

EMIRA

PROPERTY FUND

Distributions per PI 40,1 cents representing year-on-year growth of +10%

Net asset value per PI 922 cents, a 6-month increase of 6,5%

6-month total return 185,1 cents or 21,8%

A property fund created under the Emira Property Scheme, registered in terms of the Collective Investment Schemes Control Act

ISIN: ZAE00050712

Share code: EMI ("Emira")

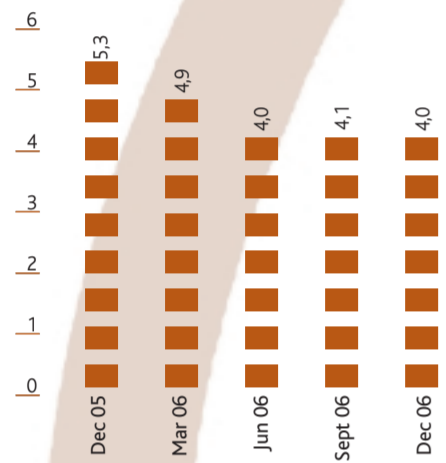
Property Fund Manager: Strategic Real Estate Managers (Pty) Limited

Directors of the fund manager: Bj van der Ross (Chairman)*, JWA Templeton (Chief Executive Officer), L Barnard*, L Basson*, NE Makiwane*, MSB Neser*, WK Schultz, NL Sowazi*
*Non-executive director

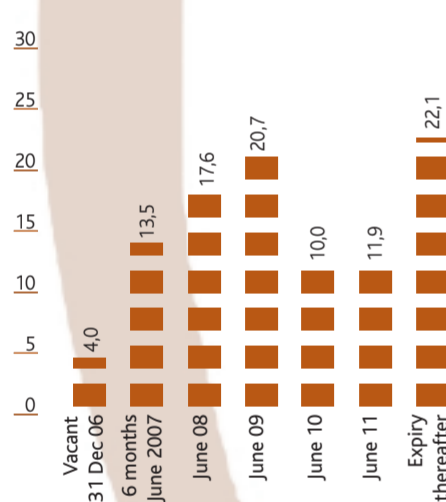
Registered address: 3 Gwen Lane, Sandton, 2146

Merchant bank and sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)

Transfer secretaries: Computershare Investor Services 2004 (Pty) Limited 70 Marshall Street, Johannesburg, 2001



Vacancy since December 2005



Lease expiry profile by GLA at 31 December 2006

Commentary

The Board of directors of Strategic Real Estate Managers (Pty) Limited ("STREM") is pleased to announce a distribution of 40,10 cents per Emira participatory interest (PI) for the six months to 31 December 2006. This represents growth in distributions of 10,0% on the previous comparable period.

Emira PI holders enjoyed a healthy total return of 21,8% during the six months to 31 December 2006, comprising capital appreciation of 17,1% and an income return of 4,7%. The percentage of total PIs in issue that traded in the period equated to 40% on an annualised basis.

The three months from May to July 2006 were exceptionally volatile for the listed property sector as a result of the unexpected rise in prime interest rates that became effective in June. Fortunately, confidence has subsequently returned to the long-term interest rate market and the listed property sector, with bond yields having recovered to levels below 8%. The rise in short-term interest rates has done little to dampen the strength of the commercial property market, with demand for space remaining strong and rentals continuing to show real growth.

During the period under review, four of the five properties acquired from RMB Properties and Momentum for R844 million – Wonderpark, WesBank House, Newlands Terraces and WorldWear – were either transferred or became income producing for Emira. The remaining new development – RTT Warehouse – is on track for completion by mid-April. Moreover, the \$1,2 million new PIs to be issued to BEE parties in partial consideration for the above-mentioned purchases were listed during the period, resulting in these BEE parties currently holding 14,25% of Emira's issued PIs.

