



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 2018

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 P000's	2017 P000's
Revenue	189 266	175 062
Contractual rental and recoveries	188 030	174 363
Rental straight line adjustment	1 236	699
Other income	2 282	1 853
Operating expenses	(44 169)	(40 781)
Operating profit	147 379	136 134
Net finance income	5 225	4 992
Finance income	6 430	6 447
Finance expense	(1 205)	(1 455)
Net income from operations	152 604	141 126
Investment property fair value adjustment	71 936	68 412
At fair value	73 172	69 111
Rental straight line adjustment	(1 236)	(699)
Financial asset fair value adjustment	1 146	1 169
Amortisation of intangible asset	(881)	(881)
Share of associate's profit	8 923	3 766
Profit before taxation	233 728	213 592
Taxation	(16 456)	(14 188)
Profit for the year	217 272	199 404
Other comprehensive income		
Currency translation difference	(96)	1 364
Total comprehensive income	217 176	200 768
Linked units in issue	604 397 124	604 397 124
Earnings per linked unit (thebe)	35.95	32.99
Distribution per linked unit (thebe)	24.53	22.67

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2018 P000's	2017 P000's
ASSETS		
Non-current assets		
Investment property	1 430 853	1 357 415
At valuation	1 459 348	1 384 676
Rental straight line adjustment	(28 495)	(27 261)
Investment in associate	39 470	30 547
Financial asset receivable	25 636	24 490
Intangible asset	6 907	7 788
Rental straight line adjustment	22 481	26 124
	1 525 347	1 446 364
Current assets		
Trade and other receivables	101 582	96 962
Rental straight line adjustment - current portion	6 014	1 137
Tax receivable	1 463	972
Cash and cash equivalents	39 561	43 170
	148 620	142 241
TOTAL ASSETS	1 673 967	1 588 605
EQUITY AND LIABILITIES		
Capital and reserves	1 400 912	1 331 995
Non-current liabilities		
Borrowings	18 735	21 878
Deferred taxation liabilities	156 296	143 315
	175 031	165 193
Current liabilities		
Trade and other payables	20 316	19 028
Borrowings current portion	3 110	2 948
Distributions payable to unitholders	74 335	69 390
Taxation payable	263	51
	98 024	91 417
TOTAL EQUITY AND LIABILITIES	1 673 967	1 588 605

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
Balance at 31 July 2016	8 719	863 105	871 824	(12 130)	406 742	1 808	1 268 244
Transactions with owners	-	-	-	-	-	(137 017)	(137 017)
Distributions declared	-	-	-	-	-	(137 017)	(137 017)
Total comprehensive income	-	-	-	1 364	62 249	137 155	200 768
Profit for the year	-	-	-	-	62 249	199 404	199 404
Transfer of non-distributable amounts net of related taxes	-	-	-	-	-	(62 249)	-
Other comprehensive income	-	-	-	1 364	-	-	1 364
Balance at 31 July 2017	8 719	863 105	871 824	(10 766)	468 991	1 946	1 331 995
Transactions with owners	-	-	-	-	-	(148 259)	(148 259)
Distributions declared	-	-	-	-	-	(148 259)	(148 259)
Total comprehensive income	-	-	-	(96)	69 438	147 834	217 176
Profit for the year	-	-	-	-	69 438	217 272	217 272
Transfer of non-distributable amounts net of related taxes	-	-	-	-	-	(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

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 P000's	2017 P000's
Net cash flows from operating activities	5 216	7 673
Cash generated from operations	147 043	138 885
Net finance income	5 225	4 992
Distributions paid to linked unitholders	(143 314)	(132 799)
Taxation paid	(3 738)	(3 405)
Net cash flows from investing activities	(5 844)	(8 294)
Net investment in property	(1 703)	(1 764)
Deposit in related party receivable	(4 141)	(6 530)
Net cash flows from financing activities	(2 981)	(2 768)
Net change in cash and cash equivalents	(3 609)	(3 389)
Cash and cash at beginning of the year	43 170	46 559
Cash and cash equivalents at end of year	39 561	43 170

NOTES (continued)

