EMIRA
PROPERTY FUND

Reviewed condensed preliminary financial results

for the year ended 30 June 2020 and dividend distribution declaration

2020

EMIRA.CO.ZA

R670,9m

DISTRIBUTABLE INCOME (DOWN 15,2%)

4,1%

VACANCIES

30,26c

FINAL DIVIDEND PER SHARE (DOWN 31%)

43,0%

LOAN TO VALUE

1 530c

NET ASSET VALUE PER SHARE

INVESTMENTS (%)

DIRECT PROPERTY LOCAL: VALUE SPLIT PER SECTOR (%)

COMMENTARY

Distributable earnings for the year ended 30 June 2020 has decreased by 15,2% to R670,9m. After the inclusion of adjustments relating to the effects of COVID-19, the Board of Directors of Emira ("Board") has approved the declaration of a final dividend of 30,26 cents per share for the six months to 30 June 2020 (June 2019: 78,48 cents). This is a period-on-period decrease of 61,40%, bringing the full-year dividend per share to 104,36 cents (2019: 151,34 cents), a decrease of 31,0%. The reduction is due to the impact of COVID-19 and the relief provided by Emira and its partners to their tenants

Despite the constrained local economy, the strategic steps taken by the Fund in recent years were taking shape and achieving their targeted results. In March 2020, Emira was on track to deliver growth similar to the first half of the financial year. The arrival of the COVID-19 pandemic forced Emira to shift into defensive mode to protect tenants' sustainability and defend its favourable liquidity position.

Emira was fortunate to enter this new environment with a strong balance sheet having initiated and completed a series of landmark changes over the past four years. Emira's approach to the valuation of its assets meant its starting point when entering this period was a realistic one and the valuations performed at 30 June 2020 are the directors' best estimate, given the information at hand.

While the Fund contends with the changes in its operating environment, its principle of providing great real estate to its tenants endures. Even more so than before, tenant retention is the key focus area. Understanding tenants' needs, working with them, and delivering appropriate, good quality and well-priced space will help to contain vacancies at low levels without compromising on growth.

DIVIDEND POLICY

The uncertainty resulting from the COVID-19 impact has compelled the Board to reconsider its dividend policy. Emira exists to provide a platform from which investors can access the net rental income generated from its underlying portfolio of diversified property investments. On this basis, provided Emira can demonstrate its ability to meet its future financial obligations, it should declare a dividend to shareholders. The onset of COVID-19 highlighted the importance of a strong balance sheet and liquidity position, which the Board has assessed and confirmed. In evaluating the dividend policy, the Board has resolved to adjust distributable earnings where there is uncertainty regarding the cashflow of an underlying item or where cash is being retained in an underlying investment to ensure debt servicing is met while rent collections are subdued. These adjustments are not intended to adjust normal timing differences that exist in the ordinary course of business between standard accounting practices and the related cashflows.

Distributable earnings

R'000	Year ended 30 Jun 2020	Year ended 30 Jun 2019	% change
Operating lease rental income and tenant recoveries excluding straight-lining of leases	**1 501 960**	1 698 802	(11,6)
Property expenses excluding amortised upfront lease costs*	**(651 789)**	(639 018)	2,0
Net property income	**850 171**	1 059 784	(19,8)
Income from listed investments	**12 808**	53 410	(76,0)
Administration expenses	**(120 225)**	(123 249)	(2,5)
Realised foreign exchange gain/(losses)	**11 672**	(2 792)	>100
Other income	**3 559**	7 949	(55,2)
Distributable income from equity-accounted investments	**225 260**	157 957	42,6
Dividend received/accrued from Transcend	**21 466**	29 616	(27,5)
Net finance costs	**(348 382)**	(402 934)	(13,5)
Finance income	**51 578**	30 450	69,4
Finance costs	**(399 960)**	(433 384)	(7,7)
Interest paid and amortised borrowing costs	**(403 728)**	(454 250)	(11,1)
Interest capitalised to the cost of developments	**3 768**	20 866	(81,9)
Taxation (non-capital)	**(9 167)**	(5 227)	75,4
Minority shareholders' interests	**–**	(2 247)	(100,0)
Net ESA Trust adjustment	**7 595**	–	>100,0
Net BEE Scheme adjustment	**16 121**	18 723	(13,90)
Distributable income	**670 878**	790 990	(15,2)
Distributable income adjustments			
1. Deferred rental net of expected credit loss	**(28 603)**	–	(100,0)
2. Income from US equity-accounted investments	**(76 762)**	–	(100,0)
3. Interest accrued on investment in Inani	**(16 288)**	–	(100,0)
4. Capitalised interest limitation	**(3 768)**	–	(100,0)
Dividend payable to shareholders	**545 457**	790 990	(31,0)
No. of shares in issue	**522 667 247**	522 667 247	–
Dividend per share (cents)	**104,36**	151,34	(31,0)

* Excludes the amortisation of up front lease cost relating to lease commission expenses pre 1 July 2015. Such lease commission expenditure was expensed in full in the year incurred, for distribution purposes only.

Revenue reduced year-on-year by 11,6% from R1,70bn to R1,50bn (excluding straight-lining adjustments in respect of future rental escalations). The reduction is due to rental concessions provided to tenants as part of Emira's COVID-19 response as well as the office portfolio that was disposed of to Inani Property Fund ("Inani"), where properties transferred from Emira to Inani on a staggered basis between January 2018 and December 2019. Total concessions of R118,6m were provided to tenants in the form of permanent remissions (R69,9m) and deferrals (R48,7m).

Property expenses increased by 2,0% from R639,0m to R651,8m. The Fund increased its estimated credit losses on outstanding debtors as at 30 June 2020 in light of the heightened risk of tenant failure, with 40,5% of the outstanding debtors (net of VAT) now provided for. Debtors relating to the rent deferrals were separately considered, with 41,2% of the deferred rent amount provided for. While cost management is always a focus, the impact of COVID-19 required the Fund to reassess its cost base further. Escalating electricity and municipal costs remain a key concern, and the Company continues to invest in alternative energy sources and initiatives to reduce electricity and water consumption.

The Fund sold the balance of its units in Growthpoint Australia Limited ("GOZ"), resulting in income from listed property investments decreasing by 76,0% to R12,8m (which includes R4,1m recognised for distribution purposes only in respect of the *cum* dividend element of the 18 638 447 units sold).

Administration expenses, which include property management fees and staff costs, reduced by 2,5% to R119,0m (June 2019: R123,3m) mainly from lower staff costs and reduced travel.

Emira realised a foreign exchange gain of R11,7m compared with a loss of R2,8m the previous year which related to GOZ and the US investments. The related income and expenditure are accounted for at a weighted average monthly rate and then converted on a cashflow basis at the forward exchange contract rates or the spot rate.

Other income of R3,6m includes a raising fee of R0,1m in respect of the mezzanine loan provided by Emira to Inani for the final property transferred during the period, as well as 50% of the asset management fee charged to Enyuka Property Fund ("Enyuka") (R3,5m).

Distributable income from equity-accounted investments of R225,3m includes:

- income from investments made in the United States of America ("USA" or "US") of R139,2m which represents Emira's share of the net distributable income from the 10 property investments held in the US;
- income from Enyuka of R71,6m, being the interest received on Emira's loan to Enyuka (R80,4m) less Emira's 49,9% portion of Enyuka's net loss (R8,8m after interest). Enyuka's net loss is post a total asset management fee of R7,1m of which Emira receives 50% which is shown in "Other Income"; and
- income from Transcend Residential Property Fund ("Transcend") of R43,1m, which comprises interest received on Emira's loan to Transcend of R14,5m and dividends received of R28,7m. Dividends received includes an amount of R5,5m, which has been accrued for distribution purposes only in respect of the dividend declared by Transcend on 13 August 2020 in respect of the six months ended 30 June 2020. Transcend reduced its interim dividend by 60% citing the uncertainty of the impact of COVID-19 on its tenant base being a risk on future performance, and therefore adopting a cautious liquidity approach for the time being.

Net finance costs for the year have reduced to R348,4m (June 2019: R402,9m). Debt levels were lower as a result of proceeds received from the Inani office portfolio disposal as well as the GOZ disposal proceeds. Finance costs include R7,1m in respect of the ESA Trust and the BEE Scheme's third party debt obligations. Finance income increased substantially, primarily due to interest charged on the mezzanine loan provided to Inani of R331,1m.

The tax charge of R9,2m relates to foreign withholding taxes of R7,2m provided for in respect of taxable income of Emira's US subsidiary, CIL2, as well as a provision of R2,0m for South African income tax, based on the difference between Emira's taxable income and its qualifying distributions.

The distributable income due to minorities of R0,2m relates to Bet All Investments Proprietary Limited, the subsidiary which owns The Bolton, where minority shareholders hold 25,0%.

Net ESA Trust adjustment: The ESA Trust (the "Trust") is a special purpose investment vehicle that holds Emira shares, set up for the benefit of Emira's executive directors. Emira is deemed to control the Trust, hence it is consolidated, and any third-party finance costs are included in Emira's consolidated interest paid. Profits generated by the Trust are for the benefit of the beneficiaries. Emira has guaranteed the Trust's third-party debt obligations hence any net losses would ultimately be for Emira's account. The purpose of this adjustment is to adjust Emira's distributable income such that the effect of any items related to the Trust, consolidated into Emira, are limited to a net amount of zero, after factoring in the dividends received by the Trust and all its interest obligations. Included in Emira's "Interest paid and amortised borrowing costs" is a R3,9m interest charge in respect of the ESA Trust's interest obligations to its third-party lender.

Net BEE Scheme adjustment: The BEE Scheme is comprised of the restricted special purpose investment vehicles that hold Emira shares, set up for the benefit of the BEE parties which participated in Emira's June 2017 black empowerment equity issuance ("BEE Scheme"). Emira was deemed to control the parties with effect from April 2020, hence they were consolidated, and any third-party finance costs are included in Emira's consolidated interest paid. Profits generated by the BEE Scheme are for the benefit of the underlying investors. Emira has guaranteed the BEE Scheme's third-party debt obligations hence any net losses would ultimately be for Emira's account. The purpose of this adjustment is to adjust distributable income such that the effect of any items related to the BEE Scheme are limited to a net amount of zero, after factoring in the dividends received by the BEE Scheme and all its interest obligations. Included in Emira's "Interest paid and amortised borrowing costs" is a R3,2m interest charge, from the date of consolidation, in respect of the BEE Scheme's interest obligations to its third-party lender.