On 18 December 2006 Emira PI holders and Freestone linked unitholders were advised that STREM had submitted, to the Board of directors of Freestone, Emira's firm intention to make an offer to Freestone linked unitholders to acquire all the issued linked units of Freestone ("the Freestone acquisition"). The Freestone acquisition is progressing according to plan and it is expected that a circular will be posted to Emira PI holders within the next two weeks, with a meeting of Emira PI holders likely to take place by approximately mid-March.

Results

Revenue, excluding straight-line adjustments, grew by 19,1% on the back of inherent growth in the existing portfolio, the acquisitions made during the period, as well as the contribution for the full period from acquisitions concluded in the previous financial year. Like-for-like revenue growth is estimated at 9,3%, driven by the office portfolio, which benefited from declining vacancies and rising rentals.

Recoverable and non-recoverable costs were well contained during the six months, rising at levels in line with the prevailing CPI on a like-for-like basis. This good operational performance is evidenced by the reducing property expense-to-revenue ratio (excluding straight-line adjustments) during the period.

The fund's weighted average interest rate rose slightly during the period as a result of the rise in prime interest rates, although with in excess of 80% of the debt fixed for periods from seven months to close to five years, this did not have a significant impact. Administration and management fees once again showed the largest variance, rising by 21% on the comparable period as a result of the higher PI price, increased PIs in issue and the new acquisitions.

Abridged income statement

for the six months ended 31 December 2006

	Six months ended 31 Dec 2006 Unaudited R'000	Six months ended 31 Dec 2005 Unaudited R'000	Year ended 30 June 2006 Audited R'000
Revenue	255 801	217 415	451 950
Property expenses	(77 619)	(67 395)	(137 778)
Administration and management expenses	(16 345)	(13 534)	(28 986)
Depreciation	(4 162)	(3 517)	(7 532)
Net income from property rental operations	157 675	132 969	277 654
Fair value adjustments	231 220	(9 195)	661 154
Change in fair value of investment properties*	239 436	—	682 827
Change in fair value as a result of deferring upfront lease costs	(1 742)	(1 060)	(2 890)
Change in fair value as a result of future escalations	(6 474)	(8 135)	(18 783)
Profit on sale of investment property	—	5	1 459
Maintenance fund expenses	(974)	(577)	(855)
Discount on BEE units issued	(21 173)	—	—
IFRS 2 adjustments**	(67 526)	—	—
Listing costs	—	—	(128)
Operating profit	299 222	123 202	939 284
Financing costs	(25 378)	(22 877)	(32 365)
Interest received	2 092	847	1 417
Net profit for the period	275 936	101 172	908 336
Reconciliation between earnings and headline earnings:			
Net profit for the period	275 936	101 172	908 336
Adjusted for:			
Change in fair value of investment properties	(239 436)	—	(682 827)
Change in fair value as a result of deferring upfront lease costs	1 742	1 060	2 890
Change in fair value as a result of future escalations	6 474	8 135	18 783
Profit on sale of investment property	—	(5)	(1 459)
Headline earnings	44 716	110 362	245 723
Headline earnings per participatory interest (cents)	13,93	38,48	85,67
Reconciliation of headline earnings to distribution per participatory interest:			
Headline earnings	44 716	110 362	245 723
Adjusted for:			
Allowance for future rental escalations	(6 474)	(8 135)	(18 783)
Change in fair value as a result of deferring upfront lease costs	(1 742)	(1 060)	(2 890)
Unrealised loss/(gain) on interest rate swaps	2 325	2 560	(11 665)
Maintenance fund expenses	974	577	855
Discount on BEE participatory interests issued	21 173	—	—
IFRS 2 adjustments	67 526	—	—
Amortised borrowing costs	219	219	437
Distribution payable to participatory interest holders	128 717	104 523	213 677
Distribution per participatory interest (cents)	40,10	36,44	74,50

*A directors' valuation of the investment property portfolio was carried out as at 31 December 2006, resulting in a surplus of R239,4 million, brought to account at that date. As at 31 December 2005, no directors' valuation was carried out and therefore no surplus/deficit was brought to account.

