



# NEW AFRICAN PROPERTIES

## NEW AFRICAN PROPERTIES LTD AND ITS SUBSIDIARY

"the Group" or "New African Properties" or "NAP"

Incorporated in the Republic of Botswana, Company No. Co 2008/545

BSE share code: NAP

ISIN code: BW 000 000 1049

www.newafricanproperties.co.bw

# AUDITED ABRIDGED FINANCIAL RESULTS

For the year ended 31 July 2019

## ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019 P000's	2018 P000's
<b>Revenue</b>	<b>202 013</b>	189 266
Contractual rental and recoveries	196 759	188 030
Rental straight line adjustment	5 254	1 236
Other income	2 167	2 282
Operating expenses	(44 557)	(44 169)
<b>Operating profit</b>	<b>159 623</b>	147 379
Net finance income	5 282	5 225
Finance income	6 309	6 430
Finance expense	(1 027)	(1 205)
Net income from operations	164 905	152 604
Investment property fair value adjustment	39 582	71 936
At fair value	44 836	73 172
Rental straight line adjustment	(5 254)	(1 236)
Financial asset fair value adjustment	(909)	1 146
Amortisation of intangible asset	(881)	(881)
Share of associate's profit	6 324	8 923
<b>Profit before taxation</b>	<b>209 021</b>	233 728
Taxation	(10 291)	(16 456)
<b>Profit for the year</b>	<b>198 730</b>	217 272
Other comprehensive income		
Currency translation difference	(1 321)	(96)
<b>Total comprehensive income</b>	<b>197 409</b>	217 176
<b>Linked units in issue</b>	<b>604 397 124</b>	604 397 124
<b>Earnings per linked unit (thebe)*</b>	<b>32.88</b>	35.95
<b>Distribution per linked unit (thebe)</b>	<b>25.80</b>	24.53

\* Earnings per linked unit is equivalent to headline earnings per linked unit and diluted earnings per linked unit

## ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019 P000's	2018 P000's
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment property	1 469 317	1 430 853
At valuation	1 503 037	1 459 348
Rental straight line adjustment	(33 720)	(28 495)
Investment in associate	45 794	39 470
Financial asset receivable	24 727	25 636
Intangible asset	6 026	6 907
Rental straight line adjustment	27 395	22 481
	1 573 259	1 525 347
<b>Current assets</b>		
Trade and other receivables	99 943	101 582
Rental straight line adjustment - current portion	6 325	6 014
Tax receivable	1 762	1 463
Cash and cash equivalents	43 298	39 561
	151 328	148 620
<b>TOTAL ASSETS</b>	<b>1 724 587</b>	1 673 967
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>1 442 387</b>	1 400 912
<b>Non-current liabilities</b>		
Borrowings	15 487	18 735
Deferred taxation liabilities	162 860	156 296
	178 347	175 031
<b>Current liabilities</b>		
Trade and other payables	20 400	20 316
Distributions payable to unitholders	80 247	74 335
Borrowings - current portion	3 206	3 110
Taxation payable	-	263
	103 853	98 024
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 724 587</b>	1 673 967

## ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital P000's	Debentures P000's	Total linked units P000's	Foreign currency translation reserve P000's	Non distributable retained income P000's	Distributable retained income P000's	Total P000's
<b>Balance at 31 July 2017</b>	8 719	863 105	871 824	(10 766)	468 991	1 946	1 331 995
<b>Transactions with owners</b>	-	-	-	-	-	(148 259)	(148 259)
Distributions declared	-	-	-	-	-	(148 259)	(148 259)
<b>Total comprehensive income</b>	-	-	-	(96)	69 438	147 834	217 176
Profit for the year	-	-	-	-	-	217 272	217 272
Transfer of non-distributable amounts net of related taxes	-	-	-	-	69 438	(69 438)	-
Other comprehensive income	-	-	-	(96)	-	-	(96)
<b>Balance at 31 July 2018</b>	8 719	863 105	871 824	(10 862)	538 429	1 521	1 400 912
<b>Transactions with owners</b>	-	-	-	-	-	(155 934)	(155 934)
Distributions declared	-	-	-	-	-	(155 934)	(155 934)
<b>Total comprehensive income</b>	-	-	-	(1 321)	42 690	156 040	197 409
Profit for the year	-	-	-	-	-	198 730	198 730
Transfer of non-distributable amounts net of related taxes	-	-	-	-	42 690	(42 690)	-
Other comprehensive income	-	-	-	(1 321)	-	-	(1 321)
<b>Balance at 31 July 2019</b>	<b>8 719</b>	<b>863 105</b>	<b>871 824</b>	<b>(12 183)</b>	<b>581 119</b>	<b>1 627</b>	<b>1 442 387</b>

## ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 P000's	2018 P000's
<b>Net cash flows from operating activities</b>	<b>5 063</b>	5 216
Cash generated from operations	153 986	147 043
Net finance income	5 282	5 225
Distributions paid to linked unitholders	(150 022)	(143 314)
Taxation paid	(4 183)	(3 738)
<b>Net cash flows from investing activities</b>	<b>1 826</b>	(5 844)
Net investment in property	(239)	(1 703)
Withdrawal from / (deposit in) related party receivable	2 065	(4 141)
<b>Net cash flows from financing activities</b>	<b>(3 152)</b>	(3 738)
<b>Net change in cash and cash equivalents</b>	<b>3 737</b>	(3 609)
Cash and cash at beginning of the year	39 561	43 170
<b>Cash and cash equivalents at end of year</b>	<b>43 298</b>	39 561

## NOTES

- A. The abridged financial results have been extracted from the audited annual financial statements, which have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the measurement of investment properties and certain financial assets at fair value. This extract has not been reviewed by the auditors. The accounting policies followed in preparation of the annual financial statements are consistent with those applied in the prior year with the exception of the adjustments required as a result of the adoption of IFRS 9 (financial instruments) and IFRS 15 (Revenue recognition), neither of which has resulted in any restatement of previous results.
- B. The Company's auditors, PricewaterhouseCoopers, have issued an unqualified audit opinion of the annual financial statements on which these abridged annual financial results are based. A copy of their opinion and the full set of annual financial statements are available for inspection at the registered office of the Company. The Annual Report will be available on the Company's website and hard copies thereof will be mailed to unitholders by end of November 2019. Any investment decisions by investors and/or unitholders should be based on consideration of this complete set of consolidated financial statements.
- C. The Group's business activities are concentrated in the retail property rental segment and are primarily carried out within Botswana.

## NOTES (continued)

D. Distribution attributable to linked unitholders is reconciled to comprehensive income as follows:

	2019		2018	
	P000's	tpu	P000's	tpu
Total comprehensive income	197 409	32.66	217 176	35.93
Add back/(deduct):				
Foreign currency translation difference	1 321	0.22	96	0.02
Net profit	198 730	32.88	217 272	35.95
Adjust for non-distributable items:				
Fair value adjustments net of tax	(35 205)	(5.82)	(62 895)	(10.41)
Amortisation adjustments	881	0.14	881	0.14
Share of associate's profit net of tax	(5 850)	(0.97)	(8 255)	(1.37)
Rental straight line adjustment net of tax	(4 062)	(0.67)	(951)	(0.15)
Other non-distributable tax charges	1 546	0.26	1 782	0.30
Distributable income	156 040	25.82	147 834	24.46
Retained income utilised	-	-	466	0.08
Available for distribution	156 040	25.82	148 300	24.54
Distributions	(155 934)	(25.80)	(148 259)	(24.53)
	106	0.02	41	0.01

## COMMENTARY

### RESULTS

Total distributions for the year amount to 25.80 thebe per linked unit (P155.9 million), 5.2% higher than the comparative 24.53 thebe (P148.3 million). As reported last year, the impact of prior period income included in the first half of the 2018 financial year increased the comparable distributable income by P1.5 million and adjusting for this the annual increase in distributions would have been 6.3%.

The final distribution of 13.24 thebe per linked unit, based on the forecast distributable income of P156.0 million, was declared on 25th July and paid on 30th August and amounted to a 7.8% increase on the prior year's 12.28 thebe.