The following adjustments have been made to distributable earnings to arrive at the dividend payable:

- **Deferred rentals net of estimated credit losses:** Considering the challenging operating environment, uncertainty exists regarding the future collection of the deferred rentals granted by Emira to its tenants. Therefore, distributable earnings has been adjusted to exclude the deferred rentals, net of estimated credit losses provided for, resulting in an adjustment of R28,6m. The Fund will include any collection of these deferrals in the calculation of future dividends, in the periods when the collections take place.
- **Distributable income from equity-accounted investments:** the distributable income from Emira's equity-accounted US investments has been reduced by R76,2m. As a result of deferments granted to tenants in response to COVID-19, Emira and its partners elected to retain sufficient cash in the underlying investment companies to ensure cash reserves were bolstered so as to provide a more meaningful buffer for debt servicing and future operating costs. Therefore, no cash dividends were declared out of the underlying property-owning entities for the quarters ended March 2020 and June 2020 and distributable earnings have been adjusted by R76,8m accordingly.
- **Finance income:** In terms of its loan agreement, Inani has elected not to pay interest for the quarters ended March 2020 and June 2020, citing lower cash reserves due to COVID-19 rental concessions provided to its tenants. Given the uncertainty on the collection and timing of this interest, Emira has adjusted distributable earnings by R16,3m.
- **Interest capitalised to developments:** Capitalised interest of R3,8m has been adjusted for on the basis that it is not supported by an underlying cashflow, and the related development is on hold.

NET ASSET VALUE ("NAV")

Emira's NAV reduced by 14,6% to 1 530 cents per share at 30 June 2020 (June 2019: 1 791 cents). This follows a reduction in the value of investment properties together with an increase in net derivative liabilities, driven by a decrease in interest rates, both in South Africa and the USA, along with a weaker Rand.

The detailed movement in the NAV per share is as follows:

	Rands per share
NAV as at 30 June 2019	17,91
BEE Scheme consolidation	0,19
Investment properties	(1,71)
Enyuka	(0,04)
Transcend	(0,04)
GOZ	(0,05)
USA investments	0,08
USA investments (minority share acquired)	(0,05)
Foreign exchange	0,61
Revaluation of derivatives	(1,27)
Expected credit loss (loans)	(0,10)
Dividend adjustments	0,26
Change in dividend payable	(0,49)
NAV as at 30 June 2020	**15,30**

The number of shares used to calculate NAV was 486 493 736 and is made up as follows:

	2020	2019
Actual shares in issue	**522 667 247**	522 667 247
Adjusted for:		
Shares held by the BEE Scheme [i]	**(26 133 364)**	(12 370 510)
Shares acquired for the Emira Forfeitable Share Plan [ii]	**(2 840 147)**	(1 448 299)
Shares held by the ESA Trust [iii]	**(7 200 000)**	(7 200 000)
Adjusted shares in issue	**486 493 736**	501 648 438

i Emira shares held by the BEE Scheme under Emira's June 2017 BEE Transaction (as defined in the circular to shareholders dated 29 May 2017) are classified as treasury shares upon consolidation of the BEE Scheme, effective April 2020. For the year ended 30 June 2019, prior to consolidation, the number of shares was adjusted by the portion of the BEE Scheme shares funded by the Emira Vendor Loan (as defined in the circular to shareholders dated 29 May 2017).

ii Emira shares held by Emira's Forfeitable 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.

PORTFOLIO REVIEW

South African direct portfolio

PORTFOLIO OVERVIEW

Emira's direct portfolio consists of 79 properties (2019: 80) located in South Africa, spread over the retail, office, industrial and residential sectors, valued at R10,2bn. The sectoral split by value and number of properties is as follows:

Sector	Value split (%)	Number of properties
Office	32	20
Urban retail	48	20
Industrial	18	38
Residential	2	1
	100	79

RETAIL

The retail sector faced challenging trading conditions even before the breakout of the COVID-19 pandemic. Lockdown measures to encourage social distancing contributed to lower footfalls in shopping centres and fast-tracked the shift to online retail. Emira's retail portfolio comprises mostly neighbourhood centres that are close to their communities, which are well let with low vacancies, and has proved relatively defensive.

OFFICE

The oversupply of offices, a weak economy, and the diminishing demand for space resulted in challenging market conditions. Given that Emira recently completed the repositioning of its office portfolio, which now comprises quality properties in sought after locations, vacancies remained low and well contained. The impact of COVID-19 on office requirements, specifically relating to open plan areas and remote working, is too early to gauge, though this is expected to evolve.

INDUSTRIAL

Economic strain and electricity supply disruptions are taking a significant toll on industrial businesses. The diversification within Emira's industrial portfolio, which is split between single-tenant light industrial and warehouse facilities and multitenant midi- and mini-unit industrial parks, reduces portfolio risk. Vacancies in this portfolio are nominal and under control. All tenants are trading, however they remain vulnerable to the impacts of the constricting economy.

RESIDENTIAL

Emira has one directly-held residential property, The Bolton, which is aimed at the high-demand mid-to-lower market and is excellently located in the popular Rosebank node. Emira works with experts in specialist property sectors, and partners with The Feenstra Group at The Bolton, which contributed to Emira's income streams for the full 12 months for the first time this financial year. The pandemic's impact on this sector has been limited for now, however proactive steps are being undertaken.

COVID-19

The impact of COVID-19 on global economies has been profound, particularly in South Africa where it has exacerbated existing economic pressure. Emira recognises the substantial influence that the lockdown has had on its tenants. While some restrictions were lifted in early May, the lockdown continued to constrain large parts of the economy. Emira welcomed the transition to Alert Level 2 from 16 August, which marked the resumption of the vast majority of economic activity. Even so, the effects of the lockdown will be felt by business and consumers for years to come.

Implementing COVID-19 safety measures was a critical focus for the Emira team to ensure the welfare not only for tenants and customers but for its staff and service providers. This protection included the following:

- sanitisers at building entrances;
- signage informing tenants and customers of rules to adhere to; and
- stricter cleaning measures in common areas.

As highlighted on SENS on 25 June 2020, Emira took a long-term view when assessing the type and level of rent relief provided to tenants. Tenant sustainability has been at the forefront of the Company's considerations throughout, to ensure that as many tenants as possible survive. A considerable amount of time was dedicated to engaging with tenants, both directly and through collective industry initiatives, to understand the impact of the COVID-19 related lockdown on their businesses.

Emira has endeavoured to share the burden by aiding most of its tenants, with a particular focus on those tenants hardest hit by the lockdown, specifically those unable to trade and small, medium and micro enterprises ("SMMEs"). Concessions in the form of gross rental deferrals and/or rental remissions were provided to tenants, depending on their specific circumstances, for the months of April, May and June 2020 and, for certain high-risk tenants, beyond.

The rent deferrals provided have payment terms ranging from three to nine months, with the majority of deferred rentals being payable in nine equal instalments, interest free, commencing October 2020.

The table below illustrates the extent of relief given for April, May and June 2020, expressed as a percentage of the original contractual rental, together with the rental collected as a percentage of both the contractual rental billed and the contractual rental billed adjusted for rent relief.

	April	May	June	Total
Rental collection before relief (% of billings)	61,7	63,8	74,3	66,7
Relief given to tenants (% of billings)	26,9	37,7	27,5	30,5
Relief given to tenants (R'm)	36,1	46,1	36,4	118,6
Remissions (% of billings)	25,9	17,6	10,4	18,0
Remissions (R'm)	34,7	21,5	13,7	69,9
Deferments (% of billings)	1,0	20,1	17,1	12,5
Deferments (R'm)	1,4	24,6	22,7	48,7
Deals under negotiation/arrears outstanding (% of billings)	11,4	(1,5)*	(1,8)*	2,8
	100,0	100,0	100,0	100,0
Rental collection after rent relief (% of billings)	84,4	102,5*	102,4*	95,9

* Negative/above 100% relates to tenants who paid that portion of the rent which was granted as relief.

Emira recognised that the impact of COVID-19 was not limited to the retail sector, hence relief was provided to all tenants. The following table illustrates the total relief granted for April, May and June 2020 on a per sector basis:

	Retail	Office	Industrial	Residential	Total
Rental collection before relief (% of billings)	67,2	66,4	63,3	98,0	66,7
Relief given to tenants (% of billings)	32,0	26,9	35,6	0,0	30,5
Relief given to tenants (R'm)	58,5	33,7	26,4	0,00	118,6
Remissions (% of billings)	25,8	11,9	10,6	0,0	18,0
Remissions (R'm)	47,2	14,8	7,9	0,00	69,9
Deferments (% of billings)	6,2	15,0	25,0	0,0	12,5
Deferments (R'm)	11,3	18,9	18,5	0,00	48,7
Deals under negotiation/arrears outstanding (% of billings)	0,8	6,7	1,1	2,0	2,8
	100,0	100,0	100,0	100,0	100,0
Rental collection after rent relief (% of billings)	98,8	90,8	98,2	98,0	95,9

Relief was provided to a total of 1 153 tenants for April, May and June 2020. All negotiations with Emira's top 15 tenants (by gross rental) have been finalised.

Rental concessions granted to the 1 045 SMME tenants across Emira's direct portfolio totals approximately R76,3m, which demonstrates the extent to which the Fund is sharing the burden with its tenants who are hardest hit by this pandemic.

While the economy is opening up, Emira recognises that the businesses of certain of its tenants will continue to be constrained. Where necessary, for deemed high risk tenants, and provided Emira is satisfied with the longevity of the underlying business, further relief has been provided post 30 June 2020.

VACANCIES

The vacancy rates achieved by Emira in the office, retail and industrial sectors for 30 June 2020 were lower than the market averages reported by South African Property Owners Association ("SAPOA"). This outperformance is a result of proactive asset management and prioritising tenant retention. Letting strategies and, where required, tenant incentives were adjusted to suit the changing market conditions.

