



**ORION REAL ESTATE LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 1997/021085/06)

Share Code: ORE ISIN: ZAE000201695

("Orion Real Estate Limited or "the Company" or "the Group")

**UNAUDITED RESULTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2018**

**Condensed Consolidated Statement of Financial Position**

as at 31 December 2018

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
		<b>Restated</b>	
<b>Figures in Rand</b>	<b>31-Dec-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>
<b>ASSETS</b>			
Investment property	638 500 000	733 984 000	741 000 000
Property, plant and equipment	4 713 924	5 148 233	4 996 496
Deferred tax asset	-	651 152	-
<b>Total non-current assets</b>	<b>643 213 924</b>	<b>739 783 385</b>	<b>745 996 496</b>
Loans to related parties	264 696	1 906 611	264 696
Loans to shareholders	32 630 383	46 094 154	47 347 803
Consumables	-	94 890	-
Trade and other receivables	19 476 616	19 839 984	18 025 697
Cash and cash equivalents	410 711	890 147	1 861 951
<b>Total current assets</b>	<b>52 782 406</b>	<b>68 825 786</b>	<b>67 500 147</b>
Investment property held for sale	102 500 000	8 400 000	-
<b>Total assets</b>	<b>798 496 330</b>	<b>817 009 171</b>	<b>813 496 643</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital and share premium	114 336 674	114 336 674	114 336 674
Retained earnings	482 430 595	488 732 459	494 152 797
Total equity attributable to owners of the parent	596 767 269	603 069 133	608 489 471
Non-controlling interest	(289 732)	(291 068)	(289 732)
<b>Total equity</b>	<b>596 477 537</b>	<b>601 370 385</b>	<b>608 199 739</b>
Borrowings	11 960 985	127 725 818	11 960 985
Deferred tax liabilities	1 189 515	-	1 189 515
<b>Total non-current liabilities</b>	<b>13 150 500</b>	<b>127 725 818</b>	<b>13 150 500</b>
Current income tax liabilities	13 251 809	12 328 016	14 918 211
Loans from directors	18 508	17 508	18 508
Loans from related parties	-	4 705 029	-
Tenant deposits	6 720 520	7 609 168	6 720 520
Trade and other payables	47 712 743	45 264 337	50 329 487
Borrowings	99 283 511	14 559 450	118 240 470
Bank overdraft	1 498 685	2 021 780	1 919 208
<b>Current liabilities</b>	<b>168 485 776</b>	<b>86 505 288</b>	<b>192 146 404</b>
Borrowings on held for sale properties	20 382 517	-	-
<b>Total liabilities</b>	<b>202 018 793</b>	<b>214 231 106</b>	<b>205 296 904</b>
<b>Total equity and liabilities</b>	<b>798 496 330</b>	<b>817 009 171</b>	<b>813 496 643</b>

## Condensed Consolidated Statement of Comprehensive Income

Figures in Rand	Unaudited 6 months ended 31-Dec-18	Unaudited Restated 6 months ended 31-Dec-17	Audited year ended 30-Jun-18
<b>Revenue</b>	<b>43 053 547</b>	<b>44 848 701</b>	<b>87 982 847</b>
Other income	284 441	108 568	13 997 302
Administration expenses	(15 770 128)	(9 931 661)	(36 725 509)
Property related expenses	(18 020 790)	(20 468 972)	(46 286 125)
Fair value adjustment	-	-	8 707 165
<b>Operating profit before interest</b>	<b>9 547 070</b>	<b>14 556 636</b>	<b>27 675 680</b>
Finance income	1 435 433	3 553 543	6 608 776
Finance costs	(6 937 238)	(8 602 628)	(15 341 374)
<b>Profit before taxation</b>	<b>4 045 265</b>	<b>9 507 551</b>	<b>18 943 082</b>
Taxation	-	-	(4 176 963)
<b>Profit for the period</b>	<b>4 045 265</b>	<b>9 507 551</b>	<b>14 766 119</b>
Profit/(Loss) and total comprehensive income/(loss) for the period attributable to:			
Shareholders	4 045 265	9 507 551	14 764 783
Non-controlling interest	-	-	1 336
<b>Total Comprehensive Income</b>	<b>4 045 265</b>	<b>9 507 551</b>	<b>14 766 119</b>

