



**ORION REAL ESTATE LIMITED**

Approved as a REIT by the JSE  
(Incorporated in the Republic of South Africa)  
(Registration number: 1997/021085/06)  
Share Code: ORE ISIN: ZAE000075651  
("Orion Real Estate" or "the Company")

**CONSOLIDATED RESULTS FOR THE GROUP FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>Figures in Rand</b>	<b>Unaudited 6 months ended 31 December 2017</b>	<b>Unaudited 6 months Ended 31 December 2016</b>	<b>Audited Year end 30 June 2017</b>
<b>ASSETS</b>			
Investment property	733,984,000	802,883,351	733,984,000
Fair value of property portfolio	728,882,366	797,701,052	728,882,366
Straight-line rental income adjustment	5,101,634	5,182,299	5,101,634
Property, plant and equipment	5,148,233	5,707,100	5,466,434
Deferred tax asset	651,152	-	651,151
<b>Total non-current assets</b>	<b>739,783,385</b>	<b>808,590,451</b>	<b>740,101,585</b>
Loans to related parties	1,906,611	18,178,337	1,147,195
Loans to shareholders	44,686,474	-	35,204,377
Stock on hand	94,890	149,488	101,949
Trade and other receivables	19,839,985	58,314,305	29,432,459
Cash and cash equivalents	890,147	21,000	2,729,166
<b>Total current assets</b>	<b>67,418,106</b>	<b>76,663,130</b>	<b>68,615,146</b>
Investment properties held for sale	8,400,000	-	8,400,000
<b>Total assets</b>	<b>815,601,491</b>	<b>885,253,581</b>	<b>817,116,731</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	487,324,779	488,732,918	479,224,908
Total equity attributable to owners of the parent	601,661,453	603,069,592	593,561,582
Non-controlling interest	(291,068)	(283,175)	(291,068)
<b>Total equity</b>	<b>601,370,385</b>	<b>602,786,417</b>	<b>593,270,514</b>
Borrowings	127,725,818	143,099,409	133,337,025
Deferred tax liabilities	-	1,006,350	-
<b>Total non-current liabilities</b>	<b>127,725,818</b>	<b>144,105,759</b>	<b>133,337,025</b>
Current income tax liabilities	12,328,016	8,902,296	12,486,566
Loans from directors	17,508	2,015,561	18,508
Loans from related parties	4,705,029	522,010	20,096
Loans from group companies	-	103	-
Loans from shareholders	-	6,126,864	-
Tenant deposits	7,609,168	6,848,762	6,984,889
Trade and other payables	45,264,337	96,190,017	54,440,417
Borrowings	14,559,450	14,764,174	14,559,450
Bank overdraft	2,021,780	2,991,618	1,999,266
<b>Current liabilities</b>	<b>86,505,287</b>	<b>138,361,405</b>	<b>90,509,192</b>
<b>Total liabilities</b>	<b>214,231,106</b>	<b>282,467,164</b>	<b>223,846,217</b>
<b>Total equity and liabilities</b>	<b>815,601,491</b>	<b>885,253,581</b>	<b>817,116,731</b>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>Figures in Rand</b>	<b>Unaudited 6 months ended 31 December 2017</b>	<b>Unaudited 6 months ended 31 December 2016</b>	<b>Audited Year end 30 June 2017</b>
Revenue	44,848,701	47,679,767	90,311,864
Property revenue	44,848,701	47,679,767	90,379,208
Straight-line rental income accrual	-	-	(67,344)
Other income	108,568	190,248	6,952,559
Other direct property operating costs	(16,265,296)	(27,287,500)	(43,380,174)
Administrative and management expenses	(9,931,661)	(8,988,726)	(26,951,020)
Repairs and maintenance	(4,203,676)	(1,174,137)	(8,135,014)
Fair value adjustment	-	-	19,626,092
Gross change in fair value of investment property	-	-	19,558,748
Straight-line lease adjustment	-	-	67,344
Loss of control of subsidiary	-	-	(30,424,170)
<b>Operating profit before interest</b>	<b>14,556,636</b>	<b>10,419,652</b>	<b>8,000,137</b>
Finance income	2,145,863	5,520,421	7,082,805
Finance costs	(8,602,628)	(12,454,525)	(19,014,512)
<b>Profit / (Loss) before taxation</b>	<b>8,099,871</b>	<b>3,485,548</b>	<b>(3,931,570)</b>
Taxation	-	(837,416)	(3,146,407)
<b>Profit / (Loss) after taxation</b>	<b>8,099,871</b>	<b>2,648,132</b>	<b>(7,077,977)</b>
<b>Total comprehensive income /(loss) for the year</b>	<b>8,099,871</b>	<b>2,648,132</b>	<b>(7,077,977)</b>
Owners of the parent	8,099,871	2,648,132	(7,074,340)
Non-controlling interest	-	-	(3,637)
	<b>8,099,871</b>	<b>2,648,132</b>	<b>(7,077,977)</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)	1.29	0.42	(1.13)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>Figures in Rand</b>	<b>Unaudited 6 months ended 31 December 2017</b>	<b>Unaudited 6 months ended 31 December 2016</b>	<b>Audited Year end 30 June 2017</b>
<b>Cash inflow from operating activities</b>	<b>9,344,446</b>	<b>(19,000,475)</b>	<b>12,208,624</b>
Cash generated by operations	16,384,697	8,672,029	45,369,628
Interest received	2,145,863	5,520,421	7,082,805
Interest paid	(8,602,628)	(12,454,525)	(19,014,512)
Taxation paid	(583,466)	(360,581)	(1,061,684)
Dividends paid	-	(20,377,819)	(20,167,613)
<b>Cash outflows from investing activities</b>	<b>(10,278,725)</b>	<b>19,998,201</b>	<b>(703,191)</b>
Loans repaid / (advanced) by related parties	(759,416)	5,906,427	11,124,715
Loans repaid / (advanced) to shareholder	(9,482,097)	10,147,464	(25,056,913)
Proceeds on sale of investment property	-	4,500,000	14,000,000
Purchases of property, plant and equipment	(37,212)	(555,690)	(797,993)
<b>Cash (outflows) / inflow from financing activities</b>	<b>(927,273)</b>	<b>(5,936,333)</b>	<b>(18,402,409)</b>
Loans (repaid) / raised from related parties	4,684,933	500,746	(1,168)
Loans (repaid) / raised from directors (Repayment of) / Increase in interest bearing borrowings	(1,000)	1,612,032	(385,021)
	(5,611,206)	(8,049,112)	(18,016,220)
Net increase in cash, cash equivalents and bank overdrafts	(1,861,533)	(4,938,608)	(6,923,976)
Cash, cash equivalents and bank overdrafts at the beginning of the year	729,900	7,653,876	7,653,876
Cash, cash equivalents and bank overdrafts at the end of the year	(1,131,632)	2,715,268	729,900