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

	2018		2017	
	P000's	tpu	P000's	tpu
Total comprehensive income	217 176	35.93	200 768	33.22
Add back/(deduct):				
Foreign currency translation difference	96	0.02	(1 364)	(0.23)
Net profit	217 272	35.95	199 404	32.99
Adjust for non-distributable items:				
Fair value adjustments net of tax	(62 895)	(10.41)	(60 689)	(10.04)
Amortisation adjustments	881	0.14	881	0.14
Share of associate's profit net of tax	(8 255)	(1.37)	(3 484)	(0.57)
Rental straight line adjustment net of tax	(951)	(0.15)	(592)	(0.10)
Other non-distributable tax charges	1 782	0.30	1 635	0.27
Distributable income	147 834	24.46	137 155	22.69
Retained income utilised	466	0.08	-	-
Available for distribution	148 300	24.54	137 155	22.69
Distributions	(148 259)	(24.53)	(137 017)	(22.67)
	41	0.01	138	0.02

COMMENTARY

RESULTS

Total distributions for the year amounted to 24.53 thebe per linked unit, 8.2% up on the comparative year. The final dividend was declared on 25 July, based on the Board's forecast, and paid on 31 August. Actual distributable income was P46 000 higher than this forecast and amounted to P147.8 million, a 7.8% increase on the comparative. This increase was driven by a 7.8% increase in revenue and an 8.1% increase in net rental income after property expenses before straight line adjustments.

As mentioned in the July distribution announcement, costs incurred for a transaction not concluded were funded from retained income and did not impact distributions for the year. Excluding these costs, the income available for distribution amounted to P148.3 million or 24.54 thebe, 8.1% above 2017's P137.2 million (22.69 thebe).

The 2018 results include P1.5 million revenue relating to prior years as a result of the finalisation of a contractual rent review early in the financial year. Excluding this, revenue growth and net rental income growth would have been 7.0% based on the numbers reported last year.

COMMENTARY (continued)

RESULTS (continued)

Property costs increased by 7.3% and included a marked increase in tenant installations with moves to strengthen both the diversity and quality of the tenant base into the future. Portfolio costs increased by 10.9%, of which 6.7% related to normal portfolio costs. The additional costs of P466 000 relates to the costs funded out of retained income.

Investment income arises from cash available for investment as well as net rentals earned and accumulated during each distribution cycle and dilutes distributable income by a marginal 0.1% in view of it not being a growing income stream. The investment of existing cash into property with escalating income streams will enhance long term distribution growth.

Profit exceeds distributable income by P69 million as a result of the 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 which has increased by 5.2% this year.

The fairly constant exchange rate resulted in a P96 000 exchange loss under other comprehensive income, in comparison to last year's P1.4 million gain.

PROPERTY PORTFOLIO

The portfolio comprises predominantly Botswana based retail assets with a wide geographical footprint and a weighting to Gaborone. There has been no change to the portfolio during the year. The 2017 annual report referred to a conditional agreement for the acquisition of a property, but on the 4th of December unitholders were advised that the transaction was not proceeding and the cautionary withdrawn.

The quality and diversity of the 462 tenants occupying the 64 properties are a key factor in NAP's performance since listing in 2011, with 57% of rentals received from listed and multinational companies.

Key management focus areas for the portfolio include vacancies, leasing and collections. Vacancies have increased from 3.2% to 3.8% this year, increasing by a net 785m². Selebi Phikwe vacancies amount to 43% of year end vacancies and have increased by 970m² over the period as a result of the broader economic issues in that node. Management has pursued a policy of tenant retention where possible in an attempt to maintain occupancy levels and mitigate the impact on returns. Selebi Phikwe represents 2.5% of the total property value, 2.7% of total rental and P0.5million of gross arrears at year end.

Unprovided tenant arrears amount to P0.3 million (2017: P0.4 million) at the end of the year, with a net charge to distributable income of P0.4 million (2017: P0.2million). Taking into consideration the VAT impact, arrears are effectively fully provided for.

