reporting date was down to R5,3bn. The weighted average duration to expiry of Emira's debt facilities have increased to 2,4 years. This is in line with Emira's strategy and is the result of R3,3bn of debt that matured in the year being either refinanced on a long-term basis or settled. The debt expiry profile has been managed to ensure that the amount of debt expiring in any one period is manageable with R1,2bn due in the next 12 months.

During the year, facilities either put in place or refinanced included the following:

- A maturing R665,9m secured 54-month term facility with RMB was permanently settled;
- A new R500,0m unsecured short-term two-month ABSA bridging facility drawn down in December 2018 was permanently settled in February 2019;
- Two secured unlisted notes with RMB totaling R1,0bn were refinanced with RMB through four new unlisted notes. The new notes were issued for an average term of 4,3 years and at an average cost of 1,77% above three-month JIBAR versus the matured notes of 3,5 years and a cost of 1,65%;
- A R200,0m two-year unsecured term facility with Sanlam was extended for a period of two years at three-month JIBAR plus 185bps;
- A R200,0m two-year secured term facility with Nedbank was refinanced through an unlisted note with Nedbank for a period of five years at three-month JIBAR plus 170 bps;
- A R200,0m 12-month general banking facility with Investec was renewed for a further 12 months; and
- A R250,0m two-year revolving credit facility with ABSA was replaced with a new R300,0m revolving credit facility from ABSA for a period of three years at prime less 150 bps.

Emira continues to successfully access funding via the debt capital markets at competitive rates. During the current year, Emira issued R979,0m of new listed commercial paper and corporate bonds to refinance R787,0m of maturing notes. The new instruments were issued for an average term of 2,7 years and at an average cost of 1,32% above three-month JIBAR versus the matured notes of 1,7 years and a cost of 1,23%.

The Fund has fixed 91,2% of its debt for periods of between 1,1 and 5,4 years, with a weighted average duration of 3,0 years.

	Weighted average rate %	Weighted average term	Amount (Rm)	% of debt
Debt – fixed swap	7,5		4 795,8	91,2
Debt – floating	8,7		462,7	8,8
Total	7,6	2,4 years	5 258,5	100,0
Less: Costs capitalised not yet amortised			(5,7)	
Add: Accrued interest			40,2	
Per statement of financial position			5 293,0	

Global Credit Rating Company (Pty) Ltd (GCR) affirmed a corporate long-term credit rating of A(ZA) and corporate short-term rating of A1(ZA), with the outlook accorded as stable, in July 2019.

As at 30 June 2019, Emira had effective AUD denominated debt of AUD74,5m through its AUD cross-currency interest-rate swaps ("CCIRS") against assets valued at AUD76,8m. The AUD CCIRS relate to the Fund's investment in GOZ. In addition, Emira has effective United States dollar ("USD") denominated debt of USD64,9m through its USD CCIRS. These USD CCIRS relate to investments based in the USA valued at USD77,5m.

VALUATIONS

TOTAL PORTFOLIO MOVEMENT

	Jun 19 (R'000)	Jun 19 (R/m²)	Jun 18 (R'000)	Jun 18 (R/m²)	Difference (%)	Difference (R'000)
Sector						
Office	**3 497 010**	**21 079**	5 232 144	16 426	(33,2)	(1 735 134)
Retail	**5 290 926**	**16 887**	5 244 250	16 283	0,9	46 676
Industrial	**1 933 650**	**5 643**	1 905 350	5 464	1,5	28 300
Residential	**220 000**	**–**	154 064	–	42,8	65 936
Total	**10 941 586**		12 535 808		(12,7)	(1 594 222)

INVESTMENTS

TRANSCEND

Transcend, which is listed on the AltX of the JSE, was identified as an avenue through which Emira could enhance the diversification of the Company into the residential rental market, given Transcend's expertise in specialised residential property assets and access to significant pipeline opportunities. This strategy is in line with Emira's co-investment strategy with hands-on sector specialists who have good track records of success in their markets.

On 4 October 2018 Emira subscribed for 7 300 000 shares in Transcend at R6,26 per share for a total consideration of R45,9m giving Emira an initial 9,9% interest in Transcend. On 13 December 2018 Emira subscribed for a further 38 382 283 Transcend shares at R6,46 per share for a total consideration of R247,9m increasing its total equity interest to 34,9%. Geoff Jennett, Emira's CEO, was simultaneously elected to the Transcend board as a non-executive director.

In addition to the equity investment, Emira provided a mezzanine loan of R143,4m to Transcend on 13 December 2018 upon which a 1,5% raising fee was charged. Interest is charged at a rate of 3,5% above three-month JIBAR and the loan is repayable on 12 June 2020.

