



NEW AFRICAN PROPERTIES

UNAUDITED INTERIM FINANCIAL RESULTS

For the 6 months ended 31 January 2019

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

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31.01.2019 P000's	Unaudited 6 months to 31.01.2018 P000's	Audited 12 months to 31.07.2018 P000's
Revenue	100 427	94 386	189 266
Contractual rental and recoveries	97 356	93 996	188 030
Rent straight line adjustment	3 071	390	1 236
Other income	1 053	1 286	2 282
Property costs	(16 899)	(15 120)	(31 882)
Net rental income	84 581	80 552	159 666
Other expenses	(6 041)	(6 389)	(12 287)
Operating profit	78 540	74 163	147 379
Net finance income	2 264	2 123	5 225
Finance income	2 803	2 764	6 430
Finance expense	(539)	(641)	(1 205)
Net income from operations	80 804	76 286	152 604
Investment property fair value adjustment	31 771	33 990	71 936
At fair value	34 842	34 380	73 172
Rent straight line adjustment	(3 071)	(390)	(1 236)
Financial asset fair value adjustment	(1 492)	310	1 146
Amortisation of intangible asset	(441)	(441)	(881)
Share of associate's profit	3 293	3 068	8 923
Profit before taxation	113 935	113 213	233 728
Taxation	(8 142)	(9 094)	(16 456)
Profit after taxation	105 793	104 119	217 272
Other comprehensive income			
Currency translation differences	(293)	1 293	(96)
Total comprehensive income	105 500	105 412	217 176
Linked units in issue	604 397 124	604 397 124	604 397 124
Earnings per linked unit (thebe)*	17.50	17.23	35.95
Distribution per linked unit (thebe)			
Interest	11.58	11.18	22.39
Dividend	0.98	1.07	2.14
Total	12.56	12.25	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

	Unaudited 31.01.2019 P000's	Unaudited 31.01.2018 P000's	Audited 31.07.2018 P000's
ASSETS			
Non-current assets			
Investment property	1 462 554	1 394 401	1 430 853
At fair value	1 494 112	1 422 068	1 459 348
Less: Rent straight line adjustment	(31 558)	(27 667)	(28 495)
Investment in associate	42 763	33 615	39 470
Financial asset receivable	24 144	24 800	25 636
Intangible asset	6 466	7 347	6 907
Rent straight line adjustment	25 201	21 233	22 481
	1 561 128	1 481 396	1 525 347
Current assets			
Trade and other receivables	102 444	103 802	101 582
Rent straight line adjustment - current portion	6 357	6 434	6 014
Tax receivable	1 583	1 272	1 463
Cash and cash equivalents	40 747	38 369	39 561
	151 131	149 877	148 620
TOTAL ASSETS	1 712 259	1 631 273	1 673 967
EQUITY AND LIABILITIES			
Capital and reserves	1 506 412	1 437 407	1 400 912
Non-current liabilities			
Borrowings	17 061	20 293	18 735
Deferred taxation liabilities	162 618	150 779	156 296
	179 679	171 072	175 031
Current liabilities			
Trade and other payables	22 297	19 249	20 316
Borrowings - current portion	3 232	3 075	3 110
Distributions payable to unitholders	147	128	74 335
Taxation payable	492	342	263
	26 168	22 794	98 024
TOTAL EQUITY AND LIABILITIES	1 712 259	1 631 273	1 673 967

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share 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
Unaudited 6 months to 31 January 2018							
Balance at 31 July 2017	8 719	863 105	871 824	(10 766)	468 991	1 946	1 331 995
Transactions with owners							
Distributions proposed	-	-	-	-	-	(74 039)	(74 039)
Distributions not yet declared	-	-	-	-	-	74 039	74 039
Total comprehensive income				1 293	30 050	74 069	105 412
Profit for six months	-	-	-	-	-	104 119	104 119
Transfer of non-distributable amounts net of related taxes	-	-	-	-	30 050	(30 050)	-
Other comprehensive income	-	-	-	1 293	-	-	1 293
Balance at 31 January 2018	8 719	863 105	871 824	(9 473)	499 041	76 015	1 437 407
Audited 12 months to 31 July 2018							
Balance at 31 July 2017	8 719	863 105	871 824	(10 766)	468 991	1 946	1 331 995
Transactions with owners							
Distributions declared	-	-	-	-	-	(148 259)	(148 259)
Total comprehensive income				(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)
Balance at 31 July 2018	8 719	863 105	871 824	(10 862)	538 429	1 521	1 400 912
Unaudited 6 months to 31 January 2019							
Balance at 31 July 2018	8 719	863 105	871 824	(10 862)	538 429	1 521	1 400 912
Transactions with owners							
Distributions proposed	-	-	-	-	-	(75 912)	(75 912)
Distributions not yet declared	-	-	-	-	-	75 912	75 912
Total comprehensive income				(293)	29 881	75 912	105 500
Profit for six months	-	-	-	-	-	105 793	105 793
Transfer of non-distributable amounts net of related taxes	-	-	-	-	29 881	(29 881)	-
Other comprehensive income	-	-	-	(293)	-	-	(293)
Balance at 31 January 2019	8 719	863 105	871 824	(11 155)	568 310	77 433	1 506 412