Net rental income has increased by 5.2% for the year, which would have been 6.2% without the P1.5 million prior period income included in the comparative. Property costs excluding tenant installations and letting commissions, which are expensed as incurred, increased by 4.6%. Other contributors to distributable income include portfolio costs which remained flat and net investment income and tax which both increased marginally.

## COMMENTARY (continued)

### RESULTS (continued)

Profit for the year amounts to P198.7 million (2018: P217.3 million) and exceeds the distributable income by P42.7 million (2018: P69.4 million) as a result of after-tax revaluation and other accounting adjustments that are non-cash flow items and do not impact distributions but add to the underlying net asset value of NAP. The actual value of investment property has increased by 3.0% this year but the relative increase in valuations in the current year is lower than last year which has resulted in a decrease in profit.

### PROPERTY PORTFOLIO

There has been no change to the portfolio during the year which comprises predominantly Botswana based retail properties, weighted towards Gaborone but with a wide geographical footprint, as well as some exposure to Namibian retail properties. The quality and diversity of the tenant base is a key consideration and contributor to NAP's performance. At year end 96.6% (2018: 96.2%) of the gross lettable area was let in terms of 478 leases (2018: 474) with 58% (55%) of rentals flowing from listed and multinational companies.

As reported in the interim announcement, two vacancies arose in the upper level at Riverwalk in the second half of the year which had an adverse impact for the second half and will impact the new financial year. This space has not yet been relet but Management is in discussions with prospective tenants.

The performance of properties in Selebi Phikwe (2.4% of total property value and 2.7% of rental income) has marginally exceeded expectations with vacancies decreasing from 2 094 m<sup>2</sup> to 1 785 m<sup>2</sup> during the year, albeit at reduced rentals, accounting for 41% of total vacancies in the portfolio at year end. The lease expiry profile of existing leases in this area is 26%, 49%, 23% respectively in each of the next 3 years and 2% in the 2024 financial year with the tenant composition being 52% listed and multi-nationals, 3% nationals, 13% government and the remaining 32% smaller tenants.

Substantially all of the leases expiring during the year were either renegotiated or re-let. The renegotiations in Selebi Phikwe, an industrial property in Francistown and for certain smaller tenants in Kagiso reduced the average increases achieved across the remainder of the portfolio which achieved escalations in line with the portfolio rental growth for the year.

Net unprovided tenant arrears amount to P0.8 million (2018: P0.3 million), with an impairment charge of P0.2 million (2018: P0.4 million) after applying the new requirements in terms of IFRS 9. The change from IAS 39 to IFRS 9 did not result in any restatement to opening retained income.

The properties were valued by Curtis Matobolo of Knight Frank at P1.71 billion at year end (2018: P1.64 billion). The weighted average capitalisation rates applied by the external valuer increased to 9.01% from 8.93% in 2018, predominantly attributable to a marginal increase in the long bond rates in Botswana.