### Earnings per share

Basic earnings per share (cents)	0.65	1.52	2.35
Diluted earnings per share (cents)	0.65	1.52	2.35
Headline earnings per share (cents)	0.65	1.52	1.48

## Condensed Consolidated Statement of Changes in Equity

for the six months  
ended 31 December  
2018

Figures in Rand	Share capital	Retained earnings	Total	Non- controlling Interest	Total equity
<b>Balance at 30 June 2018 as restated</b>	<b>114 336 674</b>	<b>494 152 797</b>	<b>608 489 471</b>	<b>(289 732)</b>	<b>608 199 739</b>
Total comprehensive income for the period	-	4 045 265	4 045 265	-	4 045 265
Dividend paid	-	(15 767 467)	(15 767 467)	-	(15 767 467)
<b>Balance at 31 December 2018</b>	<b>114 336 674</b>	<b>482 430 595</b>	<b>596 767 269</b>	<b>(289 732)</b>	<b>596 477 537</b>

## Condensed Consolidated Statements of Cash Flows

for the six months ended 31 December 2018

Figures in Rand	Unaudited 6 months ended 31-Dec-18	Unaudited Restated 6 months ended 31-Dec-17	Audited year ended 30-Jun-18
<b>Cash flows from/(to) operating activities</b>	<b>(17 173 696)</b>	<b>7 936 786</b>	<b>17 427 810</b>
Cash generated by operations	5 761 978	13 569 337	27 416 009
Interest received	1 435 433	3 553 543	6 608 776
Dividends paid	(15 767 467)	-	-
Interest paid	(6 937 238)	(8 602 628)	(15 341 374)
Taxation paid	(1 666 402)	(583 466)	(1 255 601)
<b>Cash flows from/(to) investing activities</b>	<b>14 717 421</b>	<b>(8 871 045)</b>	<b>(540 044)</b>
Loans (advanced to)/repaid by related parties	-	(759 416)	882 500
Loan repaid by shareholder	14 717 421	(8 074 417)	(9 327 076)
Proceeds on sale of investment property	-	-	8 250 000
Purchases of property, plant and equipment	-	(37 212)	(345 468)
<b>Cash flows to financing activities</b>	<b>1 425 558</b>	<b>(927 273)</b>	<b>(17 674 924)</b>
Movement in related party loans	-	4 684 933	20 096
Loans (repaid)/raised from directors	-	(1 000)	-
Repayment of long-term interest-bearing borrowings	1 425 558	-	(35 094 451)
Repayment of/(Increase in) short-term interest-bearing borrowings	-	(5 611 206)	17 399 431
<b>Net decrease in cash, cash equivalents and bank overdrafts</b>	<b>(1 030 717)</b>	<b>(1 861 532)</b>	<b>(787 158)</b>
<b>Cash, cash equivalents and bank overdrafts at the beginning of the period</b>	<b>(57 257)</b>	<b>729 900</b>	<b>729 901</b>
<b>Cash, cash equivalents and bank overdrafts at the end of the period</b>	<b>(1 087 974)</b>	<b>(1 131 632)</b>	<b>(57 257)</b>

## Headline earnings reconciliation and distribution information

Basic earnings per share	<u>31 December</u> <u>2018</u>	<u>31 December</u> <u>2017</u>	<u>30 June</u> <u>2018</u>
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Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of shares outstanding during the year.

Headline earnings per share is determined by dividing headline earnings by the weighted average number of shares during the year.

Headline earnings is determined by adjusting basic earnings by excluding separately identifiable re-measurement items. Headline earnings is presented after tax and non-controlling interest.