**IFRS adjustments arose as a result of the properties which were acquired by an equity-based payment method (participatory interests issued to the seller in exchange for properties). The amount disclosed is the difference between the value of the participatory interests at the issue price and the value of the participatory interests based on the closing price of the participatory interests on the date of the participatory interest holders' approval being 22 August 2006.

Abridged balance sheet

at 31 December 2006

	Six months ended 31 Dec 2006 Unaudited R'000	Six months ended 31 Dec 2005 Unaudited R'000	Year ended 30 June 2006 Audited R'000
Assets			
Non-current assets			
Investment properties	3 910 119	2 332 302	3 025 871
Allowance for future rental escalations	57 926	40 834	51 452
Unamortised upfront lease costs	16 678	13 105	14 936
Current assets	3 984 723	2 386 241	3 092 259
Accounts receivable	8 314	75	11 688
Cash	7 012	4 220	652
	15 326	4 295	12 340
Total assets	4 000 049	2 390 536	3 104 599
Equity and liabilities			
Participatory interest holders' capital	3 310 591	1 785 255	2 483 265
Non-current liabilities			
Interest-bearing debt	495 216	444 273	458 330
Short-term portion of long-term interest-bearing debt	—	1 950	3 224
Accounts payable	63 109	40 218	50 531
Derivative liabilities	2 416	14 317	92
Provision for distributions to participatory interest holders	128 717	104 523	109 157
	194 242	161 008	163 004
Total equity and liabilities	4 000 049	2 390 536	3 104 599

Abridged cash flow statement

for the six months ended 31 December 2006

	Six months ended 31 Dec 2006 Unaudited R'000	Six months ended 31 Dec 2005 Unaudited R'000	Year ended 30 June 2006 Audited R'000
Cash generated by rental operations	168 379	164 357	298 459
Net interest cost	(20 742)	(19 470)	(42 176)
Distribution to participatory interest holders	(109 157)	(100 155)	(204 675)
Cash flow from operating activities	38 480	44 732	51 608
Additions to/purchase of investment properties	(657 190)	(132 985)	(173 153)
Proceeds on disposal of investment property	—	3 006	17 399
Net cash utilised in investing activities	(657 190)	(129 979)	(155 754)
Issue of participatory interest	591 408	—	—
Cash raised from borrowings	33 662	80 215	95 546
Net cash from financing activities	625 070	80 215	95 546
Net change in cash and cash equivalents	6 360	(5 032)	(8 600)
Cash and cash equivalents at beginning of period	652	9 252	9 252
Net change in cash and cash equivalents	7 012	4 220	652

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") IAS 34 (Interim Financial Reporting) and in compliance with the Listing Requirements of the JSE Limited. The accounting policies comply with IFRS.

Segmental information

Primary segment	Retail R'000	Office R'000	Industrial R'000	Corporate R'000	Total R'000
Revenue	96 396	125 486	33 920	—	255 801
Revenue	93 956	122 309	33 062	—	249 327
Allowance for future rental escalations	2 440	3 176	858	—	6 474
Segmental result	59 845	82 740	22 891	(7 801)	157 675
Income from property operations	59 215	81 869	22 650	(7 801)	155 933
Amortisation of upfront lease costs	630	871	241	—	1 742
Depreciation	729	3 008	425	—	4 162
Other information					
Investment properties	1 653 030	1 828 083	503 610	—	3 984 723
Total assets	1 684 469	1 810 170	505 410	—	4 000 049
Accounts payable	17 617	24 633	5 635	15 224	63 109
Geographical segments	Retail R'000	Office R'000	Industrial R'000	Other R'000	Total R'000
Revenue					
– Gauteng	74 278	96 503	18 970	—	189 751
– Western and Eastern Cape	6 491	10 315	5 389	—	22 195
– KwaZulu-Natal	—	15 491	8 703	—	24 194
– Free State	13 187	—	—	—	13 187
	93 956	122 309	33 062	—	249 327
Allowance for future rental escalations	2 440	3 176	858	—	6 474
	96 396	125 485	33 920	—	255 801
Total assets					
– Gauteng	1 388 597	1 356 801	288 559	—	3 033 957
– Western and Eastern Cape	108 531	207 276	104 149	—	419 956
– KwaZulu-Natal	—	246 093	112 702	—	358 795
– Free State	187 341	—	—	—	187 341
	1 684 469	1 810 170	505 410	—	4 000 049