The investment in Transcend was initially recognised as a financial asset and accounted for on a fair value basis through profit and loss resulting in a fair value gain of R25,8m. Upon making the second investment, Transcend was reclassified as an equity-accounted investment (associate), resulting in a bargain purchase gain of R129,0m, being the difference between the cost and the fair value of net assets at acquisition.

From the date as an associate until 30 June 2019, R135,0m income recognised from Transcend includes Emira's share of Transcend's net profit of R126,6m, (including the gain on bargain purchase) and R8,4m of interest received on the loan provided to Transcend.

Emira received dividends of R15,8m from Transcend for the six-month period ended 31 December 2018. This dividend received included an antecedent portion of R13,2m, calculated from 1 July 2018 to the date of the investments of which 50% (R6,45m) was included in the distribution for the interim period and 50% is included in the distribution for the six months ended 30 June 2019. An amount of R13,8m has been accrued for distribution purposes only in respect of the dividend declared by Transcend on 8 August 2019 in respect of the six-month period ended 30 June 2019.

At 30 June 2019, Transcend's total property portfolio was valued at R2,8bn and its loan to value ratio was 47,6%, with the interest cover ratio at 1,7 times.

ENYUKA

Enyuka is a rural retail venture between Emira and One Prop. Emira equity accounts its interest in Enyuka and the R104,2m recognised includes Emira's share of Enyuka's net profit of R27,2m (of which R2,2m is a distributable loss) and R77,0m of interest received on the shareholder loan provided to Enyuka.

At 30 June 2019, Enyuka's total property portfolio was valued at R1,1bn and its loan to value ratio was 32,3%, excluding shareholder loans of R660,4m, including interest. Enyuka's interest cover ratio was 3,3 times at 30 June 2019.

No properties were acquired by Enyuka during the period.

GOZ

During the six-month period to 30 June 2019, the Company disposed of a further 5 420 119 GOZ units at an average price of AUD4,22 per unit, taking the total GOZ units disposed for the year to 7 420 119. The rationale for the disposal was the opportunity to lock in a portion of the gains by selling at a price that was significantly higher than the initial cost and to deploy those proceeds into high yielding investments.

As at 30 June 2019, GOZ's unit price was AUD4,12. Emira's remaining investment of 18 638 447 units, comprising 2,4% of the total units in issue, is valued at R759,7m compared to the initial cost price of R272,0m, a 179,3% increase in the capital value of this investment.

USA

Emira has continued with its strategy of investing into grocery-anchored dominant value-orientated power centres in the USA, together with its USA-based partner, The Rainier Group of Companies ("Rainier").

As at 30 June 2019, Emira had, together with Rainier, on a deal-by-deal basis, co-invested into nine power centres at a total cost to Emira of USD75,9m. During the six months to 30 June 2019 the following three new properties were acquired:

- San Antonio Crossings shopping center in San Antonio, Texas, was transferred in February 2019 at a total cost to Emira of USD4,2m for a 49,5% equity interest at an expected initial equity yield of 12,9%.
- Wheatland Towne Crossing shopping center in Dallas, Texas, was transferred in April 2019 at a total cost to Emira of USD6,2m for a 49,6% equity interest at an expected initial equity yield of 12,6%.
- University Town Center shopping center in Norman, Oklahoma was transferred in June 2019 at a total cost to Emira of USD12,4m for a 49,6% equity interest at an expected equity yield of 10,8%.

Emira, through its USA subsidiary CIL2 LLC, holds a minority share in the nine direct property-owning entities but has a unanimous voting arrangement on all major decisions. Emira equity accounts the nine direct property-owning entities and R79,2m was recognised as its share of the net profit of which R74,8m is distributable.

OTHER FINANCIAL ASSETS

The investment in Inani has been classified as a financial asset through profit and loss with a year-end fair value of R30,8m.

FOREIGN INCOME HEDGING

To minimise potential adverse foreign exchange fluctuations on Emira's earnings, a portion of the expected net foreign income, after offsetting foreign interest on CCIRS, is hedged.

Foreign income in respect of GOZ is hedged in terms of the following policy:

- To hedge 100% of the expected net dividend to be received in the following 12 months;
- To hedge 67% of the expected net dividend to be received in months 13 to 24; and
- To hedge 33% of the expected net dividend to be received in months 25 to 36.

For the USA investments to date, at least 90% of the expected net income for the first four years was hedged at the date the investments were made. It is anticipated that this policy will be maintained for future investments.