There are no dilutionary instruments in issue.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Profit for the year attributable to owners of the company	4 045 265	9 507 551	14 764 783
Earnings used in the calculation of basic earnings per share for continuing operations	4 045 265	9 507 551	14 764 783
Weighted average number of shares used to calculate basic earnings per share	627 009 822	627 009 822	627 009 822

**Reconciliation of numerators used for basic and diluted earnings:**

Shares in issue	630 698 688	630 698 688	630 698 688
Number of shares for basic earnings	630 698 688	630 698 688	630 698 688
Less: treasury shares	(3 688 866)	(3 688 866)	(3 688 866)
Number of shares for net asset and diluted earnings per share	<b>627 009 822</b>	<b>627 009 822</b>	<b>627 009 822</b>

**Headline earnings reconciliation:**

Basic earnings/(loss)	4 045 265	9 507 551	14 764 783
Fair value adjustment to investment properties	-	-	(5 614 318)
Write down of investment properties	-	-	-
Net (profit)/loss on disposal of investment properties	-	-	150 000
Headline earnings	<b>4 045 265</b>	<b>9 507 551</b>	<b>9 300 465</b>

**Reconciliation of net asset value:**

Total equity attributable to equity holders of the parent	596 767 269	603 069 133	608 489 471
Total net asset value	<b>596 767 269</b>	<b>603 069 133</b>	<b>608 489 471</b>

**Earnings per share (cents)**

Basic and diluted earnings per share (cents)	0.65	1.52	2.35
Headline earnings per share (cents)			
Diluted headline earnings per share (cents)	0.65	1.52	1.48

**Net asset value per share (cents)**

Net asset value per share at year-end (cents)	95.17	96.18	97.05
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**Segment Report**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the managing director in consultation with the board of directors. The chief operating decision-maker evaluates and report on the Group results on a monthly basis. The group comprises 5 segments being retail, commercial, industrial, residential and hospitality according to the nature of the tenants.

All properties are owned in South Africa and therefore no separate geographical report has been made.

	<b>31-Dec-18</b>	<b>%</b>	<b>31-Dec-17</b>	<b>%</b>
Revenue (excluding recoveries)				
Commercial	12 590 930	39%	11 376 854	38%
Industrial	5 488 354	17%	4 853 407	16%
Retail	12 913 774	40%	12 228 967	42%
Hospitality	968 533	4%	1 228 811	4%
Residential	-	0%	-	0%
	<b>32 284 436</b>	<b>100%</b>	<b>29 688 039</b>	<b>100%</b>

There are no inter-segment revenues for the Group.

	<b>31-Dec-18</b>	<b>%</b>	<b>31-Dec-17</b>	<b>%</b>
Profit before taxation				
Commercial	1 496 748	37%	3 103 379	38%
Industrial	889 958	22%	1 324 169	16%
Retail	1 577 654	39%	3 336 463	42%
Hospitality	80 905	2%	335 260	4%
Residential	-	0%	-	0%
	<b>4 045 265</b>	<b>100%</b>	<b>8 099 271</b>	<b>100%</b>

	<b>31-Dec-18</b>	<b>%</b>	<b>31-Dec-17</b>	<b>%</b>
Property values (including properties held for sale, before adjustment for straight-lining of leases)				
Commercial	300 764 013	41%	348 369 404	47%
Industrial	100 204 846	14%	82 044 512	11%
Retail	209 025 731	28%	205 680 677	28%
Hospitality	121 005 410	16%	96 289 407	14%
Land	10 000 000	1%	-	0%
Residential	-	0%	-	0%
	<b>741 000 000</b>	<b>100%</b>	<b>732 384 000</b>	<b>100%</b>

#### Related parties

##### Ultimate holding company

##### Company

##### Fellow Subsidiaries

##### Fellow Subsidiaries - Dormant

Gmeiner Investment Holdings Proprietary Limited

Orion Real Estate Limited

Orion Property Holding Trust

SBD Investments Proprietary Limited

Ixia Trading 532 Proprietary Limited

GEHS Leasing Company Proprietary Limited

CBB Properties Proprietary Limited

Orion Developments One Proprietary Limited

Orion Developments Two Proprietary Limited

Orion Developments Three Proprietary Limited

Gold Edge III Proprietary Limited

**Entities controlled by Director:**

Orion Security Services Proprietary Limited  
 Orion Creative Business Ideas Pty Ltd t/a Orion  
 Business Solutions  
 Fargoscene Proprietary Limited  
 OFM Property Management Proprietary Limited  
 Orion Hotels & Resorts Proprietary Limited  
 Orion Hotels & Resorts (SA) Proprietary Limited  
 Orion Agri Proprietary Limited  
 Eagle Fleet Solutions Proprietary Limited