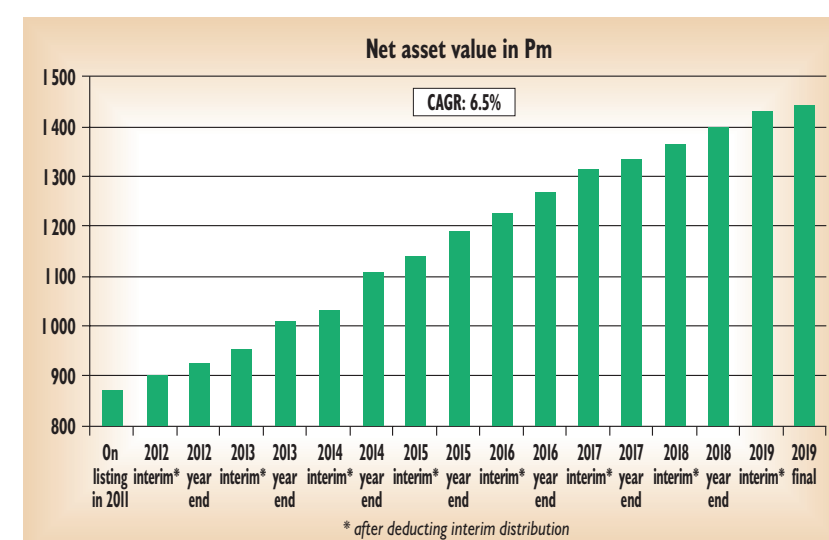
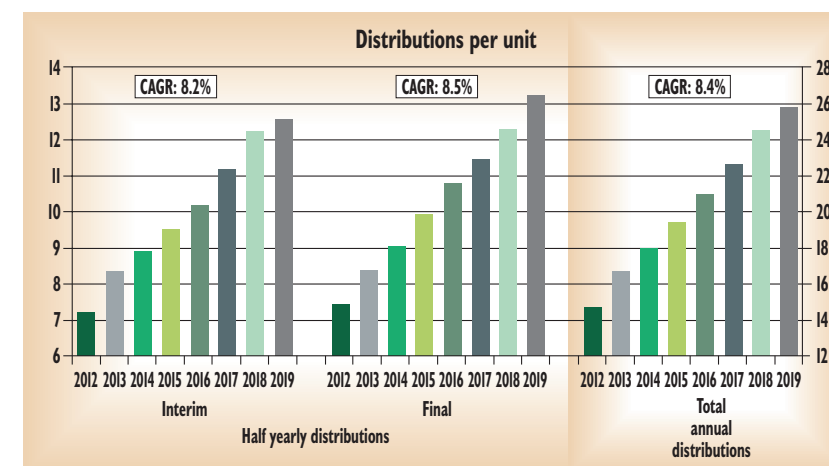
The carrying value of investment property of P1.47 billion (2018: P1.43 billion) is lower as a result of assets reflected elsewhere in the statement of financial position and an adjustment for the nature of title in one of the properties. The revaluation of investment property, net of P0.2 million capital improvements and the impact of exchange rate movements, resulted in fair value gains of P44.8 million (2018: P73.2 million) and a 3.0% increase in carrying values before rent straight lining adjustments.

### INCOME TAX AMENDMENT ACT 2018

On the 7th December 2018, The Income Tax (Amendment) Act No. 38 of 2018 (the 2018 Amendment) was passed which repealed section 41(1)(k) and replaced it with section 41A. These sections limit the deduction of interest for income tax purposes, however section 41(1)(k) provided an exception for VRLS companies such as NAP while section 41A did not. The commencement date for 2018 Amendment is 1st July 2019. NAP initiated engagement with the relevant stakeholders to investigate avenues for reinstating the VRLS exemption and on 8th August 2019 The Income Tax (Amendment) Act No. 18 of 2019 (the 2019 Amendment) was promulgated, inter alia reinstating the VRLS exemption. The 2019 Amendment was however silent with regards to the commencement date. The Ministry of Finance and Economic Development has confirmed that the 2019 Amendment will be effective from 1st July 2019 and that the Attorney General's Chambers has been requested to draft the Commencement Order for publication in the Government Gazette.

### PERFORMANCE TRENDS

NAP's performance since listing has provided a consistent growth in distributions to unitholders and the Group's net asset value, with compound annual growth rates of 8.4% and 6.5% respectively. This is underpinned by a strong diversified tenant base occupying retail properties throughout Botswana.



CAGR = compound annual growth rate

Unitholders who held their units for the whole year enjoyed a total return of 9.0% and unitholders who have been invested since listing earned a compounded annual return of 11.8%. The current year's return is almost exclusively made up from the distributions paid as the unit price only increased by 3 thebe from P3.21 to P3.24.

While the vacancies in the upper level at Riverwalk together with any potential adverse changes in Selebi Phikwe will impact the performance in the year ahead, the Board remains confident of achieving real distribution growth to unitholders.

For New African Properties Limited

J.T. Mynhardt  
Chairman

28 October 2019

T.L.J. Mynhardt  
Managing Director

### Transfer Secretaries

Grant Thornton Business Services (Pty) Ltd  
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### Company Secretary

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**Directors:** J.T. Mynhardt (Chairman), T.L.J. Mynhardt (Managing Director),  
F.B. Lebala, J.P. McLoughlin# (Lead Independent Director),  
L.C. Tapping# (Financial Director), S. Venkatakrishnan\*  
# South African, \* Indian