



NEW AFRICAN PROPERTIES

NEW AFRICAN PROPERTIES LTD AND ITS SUBSIDIARY

“the Group” or “New African Properties” or “NAP”

Incorporated in the Republic of Botswana, UIN: BW00001055962 (formerly 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 2021

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 P000's	2020 P000's
Revenue	209 537	208 916
Contractual rental and recoveries	212 911	207 111
Rental straight line adjustment	(3 374)	1 805
Other income	3 760	2 457
Operating expenses	(51 659)	(56 324)
	161 638	155 049
Net finance income	3 317	4 340
Finance income	4 076	5 338
Finance expense	(759)	(998)
	164 955	159 389
Investment property fair value adjustment	(22 901)	(13 266)
At fair value	(26 504)	(11 683)
Rental straight line adjustment	3 374	(1 805)
Lease accounting adjustment	229	
Financial asset fair value adjustment	(1 177)	(221)
Intangible asset amortisation	(881)	(881)
Share of associate's profit	4 111	3 783
Profit before taxation	144 107	148 804
Taxation	17 411	519
Profit for the year	161 518	149 323
Other comprehensive income		
Currency translation difference	3 637	(4 185)
Total comprehensive income	165 155	145 138
Linked units in issue	604 397 124	604 397 124
Earnings per linked unit (thebe)*	26.72	24.71
Distribution per linked unit (thebe)	27.34	25.52

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

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2021 P000's	2020 P000's
ASSETS		
Non-current assets		
Investment property	1 434 835	1 453 820
At valuation	1 466 546	1 489 026
Rental straight line adjustment	(32 162)	(35 428)
Lease accounting adjustment	451	222
Investment in associate	53 688	49 577
Financial asset receivable	23 329	24 506
Intangible asset	4 264	5 145
Rental straight line adjustment	27 594	28 829
	1 543 710	1 561 877
Current assets		
Trade and other receivables	109 069	112 321
Rental straight line adjustment - current portion	4 568	6 599
Tax receivable	1 034	2 029
Cash and cash equivalents	37 699	31 581
	152 370	152 530
TOTAL ASSETS	1 696 080	1 714 407
EQUITY AND LIABILITIES		
Capital and reserves	1 433 196	1 433 283
Non-current liabilities	8 134	11 839
Borrowings	137 443	158 710
Deferred taxation liabilities	145 577	170 549
Current liabilities	28 196	25 295
Trade and other payables	85 281	81 761
Distributions payable to unitholders	147	-
Taxation payable	3 683	3 519
Borrowings - current portion	117 307	110 575
	1 696 080	1 714 407

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 2019	8 719	863 105	871 824	(12 183)	581 119	1 627	1 442 387
Transactions with owners	-	-	-	-	-	(154 242)	(154 242)
Distributions declared	-	-	-	-	-	(154 242)	(154 242)
Total comprehensive income	-	-	-	(4 185)	(5 175)	154 498	145 138
Profit for the year	-	-	-	-	-	149 323	149 323
Transfer of revaluation gains net of related taxes	-	-	-	-	(5 175)	5 175	-
Other comprehensive income	-	-	-	(4 185)	-	-	(4 185)
Balance at 31 July 2020	8 719	863 105	871 824	(16 368)	575 944	1 883	1 433 283
Transactions with owners	-	-	-	-	-	(165 242)	(165 242)
Distributions declared	-	-	-	-	-	(165 242)	(165 242)
Total comprehensive income	-	-	-	3 637	(3 708)	165 226	165 155
Profit for the year	-	-	-	-	-	161 518	161 518
Transfer of revaluation gains net of related taxes	-	-	-	-	(3 708)	3 708	-
Other comprehensive loss	-	-	-	3 637	-	-	3 637
Balance at 31 July 2021	8 719	863 105	871 824	(12 731)	572 236	1 867	1 433 196