GLA reconciliation

	GLA m²
Balance at 30 June 2019	821 982
Disposals	(5 993)
Acquisitions/extensions	–
Re-measurements	454
Balance at 30 June 2020	**816 443**
Occupied GLA at 30 June 2020	**782 678**
Vacant GLA at 30 June 2020	**33 765**
Vacancy %	**4,1**

Vacancy reconciliation

	GLA m²	%
Balance at 30 June 2019	29 776	3,6
Less: Properties sold since 30 June 2019	(150)	
Remaining portfolio balance at 30 June 2019	29 626	
Leases expired	184 149	
Renewal of expired leases	(122 418)	
Leases to be renewed	(18 086)	
New letting of vacant space	(39 506)	
Balance at 30 June 2020	**33 765**	**4,1**

Vacancies increased slightly during the year, from 3,6% to 4,1%, due to the anticipated take up of space slowing down over the lockdown period as well as those tenants who were already under strain, failing. While urban retail sector vacancies have increased to 3,8% (June 2019: 2,3%), they remain below the SAPOA national average of 4,8% as reported in March 2020. Industrial vacancies have decreased to 3,2% (June 2019: 4,1%), which are also below the SAPOA national average of 5,0% (SAPOA reported December 2019). The decrease is primarily due to Foodserv Solutions taking up 9 752m² at Denver Warehouse, which was modernised during the year. Emira's office sector vacancies increased to 6,9% (June 2019: 5,3%), however, they are still well below the national average of 12,3% (SAPOA reported June 2020). The increase in office vacancies is primarily due to Epsom Downs Office Park (1 240m²)

The Bolton, Emira's sole directly held residential property was 80,9% let, with 54 units vacant as at 30 June 2020. This decreased from 93,6% reported in December 2019, driven by slower demand during the COVID-19 lockdown, and the restrictions on reletting the units during the period.

Commercial vacancies

	No. of buildings Jun 2020	GLA Jun 2020 (m²)	Vacancy Jun 2020 (m²)	Vacancy Jun 2020 (%)	No. of buildings Jun 2019	GLA Jun 2019 (m²)	Vacancy Jun 2019 (m²)	Vacancy Jun 2019 (%)
Office	**20**	**160 237**	**11 020**	**6,9**	21	166 026	8 757	5,3
Retail	**20**	**313 698**	**11 805**	**3,8**	20	313 317	7 063	2,3
Industrial	**38**	**342 508**	**10 940**	**3,2**	38	342 639	13 956	4,1
Total	**78**	**816 443**	**33 765**	**4,1**	79	821 982	29 776	3,6

Residential vacancies

	No. of buildings Jun 2020	No. of units Jun 2020	Vacancy Jun 2020	Vacancy Jun 2020 (%)	No. of buildings Jun 2019	No. of units Jun 2019	Vacancy Jun 2019	Vacancy Jun 2019 (%)
Total	**1**	**282**	**54**	**19,1**	1	282	69	24,5

LEASING

Emira's weighted average lease expiry for its direct portfolio is 2,7 years, with 27% of the leases due for renewal before June 2021, based on gross rental. Notably, 37% of leases expire beyond June 2024.

	Rentable area (%)	Contractual rental revenue (%)
Vacant	4,1	–
Jun 2020	3,0	3,2
Jun 2021	23,5	26,8
Jun 2022	18,8	18,6
Jun 2023	14,2	14,8
Jun 2024 >	36,4	36,6
	100,0	100,0

The most significant new leases concluded during the year under review, by lease value, were:

- Foodserv Solutions at Denver Warehouse in Johannesburg (9 752m² for a total value of R25,3m);
- Rare Woods at Epping Warehouse in Cape Town (5 490m² for a total value of R16,9m) replacing Transpaco;
- Design Plus Interiors at Kramerville Corner in Johannesburg (746m² for a total value of R12,5m);
- Redfox Management at Boundary Terraces in Cape Town (435m² for a total value of R8,4m); and
- Transaction Capital Recoveries at Hyde Park Lane in Johannesburg (1 546m² for a total value of R8,0m).

A total of 80% by revenue (June 2019: 80%) and 78% by GLA (June 2019: 81%) of expiring leases were renewed and tenants retained during the year. The most substantial renewals concluded by lease value, were:

- Pick n Pay at Randridge Mall in Johannesburg (4 473m² for a total value of R28,4m);
- Dis-Chem at Randridge Mall in Johannesburg (2 035m² for a total value of R22,7m);
- The Department of Public Works at 9 Long Street in Cape Town (4 444m² for a total value of R20,8m);
- Little Green Beverages at Isando (20 Anvil Road) in Johannesburg (12 250m² for a total value of R18,4m); and
- Bidvest Services at Steiner Services in Johannesburg (4 804m² for a total value of R17,9m).

In addition, the King Price Insurance lease at Menlyn Corporate Park in Pretoria was renewed early, until at least June 2022 (10 586m² for a net contract value gain of R8,4m).

VALUATION

The year-on-year market value of investment property reduced by 6,7%, however, when factoring in capital expenditure of R161,3m, there was a net reduction of 8,0% for the year. In light of the deteriorating macro-economic conditions and poor outlook, the Fund has increased its discount rates and exit capitalisation rates and has also adjusted the majority of its valuation inputs (void periods, market rentals, rental growth rates and perpetual vacancy rates). Because of the realistic starting point, and the adjustments to all the variable assumptions, the Fund is of the view that the net reduction of 8,0% represents the appropriate adjustment to its property values in these current times. Further detail can be found under the "Measurements of Fair Value" section.

Total portfolio movement

Sector	Jun 2020 (R'000)	Jun 2020 (R/m²)	Jun 2019 (R'000)	Jun 2019 (R/m²)	Difference (%)	Difference (R'000)
Office	**3 215 449**	**20 067**	3 497 010	21 079	(8,1)	(281 561)
Retail	**4 950 100**	**15 780**	5 290 926	16 887	(6,4)	(340 826)
Industrial	**1 830 650**	**5 345**	1 933 650	5 643	(5,3)	(103 000)
Residential	**211 200**	**–**	220 000	–	(4,0)	(8 800)
Total	**10 207 399**		10 941 586		(6,7)	(734 187)

ACQUISITIONS

The Fund contracted to acquire Northpoint Industrial Park, a multitenant industrial property located in Cape Town for R108,0m. However, the COVID-19 lockdown led to an extended delay in fulfilling the conditions precedent, and the property is only likely to transfer after October 2020.

DISPOSALS

The only disposal for the year was 1059 Francis Baard, being the final property in the office portfolio sold to Inani. It transferred in December 2019.

DEVELOPMENTS AND REFURBISHMENTS

Emira's success is linked to the quality and attractiveness of its properties. The low vacancy rates are a result of continued, strategic investment into the portfolio, ensuring that properties remain relevant in the nodes in which they are located. Properties that are regularly upgraded and well maintained are more likely to retain tenants and attract prospective ones to fill vacancies.

Given the domestic energy challenges and water shortages, projects that improve the resilience of Emira's properties to such challenges are prioritised, specifically those relating to water efficiency, rain and groundwater harvesting as well as clean energy production projects and backup power. Further, energy efficiency projects continue across the portfolio, including LED lighting, power factor corrections, smart meters and lift drive replacements.

A total of R161,3m in capital was invested into the Fund's directly held portfolio during the year. The following major projects commenced or were concluded during the year:

- an external and internal refurbishment to modernise Hyde Park Lane Office Park in Johannesburg was completed during the period;
- a major refurbishment and upgrade of 80 Strand in Cape Town was undertaken, to accommodate WeWork;
- a general refurbishment of Granada Square in Umhlanga Rocks to upgrade and modernise the building, including alterations to the piazza to make it more functional was finalised;
- the installation of photovoltaic (PV) solar farms at Springfield in Durban, Southern Centre in Bloemfontein and Market Square in Plettenberg Bay commenced, which will reduce the reliance on Eskom produced power;
- an upgrade of Albury Office Park in Johannesburg commenced, which not only includes the building façade and patios, but also the common areas; and
- upgrades to the common areas at Epsom Downs Office Park were completed.

The initial COVID-19 lockdown period impacted the timing of certain projects in progress or those that were about to commence, all of which have since resumed. Scrutiny on essential capital expenditure remains high and is approved on a case by case basis by the executive directors.

SHORT TERM FOCUS AREAS AND KEY RISKS

Maintaining close relationships with tenants over the next 12-months will not only promote a good understanding of their requirements, but also flag risks early. Emira is exploring different tenant workplace occupancy models to stay abreast of trends and recognises that healthy, safe and efficient operating environments will improve tenant retention which leads to occupancy benefits for the Fund.

Emira continually monitors potential tenancy risk, both by sector and tenant business. The Company welcomes the Edcon business rescue practitioner's recommendation for the sale of the different Edcon brands. All six of the Edcon stores in Emira's portfolio are among the better performing stores identified to form part of the respective sales. Emira had however, already elected to take back one store, as a better offer was received from an alternative tenant, adding to the tenant mix.

Utilities supply disruptions and the continued above-inflation increases of rates, taxes and utilities costs pose major risks for the property sector. Emira will continue to engage with the municipalities where it has property investments to manage these costs. Further, and as highlighted above, the Fund will continue to expedite projects relating to alternative energy supply, water harvesting as well as backup power.

Indirect investments

Investment	Classification	Equity held (%)	CARRYING VALUE Investment R'000	Loan R'000	Total R'000
Transcend	Equity-accounted investments	34,9	403	103	506
Enyuka	Equity-accounted investments	49,9	59	584	643
USA	Equity-accounted investments	49,0	1 630		1 630
			2 091	699	2 790
GOZ*	Listed property investment	–			
Inani	Other financial assets	20,0	19	294	313

Investment	STATUTORY INCOME Share of profit R'000	Dividend income R'000	Interest on loan R'000	Total R'000	DISTRIBUTABLE INCOME Share of profit R'000	Dividends received R'000	Interest on loan R'000	Adjust-ments R'000	Total R'000
Transcend	1		14	16	–	30	14		44
Enyuka	(29)		80	51	(9)		80		72
USA	172			172	139			(76)	63
	144	–	95	239	130	30	95	(76)	179
GOZ*		9		9		13			13
Inani			33	33			33	(16)	16

* Investment in GOZ was sold during the year.

TRANSCEND

Transcend is a specialist residential REIT in which Emira holds a 34,9% equity interest. During the year, R40m of the R143,4m mezzanine loan provided by Emira to Transcend was repaid leaving a balance of R103,4m as at 30 June 2020. Post year end, in July 2020, a further R10m was repaid with the remaining balance due on 30 June 2021.

On 12 February 2020, Transcend transferred its listing from the Alternative Exchange to the "SA Listed Property" sector of the Main Board of the JSE.

Emira equity accounts its interest in Transcend, and the R16m recognised includes Emira's share of Transcend's net profit of R1,7m and R14,3m of interest received on the mezzanine loan provided to Transcend.