**Members of key management:****Board of Directors****Executive**

F Gmeiner  
 D Dabideen (resigned 15 March 2019)  
 AJ Ritzlmayr (appointed 1 April 2019)

**Non****Executive**

AC Gmeiner  
 DK Mthembu  
 R Wilkinson (Chairperson)  
 TFJ Oosthuizen

Related party balances:

	<b>Group</b>		
	<b>31-Dec-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>
<b>Loan accounts – Owing (to) by group companies</b>			
<b>Loan accounts – Owing (to) by related parties</b>	<b>264 696</b>	<b>1 127 100</b>	<b>264 696</b>
OFM Property Management Proprietary Limited	-	-	-
Orion Security Services Proprietary Limited	-	20 764	-
Gmeiner Family Trust	-	-	-
Star Finance Corporation Proprietary Limited	264 696	20 549	264 696
Orion Agri Proprietary Limited	-	1 665	-
Orion Creative Business Ideas Proprietary Limited	-	176 743	-
Eagle Fleet Solutions Proprietary Limited	-	711 946	-
Fargoscene Proprietary Limited	-	(20 096)	-
Orion Hotels & Resorts SA Proprietary Limited	-	215 528	-

<b>Loans to directors</b>	-	<b>(18 508)</b>	<b>(267 782)</b>
F Gmeiner	-	(18 508)	(267 782)
<b>Loans to shareholders</b>	<b>32 630 382</b>	<b>35 204 377</b>	<b>47 347 803</b>
Gmeiner Investment Holding Proprietary Limited	32 630 382	35 204 377	47 347 803
<b>Amounts included in Trade payables</b>	<b>17 537 639</b>	<b>1 997 919</b>	-
<b>Companies with common directors</b>	17 537 639	1 997 919	-
<b>Amounts due from subsidiaries</b>			
<b>Subsidiaries</b>	<b>2 394 802</b>	-	<b>39 158 684</b>
Orion Property Holding Trust	-	-	28 475 301
Ixia Trading 532 Proprietary Limited	2 394 802	-	10 683 383
<b>Related companies</b>	<b>15 142 837</b>	-	-
Orion Security Services Proprietary Limited	139 659	-	-
Orion Hotels & Resorts SA Proprietary Limited	15 003 178	-	-
<b>Amounts included in Trade receivables</b>	<b>15 509 256</b>	<b>23 709 711</b>	<b>15 606 004</b>
<b>Companies with common directors</b>	-	23 709 711	15 605 004
<b>Related companies</b>	<b>15 508 256</b>	-	-
Orion Hotels & Resorts SA Proprietary Limited	15 508 256	-	-
<b>Amounts due from subsidiaries</b>	<b>1 000</b>	-	<b>1 000</b>
Orion Property Holding Trust	1 000	-	1 000

#### **Related party transactions:**

<b>Interest received</b>			
<b>Loans to shareholders</b>	-	-	<b>2 851 554</b>
Gmeiner Investment Holding Proprietary Limited	-	-	2 851 554

#### **COMMENTARY**

##### **1. Basis of preparation**

The condensed consolidated results have been prepared in accordance with the Listings Requirements of the JSE Limited ("Listings Requirements") and the requirements of the Companies Act, 71 of 2008. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the 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 these unaudited results, are in terms of IFRS and are consistent with those applied in the annual financial statements for the year ended 30 June 2018, except for the first-time adoption of IFRS 15 and IFRS 9.

The summarised interim financial statements were prepared by the financial manager Chris Dibb CA (SA). The directors take full responsibility for the preparation of the interim financial statements which have not been audited or reviewed by the Group's auditors.

Post period end, an offer has been accepted on Orion Real Estate Limited House for R97,5m and this property was reclassified to Investment property held for sale.

Any reference to future financial performance included in these results has not been reviewed by or reported on by the Company's auditors.

## **Standards and interpretations effective and adopted in the current financial year**

### IFRS 9 – Financial Instruments

#### Classification

- All financial assets are initially measured at fair value
- Debt instruments are subsequently measured at fair value through profit or loss
- Equity instruments are measured at fair value through profit or loss

#### **Nature of change**

##### **Classification and measurement of financial liabilities**

For liabilities measured at fair value through profit or loss, the change in the fair value of the liability attributable to changes in credit risk is presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss; and all other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9.

