

# AUDITED ABRIDGED FINANCIAL RESULTS

For the year ended 31 July 2017

## ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017 P000's	2016 P000's
<b>Revenue</b>	<b>175 062</b>	159 949
Contractual	174 363	161 681
Rental straight line adjustment	699	(1 732)
Other income	1 853	1 878
Operating expenses	(40 781)	(37 982)
<b>Operating profit</b>	<b>136 134</b>	123 845
Net finance income	4 992	4 918
Finance income	6 447	6 667
Finance expense	(1 455)	(1 749)
Net income from operations	141 126	128 763
Investment property fair value adjustment	68 412	93 192
At fair value	69 111	91 460
Rental straight line adjustment	(699)	1 732
Financial asset fair value adjustment	1 169	2 367
Amortisation of intangible asset	(881)	(881)
Share of associate's profit	3 766	9 074
<b>Profit before taxation</b>	<b>213 592</b>	232 515
Taxation	(14 188)	(22 753)
<b>Profit after taxation</b>	<b>199 404</b>	209 762
Other comprehensive income		
Currency translation difference	1 364	(2 745)
<b>Total comprehensive income</b>	<b>200 768</b>	207 017
<b>Linked units in issue</b>	<b>604 397 124</b>	604 397 124
<b>Earnings per linked unit (thebe)</b>	<b>32.99</b>	34.71
<b>Distribution per unit (thebe)</b>		
Interest	20.71	19.10
Dividend	1.96	1.85
<b>Total</b>	<b>22.67</b>	20.95

## ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2017 P000's	2016 P000's
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment property	1 357 415	1 285 780
At valuation	1 384 676	1 312 314
Rental straight line adjustment	(27 261)	(26 534)
Investment in associate	30 547	26 781
Financial asset receivable	24 490	23 321
Intangible asset	7 788	8 669
Rental straight line adjustment	26 124	24 981
	1 446 364	1 369 532
<b>Current assets</b>		
Trade and other receivables	96 962	91 405
Tax receivable	972	729
Rental straight line adjustment	1 137	1 553
Cash and cash equivalents	43 170	46 559
	142 241	140 246
<b>TOTAL ASSETS</b>	<b>1 588 605</b>	1 509 778
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>1 331 995</b>	1 268 244
<b>Non-current liabilities</b>		
Borrowings	21 878	24 859
Deferred taxation liabilities	143 315	132 223
	165 193	157 082
<b>Current liabilities</b>		
Trade and other payables	19 028	16 545
Borrowings short term portion	2 948	2 735
Distributions payable to unitholders	69 390	65 172
Taxation payable	51	-
	91 417	84 452
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 588 605</b>	1 509 778

## 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
<b>Balance at 31 July 2015</b>	8 719	863 105	871 824	(9 385)	324 295	1 115	1 187 849
<b>Transactions with owners</b>	-	-	-	-	-	(126 622)	(126 622)
Distributions declared	-	-	-	-	-	(126 622)	(126 622)
<b>Comprehensive income</b>	-	-	-	(2 745)	82 447	127 315	207 017
Comprehensive income for the period	-	-	-	(2 745)	-	209 762	207 017
Transfer of non-distributable amounts net of related taxes	-	-	-	-	82 447	(82 447)	-
<b>Balance at 31 July 2016</b>	8 719	863 105	871 824	(12 130)	406 742	1 808	1 268 244
<b>Transactions with owners</b>	-	-	-	-	-	(137 017)	(137 017)
Distributions declared	-	-	-	-	-	(137 017)	(137 017)
<b>Comprehensive income</b>	-	-	-	1 364	62 249	137 155	200 768
Comprehensive income for the period	-	-	-	1 364	-	199 404	200 768
Transfer of non-distributable amounts net of related taxes	-	-	-	-	62 249	(62 249)	-
<b>Balance at 31 July 2017</b>	8 719	863 105	871 824	(10 766)	468 991	1 946	1 331 995

## ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	2017 P000's	2016 P000's
<b>Net cash flows from operating activities</b>	<b>7 673</b>	7 605
Cash generated from operations	138 885	127 143
Net finance income	4 992	4 918
Distributions paid to linked unitholders	(132 799)	(121 414)
Taxation paid	(3 405)	(3 042)
<b>Net cash flows from investing activities</b>	<b>(8 294)</b>	(6 145)
Net investment in property	(1 764)	1 774
Deposit in related party receivable	(6 530)	(7 919)
<b>Net cash flows from financing activities</b>	<b>(2 768)</b>	(2 552)
<b>Net change in cash and cash equivalents</b>	<b>(3 389)</b>	(1 092)
Cash and cash at beginning of the year	46 559	47 651
<b>Cash and cash equivalents at end of year</b>	<b>43 170</b>	46 559

## NOTES

- 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. The accounting policies followed in preparation of the annual financial statements are consistent with those applied in the prior year.
- 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 2017.
- 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:

	2017		2016	
	P000's	tpu	P000's	tpu
Total comprehensive income	200 768	33.22	207 017	34.25
Add back/(deduct):				
Foreign currency translation difference	(1 364)	(0.23)	2 745	0.46
Net profit	199 404	32.99	209 762	34.71
Adjust for non-distributable items:				
Fair value adjustments net of tax	(60 689)	(10.04)	(78 691)	(13.02)
Amortisation adjustments	881	0.14	881	0.14
Share of associate's profit net of tax	(3 484)	(0.57)	(7 436)	(1.23)
Rental straight line adjustment net of tax	(592)	(0.10)	1 337	0.22
Other non-distributable tax charges	1 635	0.27	1 462	0.24
Distributable earnings for current period	137 155	22.67	127 315	21.06
Distributions	(137 017)	(22.67)	(126 622)	(20.95)
Net income retained	138	0.02	693	0.11

## COMMENTARY

### RESULTS

Total distributions for the year amounted to 22.67 thebe per linked unit, an 8.2% increase on the 2016 20.95 thebe. The final distribution was declared on 26 July 2017 based on the Board's estimate of distributable income of P 137.0 million (2016: P126.9 million) while actual distributable income for the year was P137.2 million and 7.7% higher.

The increase in distributable income is attributable to a 7.8% increase in rental income which has been slightly diluted by an 8.5% increase in property costs and almost flat net investment income, while portfolio costs have only increased by 4.4% and taxation by less than 3%.

The primary drivers behind the relatively high increase in property costs this year are a significant increase in utility costs following the water tariff increases and the introduction of sewerage charges, higher repairs and maintenance costs incurred on a discretionary basis, increased letting commissions in view of the greater level of expiries during the year and the impairment provisions. The aggregate of other property costs remained flat.

The sustained growth in net rental and operating income is indicative of the quality of earnings from the Group's asset base.

## COMMENTARY (continued)

### RESULTS (continued)

The relatively flat net investment income diluted growth in distributable income by 0.3%, both as a result of softer interest rates and the fact that it is not an escalating income stream. The investment of surplus cash into property with escalating income streams will accordingly enhance long term distribution growth. Increases in portfolio level expenses have been contained mainly due to the non-recurrence of exchange rate movements on dividends from the Namibian subsidiary.

Profit for the year amounted to P199.4 million (2016: P209.8 million) including non-distributable gains of P62.2 million (2016: P82.4 million) which has the impact of increasing net asset value by 10.55 thebe per linked unit. Net asset value increased by 5.0% for the year to P1.33 billion from 2016's P1.27 billion. These non-distributable gains are accounting adjustments that are not accompanied by corresponding cash flows and predominantly comprise fair value driven line items with their corresponding tax consequences. The reason for lower fair value gains this year is that the 2016 gains included the impact of reduced capitalisation and discount rates flowing from the decrease in long bond base rates in the 2016 year, as reported last year, with the weighted average capitalisation rate dropping by 74 basis points in 2016 in comparison to the increase of 1 basis point in 2017.

### PROPERTY PORTFOLIO

The portfolio comprises predominantly Botswana retail properties with a wide geographical footprint and a weighting to Gaborone. The quality and diversity of tenants occupying the properties are a key factor in NAP's performance. At year end the properties were occupied in terms of 474 leases with 55% of rentals flowing from listed and multinational companies.

Operationally the property portfolio key performance indicators of vacancies, rent collection and leasing continue to reflect solid performance.

By year end management had renewed 85%, by value, of leases expiring during the year at an average increase in line with normal escalations and relet 7% to new tenants at an average increase of 10.8%. Vacancies by GLA increased from 1.2% to 3.2% during the year and amount to 4 139m<sup>2</sup> at year end of which 424m<sup>2</sup> has subsequently been let. Selebi Phikwe properties account for 1 124m<sup>2</sup>, 27% of total vacancies at year end and 30% of the remaining 3 715m<sup>2</sup> vacancies. Year end vacancies are estimated to be 2.2% of rentals at year end.

Unprovided tenant arrears amount to P0.4 million (2016: P0.3 million) at the end of the year, with a net charge to distributable income of P0.3 million (2016: P0.3 million reversal).

NAP has exposure to Selebi Phikwe which has been impacted by the closure of BCL in October 2016. There has been an increase in both vacancies and arrears due to this and management is actively managing the affected properties to mitigate the impact as best as possible. The exposure to Selebi Phikwe is 2.7% of the total property value and 3.4% of total rental at year end. The lease expiry of the leases in this area is 64%, 14% and 9% in each of the next 3 financial years and 13% thereafter. The tenant composition as at year end was 53% listed and multi-national companies, 1% nationals, 9% government and the balance of 37% smaller tenants.