During the period, Emira received dividends of R15,9m from Transcend for the six months ended 31 December 2019. An amount of R5,5m has been accrued for distribution purposes only in respect of the dividend declared by Transcend on 13 August 2020 relating to the six-month period ended 30 June 2020.

As at 30 June 2020, Transcend's total property portfolio was valued at R2,7bn and its loan-to-value ("LTV") ratio was 49,1%, with the interest cover ratio at 1,7 times.

ENYUKA

Enyuka is a rural retail venture between Emira and One Property Holdings. Emira equity accounts its interest in Enyuka and the R53,0m recognised includes Emira's share of Enyuka's net loss of R29,0m (of which R8,8m is a distributable loss) and R80,4m of interest received on the shareholder loan provided to Enyuka. Enyuka's management adopted a similar approach to Emira in respect of rent relief granted to tenants in their response to COVID-19. Rental remissions provided to tenants in the period totalled R14,3m with a further R1,1m of rent deferrals granted. In addition to the impact of the rental concessions, Enyuka's net income was negatively affected by a slowdown in letting activity in the last quarter.

In December 2019, Enyuka acquired two new properties for a total consideration of R493,1m, including acquisition costs. These acquisitions were funded by new debt facilities.

As at 30 June 2020, Enyuka's total property portfolio was valued at R1,7bn and its LTV ratio was 53,3%. Enyuka's interest cover ratio was 2,4 times at 30 June 2020.

USA

PORTFOLIO OVERVIEW

Emira has, on a deal-by-deal basis, co-invested into 10 grocery-anchored dominant value-oriented power centres in the USA, together with its USA-based partner, The Rainier Companies ("Rainier"). Emira, through its US subsidiary CIL2, owns a minority share in each of the ten direct property-owning entities but has a unanimous voting arrangement on all major decisions.

Underpinned by sound property fundamentals and a high-quality tenant base, Emira's US investments have a consolidated weighted average lease expiry of 5,7 years (by gross rental) and a vacancy rate of 5,2%.

Emira equity accounts the 10 direct property-owning entities and R171,7m was recognised as its share of the net profit for the year of which R139,2m is distributable. The carrying value of the equity-accounted investments as at 30 June 2020 was R1,6bn (or USD93,9m).

COVID-19

Although the last quarter of the year posed significant challenges, the portfolio faired relatively well and far less impacted compared to traditional enclosed malls and lesser quality properties, owing to, amongst others, the following factors:

- the centres are shadow-anchored by major grocer retailers that remained open as essential service providers and continued to draw shoppers to the properties;
- the high credit quality and value offering focus of the medium to larger tenants (occupying the majority of GLA) meant that the tenants had the financial resources to endure the worst of the decrease in demand, and were also most likely to take advantage of the return in demand, as constrained consumers preferred the value offerings they provided; and
- the open-air nature and locations of the properties meant shoppers were likely to feel more comfortable shopping at these centres versus enclosed malls, and tenants were more easily able to adapt their offerings and utilise initiatives such as kerbside pickup, home deliveries and take-out.

Nonetheless, a significant amount of negotiation took place with tenants between March and June 2020, resulting in assistance being provided mostly in the form of deferments of a varying portion of rentals for April, May and June 2020, typically with expense recoveries not being deferred. In the uncommon instances of rental abatements having been given, the landlord generally received equal economic benefit through various means, including lease extensions and/or reduction in future tenant installation commitments. To date, collections and assistance given to tenants are summarised as follows:

	April	May	June	Total
Rental collection before relief (% of billings)	66,5	63,5	69,0	66,4
Relief given to tenants (% of billings)*	32,0	35,5	26,3	31,4
Relief given to tenants (USD'000)*	1 353	1,550	1 152	4 056
Arrears outstanding (% of billings)	1,5	0,5	4,7	2,3

* Relief given to tenants in the form of deferments and abatements.

To date, negotiations have been concluded or are in advanced stages with tenants representing approximately 85% of total rental income.

VACANCIES

The vacancy rate increased during the year from 3,56% in June 2019 to 5,24% in June 2020, attributable mostly to increases at Woodlands Square, University Town Centre and 32 East, partially offset by leasing at Moore Plaza and Wheatland Towne Centre. At Woodlands Square, the primary driver was the vacating of Earth Fare, however an offer to re-let the space to a new operator under the same Earth Fare brand has been signed by both parties. The bankruptcies of several retailers contributed to the increase in the vacancy, including Dress Barn, Pier One Imports and Famous Footwear. Overall, vacancies in the portfolio are expected to increase marginally during the year, depending on the outcome of tenants that have just entered bankruptcy, such as Stein Mart, and offset by anticipated new leasing.

LEASING

During the year, 54 leases with a total GLA of 596 652 sq ft were renewed at an average new annual rental of USD12,74/sq ft and a duration of 6,3 years, representing a positive reversion of 1,9%. A total of 13 new leases with a GLA of 59 520 sq ft were concluded at an average annual rental of USD17,77/sq ft and average duration of 8,2 years. Two of the 13 new leases represented reversions, which averaged a positive 26,9% compared to the previous rental. The significant amount of renewals bears testament to the strength of the majority of the tenants in the portfolio and the *quid pro quo* nature of the COVID-19 related negotiations that took place in the last quarter.

VALUATIONS

All 10 assets were valued internally by the directors using a 10-year DCF valuation model in comparison to only four assets revalued in the prior year. The following metrics were applied to the portfolio:

	Jun 2020	Jun 2019
Portfolio value (USD'm)	**493,1**	414,6
Average value per property (USD'm)	**49,31**	46,1
Value per square foot (USD/sq ft)	**167,64**	160,53
	Average	**Average**
Average exit capitalisation rate (%)*^	**8,00**	8,34
Average discount rate (%)#^	**8,83**	9,45
Vacancy factor	**Property specific**	Property specific
Market rental assumptions	**Property specific**	Property specific

* Exit cap rates ranged between 7,25% – 9,00% in FY2020, and 8,11% – 8,60% in FY2019.

\# Discount rates ranged between 8,00% – 9,50% in FY2020, and 9,24% – 9,67% in FY2019.

^ In FY2019, only four of the nine assets were revalued. The remaining five were held at cost on the basis that they had been recently acquired. In FY2020, all ten assets have been revalued. Therefore, a year-on-year comparison of the average exit capitalisation rate and average discount rate is not a like-for-like comparison.

ACQUISITIONS

The tenth property, Dawson Marketplace shopping centre located in Dawsonville, Georgia, was acquired in February 2020 at a total cost to Emira of USD13,3m for a 49,6% equity interest at an expected initial equity yield of 11,1%. The centre is shadow-anchored by a Kroger's Market grocer. It boasts a credit-worthy tenant line-up including Hobby Lobby, Burlington, Marshall's, HomeGoods, Ross Dress for Less, Ulta and Five Below. The power centre component has a weighted average lease expiry of 8,8 years and a vacancy of only 2,2%. Several pad sites were included in the acquisition that will be developed over time.

DISPOSALS

No significant disposals were made during the year under review. However, two pad sites were sold in line with the asset management strategy that was set out at acquisition of the relevant properties. The net proceeds will be used in overall liquidity requirements of ongoing capital expenditure and tenant installation reserves. The details of the sales are as follows:

Property	GLA (sq ft)	Tenant	Sale price USD'000	Disposal yield (%)	Closing date
Moore Plaza	2 400	Raising Cane's	4 900	5,8	12 Mar 2020
San Antonio Crossing	5 240	Bank of America	1 815	5,5	14 May 2020

DEVELOPMENT AND REFURBISHMENTS

Ongoing and routine capital expenditure on assets continues to ensure that centres are maintained and kept to a high standard, but no significant development or refurbishment has taken place during the year under review. At Dawson Marketplace, several underdeveloped pads were part of the acquisition, and these are expected to be developed in due course when leases and development agreements are concluded with appropriate tenants.

GOZ

During the six months to 30 June 2020, the Company disposed of the balance of its GOZ holding, being a further 5 752 491 units at an average price of AUD3,61 per unit, taking the total GOZ units disposed for the year to 18 638 447. The sales were in line with the Fund's strategy of disposing of its non-core assets.

OTHER FINANCIAL ASSETS

The investment in Inani is classified as a financial asset through profit and loss with a fair value of R19,4m as at 30 June 2020.

FUNDING AND TREASURY MANAGEMENT

Emira's LTV, measured by dividing interest-bearing borrowings (net of cash and cash equivalents and including the fair value of net derivative liabilities) by the fair value of income-producing assets including property, listed investments, equity-accounted investments and loans receivable, was 43,0% at 30 June 2020 (June 2019: 36,1%). The increase in LTV was driven by the sharp deterioration in the value of Emira's derivative contracts resulting from falling interest rates and the weaker Rand together with the drop in fair value of investment properties. The Fund's interest cover ratio at a Group level was 3,0 times at 30 June 2020.

Breakdown of interest-bearing borrowings:

R'000	Jun 2020	Jun 2019
Emira		
Capital	**4 967**	5 195
Accrued interest	**28**	40
Unamortised borrowing costs	**(5)**	(6)
	4 989	5 230
SPVs consolidated through common control*		
Capital	**186**	40
Accrued interest	**5**	0
	190	40
Per statement of financial position	**5 179**	5 269

* Interest-bearing debt of ESA Trust and BEE Equity Scheme.

Emira borrowings

Emira has diversified sources of funding and banking facilities in place with all the major South African banks. A portion of Emira's funding continues to be accessed from the debt capital markets through its established Domestic Medium Note Programme. During the year, facilities that were either put in place or refinanced included the following:

- a R300,0m two-year revolving credit facility with RMB was renewed for a further three years at prime less 145bps;
- a new R200,0m three-year unlisted note was issued to RMB at three-month JIBAR plus 195bps;
- a R200,0m two-year secured term facility with ABSA was refinanced for a further three years at three-month JIBAR plus 160bps;
- a R200,0m 12-month general banking facility with Investec was renewed for a further 12 months; and
- R660,0m of new listed commercial paper and corporate bonds were issued to refinance R1,1bn of maturing notes. The new instruments were issued for an average term of 1,6 years and at an average cost of 1,26% above three-month JIBAR versus the matured notes of 2,0 years and a cost of 1,47%.

The weighted average duration to expiry of Emira's debt facilities is 2,1 years (June 2019: 2,4 years).