In line with these policies, the following hedges are in place:

	GOZ AUD	USA USD
Forward rate against R		
Dec 19	R11,34	R14,50
Jun 20	R11,64	R14,85
Dec 20	R11,33	R15,24
Jun 21	R11,85	R15,54
Dec 21	–	R16,04
Jun 22	–	R16,50
Dec 22	–	R17,19
Jun 23	–	R17,76
Dec 23	–	R18,39

THE ESA TRUST

The ESA Trust (the "Trust") is a trust that was set up during the year to hold shares for the benefit of Emira's executive directors. In June 2019, the Trust acquired 7 200 000 Emira shares utilising loan finance provided by both Emira and Sanlam. Emira is deemed to control the Trust and accordingly it is consolidated. The shares held by the Trust are re-classified as treasury shares for accounting purposes.

WORLEY PARSONS UPDATE

Emira has been in arbitration proceedings with Worley Parsons for the past two years regarding their lease obligations at Corobay Corner. Worley Parsons absconded from their 10-year lease agreement with Emira after just two years of occupation with the argument that the practical completion certificate was signed by the principal agent rather than the architect, as was stipulated in the lease agreement. The Joint Building Contracts Committee ("JBCC") agreement between the original developer and the main contractor required the principal agent to sign the practical completion certificate. Subsequent to Worley Parsons absconding Emira cancelled the lease to enable it to re-let the property to mitigate its damages.

On 26 June 2019 the arbitrator delivered his award, in which he found that, because the practical completion certificate had not been signed by the architect and could never be signed due to the cancellation of the lease, the rand value of Emira's rights amount to zero. Emira has filed a notice of appeal which is expected to be heard by March 2020.

In light of the arbitrator's award, Emira has taken the prudent approach of raising an impairment of R41,0m in respect of the amounts due by Worley Parsons carried on the balance sheet together with the associated legal costs to date. In line with what has previously been communicated to shareholders, this impairment has been disregarded for distribution purposes.

SUBSEQUENT EVENTS

Five million shares previously held in Growthpoint Australia, were sold at an average price of AUD4,35 per share subsequent to reporting date.

There have been no other significant events subsequent to the reporting date.

PROSPECTS

South Africa's macro-economic environment remains challenging, with slow growth forecast for the foreseeable future. Emira's rebalancing of its local portfolio means it is better positioned to weather the storm while property fundamentals remain weak. With the US economy's expected positive growth, Emira's offshore assets will provide much-needed diversification for its investors.

Emira's key strategy of staying in close contact with tenants and ensuring its properties are well maintained, will continue in the year ahead. Further, it will pursue its offshore strategy in a cautious and conservative manner, ensuring the right assets are acquired at the right prices. Emira continues to seek out accretive opportunities locally as evidenced by the recent offer to SA Corporate, but will only act to the extent it is in the best interests of Emira shareholders.

Factoring in the current and expected market conditions for the year ahead, vacancy profiles and expected rental reversions, as well as anticipated opportunities, shareholders can continue to expect a positive growth rate in dividends for the year ahead.

This forecast is the responsibility of the directors of Emira and has not been reviewed or reported on by Emira's external auditors.

DIVIDEND DISTRIBUTION DECLARATION

The Board has approved, and notice is hereby given that a final gross dividend of 78,48 cents per share has been declared (June 2018: 76,15 cents), payable to the registered shareholders of Emira on 9 September 2019. The issued share capital at the declaration date is 522 667 247 listed ordinary shares. The source of the dividend comprises net income from property rentals, income earned from the Company's listed property investment, income earned from the Company's equity accounted investments, interest earned on loans receivable and interest earned on cash on deposit. Please refer to the condensed consolidated statement of comprehensive income for further information.

Last day to trade *cum* dividend	Tuesday, 3 September 2019
Shares trade ex dividend	Wednesday, 4 September 2019
Record date	Friday, 6 September 2019
Payment date	Monday, 9 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 September 2019 and Friday, 6 September 2019, both days inclusive.

TAX IMPLICATIONS

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

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

Qualifying dividends received by non-resident shareholders will not be taxable as income and instead will be treated as ordinary dividends but which are exempt in terms of the usual dividend exemptions per section 10(1)(k) of the Income Tax Act. Any distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder. Assuming dividend withholding tax will be withheld at a rate of 20%, the net amount due to non-resident shareholders will be 62,7840 cents per share. A reduced dividend withholding tax rate in terms of the applicable DTA, may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of the uncertificated shares, or the transfer secretaries, in respect of certificated shares:

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

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

The Company's tax reference number is 9995/739/15/9.