## CONDENSED STATEMENTS OF CHANGES IN EQUITY

Figures in Rands	Share Capital	Retained Earnings	Total	Non-controlling Interest	Total equity
<b>Balance at 30 June 2016</b>	<b>114,336,674</b>	<b>506,466,861</b>	<b>620,803,535</b>	<b>(287,431)</b>	<b>620,516,104</b>
Total comprehensive loss for the year	-	(7,074,340)	(7,074,340)	(3,637)	(7,077,977)
Dividends paid	-	(20,167,613)	(20,167,613)	-	(20,167,613)
<b>Balance at 30 June 2017</b>	<b>114,336,674</b>	<b>479,224,908</b>	<b>593,561,582</b>	<b>(291,068)</b>	<b>593,270,514</b>
Total comprehensive income for the year	-	8,099,871	8,099,871	-	8,099,871
<b>Balance at 31 December 2017</b>	<b>114,336,674</b>	<b>487,324,779</b>	<b>601,661,453</b>	<b>(291,068)</b>	<b>601,370,385</b>

## CALCULATION OF HEADLINE EARNINGS AND DISTRIBUTABLE EARNINGS

Figures in Rand	Unaudited 6 months ended 31 December 2017	Unaudited 6 months Ended 31 December 2016	Audited Year end 30 June 2017
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	627,009,822	627,009,822	627,009,822
Number of shares for diluted earnings per share	627,009,822	627,009,822	627,009,822
Weighted average number of shares in issue	627,009,822	627,009,822	627,009,822
<b>Headline earnings reconciliation:</b>			
Basic earnings / (loss)	8,099,871	2,648,132	(7,074,340)
Fair value adjustment to investment properties	-	-	(19,558,748)
Loss of control of subsidiary	-	-	30,424,170
Net profit on disposal of investment properties	-	-	(500,000)
Headline earnings	8,099,871	2,648,132	3,291,082
<b>Reconciliation of net asset value:</b>			
Total equity attributable to equity holders of the parent	601,661,453	603,069,592	593,561,582
Total net asset value	601,661,453	603,069,592	593,561,582
<b>Earnings per share (cents)</b>			
Basic and diluted earnings / (loss) per share	1.29	0.42	(1.13)
<b>Headline earnings per share (cents)</b>			
Headline and diluted headline earnings per share	1.29	0.42	0.52
<b>Net asset value per share</b>			
Net asset value per share at year-end (cents)	95.96	96.18	94.67

## SEGMENT REPORT

	31 December 2017		31 December 2016	
	R	%	R	%
Revenue (excluding recoveries)				
Commercial	11,376,854	38	13,542,341	38
Industrial	4,853,407	16	4,202,728	12
Retail	12,228,967	42	16,185,160	45
Hospitality	1,228,811	4	1,348,968	4
Residential	-	-	243,671	1
	<b>29,688,039</b>	<b>100</b>	<b>35,522,868</b>	<b>100</b>

The Group does not have any inter-segment revenue.