R'000	Facility amount	Amount drawn	Amount undrawn	% of drawn facility
Expiry period				
Jun 21	1 704	1 654	50	33,3
Jun 22	530	530	–	10,7
Jun 23	2 052	1 483	569	29,9
Jun 24	900	900	–	18,1
Jun 25	300	300	–	6,0
Jun 26	100	100	–	2,0
	5 586	4 967	619	100,0

Emira had unutilised committed bank facilities of R619m as at 30 June 2020 which, together with cash-on-hand of R95,0m, provides assurance that the Group will be able to meet its short-term commitments. Two further facilities are in the process of being finalised which will provide the Fund with an additional R450m of committed backup facilities.

As at 30 June 2020, Emira had effective USD denominated debt of USD73,0m (June 2019: USD64,9m) through its USD cross-currency interest-rate swaps ("CCIRS") against its USA investments valued at USD93,9m (June 2019: USD77,5m).

Cost of funding and hedging

The average all-in cost of Emira funding, including CCIRS, is 7,45% (June 2019: 7,60%) and interest rates are hedged for 83,0% (June 2019: 91,2%) of Emira's drawn interest-bearing borrowings for a weighted average duration of 3,2 years (June 2019: 3,0 years).

	JUN 2020			JUN 2019		
	Average all-in rate (%)	Average fixed rate (%)	Fixed duration years	Average all-in rate (%)	Average fixed rate (%)	Fixed duration years
ZAR	**8,70**	**7,12**	**2,8**	8,88	7,53	3,1
USD	**2,43**	**2,43**	**4,5**	2,60	2,60	3,3
AUD	**–**	**–**	**–**	2,14	2,14	2,0
Total	**7,45**	**5,99**	**3,2**	7,59	5,76	3,0

Covenants

The most stringent loan covenants are a 50% corporate LTV requirement and a 2x interest coverage ratio. For Emira's LTV calculation, certain debt providers limit the inclusion of equity-accounted investments and loans receivable to 20% of total income-producing assets. The table below shows the current values of these ratios:

	JUN 2020		JUN 2019	
	Actual	Required	Actual	Required
Loan-to-value ratio (%)	**44,8***	**50,0**	36,1	45,0
Interest cover ratio (times)	**3,0**	**2,0**	2,9	2,0

* Actual LTV of 43,0% increased due to limit on the inclusion of income-producing assets and loans receivable.

No covenants have been breached during the year and are not anticipated to be breached in the foreseeable future.

Credit rating

Global Credit Rating Company (Pty) Ltd 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 April 2020.

Foreign income hedging

To minimise potential adverse foreign exchange fluctuations on Emira's earnings, a portion of the expected net income from Emira's US investments, after offsetting foreign interest on CCIRS, is hedged. At least 90% of the first four years of expected net income from Emira's US investments was hedged on the date that each investment was made. Subsequently, additional hedges have been put in place to extend the hedged profile.

The following USD hedges were in place as at 30 June 2020:

	Forward rate against R
Period	
Dec 20	15,14
Jun 21	15,40
Dec 21	15,87
Jun 22	16,32
Dec 22	16,93
Jun 23	17,50
Dec 23	18,09
Jun 24	18,52
Dec 24	19,32
Jun 25	20,40

SUBSEQUENT EVENTS

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

SA REIT ASSOCIATION BEST PRACTICE RECOMMENDATIONS ("BPR")

The SA REIT Association recently released a second edition of the BPR, which deals with best practice reporting for SA REITs. The new BPR is applicable for year-ends starting from 1 January 2020. Emira has assessed the BPR and does not foresee any material changes to its current reporting once adopted. Emira confirms that this set of results is compliant with the original BPR as published by the SA REIT Association.

TRANSFORMATION AND BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("B-BBEE")

In its pursuit to remain a responsible corporate citizen, Emira fully recognises and acknowledges the importance of adhering to the country's B-BBEE policies to promote genuine transformation within a South African context. The Fund is pleased to report that through the implementation of various initiatives and policies, its B-BBEE rating improved during the year to a Level 5 Contributor from a Level 7, with a verified effective black ownership of 50,25%. The Company will continue to find meaningful ways in which to improve its impact on the economy and society.

DONATIONS

In line with the donations announced by President Cyril Ramaphosa and the South African Cabinet to the Solidarity Fund on 13 April 2020, all Emira's directors, both executive and non-executive, sacrificed 30% of their April, May and June 2020 salaries or fees in favour of the Solidarity Fund, resulting in a total contribution of R1 million.

CHANGE IN DIRECTORATE

As announced on SENS on 25 June 2020, two new directors were appointed to the Board with effect from 1 July 2020, namely Berlina Moroole, an independent non-executive director and James Templeton, a non-executive director. The appointments have strengthened Emira's leadership and oversight.

The status of Derek Thomas' independence changed during the year such that he is now considered to be an independent non-executive director.

In April 2020 Nocawe Makewane resigned from the Board as an independent non-executive director. Nocawe had served on the Board since 2006 and was due to retire in terms of the Board's independence policies. The Board thanks Nocawe for her service.

PROSPECTS

As at 30 June 2020, Emira had not experienced new large vacancies directly attributable to the impacts of the pandemic. Still, an increase in tenant failures is inevitable in the months ahead as the true effects of the restrictive lockdown unfold. Given the high levels of uncertainty, low investor and consumer confidence and a contracting economy, Emira's focus will be retaining existing tenants and maintaining vacancies at lower than industry levels.

While the pandemic spread rapidly in the USA, with clear economic impacts, its lockdown measures were less severe than South Africa's, and the US entered the crisis in a far stronger economic state. Negative news flow remains likely in the runup to the November 2020 US elections, but stability is expected thereafter, which could prompt a rebound in the economy.

Emira has a robust balance sheet with sufficient cash reserves and unutilised debt facilities to cover the Fund's business commitments as they fall due.

Given the current uncertainty, the Board has resolved not to provide earnings and distribution guidance until it is comfortable that such guidance is highly probable. In the interests of transparency, the target for distributable income per share set for the purposes of the executive directors KPI's is 119,73 cents per share for the year ended 30 June 2021.

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 30,26 cents per share has been declared (June 2019: 78,48 cents), payable to the registered shareholders of Emira on Monday, 21 September 2020. In making its decision on whether to pay out a dividend and the quantum thereof the Board has assessed the Company's solvency and liquidity position, taking into account the Company's current position together with forecasts.

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, 15 September 2020
Shares trade *ex*-dividend	Wednesday, 16 September 2020
Record date	Friday, 18 September 2020
Payment date	Monday, 21 September 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 September 2020 and Friday, 18 September 2020, both days inclusive.

The Company confirms that upon payment of the dividend it will retain its REIT status as granted by the JSE in that it has satisfied the JSE Listings Requirements by distributing at least 75% of its total distributable profits.

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 24,208 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.

Shareholders are advised that certain performance measures used in this announcement are not defined by International Financial Reporting Standards and may accordingly differ from company to company. The Board however believes that these are relevant performance measures to the Company. The methodology for the calculation of the performance measures is set out on the Company's website. The Board is responsible for the preparation of the performance measures and ensuring compliance with Practice Note 4/2019 (Performance Measures) of the JSE Listings Requirements. The performance measures have not been reviewed or reported on by the Company's external auditors.

By order of the Emira Property Fund Limited Board

Acorim Proprietary Limited

Company Secretary

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

Bryanston

31 August 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed 30 Jun 2020	Audited restated 30 Jun 2019
ASSETS		
Non-current assets	**13 428 812**	14 347 559
Investment properties	**9 949 226**	10 548 180
Allowance for future rental escalations	**225 622**	222 731
Unamortised upfront lease costs	**32 553**	32 425
Right-of-use asset	**40 212**	–
Fair value of investment properties	**10 247 613**	10 803 336
Furniture, fittings, computer equipment and Intangible assets	**2 859**	2 949
Listed property investment	**–**	759 716
Investment and loans in equity-accounted investments*	**2 686 101**	2 275 524
Other financial assets	**19 360**	30 822
Loans receivable*	**377 928**	437 652
Derivative financial instruments	**94 951**	37 560
Current assets	**435 171**	456 967
Loans to equity-accounted investments*	**103 478**	40 000
Loans receivable*	**37 483**	18 254
Accounts receivable and prepayments	**153 091**	114 636
Derivative financial instruments	**46 072**	72 597
Cash and cash equivalents	**95 047**	73 230
Investment properties held for sale	**–**	138 250
Total assets	**13 863 983**	14 804 526
EQUITY AND LIABILITIES		
Share capital and reserves	**7 441 243**	8 983 398
Non-current liabilities	**4 208 257**	4 191 897
Interest-bearing debt	**3 498 061**	3 985 432
Other financial liabilities#	**43 203**	23 651
Lease liability	**35 921**	–
Derivative financial instruments	**631 072**	182 814
Current liabilities	**2 214 483**	1 629 231
Interest-bearing debt	**1 681 000**	1 283 930
Accounts payable	**322 360**	309 764
Lease liability	**3 666**	–
Derivative financial instruments	**190 326**	32 175
Taxation	**17 131**	3 362
Total equity and liabilities	**13 863 983**	14 804 526
Net asset value per share (cents)	**1 529,6**	1 790,8

* The short portion of loans to equity accounted investments and loans receivable have been restated in the year ended 30 June 2019, to appropriately reflect the current portion of R40m and R18.3m respectively. The combined value of loans receivable is unchanged.