By order of the Emira Property Fund Limited Board

Acorim Proprietary Limited
Company Secretary

Gerhard van Zyl	**Geoff Jennett**
Chairman	Chief Executive Officer

Bryanston
14 August 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed 30 Jun 2019	Audited 30 Jun 2018
ASSETS		
Non-current assets	**14 405 813**	12 856 899
Investment properties	**10 442 729**	10 313 515
Fixtures and fittings	**105 451**	71 725
Allowance for future rental escalations	**222 731**	208 420
Unamortised upfront lease costs	**32 425**	32 915
Fair value of investment properties	**10 803 336**	10 626 575
Property, plant and equipment	**2 949**	–
Listed property investment	**759 716**	956 209
Investment and loans in equity accounted investments	**2 315 524**	1 105 944
Other financial assets	**30 822**	–
Loans receivable	**455 906**	116 431
Derivative financial instruments	**37 560**	51 740
Current assets	**398 713**	2 313 779
Accounts receivable and prepayments	**114 636**	219 562
Derivative financial instruments	**72 597**	75 529
Cash and cash equivalents	**73 230**	109 455
Investment properties held for sale	**138 250**	1 909 233
Total assets	**14 804 526**	15 170 678
EQUITY AND LIABILITIES		
Share capital and reserves	**8 983 398**	8 968 682
Non-current liabilities	**4 191 897**	3 223 360
Interest-bearing debt	**4 009 083**	3 134 196
Derivative financial instruments	**182 814**	82 571
Deferred taxation	**–**	6 593
Current liabilities	**1 629 231**	2 978 636
Short-term portion of interest-bearing debt	**1 283 930**	2 535 354
Accounts payable	**309 765**	335 705
Derivative financial instruments	**32 174**	106 636
Taxation	**3 362**	941
Total equity and liabilities	**14 804 526**	15 170 678
Net asset value per share (cents)	**1 790,8**	1 757,5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Reviewed year ended 30 Jun 2019	Audited year ended 30 Jun 2018
Revenue	**1 686 962**	1 771 585
Operating lease rental income and tenant recoveries	**1 698 802**	1 748 876
Allowance for future rental escalations	**(11 840)**	22 709
Property expenses	**(640 756)**	(647 537)
Income from listed property investment	**47 818**	52 831
Administration expenses	**(128 483)**	(105 581)
Transaction and advisory fees	**(855)**	(8 030)
Depreciation	**(10 555)**	(9 611)
Operating profit	**954 131**	1 053 657
Net fair value adjustments	**47 548**	49 212
Change in fair value of investment properties	**(46 685)**	(49 437)
Revaluation of derivative financial instruments relating to share appreciation rights scheme	**(2 989)**	4 755
Unrealised deficit on interest-rate swaps	**(43 910)**	(45 250)
Unrealised gain on fair valuation of listed property investment	**141 132**	139 144
Expected credit loss	**(3 646)**	–
Impairment of Worley Parsons receivable	**(41 042)**	–
Foreign exchange (loss)/profit	**(20 823)**	23 572
Loss on deconsolidation of Enyuka	**–**	(392)
Other income	**7 949**	2 221
Income from equity accounted investments	**344 233**	131 564
Distributable	**157 957**	94 566
Non-distributable	**186 276**	36 998
Profit before finance costs	**1 288 350**	1 259 834
Net finance costs	**(402 933)**	(403 437)
Finance income	**30 451**	15 007
Finance costs	**(433 384)**	(418 444)
Profit before income tax charge	**885 417**	856 397
Taxation	**1 207**	(7 751)
Profit for the year	**886 624**	848 646
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	**1 919**	17 952
Total comprehensive income for the year	**888 543**	866 598
Total profit for the year attributable to:		
Emira shareholders	**882 509**	848 486
Non-controlling interest	**4 115**	160
	886 624	848 646
Total comprehensive income for the year attributable to:		
Emira shareholders	**884 367**	866 404
Non-controlling interest	**4 176**	194
	888 543	866 598