### Profit before taxation

Commercial	3,103,979	38	1,669,577	48
Industrial	1,324,169	16	599,514	17
Retail	3,336,463	42	742,422	21
Hospitality	335,260	4	456,607	13
Residential	-	-	20,913	1
	<b>8,099,871</b>	<b>100</b>	<b>3,489,033</b>	<b>100</b>

### Property values (including properties held for sale, before adjustment for straight-lining of leases)

Commercial	348,369,404	47	417,343,659	52
Industrial	82,044,512	11	82,229,907	10
Retail	205,680,677	28	158,183,376	19
Hospitality	96,289,407	13	90,876,169	11
Residential	-	-	4,350,240	1
Land	10,000,000	1	53,400,000	7
	<b>742,384,000</b>	<b>100</b>	<b>806,383,351</b>	<b>100</b>

### Borrowings (excluding instalment sales and loans)

Commercial	59,985,012	43	126,319,879	80
Industrial	21,501,595	15	22,285,317	14
Retail	34,996,839	25	6,530,380	4
Hospitality	24,628,049	17	2,606,293	2
	<b>141,111,494</b>	<b>100</b>	<b>157,741,869</b>	<b>100</b>

### Rating of tenants (rental income)

Commercial	A	2,832,929	10	A	3,868,362	11
	B	475,546	2	B	321,714	1
	C	8,068,379	27	C	9,352,265	26
Industrial	A	390,670	1	A	-	-
	B	2,118,630	7	B	2,150,953	6
	C	2,344,107	8	C	2,051,775	6
Retail	A	5,454,384	18	A	5,774,914	16
	B	1,131,541	4	B	552,056	2
	C	5,643,041	19	C	9,858,190	27
Hospitality	B	1,228,811	4	B	1,348,968	4
Residential	C	-	-	C	243,671	1
		<b>29,688,038</b>	<b>100</b>		<b>35,522,868</b>	<b>100</b>

A: Represents major listed companies

B: Represents smaller listed companies and big unlisted companies

C: Represents smaller unlisted companies and private businesses

## **1. Commentary**

The Group revenue reduced from R47.7 million in December 2016 to R44.8 million in December 2017.

This is as a result of the liquidation of the Erf 195 Elma Park building as previously announced as well as the sale of 67 Seventh Street Linden building.

Other direct, operating and management costs reduced from R36.3 million to R26.2 million. This represents a reduction of 27.8%. The majority of the reduction in the Other direct, operating and management costs is as a result of a reduction in utilities of R4.6 million where previously logged disputes with council have resulted in some credit notes being passed while other disputes remain pending. Further to this there was a reduction in levies of R3.7 million.

Repairs and Maintenance increased from R1.2 million to R4.2 million. This is due to a drive to improve the state of buildings within the property portfolio.

The reduction in the finance income relates to a reduction in the balance of long outstanding debtors.

The reduction in the finance cost is as a result of a number of the bonds maturing to a level such that the repayments now consist of a higher capital portion as opposed to interest, as well as a reduction in the interest rate of 0.25% at the beginning of the current period.

The operating profit improved by 132.4% from R3.5 million to R8.1 million. The total comprehensive income for the period improved from R2.6 million in December 2016 to R8.1 million in December 2017 constituting an improvement of 205.9%.

## **2 Basis of preparation**

The condensed unaudited consolidated results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards, containing information required by the IAS 34 Interim Financial Reporting, the AC 500 standards as issued by the Accounting Practices Board and in the manner required by the Companies Act and the JSE Listing Requirements. The accounting policies applied, are consistent with those applied in the annual financial statements for the year ended 30 June 2017.

These results were prepared by D. Dabideen BCom (Hons) Accounting.

## **3. Investment property disposed**

There was a disposal of a building owned by Orion Property Holding Trust for the value of R8.25 million.

## **4. Related party transactions**

Related party transactions similar to those disclosed in the Group's annual financial statements for the year ended 30 June 2017 took place during the financial year and separate disclosure thereof is not considered material to the interpretation of these results.

## 5. Subsequent events

There has been an acquisition of eight properties as detailed in two SENS announcements dated the 20 March 2018 with reference numbers ORE 201803200004A and ORE 201803200003A.

Shareholders are asked to please refer to these SENS announcements for the details of the acquisitions made and to take note that these acquisitions are subject to conditions as stipulated in the SENS announcements.

## 6. Dividends

No dividends have been declared for the six months ended 31 December 2017.

## 7. Future prospects

While trading conditions remained tight during the reporting period, the future prospects has improved due to the benefit of cost savings and tighter controls coming through as well as the probable acquisition of ten properties subsequent to year end which will result in an improved revenue going forward.

Orion Real Estate is a JSE main board listed Real Estate Investment Trust (REIT) listed under the diversified

REIT's sector. Its primary focus is on long-term investment in quality, rental generating properties situated in strategic nodes.

### **By Order of the Board 27 March 2018**

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#### **Directors**

RS Wilkinson\*, MDK Mthembu\*, AC Gmeiner+, F Gmeiner (MD)~, D Dabideen (Financial Director)~

\*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 House

49 Jorissen Street

Braamfontein

Johannesburg, 2017

#### **Sponsor**

Arbor Capital Sponsors Proprietary Limited

#### **Transfer office**

Computershare Investor Services Proprietary Limited