##### **Impact on the financial statements**

The Group measures its interest bearing borrowings and derivative liability at fair value through profit or loss and all changes in fair value due to credit risk will therefore be presented in other comprehensive income.

#### **Impairment**

The impairment requirements are based on an expected credit loss (ECL) model. Entities are generally required to recognise 12-month ECL on initial recognition and thereafter, as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL.

##### **Impact on the financial statements**

Impairment requirement might result in earlier recognition of credit losses.

#### **Hedge accounting**

Hedge effectiveness testing is prospective and depending on the hedge complexity, can be qualitative.

A risk component of a financial or non-financial instrument may be designated as the hedge item if the risk component is separately identifiable and reliably measurable.

More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

##### **Impact on the financial statements**

The Group does not apply hedge accounting, therefore no expected effect.

The effective date of this standard is for annual periods beginning on or after 1 January 2018 and the standard has been applied in these interim financial statements.

The amendments have not materially impacted the Group's financial statements as presented.



### **IFRS 15: Revenue from contracts with customers**

New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step five-step methodology that is required to be applied to all contracts with customers which involves identifying the contract, identifying the performance obligations under the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when the entity satisfies a performance obligation.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The effective date of this standard is for annual periods beginning on or after 1 January 2018.

### **Impact on the financial statements**

The amendments have not materially impacted the Group's financial statements as presented.

### **IFRS 16: Leases**

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

IFRS 16 contains expanded disclosure requirements for lessees.

The effective date of this standard is for annual periods beginning on or after 1 January 2019.

### **Impact on the financial statements**

The Group has chosen not to early adopt the standard and interpretations. The impact of this amendment is not expected to be material once effective.

## **2. REIT status**

As at 30 June 2018 Orion Real Estate Limited Real Estate was a JSE-approved Real Estate Investment Trust (REIT) in accordance with the provisions of section 13 of the JSE Listings Requirements and it remained at REIT at the date of the 2018 REIT distribution being 24 November 2018; and the interim financial Statements have been prepared on the basis that the company is a REIT.

## **3. Operating performance**

Orion Real Estate Limited experienced a decrease of 4% in revenue from R44.8 million for the 6 months ended 31 December 2017 to R43 million for the 6 months ended 31 December 2018.

Operating profit declined by 34% for the 6 months ended 31 December 2018 from R14.6 million for the 6 months ended 31 December 2017 to R9.5 million for the 6 months ended 31 December 2018.

Other direct, operating and management costs were a focus area increasing from R30 million for the 6 months ended 31 December 2017 to R33.7 million for the 6 months ended 31 December 2018. This represents an increase of 12.3%.

Headline earnings decreased from a restated 1.52 as at 31 December 2017 to 0.65 cents per share. The net asset value has decreased from 96.18 cents per share for the 6 months ended 31 December 2017 to 95.17 cents per share for the 6 months ended 31 December 2018.

#### **4. Investment property disposed**

During the period under review the Company accepted an offer for the sale of Orion House for R97.5 million. The sale of Orion House was finalised in April 2019. The sale of Orion House has been reclassified to Investment Property held for sale.

#### **5. Subsequent events**

For a full understanding of the history of the events disclosed below, this disclosure should be read in conjunction with the Subsequent Events disclosure in the Group's annual financial statements as at 30 June 2018.

##### **28 January 2019**

The deal on the Promenade falls through and an improved offer is accepted by Orion Real Estate Limited for the amount of R185m subject to conditions precedent.

##### **31 January 2019**

The first of the nine properties is transferred to Orion Real Estate Limited resulting in the issue of 11.8m new shares to minorities (1, 84% of the increased share capital).

##### **3 February 2019**

RSM notify Orion Real Estate Limited that they will not return to complete the audit unless their demand for increased audit fees are paid in full, two of the directors sign personal sureties for the audit fees and a revised letter of appointment be agreed and signed by the audit committee and the Board. Orion Real Estate Limited declines these terms and RSM do not return to the audit.