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Revaluation and other reserves	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total
Balance at 30 June 2017	3 766 132	4 776 034	–	297 686	–	8 839 852
Shares recognised on partial repayment of BEE vendor loan	9 702					9 702
Premium on share option				8 989		8 989
REIT restructure costs	(376)					(376)
Profit for the year				848 486	160	848 646
Exchange differences on translation of foreign operations			17 918		34	17 952
Equity settled share scheme		1 348				1 348
Transfer to fair value reserve		67 466		(67 466)		–
Dividend paid – September 2017				(388 080)		(388 080)
Dividend paid – subsidiary					(87)	(87)
Dividend paid – March 2018				(369 264)		(369 264)
Balance at 30 June 2018 (as previously reported)	**3 775 458**	**4 844 848**	**17 918**	**330 351**	**107**	**8 968 682**
IFRS 9 adoption				**(2 582)**		**(2 582)**
Balance as at 30 June 2018 (restated)	**3 775 458**	**4 844 848**	**17 918**	**327 769**	**107**	**8 966 100**
Shares repurchased and cancelled	**(99 545)**					**(99 545)**
Shares issued to ESA Trust	**99 549**					**99 549**
JSE listing fees	**(393)**					**(393)**
Shares acquired for the Emira Forfeitable Share Plan	**(20 929)**					**(20 929)**
Reclassification of Emira shares held by ESA Trust	**(99 549)**					**(99 549)**
Premium on share option				**18 433**		**18 433**
Profit for the year				**882 509**	**4 115**	**886 624**
Exchange differences on translation of foreign operations			**1 858**		**61**	**1 919**
Equity settled share scheme		**11 677**				**11 677**
Transfer to fair value reserve		**37 277**		**(37 277)**		**–**
Dividend paid – September 2018				**(397 998)**		**(397 998)**
Dividend paid – subsidiary					**(1 688)**	**(1 688)**
Dividend paid – March 2019				**(380 803)**		**(380 803)**
Balance at 30 June 2019	**3 654 591**	**4 893 802**	**19 776**	**412 634**	**2 596**	**8 983 398**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed year ended 30 Jun 2019	Audited year ended 30 Jun 2018
Cash generated from operations	**1 021 991**	997 969
Finance income	**30 451**	15 007
Income from equity accounted investments	**–**	94 566
Interest paid	**(454 250)**	(452 365)
Taxation paid	**(2 965)**	(766)
Dividends paid to shareholders	**(778 800)**	(757 344)
Dividends paid to non-controlling interest	**(1 688)**	(87)
Cash flows from operating activities	**(185 261)**	(103 020)
Acquisition of, and additions to, investment properties and fixtures and fittings	**(297 098)**	(484 565)
Acquisition of property, plant and equipment	**(3 315)**	(22 620)
Proceeds on sale of investment properties and fixtures and fittings	**1 842 983**	530 575
Disposal of investment in listed property fund	**327 368**	90 156
Investment in equity accounted investments	**(870 275)**	(415 694)
Loans granted and other financial assets	**(351 222)**	–
Enyuka deconsolidation	**–**	(36 772)
Cash flows from investing activities	**648 441**	(338 920)
REIT restructure costs	**–**	(376)
Shares recognised on partial repayment of BEE vendor loan	**–**	9 702
Premium on share options	**18 433**	8 989
Shares acquired for the Emira Forfeitable Share Plan	**(20 929)**	–
Repurchase of Emira shares acquired by ESA Trust	**(99 545)**	–
Interest-bearing debt raised	**40 635**	4 208 666
Interest-bearing debt repaid	**(437 995)**	(3 844 245)
Cash flows from financing activities	**(499 404)**	382 736
Net decrease in cash and cash equivalents	**(36 225)**	(59 204)
Cash and cash equivalents at the beginning of the year	**109 455**	168 659
Cash and cash equivalents at the end of the year	**73 230**	109 455

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited listing requirements for preliminary reports and the requirements of the Companies Act of South Africa. The listing requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The accounting policies used in the preparation of these financial statements are in terms of IFRS and are consistent with those used in the audited annual financial statements for the year ended 30 June 2018 except for the amendments relating to the new standards and interpretations which became effective to the Group for the financial year beginning 1 July 2018. None of these had a material impact on Emira's financial results, except for IFRS 9. The adoption of IFRS 9 resulted in an expected credit loss adjustment as at 30 June 2019 of R6,2m.

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

These condensed consolidated preliminary financial statements for the year ended 30 June 2019, incorporating the debt, investments and subsequent events sections of the commentary, have been reviewed by Ernst & Young Inc., who have expressed an unmodified review conclusion. A copy of the auditor's review conclusion is available for inspection at Emira's registered office together with the financial statements identified in the auditor's report. The distribution statement was not reviewed.