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 31.01.2019 P000's	Unaudited 6 months to 31.01.2018 P000's	Audited 12 months to 31.07.2018 P000's
Net cash from operating activities	2 710	2 707	5 216
Cash generated from operations	76 316	71 586	147 043
Net finance income	2 264	2 123	5 225
Distributions paid to linked unitholders	(74 188)	(69 262)	(143 314)
Taxation paid	(1 682)	(1 740)	(3 738)
Net cash from investing activities	28	(6 050)	(5 844)
Net investment in property	(239)	(1 718)	(1 703)
Deposit in related party receivable	267	(4 332)	(4 141)
Net cash from financing activities	(1 552)	(1 458)	(2 981)
Net change in cash and cash equivalents	1 186	(4 801)	(3 609)
Cash and cash equivalents at beginning of the year	39 561	43 170	43 170
Cash and cash equivalents at end of period	40 747	38 369	39 561

NOTES

- The accounting policies are consistent with those used in the previous financial year.
- The Group's business activities are concentrated in the retail property rental segment and are primarily carried out within Botswana.
- Distribution attributable to linked unitholders is reconciled to comprehensive income as indicated in the table on the right:

COMMENTARY

RESULTS

Distributable income for the 6 months amounts to P75.9 million or 12.56 thebe per linked unit. 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. Adjusting for this P1.5 million the increase in distributable income is 4.6%. This growth is attributable to a 5.3% increase in revenue, 3.6% increase in net rental income and 4.4% increase in operating profit, all excluding rent straight-lining adjustments and the P1.5 million adjustment last year.

	Unaudited 6 months to 31.01.2019 P000's	Unaudited 6 months to 31.01.2018 P000's	Audited 12 months to 31.07.2018 P000's
Total comprehensive income	105 500	105 412	217 176
Add/(Deduct): Foreign currency translation difference	293	(1 293)	96
Net profit	105 793	104 119	217 272
Adjust for non-distributable items:			
Fair value adjustments net of tax	(25 664)	(28 437)	(62 895)
Amortisation adjustments	441	441	881
Share of associate's profit net of tax	(3 047)	(2 838)	(8 255)
Rent straight line adjustment net of tax	(2 371)	(298)	(951)
Other non-distributable tax charges	760	1 082	1 782
Distributable income	75 912	74 069	147 834
Retained income utilised	-	-	466
Available for distribution	75 912	74 069	148 300
Distributions	(75 912)	(74 039)	(148 259)
Net income retained	-	30	41

COMMENTARY (continued)

RESULTS (continued)

Comparable revenue growth for the period at 5.3% was lower than historical levels for the period in view of a decline in rentals in Selebi Phikwe and the ex KFC space in Broadhurst, following the liquidators decision to close the store, as well as certain vacancies during the period. Property expenses increased by 11.7% with the main contributors to the relatively high increase being letting commissions and utility costs. Letting commissions are expensed as incurred and are therefore impacted by the timing of the conclusion of leases. Utility costs include one-off historic municipal back charges of P0.5 million on two properties, while electricity tariffs increased by 10%.

Profit for the period of P105.8 million is marginally up on the comparative P104.1 million and is P29.9 million higher than net distributable income. This P29.9 million comprises the after-tax revaluation and other accounting adjustments that do not impact distributions and are non-cash items.

PROPERTY PORTFOLIO

The portfolio comprises predominantly Botswana retail assets with a wide geographical footprint and a weighting to Gaborone and has remained unchanged during the period.

The directors valued the portfolio at 31 January 2019 at P1.5 billion which results in a P34.8 million fair value gain for the period before rent straight lining adjustments.

Vacancies have improved during the period to 3.1% of gross lettable area from the prior year ends 3.8%, with 50% being attributable to Selebi Phikwe. Subsequent to the reporting period two unexpected vacancies have arisen in the upper level of Riverwalk and will adversely impact the rental income for the second half.

Net impairment provisions on tenant arrears resulting in a P0.3 million charge to distributable income for the period with net tenant arrears amounted to P0.6 million at 31 January.

INCOME TAX AMENDMENT ACT 2018

Unitholders are advised that, as a result of the Income Tax Amendment Act promulgated in late December 2018, the extent to which Variable Rate Loan Stock ("VRLS") Companies are able to treat debenture interest declared to unitholders as a deduction in determining taxable income will be limited.