\# The loan from Feenstra Group (Pty) Ltd of R23.7m was reclassified from interest bearing debt to other financial liablities in the year ended 30 June 2019, to provide enhanced disclosure due to the nature of the loan.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Reviewed year ended 30 Jun 2020	Audited year ended 30 Jun 2019
Revenue	**1 501 114**	1 686 962
Operating lease rental income and tenant recoveries	**1 501 960**	1 698 802
Allowance for future rental escalations	**(846)**	(11 840)
Property expenses	**(651 906)**	(640 756)
Income from listed property investment	**8 686**	47 818
Administration expenses	**(116 930)**	(128 483)
Transaction and advisory fees	**–**	(855)
Depreciation	**–**	(10 555)
Operating profit	**740 964**	954 131
Net fair value adjustments	**(1 461 530)**	47 548
Change in fair value of investment properties	**(816 505)**	(46 685)
Revaluation of derivative financial instruments relating to share appreciation rights scheme	**8**	(2 989)
Unrealised deficit on interest-rate swaps	**(619 930)**	(43 910)
Unrealised (loss)/gain on fair valuation of listed property investment	**(25 103)**	141 132
Expected credit loss – loans receivable	**(44 572)**	(3 646)
Impairment of Worley Parsons receivable	**–**	(41 042)
Foreign exchange gain/(loss)	**154 073**	(20 823)
Other income	**3 559**	7 949
Income from equity-accounted investments	**239 126**	344 233
Profit before finance costs	**(368 380)**	1 288 350
Net finance costs	**(348 382)**	(402 933)
Finance income	**51 578**	30 452
Finance costs	**(399 960)**	(433 383)
Profit before income tax charge	**(716 762)**	885 417
Taxation	**(14 400)**	1 207
Profit for the year	**(731 162)**	886 624
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	**154 191**	1 919
Total comprehensive income for the year	**(576 971)**	888 543
Total profit for the year attributable to:		
Emira shareholders	**(734 178)**	882 509
Non-controlling interest	**3 016**	4 115
	(731 162)	886 624
Total comprehensive income for the year attributable to:		
Emira shareholders	**(579 987)**	884 367
Non-controlling interest	**3 016**	4 176
	(576 971)	888 543
Basic earnings per share (cents)	**(147,69)**	175,92
Diluted earnings per share (cents)	**(146,94)**	175,46

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Revaluation and other reserves	Change in ownership	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total
Balance as at 1 July 2018	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 share 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 as at 30 June 2019	3 654 591	4 893 802	–	19 776	412 634	2 595	8 983 398
Balance as at 1 July 2019	**3 654 591**	**4 893 802**	**–**	**19 776**	**412 634**	**2 595**	**8 983 398**
Recognition of shares issued to BEE Scheme	**172 411**						**172 411**
Reclassification of Emira shares held by the BEE Scheme	**(364 226)**						**(364 226)**
Control of BEE Scheme acquired for no consideration					**26 369**		**26 369**
Shares acquired for the Emira Forfeitable Share Plan	**(17 480)**						**(17 480)**
Premium on share option					**18 875**		**18 875**
Profit for the year					**(734 178)**	**3 016**	**(731 161)**
Exchange differences on translation of foreign operations				**154 191**		**–**	**154 191**
Equity settled share scheme		**9 160**					**9 160**
Transfer to fair value reserve		**(816 505)**			**816 505**		**–**
Dividend paid – September 2019					**(404 525)**		**(404 525)**
Dividend paid – subsidiary					**–**	**(827)**	**(827)**
Dividend paid – March 2020					**(381 948)**		**(381 948)**
Non-controlling interest acquired			**(24 085)**			**1 090**	**(22 995)**
Balance at 30 June 2020	**3 445 296**	**4 086 457**	**(24 085)**	**173 967**	**246 268**	**5 874**	**7 441 243**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed year ended 30 Jun 2020	Audited year ended 30 Jun 2019
Cash generated from operations	**722 458**	1 021 980
Finance income	**6 866**	30 451
Interest paid	**(402 489)**	(454 250)
Taxation paid	**(631)**	(2 964)
Dividends received	**8 686**	–
Dividends paid to shareholders	**(786 473)**	(778 800)
Dividends paid to non-controlling interests	**(827)**	(1 688)
Cash flows from operating activities	**(452 410)**	(185 271)
Acquisition of, and additions to, investment properties excluding capitalised interest	**(157 761)**	(300 413)
Acquisition of furniture, fittings, computer equipment and intangible assets	**90**	–
Proceeds on sale of investment properties and fixtures and fittings	**66 250**	1 842 983
Disposal of investment in listed property investments	**788 335**	327 368
Investment in equity-accounted investments	**(165 565)**	(870 275)
Loans granted and other financial assets	**53 078**	(351 222)
Cash flows from investing activities	**584 427**	648 441
Non-controlling interest acquired	**(22 995)**	–
Premium on share options	**18 875**	18 433
Shares acquired for the Emira Forfeitable Share Plan	**(9 160)**	(20 929)
Repurchase of Emira shares held by ESA Trust	**–**	(99 545)
Land lease payments	**(625)**	–
Interest-bearing debt raised	**397 070**	40 642
Interest-bearing debt repaid	**(493 365)**	(437 995)
Cash flows from financing activities	**(110 200)**	(499 394)
Net increase in cash and cash equivalents	**21 817**	(36 225)
Cash and cash equivalents at the beginning of the year	**73 230**	109 455
Cash and cash equivalents at the end of the year	**95 047**	73 230

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 IAS 34 *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 2019 except for the amendments relating to the new standards and interpretations which became effective to the Group for the financial year beginning 1 July 2019. None of these had a material impact on Emira's financial results, except for IFRS 16.

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 2020, 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.

CHANGE IN ACCOUNTING POLICY

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 standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Emira has initially adopted IFRS 17 – Leases from 1 July 2019 and has adopted the modified retrospective method of application. Emira has elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

On adoption, Emira has recognised right-of-use assets and lease liabilities in relation to land leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in each lease or Emira's incremental borrowing rate, where applicable. In determining the length of the lease term and non-cancellable period of a lease, Emira has considered the remaining period of business use of the land. Subsequently each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

On transition date, the right-of-use assets were measured at the amount equal to the lease liability of R40,2m. The right-of-use assets relating to land leases are subsequently remeasured at fair value in terms of IAS 40. The right-of-use assets' fair value is determined indirectly by assessing the cash generating ability of the building.

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS AND DISTRIBUTABLE EARNINGS

R'000	Reviewed year ended 30 Jun 2020	Audited year ended 30 Jun 2019
Profit for the year attributable to Emira shareholders	**(734 178)**	882 509
Adjusted for:		
Change in fair value of properties (net of NCI)	**823 236**	44 009
– Change in fair value of investment properties	**816 505**	46 685
– Change in fair value on investment property of associate	**3 546**	–
– Non-distributable portion of non-controlling interest	**3 185**	(2 676)
Gain on bargain purchase	**–**	(129 028)
Headline earnings	**89 058**	797 490
Adjusted for:		
Allowance for future rental escalations	**846**	11 840
Amortised upfront lease costs	**743**	1 738
IFRS 16 Leasehold liability adjustments	**(626)**	–
Interest on lease liability	**2 976**	–
Rental paid on lease liability	**(3601)**	–
Charge/(credit) in respect of leave pay provision and share appreciation rights scheme	**(3 295)**	5 312
GOZ shares sold *cum* dividend	**4 122**	5 592
Transaction and advisory fees	**–**	855
Unrealised surplus on revaluation of interest-rate swaps	**619 930**	43 910
Revaluation of share appreciation rights scheme derivative financial instruments	**(8)**	2 989
Unrealised (gain)/loss on financial assets at fair value through profit and loss	**25 103**	(141 132)
Unrealised foreign exchange (profit)/loss	**(142 401)**	18 031
Non-distributable income from equity-accounted investments	**(17 412)**	(57 248)
Dividend received/accrued from Transcend	**21 466**	29 616
Depreciation	**–**	10 478
IFRS 9 Expected credit loss – loans receivable	**44 572**	3 646
Impairment of Worley Parsons receivable	**–**	41 042
Deferred taxation	**–**	(6 435)
Taxation on capital gain	**5 233**	–
Distributable portion of non-controlling interest	**(169)**	1 867
Deferred rental net of expected credit loss	**(28 603)**	–
Distributable income from the equity-accounted US investments not distributed	**(76 762)**	–
Interest due from Inani accrued but not received	**(16 288)**	–
Capitalised interest limitation	**(3 768)**	–
Net ESA Trust adjustments	**7 595**	–
Net BEE Scheme adjustments	**16 121**	18 723
Distribution payable to shareholders	**545 457**	790 990
Dividend per share		
Interim (cents)	**74,10**	72,86
Final (cents)	**30,26**	78,48
Total (cents)	**104,36**	151,34

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS AND DISTRIBUTABLE EARNINGS continued

	Reviewed year ended 30 Jun 2020	Audited year ended 30 Jun 2019
Number of shares in issue at the end of the year	**522 667 247**	522 667 247
Weighted average number of shares in issue	**497 105 845**	501 648 438
Earnings per share (cents)	**(147,69)**	175,92
The calculation of earnings per share is based on net loss for the year of R734,2m (2019: R882,5m), divided by the weighted average number of shares in issue during the year of 497 105 845 (2019: 501 648 438).		
Diluted earnings per share (cents)	**(146,94)**	175,76
The calculation of diluted earnings per share is based on net loss for the year of R734,2m (2019: R882,5m), divided by the diluted weighted average number of shares in issue during the year of 499 656 024 (2019: 502 978 415).		
Headline earnings per share (cents)	**17,92**	158,97
The calculation of headline earnings per share is based on net profit for the year, adjusted for headline items, of R89,1m (2019: 797,5m), divided by the weighted average number of shares in issue during the year of 497 105 845 (2019: 501 648 438).		
Diluted headline earnings per share (cents)	**17,82**	158,55
The calculation of diluted headline earnings per share is based on net profit for the year, adjusted for headline items, of R89,1m (2019: R797,5m), divided by the diluted weighted average number of shares in issue during the year of 499 656 024 (2019: 502 978 415).		
Diluted weighted average number of shares in issue	**497 105 845**	501 648 438
Weighted average number of shares in issue		
Issued for zero consideration under the call option to BEE parties, Treasury shares issued to the ESA Trust and Forfeitable Share Plan	**2 550 179**	1 329 977
	499 656 024	502 978 415

SEGMENTAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

R'000	Office	Retail	Industrial	Residential	Corporate	Local	Offshore	Total
Revenue	456 497	731 287	284 190	29 140	–	1 501 114	–	1 501 114
Operating lease rental income and tenant recoveries	465 009	713 306	294 505	29 140	–	1 501 960	–	1 501 960
Allowance for future rental escalations	(8 512)	17 981	(10 315)	–		(846)	–	(846)
Property expenses	(202 135)	(311 864)	(129 993)	(7 915)	–	(651 906)	–	(651 906)
Income from listed property investment	–	–	–	–	–	–	8 686	8 686
Administration expenses	–	–	–	–	(107 389)	(107 389)	(9 542)	(116 930)
Operating profit	254 363	419 423	154 197	21 225	(107 389)	741 819	(856)	740 964
Net change in fair value	(265 011)	(420 932)	(117 821)	(12 741)	(632 162)	(1 448 666)	(12 863)	(1 461 530)
Investment properties	(265 011)	(420 932)	(117 821)	(12 741)	–	(816 505)	–	(816 505)
Derivative financial instruments relating to share appreciation rights scheme	–	–	–	–	8	8	–	8
Interest-rate derivatives	–	–	–	–	(619 930)	(619 930)	–	(619 930)
Property investments	–	–	–	–	(12 240)	(12 240)	(12 863)	(25 103)
Expected credit loss (loans receivable)	–	–	–	–	(44 572)	(44 572)	–	(44 572)
Foreign exchange loss	–	–	–	–	–	–	154 073	154 073
Other income	–	–	–	–	3 559	3 559		3 559
Income from equity-accounted investments	–	51 448	–	15 967	–	67 415	171 710	239 126
Distributable	–	71 592	–	14 480	–	86 072	139 187	225 259
Non-distributable	–	(20 144)	–	1 487	–	(18 657)	32 523	13 866
Profit before finance costs	(10 648)	49 940	36 376	24 451	(778 565)	(680 446)	312 065	(368 380)
Net finance costs	–	–	–	–	(280 342)	(280 342)	(68 039)	(348 382)
Profit before income tax charge	(10 648)	49 940	36 376	24 451	(1 058 907)	(960 788)	244 026	(716 762)
Taxation	–	–	–	–	(4 127)	(4 127)	(10 273)	(14 400)
Profit for the period	(10 648)	49 940	36 376	24 451	(1 063 034)	(964 915)	233 753	(731 162)
Investment properties	3 215 451	4 987 175	1 833 787	211 200		10 247 613	–	10 247 613
Investment properties held for sale			–	–	–	–	–	–
Listed property investment	–	–	–	–		–		–
Loans receivable				–	415 411	415 411	–	415 411
Other assets	–	653 724	–	506 030	379 875	1 539 628	1 661 331	3 200 959
Total assets	3 215 451	5 640 899	1 833 787	717 230	795 286	12 202 652	1 661 331	13 863 983
Interest bearing debt	–	–	–	–	5 179 061	5 179 061	–	5 179 061
Other liabilities	–	–	–	–	1 225 122	1 225 122	18 557	1 243 679
Total Liabilities	–	–	–	–	6 404 183	6 404 183	18 557	6 422 740

SEGMENTAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

R'000	Office	Retail	Industrial	Residential	Corporate	Local	Offshore	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)	915 811	38 320	954 131
Net change in fair value	(45 921)	(21 698)	10 231	10 703	(36 830)	(83 515)	131 063	47 548
Investment properties	(45 921)	(21 698)	10 231	10 703	–	(46 685)	–	(46 685)
Derivative financial instruments relating to share appreciation rights scheme	–	–	–	–	(2 989)	(2 989)	–	(2 989)
Interest-rate derivatives	–	–	–	–	(43 910)	(43 910)	–	(43 910)
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)
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	1 288 350
Net finance costs	–	–	–	–	(366 469)	(366 469)	(36 465)	(402 933)
Profit before income tax charge	343 812	554 635	193 632	172 489	(570 478)	694 090	191 327	885 417
Taxation	–	–	–	–	–	–	1 207	1 207
Profit for the period	343 812	554 635	193 632	172 489	(570 478)	694 090	192 535	886 624
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	–	–	1 422 340	2 078 186	569 132	2 647 318
Total assets	3 496 726	5 946 775	1 933 650	220 000	1 878 527	13 475 678	1 328 847	14 804 526
Interest bearing debt	–	–	–	–	5 293 013	5 293 013	–	5 293 013
Other liabilities	–	–	–	–	524 141	524 141	3 974	528 115
Total Liabilities	–	–	–	–	5 817 154	5 817 154	3 974	5 821 128

RELATED PARTY TRANSACTION

Guarantee issued in respect of the BEE Scheme

The Company concluded a Black Economic Empowerment ("BEE") transaction in May 2017, in terms of which 26 133 364 Emira shares in aggregate ("the Subscription Shares") were issued for cash to the special purpose vehicles of Letsema Holdings (Pty) Ltd ("Letsema") and Tamela Holdings (Pty) Ltd (collectively, "the BEE Shareholders"), such that, after issue, each of the BEE Shareholders held 2,5% of Emira's total shares in issue ("the BEE Transaction" or "the BEE Scheme").

Derek Thomas, an Emira non-executive director, is a shareholder and director of Letsema. Vusi Mahlangu, an Emira non-executive director, is a shareholder and director of Tamela.

The BEE Transaction was funded as follows:

› 10% cash;

› 40% loan from a third party ("the Lender") ("the Third Party Loan"); and

› 50% vendor finance from Emira ("the Vendor Loan").

The Third Party Loan is secured by 100% of the Subscription Shares. The Lender has the ability to dispose of the Subscription Shares at any time if the market value thereof, based on the 5-day volume weighted average price ("VWAP"), is less than 1,6 times the Third Party Loan or if the closing price of Emira shares is less than 1,5 times the Third Party Loan (each a "Trigger Event"). The Vendor Loan is secured by a reversionary cession and pledge over the Subscription Shares.

During the year Emira's share price reached a level that a Trigger Event occurred. Accordingly, the Lender became entitled to dispose of the Subscription Shares ("the Forced Disposal"), unless additional security was provided.

On 3 April 2020, as a result of the Trigger Event, Emira entered into a guarantee agreement ("Agreement") with the Lender. In terms of the Agreement, Emira irrevocably and unconditionally guaranteed as a separate, principal and independent obligation to and in favour of the Lender, the payment and performance of the obligations of the BEE Shareholders arising in connection with the Third Party Loan, for a maximum guaranteed amount of c. R72,9 million for each of the BEE Shareholders, or c. R145,8 million in total.

The Guarantee and Emira's obligations thereunder will terminate automatically on the earlier of:

a) the first date on which the market value of the Subscription Shares, based on the 30-day VWAP, compared to the outstanding amount of the Third Party Loan is greater than or equal to 2,00:1,00 (two to one) ("Asset Cover Ratio"), provided that the spot 30 day VWAP Asset Cover Ratio is also greater than or equal to 2,00:1,00 (two to one) as at such date; or

b) the date on which the Third Party Loan has been discharged.

As a result of the Agreement Emira is deemed to control the BEE Shareholders and accordingly they have been consolidated effective 3 April 2020.

Guarantee issued in respect of the ESA Trust

The ESA Trust (the "Trust") is the designated vehicle which holds shares in terms of the share ownership plan for the executive directors under the approved remuneration policy. The beneficiaries of the Trust are Geoff Jennett, Ulana van Biljon and Greg Booyens

On 27 June 2019 the Trust subscribed for 7 200 000 Emira shares ("the Shares"). The Trust funded the acquisition of as follows:

› 10% amortising loan from Emira to the ESA Trust in terms of which the ESA Trust beneficiaries stand personal surety;

› 40% loan from a third party ("the Trust Lender") ("the Trust Third Party Loan"); and

› 50% vendor finance from Emira ("the Trust Vendor Loan").

The Trust Third Party Loan is secured by 100% of the Shares. The Trust Lender has the ability to dispose of the Shares at any time if the market value thereof, based on the 5- day volume weighted average price ("VWAP"), is less than 1,6 times the Trust Third Party Loan or if the closing price of Emira shares is less than 1,5 times the Trust Third Party Loan (each a "Trust Trigger Event"). The Trust Vendor Loan is secured by a reversionary cession and pledge over the Shares.

During the year Emira's share price reached a level that a Trust Trigger Event occurred. Accordingly, the Trust Lender became entitled to dispose of the Shares ("the Forced Disposal"), unless additional security was provided.

On 3 April 2020, as a result of the Trust Trigger Event, Emira entered into a guarantee agreement ("Agreement") with the Lender. In terms of the Agreement, Emira irrevocably and unconditionally guaranteed as a separate, principal and independent obligation to and in favour of the Trust Lender, the payment and performance of the obligations of the ESA Trust arising in connection with the Trust Third Party Loan, for a maximum guaranteed amount of c. R39,8m.

The Guarantee and Emira's obligations thereunder will terminate automatically on the earlier of:

a) the first date on which the market value of the Shares, based on the 30-day VWAP, compared to the outstanding amount of the Third Party Loan is greater than or equal to 2,00:1,00 (two to one) ("Asset Cover Ratio"), provided that the spot 30 day VWAP Asset Cover Ratio is also greater than or equal to 2:00:1:00 (two to one) as at such date; or

b) the date on which the Trust Third Party Loan has been discharged.

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 2020	Level 2 Jun 2020	Level 3 Jun 2020	Total Jun 2020	Level 1 Jun 2019	Level 2 Jun 2019	Level 3 Jun 2019	Total Jun 2019
GROUP								
Assets								
Investments	**–**	**–**	**–**	**–**	759 716	–	–	759 716
Derivative financial instruments	**–**	**141 023**	**–**	**141 023**	–	110 102	55	110 157
Other financial assets	**–**	**–**	**19 360**	**19 360**	–	–	30 822	30 822
Total	**–**	**141 023**	**19 360**	**160 383**	759 716	110 102	30 877	900 695
Liabilities								
Derivative financial instruments	**–**	**821 398**	**–**	**821 398**	–	214 988	–	214 988
Total	**–**	**821 398**	**–**	**821 398**	–	214 988	–	214 988
Net fair value	**–**	**(680 375)**	**19 360**	**(661 015)**	759 716	(104 886)	30 877	685 707

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

INVESTMENTS

The shares held in a listed property company were disposed during the year. For the year ended 30 June 2019, the shares were held at fair value which is determined with reference to a quoted closing price.

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

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 3,5% and 3,6%. 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 R3,4m. A 10% decrease in the spot price results in a decrease to the forward contracts of R3,4m.

OTHER FINANCIAL ASSETS

The fair value of other financial assets is 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 as at 30 June 2020:

R'000	2020 Level 3	2019 Level 3
Assets		
Investment properties	**10 247 613**	10 803 336
Investment properties held for sale	**–**	138 250

FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES

The fair value of commercial buildings is estimated using a five-year discounted cashflow 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 2020 were the following:

- The permanent vacancy factor for retail ranged between 0% and 6,0% (June 2019: 0,5% and 7,5%), offices between 2,0% and 7,5% (June 2019: 3,0% and 10,0%) and industrial between 0% and 6,0% (June 2019: 2,5% and 5,0%).
- The weighted average rental escalation percentage applied for retail was 6,6% (June 2019: 7,1%), offices 7,3% (June 2019: 7,6%) and industrial 6,9% (June 2019: 7,6%), and for renewals and new leases ranged between 5,0% and 8,0% (June 2019: 5,7% to 9,0%).
- The reversionary capitalisation rates were increased for all internally prepared valuations by 25bps. The range of the rates applied to the portfolio are between 7,5% and 12,0% with the weighted average, by value, being 9,23% (June 2019: 9,05%).
- The discount rates for all internally prepared valuations were increased by 25bps. The range of rates applied were between 12,75% and 16,25% with the weighted average, by value, being 14,22% (June 2019: 14,09%).
- 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 R173m (1,70%) and a 25 basis points decrease will increase the value of investment property by R179,3m (1,76%). A 25 basis points decrease in the reversionary capitalisation rate will increase the value of investment property by R178m (1,74%) and a 25 basis points increase will decrease the value of investment property by R168,3m (1,65%).
- 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.