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS AND DISTRIBUTION

R'000	Reviewed year ended 30 Jun 2019	Audited year ended 30 Jun 2018
Profit for the year attributable to Emira shareholders	**882 509**	848 486
Adjusted for:		
Net fair value loss on revaluation of investment properties	**46 685**	49 437
Gain on bargain purchase	**(129 028)**	–
Loss on deconsolidation of Enyuka	**–**	392
Headline earnings	**800 166**	898 315
Adjusted for:		
Allowance for future rental escalations	**11 840**	(22 709)
Amortised upfront lease costs	**1 738**	4 455
Unrealised surplus on revaluation of interest-rate swaps	**43 910**	45 250
Revaluation of share appreciation rights scheme derivative financial instruments	**2 989**	(4 755)
Charge in respect of leave pay provision and share appreciation rights scheme	**5 312**	3 394
Unrealised loss on revaluation of listed property investment	**(141 132)**	(139 144)
Unrealised foreign exchange loss/(profit)	**18 031**	(23 736)
Dividend received / accrued from Transcend	**29 616**	–
Non-distributable income from equity accounted investments	**(57 248)**	(36 998)
Depreciation	**10 478**	9 286
Transaction and advisory fees	**855**	8 030
IFRS 9 Expected credit loss	**3 646**	–
Impairment of Worley Parsons receivable	**41 042**	–
Deferred taxation	**(6 435)**	6 044
Non-distributable portion of non-controlling interest	**1 867**	(521)
Premium on share option	**18 723**	18 160
GOZ shares sold cum dividend	**5 592**	2 205
Distribution payable to shareholders	**790 990**	767 276
Dividend per share		
Interim (cents)	**72,86**	70,65
Final (cents)	**78,48**	76,15
Total (cents)	**151,34**	146,80
Number of shares in issue at the end of the year	**522 667 247**	522 667 247
Weighted average number of shares in issue	**501 648 438**	510 140 337
Earnings per share (cents)	**175,92**	166,32
The calculation of earnings per share is based on net profit for the year of R882,5m (2018: R848,5m), divided by the weighted average number of shares in issue during the year of 501 648 438 (2018: 510 140 337).		
Diluted earnings per share (cents)	**175,46**	166,23
The calculation of diluted earnings per share is based on net profit for the year of R882,5m (2018: 848,5m), divided by the diluted weighted average number of shares in issue during the year of 502 978 415 (2018: 510 515 773).		
Headline earnings per share (cents)	**159,51**	176,09
The calculation of headline earnings per share is based on net profit for the year, adjusted for headline items, of R800,2m (2018: 898,3m), divided by the weighted average number of shares in issue during the year of 501 648 438 (2018: 510 140 337).		
Diluted headline earnings per share (cents)	**159,09**	175,96
The calculation of diluted headline earnings per share is based on net profit for the year, adjusted for headline items, of R800,2m (2018: R898,3m), divided by the diluted weighted average number of shares in issue during the year of 502 978 415 (2018: 510 515 773).		
Diluted weighted average number of shares in issue		
Weighted average number of shares in issue	**501 648 438**	510 140 337
Issued for zero consideration under the call option to BEE parties, Treasury shares issued to the ESA Trust and Forfeitable Share Plan	**1 329 977**	375 436
	502 978 415	510 515 773

SEGMENTAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

R'000	Office	Retail	Industrial	Residential	Corporate	Local	Inter–national	Total
Revenue	632 293	750 288	302 786	1 595	–	1 686 962	–	1 686 962
Operating lease rental income and tenant recoveries	647 494	746 025	303 688	1 595	–	1 698 802	–	1 698 802
Allowance for future rental escalations	(15 201)	4 263	(902)	–		(11 840)	–	(11 840)
Property expenses	(242 560)	(278 135)	(119 385)	(663)	–	(640 743)	(13)	(640 756)
Income from listed property investment	–	–	–	–	–	–	47 818	47 818
Administration expenses	–	–	–	–	(118 998)	(118 998)	(9 485)	(128 483)
Transaction and advisory fees	–	–	–	–	(855)	(855)	–	(855)
Depreciation	–	–	–	–	(10 555)	(10 555)	–	(10 555)
Operating profit	389 733	472 153	183 401	932	(130 408)	915 812	38 320	954 131
Net fair value adjustments	(45 921)	(21 698)	10 231	10 703	(36 830)	(83 516)	131 063	47 548
Change in fair value of investment properties	(45 921)	(21 698)	10 231	10 703	–	(46 685)	–	(46 685)
Revaluation of derivative financial instruments relating to share appreciation rights scheme	–	–	–	–	(2 989)	(2 989)	–	(2 989)
Unrealised deficit on revaluation of interest-rate swaps	–	–	–	–	(43 910)	(43 910)	–	(43 910)
Unrealised gain on fair valuation of listed property investments	–	–	–	–	10 069	10 069	131 063	141 132
Expected credit loss	–	–	–	–	(3 646)	(3 646)	–	(3 646)
Impairment of Worley Parsons receivable	–	–	–	–	(41 042)	(41 042)	–	(41 042)
Foreign exchange profit	–	–	–	–	–	–	(20 823)	(20 823)
Loss on deconsolidation of Enyuka	–	–	–	–	–	–	–	–
Other income	–	–	–	–	7 917	7 917	33	7 949
Income from equity accounted investments	–	104 180	–	160 853	–	265 034	79 200	344 233
Distributable	–	74 806	–	8 372	–	83 178	74 780	157 957
Non-distributable	–	29 374	–	152 482	–	181 856	4 420	186 276
Profit before finance costs	343 812	554 635	193 632	172 489	(204 009)	1 060 559	227 792	1 288 351
Net finance costs	–	–	–	–	(366 469)	(366 469)	(36 465)	(402 933)
Profit before income tax charge	343 812	553 635	193 632	172 489	(570 478)	694 090	191 327	885 418
Taxation	–	–	–	–	–	–	1 207	1 207
Profit for the year	343 812	554 635	193 632	172 489	(570 478)	694 090	192 535	886 625
Investment properties	3 430 476	5 218 929	1 933 650	220 000	281	10 803 336	–	10 803 336
Investment properties held for sale	66 250	72 000	–	–	–	138 250	–	138 250
Listed property investment	–	–	–	–		–	759 716	759 716
Loans receivable				–	455 906	455 906	–	455 906
Other assets	–	655 846	–	–	1 422 341	2 078 187	569 132	2 647 319
Total assets	3 496 726	5 946 775	1 933 650	220 000	1 878 528	13 475 679	1 328 847	14 804 527
Interest bearing borrowings	–	–	–	–	5 293 013	5 293 013	–	5 293 013
Other liabilities	–	–	–	–	532 247	532 247	3 974	536 221
Total liabilities	–	–	–	–	5 825 260	5 825 260	3 974	5 829 234

SEGMENTAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

R'000	Office	Retail	Industrial	Corporate	Local	International	Total
Revenue	744 857	729 916	296 812	–	1 771 585	–	1 771 585
Operating lease rental income and tenant recoveries	726 893	720 771	301 212	–	1 748 876	–	1 748 876
Allowance for future rental escalations	17 964	9 145	(4 400)	–	22 709	–	22 709
Property expenses	(257 860)	(266 846)	(122 831)	–	(647 537)	–	(647 537)
Income from listed property investment	–	–		–	–	52 831	52 831
Administration expenses	(18 072)	(17 499)	(5 279)	(58 972)	(99 822)	(3 538)	(103 360)
Transaction and advisory fees	–	–		(8 030)	(8 030)		(8 030)
Depreciation	(5 499)	(3 238)	(549)	(325)	(9 611)		(9 611)
Operating profit	463 426	442 333	168 153	(67 327)	1 006 585	49 293	1 055 878
Net fair value adjustments	(224 497)	117 212	57 848	(40 495)	(89 932)	139 144	49 212
Change in fair value of investment properties	(224 497)	117 212	57 848	–	(49 437)	–	(49 437)
Revaluation of derivative financial instruments relating	–	–	–	–	–	–	–
to share appreciation rights scheme	–	–	–	4 755	4 755	–	4 755
Unrealised deficit on fair valuation of interest rate swaps	–	–	–	(45 250)	(45 250)	–	(45 250)
Unrealised gain on fair valuation of listed property investment	–	–	–	–	–	139 144	139 144
Foreign exchange profit	–	–	–	–	–	23 572	23 572
Loss on deconsolidation of Enyuka	–	(392)	–	–	(392)		(392)
Income from equity accounted investments	–	107 940	–	–	107 940	23 624	131 564
Distributable	–	71 974	–	–	71 974	22 592	94 566
Non-distributable	–	35 966	–	–	35 966	1 032	36 998
Net finance costs	–	–	–	(403 437)	(403 437)	–	(403 437)
Profit before income tax charge	238 929	667 093	226 001	(511 259)	620 764	235 633	856 397
Taxation	–	–	–	–	–	(7 751)	(7 751)
Profit for the year	238 929	667 093	226 001	(511 259)	620 764	227 882	848 646
Investment properties	3 429 811	5 291 414	1 905 350	–	10 626 575	–	10 626 575
Investment properties held for sale	1 802 333	106 900	–	–	1 909 233	–	1 909 233
Investment and loans in equity accounted investments	–	648 187	–	–	648 187	457 757	1 105 944
Listed property investment	–	–	–	–	–	956 209	956 209
Loans receivable	–	–	–	116 431	116 431	–	116 431
Other assets	–	–	–	456 286	456 286	–	456 286
Total assets	5 232 144	6 046 501	1 905 350	572 717	13 756 712	1 413 966	15 170 678
Interest bearing borrowings	–	–	–	3 134 196	3 134 196	–	3 134 196
Other liabilities	–	–	–	3 067 800	3 067 800	–	3 067 800
Total liabilities	–	–	–	6 201 996	6 201 996	–	6 201 996