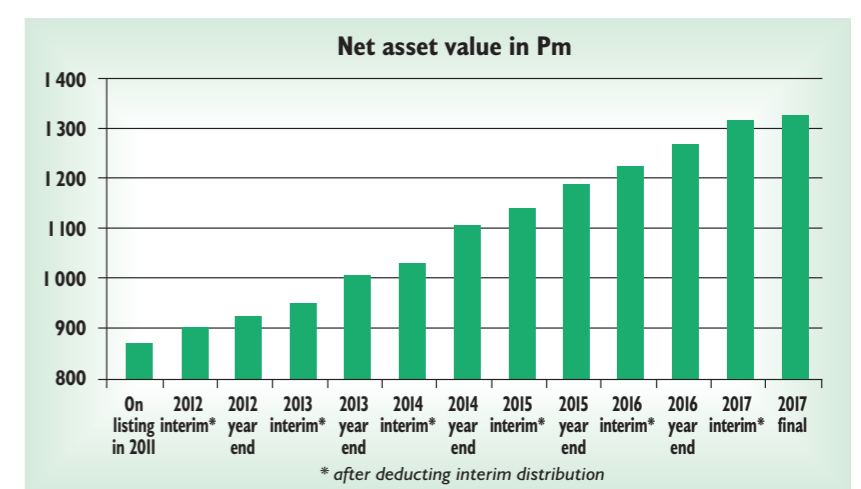
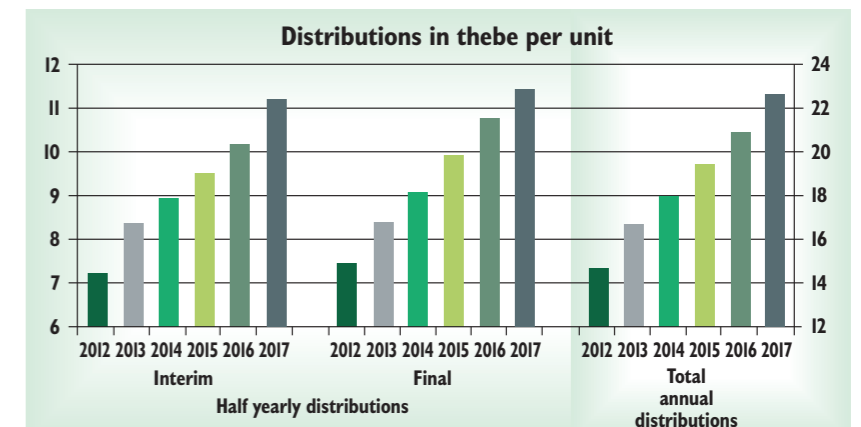
The properties were valued by Curtis Matobolo of Knight Frank at P1.53 billion (2016: P1.45 billion). The carrying value of investment property of P1.36 billion (2016: P1.29 billion) is lower as a result of assets reflected elsewhere in the statement of financial position and an adjustment for the nature of title in one of the properties. This resulted in fair value gains of P69.1 million (2016: P91.5 million) and a 5.5% increase in carrying values, both before rent straight lining adjustments but including exchange rate movements on the Namibian assets. The movement in carrying value includes P1.8 million capital expenditure, including the property reinstatement after last year's insurance claim.

Subsequent to the year end the Company entered into an agreement to acquire a property which is still conditional on the completion of a number of conditions precedent. The BSE has classified it as a category 4 transaction and, if successfully concluded, would have a negligible impact on net asset value while the impact on distributable income will not be material, which is defined as being less than 3% in terms of the BSE Listings Requirements.

### PERFORMANCE TRENDS

The total return to investors for the year amounts to 17.6%, comprising an income return of 7.7% and capital return of 9.9% on the opening unit price of 293 thebe, effectively returning 22.67 thebe in distributions and 29 thebe in capital growth from the appreciation in the value of linked units.

Since listing in September 2011, the total return to investors amounts to 117%, with a total income return of 56% and capital return of 61% on the initial listing price of 200 thebe per linked unit. This equates to a compound annual total return of 13.8%. In addition, in view of being listed, tax paying investors are able to realise their investments without incurring any taxes. These returns and the nature of NAP make it an attractive alternative to fixed income investments, particularly suited to long term investors and pension funds.



### UNITHOLDER SPREAD

Over the last two financial years there have been significant trades in NAP units which have diversified the unitholder base. In total 51% of linked units have traded in the last two financial years, 24% in 2017 and 27% in 2016. This bodes well for investors as it creates opportunity for more liquidity in the linked units. It also allows investment from a wider investor base, either directly or indirectly through pension funds and similar investors.

### CONCLUSION

The 2017 financial year reflects a continuation of NAP's ability to provide a stable and value enhancing income stream to its investors through the well-established and diversified portfolio of properties with quality tenants.

It appears that the issues surrounding the granting of licenses to foreign controlled apparel retailers, which presented themselves in the last financial year, are now resolved with licenses being granted. It is however expected that the adverse conditions in Selebi Phikwe will continue and management will continue to focus on how best to manage this impact.

NAP remains well positioned to fund developments and acquisitions with available debt capacity.

For New African Properties Limited

**J.T. Mynhardt**  
Chairman  
25 October 2017

**T.L.J. Mynhardt**  
Managing Director

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# South African, \* Indian