##### **7 February 2019**

Despite a detailed motivation to retain REIT status, the JSE removed Orion Real Estate Limited's REIT status for failing to submit a required compliance declaration in terms of the JSE Listings Requirements and its failure to meet the minimum spread requirements in terms of S4.28.

##### **12 February 2019**

Orion Real Estate Limited terminates the services of RSM and appoints Nexia SAB&T in its place.

##### **17 February 2019**

Orion Real Estate Limited opposed the liquidation proceedings in the High Court and is currently awaiting an opposed motion date.

##### **26 February 2019**

Orion Real Estate Limited announces the disposal of Orion Real Estate Limited House in Braamfontein for R102.5 million, subject to conditions precedent.

##### **14 May 2019**

As of the date of this report, the company remains suspended on the JSE and it has lost its REIT status.

The production of this annual report removes one of the reportable irregularities lodged with (IRBA); and all related party transactions have now been appropriately approved by company resolutions. The shareholding spread will be remedied by the acquisition of the nine properties, the first of which has transferred on 31 January 2019.

The Investec facility has not been settled and a balance of R118,8m is due as of the last Investec statement received by the company on 31 January 2019.

Orion Real Estate Limited has taken the decision to extinguish the Investec debt in full either through replacement facilities or the disposal of properties or and continues to keep Investec informed.

Following the publication of the interim financial statements, the Company will apply for the lifting of the suspension of trading in the Company's shares by the JSE. Thereafter, Orion Real Estate Limited will take immediate steps to have its REIT status restored.

## **6. Distributions**

The board declared a distribution of 2, 5 cents a share for the year ended 30 June 2018 amounting to R15, 767, 467 (30 June 2017: 0.00 cents), which was paid on 24 December 2018.

## **7. Financial director**

A SENS announcement of 19 March 2019 advised shareholders of the resignation of Mr D Dabideen, effective 15 March 2019. Until a new appointment was made, Mr F Gmeiner, a qualified Chartered Accountant, was acting in this role. On 1 April 2019, Mr Andreas Ritzlmayr was appointed as financial director.

## **8. Going concern**

The assets of the Company fairly valued comfortably exceed its liabilities and it has adequate operational liquidity. The discharge of the Investec loans will be achieved from property sales and the Company is, and will remain, a going concern.

## **9. Future prospects**

The 2018 financial year was a year of consolidation and planning for expansion. Trading conditions were difficult during the year and were reflective of the broader South African economy.

Paying off the Investec loans and regaining the REIT status of the Company are at the centre of focus and management is confident of success on both fronts.

Vacancies and particularly office vacancies are an industry challenge at the moment. Whilst many new and prestigious office developments are evident in all major office nodes in South Africa the landscape is scattered with vacant or partially vacant office buildings. Our office space portfolio is no exception. To this end we have been on a major initiative to correct this;

- Appointment of additional letting executives
- Creation of a BEE structure to secure government leases
- Commissioning architects to design conversions of office space to residential space
- Offering our largest office buildings to the market
- Commissioning architects to design conversion of office space to student accommodation
- Negotiations with BEE companies for the purpose of creating student accommodation
- Converting basement car parking space to storage units (Star Storage)
- Converting some office space to retail space.
- Setting up project team to redesign website, marketing collateral and widen on-line & social media exposure

We continue to evaluate our portfolio and wherever an opportunity exists we will either dispose of or re purpose properties. We have disposed of some properties and in a creative effort to consummate selling transactions we have concluded our first "rent to own" transaction for one of the Selby industrial buildings.

We expect these endeavours to produce positive results in the financial year.

**By order of the board**

**Johannesburg**

17 May 2019

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**Directors:**

RS Wilkinson\* DK Mthembu\*\* AC Gmeiner\* F Gmeiner (CEO)# TFJ Oosthuizen\*\* A Ritzlmayr#

*Independent non-executive\*\* Non-executive\* Executive#*

**Company secretary and  
registered office**

Corporate Governance  
Facilitators CC

**Registered office**

Registered office and business  
address  
16th Floor, Orion Real Estate  
Limited House  
49 Jorissen Street  
Braamfontein  
Johannesburg, 2017

**Transfer office**

Computershare Investor Services  
Proprietary Limited

**Sponsor**

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