MEASUREMENTS OF FAIR VALUE

1. FINANCIAL INSTRUMENTS

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

R'000	Level 1 Jun 2019	Level 2 Jun 2019	Level 3 Jun 2019	Total Jun 2019	Level 1 Jun 2018	Level 2 Jun 2018	Level 3 Jun 2018	Total Jun 2018
GROUP								
Assets								
Investments	**759 716**	**–**	**–**	**759 716**	956 209	–	–	956 209
Derivative financial instruments	**–**	**110 102**	**55**	**110 157**	–	126 407	862	127 269
Other financial assets	**–**	**–**	**30 822**	**30 822**	–	–	–	–
Total	**759 716**	**110 102**	**30 877**	**900 695**	956 209	126 407	862	1 083 478
Liabilities								
Derivative financial instruments	**–**	**214 988**	**–**	**214 988**	–	189 207	–	189 207
Total	**–**	**214 988**	**–**	**214 988**	–	189 207	–	189 207
Net fair value	**759 716**	**(104 886)**	**30 877**	**685 707**	956 209	(62 800)	862	894 271

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

INVESTMENTS

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

DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of the interest-rate swap contracts are determined using discounted cash flow projections based on estimates of future cash flows, supported by the terms of the relevant swap agreements and external evidence such as the ZAR 0-coupon perfect-fit swap curve.

The 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.

The AUD and USD forward exchange contracts are valued by discounting the forward rates applied at the period end to the open hedged positions.

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 19,9% and the risk-free discount rate used was 7,0%. 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 R0,2m. A 10% decrease in the spot price results in a decrease to the call options of R0,1m. The call option contracts have been classified as Level 3. During the year R0,4m of the option premiums relating to these contracts were amortised and a fair value loss of R0,5m was recognised at 30 June 2019.

The forward contracts relating to the employee share scheme are valued using a cost of carry financial model. The risk-free discount rate used ranged between 6,8% and 7,0%. 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 R11,0m. A 10% decrease in the spot price results in a decrease to the forward contracts of R11,0m.

OTHER FINANCIAL ASSETS

The fair value of other financial assets are measured in terms of Inani's net asset value at reporting date.

2. NON-FINANCIAL ASSETS

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value at 30 June 2019:

R'000	2019 Level 3	2018 Level 3
Assets		
Investment properties	**10 803 336**	10 626 575
Investment properties held for sale	**138 250**	1 909 233

FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES

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

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions regarding vacancy levels, the discount rate and the reversionary capitalisation rate. The estimated fair value increases if the estimated rentals increase, vacancy levels decline or if discount rates (market yields) and reversionary capitalisation rates decline. The overall valuations are sensitive to all four assumptions. Management considers the range of reasonable possible alternative assumptions to be greatest for reversionary capitalisation rates, rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 30 June 2019 were the following:

- The permanent vacancy factor for retail ranged between 0,5% and 7,5% (June 2018: 0% and 5,0%), offices between 3,0% and 10,0% (June 2018: 0,9% and 5,0%) and industrial between 2,5% and 5,0% (June 2018: 0,2% and 5,0%).
- The weighted average rental escalation percentage applied for retail was 7,1% (June 2018: 6,7%), offices 7,6% (June 2018: 7,8%) and industrial 7,6% (June 2018: 6,7%), and for renewals and new leases ranged between 5,7% and 9,0% (June 2018: 6,0% to 8,0%).
- The range of the reversionary capitalisation rates applied to the portfolio are between 7,25% and 11,75% with the weighted average, by value, being 9,05% (June 2018: 9,13%).
- The discount rates applied range between 12,5% and 16,25% with the weighted average, by value, being 14,09% (June 2018: 14,28%).
- Changes in discount rates and reversionary 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 investment property by R185,7m (1,70%) and a 25 basis points decrease will increase the value of investment property by R192,5m (1,76%). A 25 basis points decrease in the reversionary capitalisation rate will increase the value of investment property by R201,6m (1,84%) and a 25 basis points increase will decrease the value of investment property by R190,4m (1,74%).
- The market rentals applied play a significant role and these are assessed on a property-by-property basis, taking cognisance of location, quality, size and type as well as all the relevant and prevailing market conditions which are then benchmarked against research and asset manager projections.

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. One third of the portfolio is valued externally each year end on a rolling basis.

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.

DIRECTORS

G van Zyl (Chairman)*, GM Jennett (CEO), MS Aitken*, G S Booyens (CFO), BH Kent*, V Mahlangu*, NE Makiwane*, W McCurrie*, V Nkonyeni*, J Nyker*, D Thomas**, U van Biljon (COO).

* Independent Non-executive Director. ** Non-executive director.

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SPONSOR

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EMIRA PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 2014/130842/06

JSE Share Code: EMI JSE Interest Rate Issuer Code: EMII

ISIN: ZAE000203063

(Approved as a REIT by the JSE)

("Emira" or "the Fund" or "the Company")