Discount rates were calculated by adding a risk premium to the risk-free rate. The risk-free rate was determined by the averaging the 10-year government bond yield average for the period and the combined average of the 5, 10 and 20-year government bond yields over the same period. Property specific and sector risk premiums were added to the average risk-free rate. These were tested for reasonability against published research reports from SAPOA as well as surveys and opinions from other industry bodies.

The valuation inputs vary, not only according to sector, but also in terms of grade and geographic location. Accordingly, the inputs have been disaggregated as follows:

	Total	JHB	PTA	CPT	KZN	OTHER
EXIT CAPITALISATION RATES (%)						
Offices	9,49	9,60	9,22	9,60	9,77	–
Offices P-grade	9,11	8,75	9,22	–	–	–
Offices A-grade	9,76	10,17	–	9,60	9,77	–
Offices B-grade	10,90	10,90	–	–	–	–
Retail	8,71	9,44	8,07	10,27	9,38	9,34
Industrial	10,18	10,27	9,86	10,01	10,15	–
DISCOUNT RATES (%)						
Offices	14,44	14,76	14,45	13,94	14,77	–
Offices P-grade	14,41	14,25	14,45	–	–	–
Offices A-grade	14,35	15,17	–	13,94	14,77	–
Offices B-grade	15,40	15,40	–	–	–	–
Retail	13,77	14,32	13,27	14,58	14,33	14,43
Industrial	15,03	15,19	14,56	14,69	15,07	–
MARKET RENTALS (R/m²)						
Offices	163,00	158,25	196,57	158,23	166,08	–
Offices P-grade	196,00	196,00	197,00	–	–	–
Offices A-grade	153,00	128,30	–	158,23	166,08	–
Offices B-grade	111,00	111,00	–	–	–	–
Retail	138,00	133,39	151,67	129,92	161,84	125,77
Industrial	59,26	56,37	65,16	59,96	69,22	–

	Total	JHB	PTA	CPT	KZN	OTHER
MARKET RENTAL ESCALATION RATES (%)						
Offices	7,3	7,4	7,3	7,1	7,3	–
Offices P-grade	7,3	7,3	7,3	–	–	–
Offices A-grade	7,3	7,5	–	7,1	7,3	–
Offices B-grade	7,5	7,5	–	–	–	–
Retail	6,6	6,0	6,3	7,1	6,5	6,9
Industrial	6,9	6,6	7,0	7,0	7,1	–
VOID PERIOD (MONTHS)						
Offices	4,4	3,5	5,2	3,7	4,2	–
Offices P-grade	5,0	4,0	5,3	–	–	–
Offices A-grade	3,5	2,3	–	3,7	4,2	–
Offices B-grade	4,6	4,6	–	–	–	–
Retail	4,7	3,1	3,9	2,1	3,5	4,2
Industrial	1,7	1,5	1,3	1,6	0,4	–
PERPETUAL VACANCY (%)						
Offices	4,7	4,3	4,5	5,3	5,0	–
Offices P-grade	4,2	3,0	4,5	–	–	–
Offices A-grade	5,3	5,9	–	5,3	5,0	
Offices B-grade	5,0	5,0	–	–	–	–
Retail	3,0	2,5	3,0	3,8	3,7	2,2
Industrial	2,0	2,5	2,9	3,6	4,2	–

Further to the overall sensitivity analysis on discount rates and exit capitalisation rates, a sensitivity analysis has been performed on the top three properties (by value) for the retail, office and industrial portfolios, to show the effect on values when adjusting each of the key inputs. The results are as follows:

%	Offices	Retail	Industrial
Valuation impact if exit capitalisation rate is increased by 25bps	(1,7)	(2,1)	(1,4)
Valuation impact if exit capitalisation rate is decreased by 25bps	1,8	2,2	1,5
Valuation impact if discount rate is increased by 25bps	(1,7)	(1,9)	(1,6)
Valuation impact if discount rate is decreased by 25bps	1,8	1,9	1,7
Valuation impact if market rentals increase by 5%	3,7	4,2	4,0
Valuation impact if market rentals decrease by 5%	(3,5)	(4,0)	(3,8)
Valuation impact if rental escalation rates increase by 1%	1,5	2,2	1,1
Valuation impact if rental escalation rates decrease by 1%	(1,5)	(2,1)	(1,1)
Valuation impact if the permanent vacancy factor is increased by 2,5%	(2,0)	(2,9)	(1,8)
Valuation impact if the permanent vacancy factor is decreased by 2,5%	2,0	2,9	0,7

Fair values are estimated twice a year by Emira's internal registered valuer, where after 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. The external valuations performed as at 30 June 2020 were done by the following valuers:

Valuer	Company	Qualifications
TLJ Behrens	Real Insight (Pty) Ltd	NDip (Prop Val), MIV (SA) professional associate valuer
BJ Labuschagne	Real Insight (Pty) Ltd	NDip Real Estate(Prop Val), professional valuer
J Liebenberg	Real Insight (Pty) Ltd	BSc Real Estate (Hons), MIV (SA), professional valuer
R Scott Collins	Yield Enhancement Solutions	NDip Real Estate(Prop Val), professional valuer
Y Vahed	Premium Valuation Services	NDip Real Estate(Prop Val), MP Real Estate, MIV (SA), professional valuer

DIRECTORS

G van Zyl (Chairman)*, GM Jennett (CEO), MS Aitken*, GS Booyens (CFO), BH Kent*, V Mahlangu*, W McCurrie*, B Moroole*, V Nkonyeni*, J Nyker*, JWA Templeton**, D Thomas*, U van Biljon (COO).

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

REGISTERED ADDRESS

1st Floor, Block A, Knightsbridge, 33 Sloane Street, Bryanston, 2191

SPONSOR

Questco Corporate Advisory (Pty) Ltd

TRANSFER SECRETARIES

Computershare Investors Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001

EMIRA PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

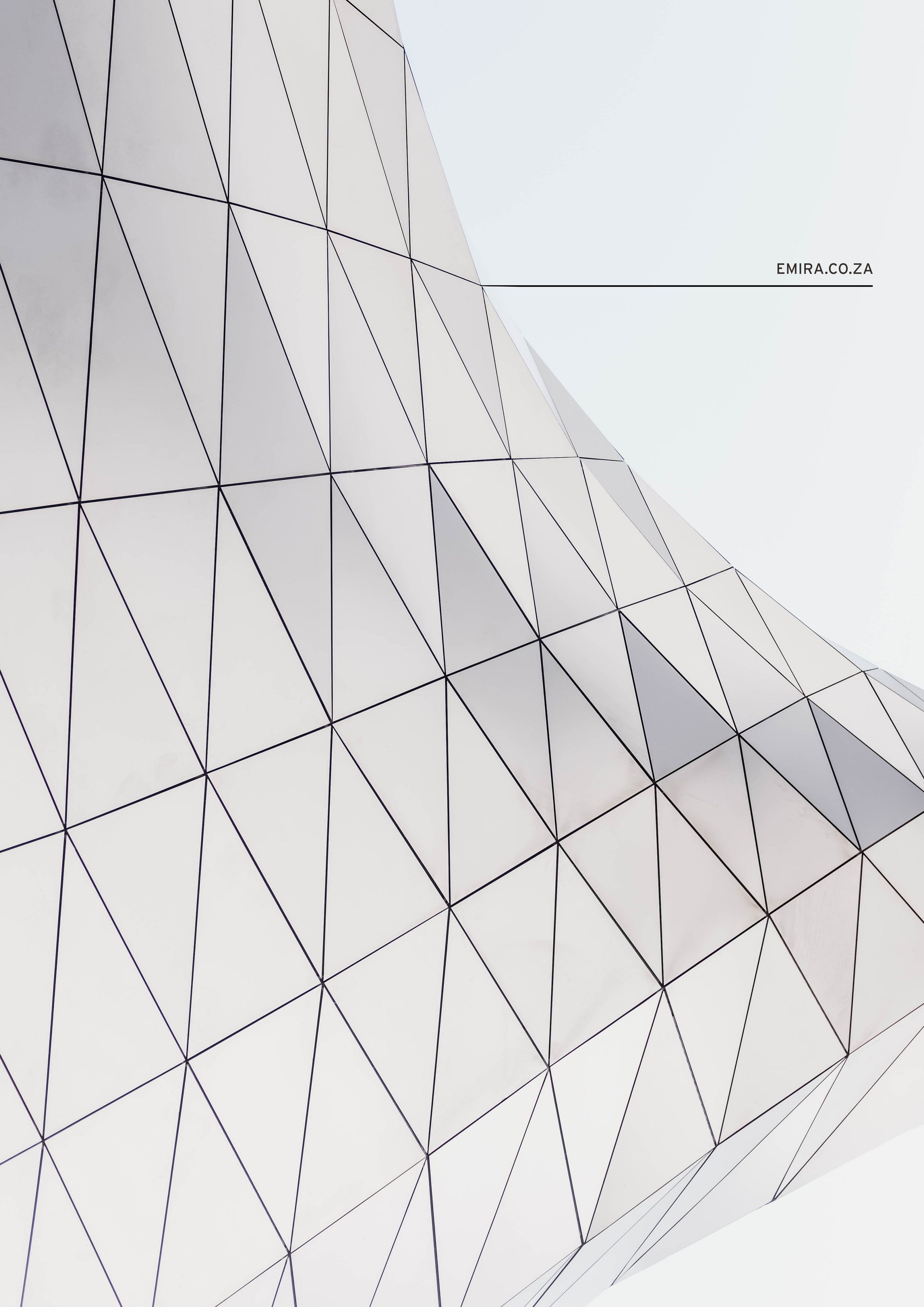
Registration number: 2014/130842/06

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”)


EMIRA.CO.ZA