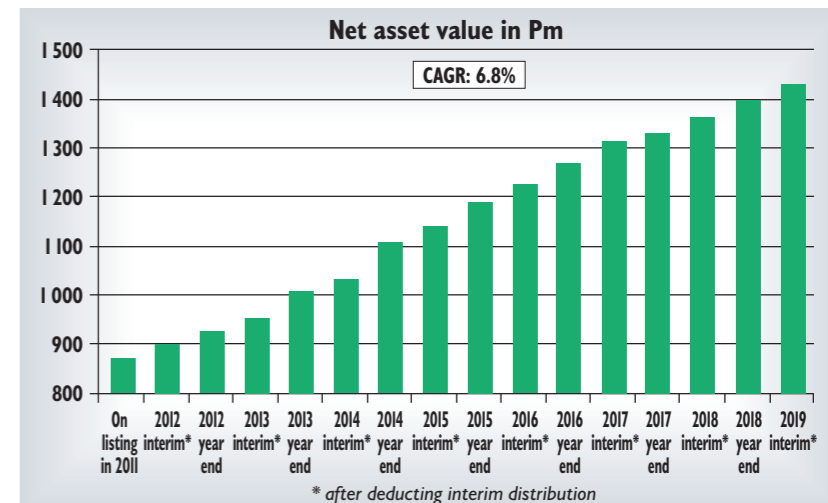
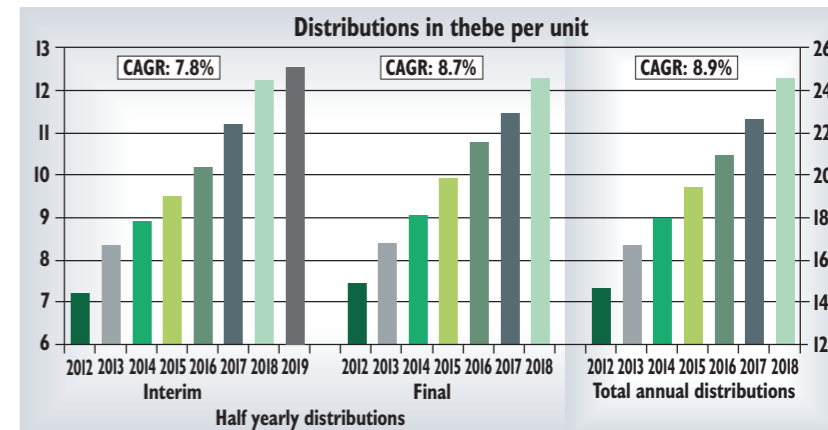
NAP has initiated engagement with relevant stakeholders to investigate avenues for reinstating the VRLS exemption, which would retain the principle of VRLS Companies being a conduit for net rentals earned in line with globally accepted norms. At the same time NAP is seeking to reverse or delay the impact of this amendment on the current financial year, especially when considering that it was promulgated five months into the financial period.

Management has quantified the maximum possible impact for the first half to be P10.2 million in the event that no favourable solution is reached but, given the ongoing engagements referred to above, no provision has been made in these results for this tax charge. Should the Company be unsuccessful in obtaining any revision to the amendment as currently enacted, the tax charge will be recognised in the year end results.

NAP expects that it will be able to fund payment of the initial tax liability for the current financial year from available cash without impacting the current year's total distributions. However, such an approach will not be sustained in future periods and the amendment will thus impact on the quantum of future distributions if it remains in force as promulgated.

PERFORMANCE TRENDS

NAP has established a track record for delivering consistent performance since listing in 2011. Investors have received stable and increasing distributions, demonstrating the quality of earnings that originate with rentals earned from a strong tenant base occupying a portfolio of predominantly Botswana retail properties.



CAGR = compound annual growth rate

The impact of rental back charges included in the 2018 results has impacted the growth rates in the 2018 and current year. The unexpected vacancies in Riverwalk are expected to have some impact on the second half but management remains confident of achieving real distribution growth on an annual basis. In subsequent years the impact of the Income Tax Amendment may have a dilutionary impact depending on whether further amendments are secured.

DISTRIBUTION DECLARATION

Distribution number 15 amounting to 12.56 thebe per linked unit, comprising 11.58 thebe interest and 0.98 thebe dividend, has been declared and is payable to unitholders registered on 3 May 2019. The key dates for this distribution are:

Ex-distribution date	30 April 2019
Record date to participate in distribution	3 May 2019
Payment	17 May 2019

Withholding tax will be deducted at relevant rates where applicable.

For New African Properties Limited

J.T. Mynhardt
Chairman
11 April 2019

T.L.J. Mynhardt
Managing Director

Transfer Secretaries

Grant Thornton Business Services (Pty) Ltd
Plot 50370, Acumen Park
Gaborone, Botswana
(PO Box 1157, Gaborone, Botswana)

Company Secretary

DPS Consulting Services (Pty) Ltd
Plot 50371, Fairground Office Park
Gaborone, Botswana
(PO Box 1453, Gaborone, Botswana)

Directors: J.T. Mynhardt (Chairman), T.L.J. Mynhardt (Managing Director), FB. Lebala, J.P. McLoughlin#, L.C. Tapping# (Chief Financial Officer), S. Venkatakrishnan*
South African, * Indian