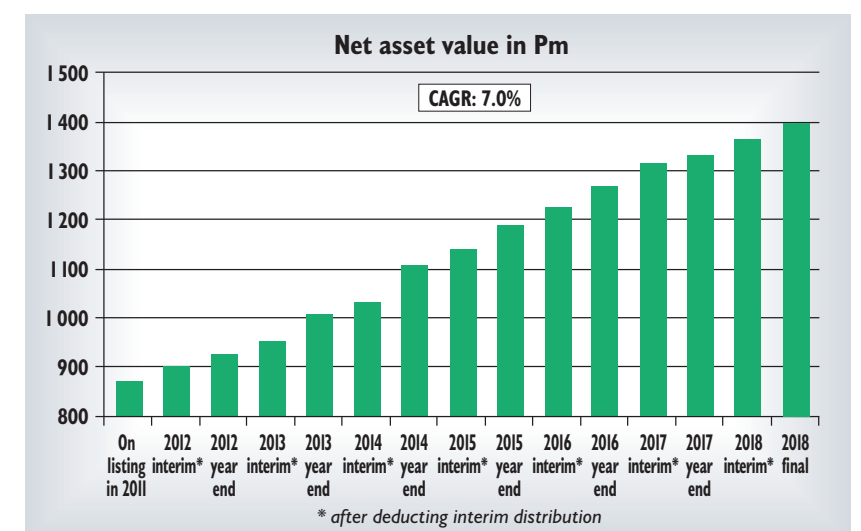
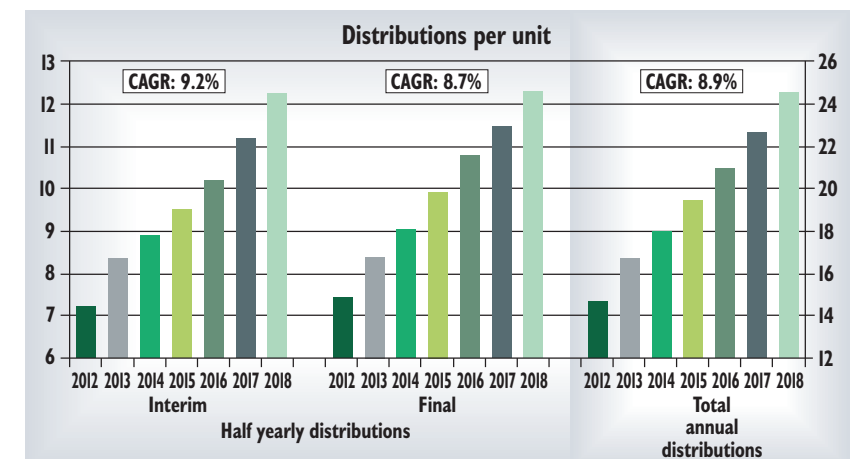
The properties were valued by Curtis Matobolo of Knight Frank at P1.64 billion (2017: P1.53 billion) at 31 July 2018. The weighted average capitalisation rates applied by the external valuer decreased to 8.93% from 9.25% last year, predominantly attributable to reductions in the long bond rates in both in Botswana and Namibia.

The carrying value of investment property of P1.43 billion (2017: P1.36 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 P1.7 million capital improvements and the impact of exchange rate movements, resulted in fair value gains of P73.2million (2017: P69.1 million) and a 5.4% increase in carrying values before rent straight lining adjustments.

PERFORMANCE TRENDS

The total return to investors for the year amounts to 7.3% on the opening price of 322 thebe. This is made up of a 7.6% income return comprising distributions paid to investors and a 1 thebe reduction in the unit price based on a closing unit price of 321 thebe.

Since listing in September 2011, the total return to investors amounts to 129%, with a total income return of 69% and a capital return of 60% on the initial listing price of 200 thebe per linked unit. This equates to a compound annual total return of 12.6%. These returns and the nature of NAP are well suited to pension funds, institutional and long-term investors, offering attractive returns relative to fixed income investments as well as an inflationary hedge.



CAGR = compound annual growth rate

The improved liquidity in recent years has resulted in a more diversified investor base and demonstrated the demand for NAP linked units.

CONCLUSION

NAP's performance in 2018 is reflective of the sound property portfolio performance in line with the trend since initial listing, all underpinned by the strength and diversity of the tenant base occupying the well-established portfolio.

The impact of prior period rental income included in the 2018 results will have some impact on comparable growth to be reported in the short term and is most likely to be evident in the 2019 1st half results. Management remains confident of achieving real distribution growth on an annual basis.

NAP has significant gearing capacity available to fund acquisitions which would enhance long term returns. The catalyst for this would be securing quality property investments at appropriate initial yields.

For New African Properties Limited

J.T. Mynhardt
Chairman

29 October 2018

T.L.J. Mynhardt
Managing Director

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South African, * Indian