Statement of changes in equity

for the six months ended 31 December 2006

	Participatory interest R'000	Revaluation reserve R'000	Retained earnings R'000	Total R'000
Balance at 1 July 2006	1 425 094	1 059 077	(906)	2 483 265
Net profit for the period	—	—	275 936	275 936
Distribution to PI holders	—	—	(128 717)	(128 717)
Issue of participatory interest	680 107	—	—	680 107
Net fair value gains on investment properties	—	231 220	(231 220)	—
Allowance for future rental escalations	—	6 474	(6 474)	—
Deferring of upfront lease premiums	—	1 742	(1 742)	—
Discount on BEE participatory interests issued	—	(21 173)	21 173	—
IFRS 2 adjustments	—	(67 526)	67 526	—
Unrealised loss on interest rate swaps	—	(2 325)	2 325	—
Transfer of maintenance fund expenses to revaluation reserve	—	(974)	974	—
Balance at 31 December 2006	2 105 201	1 206 515	(1 125)	3 310 591

Related parties and related-party transactions

Momentum Group is the majority participatory interest holder. At 31 December 2006, Momentum owned 37% of the fund's participatory interests and the remaining 63% was widely held. The following transactions were carried out with related parties:

	Six months ended 31 Dec 2006 Unaudited R'000	Six months ended 31 Dec 2005 Unaudited R'000	Year ended 30 June 2006 Audited R'000
Strategic Real Estate Managers (Pty) Limited			
Expenditure comprising: asset management fee	8 236	6 867	15 238
Relationship: Associated company of the FirstRand Group			
Rand Merchant Bank, a division of FirstRand Bank Limited			
Borrowings	236 125	226 125	226 125
Net finance cost	14 442	11 469	30 359
Relationship: Associated company of the FirstRand Group			
RMB Properties (Pty) Limited			
Expenditure comprising: property management fee and letting commissions	12 370	12 078	23 722
Development consideration – Faerie Glen	16 533	—	18 868
Purchase consideration – Gift Acres	—	—	10 000
– Newlands Terraces	43 750	—	—
– WorldWear	133 090	—	—
Relationship: Associated company of the FirstRand Group			
Momentum Limited			
Property acquisitions	406 400	—	—
Wonderpark	406 400	—	—
WesBank	44 000	—	—
Relationship: Associated company of the FirstRand Group			

The above transactions were carried out on commercial terms and conditions no more favourable than those available in similar arm's length dealings at market-related rates.

Acquisitions

Four of the five properties acquired from RMB Properties and Momentum are now income-producing for Emira, with RTT expected to be completed by mid-April. One additional property in a prime location on Umhlanga Ridge with Discovery Health as the single tenant was acquired for R26,5 million during the period.

Properties transferred to Emira during the six months to December 2006

Property	Sector	Location	GLA (m ²)	Purchase price (R'000)	Forward yield (%)	Effective date	Tenants
WesBank House	Office	Cape Town CBD	9 206	44 000	10,9	13 Oct 2006	Department of Labour, WesBank
Wonderpark Shopping Centre	Retail	Akasia, Pretoria	58 109	406 400	9,0	19 Oct 2006	Pick 'n Pay, Game, Virgin Active

Properties that became income-producing during the six months to December 2006 but are yet to be transferred to Emira

Property