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 P000's	2020 P000's
Net cash flows from operating activities	9 991	(3 320)
Cash generated from operations	171 445	148 632
Net finance income	3 317	4 340
Distributions paid to linked unitholders	(161 722)	(152 728)
Taxation paid	(3 049)	(3 564)
Net cash flows from investing activities	(332)	(5 062)
Net investment in property	-	(2 081)
Withdrawal from / (deposit in) related party receivable	(332)	(2 981)
Net cash flows from financing activities	(3 541)	(3 335)
Net change in cash and cash equivalents	6 118	(11 717)
Cash and cash at beginning of the year	31 581	43 298
Cash and cash equivalents at end of year	37 699	31 581

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. 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.
- 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 made available on the Company's website during the course of November 2021. Any investment decisions by investors and/or unitholders should be based on consideration of this complete set of consolidated financial statements.
- The Group's business activities are concentrated in the retail property rental segment and are primarily carried out within Botswana.
- Certain prior year amounts have been reclassified to ensure consistency with the current period presentation. The Group concluded that it was appropriate to classify interest on tenant arrears as other income and not as finance income. Profit has not been impacted by this classification adjustment.

NOTES (continued)

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

	2021		2020	
	P000's	tpu	P000's	tpu
Total comprehensive income	165 155	27.33	145 138	24.01
Add back/(deduct):				
Foreign currency translation difference	(3 637)	(0.60)	4 185	0.70
Net profit	161 518	26.73	149 323	24.71
Adjust for non-distributable items:				
Fair value adjustments net of tax	1 688	0.28	10 300	1.70
Amortisation adjustments	881	0.14	881	0.14
Share of associate's profit net of tax	(2 584)	(0.43)	(3 498)	(0.58)
Rental straight line adjustment net of tax	2 616	0.43	(1 400)	(0.23)
Lease accounting adjustment net of tax	241	0.04	(134)	(0.02)
Other non-distributable tax charges	866	0.15	(974)	(0.16)
Distributable income	165 226	27.34	154 498	25.56
Distributions	(165 242)	(27.34)	(154 242)	(25.52)
	(16)	0.00	256	0.04

COMMENTARY

RESULTS

As a variable loan stock company our primary focus is on distributable income and distributions, which excludes fair value and other accounting adjustments and the taxes thereon.

Distributions of 27.34 thebe have been declared and paid, 7.1% above the 25.52 thebe declared last year. Distributable income increased by 6.9% from P154.5 million to P165.2 million. The negative effects of Covid-19 were felt in both financial years, with the predominant impact in the prior year being impairments and the current year being a combination of impairments and revenue.

Net rental income grew by 7.1% as a result of revenue growth of 2.8% and a 10.4% decrease in property costs, all before lease accounting adjustments.

While the top line of revenue has been under pressure, costs have been carefully managed to mitigate the bottom line impact as can be demonstrated in the operating profit to turnover ratios. The reduction in impairment charges this year has increased the operating profit as a percentage of total income towards historical levels, with other costs remaining at very similar levels in recent years.

COMMENTARY (continued)

RESULTS (continued)

Covid-19 contributed to the muted growth in revenue. The pandemic and the ensuing restrictions impacted the portfolio in a number of ways. One of the most significant being the effects of the curfew and liquor restrictions on restaurants, fast food and entertainment, which had a significant effect on Rivervalk, as well as on liquor retailers. In addition, vacancies took longer to relet, particularly in certain categories of vulnerable retailers and geographic areas dependent on tourism. In these particular cases, tenant retention became the main leasing driver.

The decrease in impairment charges drove the 10.4% decrease in property expenses. Excluding these charges property expenses grew by a modest 1.1%.

Portfolio expenses remained well contained with a 1.0% increase on the prior year. Net interest income reduced by 22.4%, largely as a result of the decrease in interest rates during the year.

Profit for the year of P161.5 million (2020: P149.3 million) increased by 8.2%. The difference between profit and the P165.2 million (2020: P154.5 million) distributable income relates to the after tax fair value and other accounting adjustments, that are not represented by cash flows, and impact net asset value.

The revaluation of investment property resulted in a net P26.5 million (2020: P11.7 million) charge to profit before lease accounting adjustments. This amounted to a 1.8% (2020: 0.8%) reduction in the carrying value before taking into account the effect of the favourable P4.0 million (adverse P4.4 million) exchange rate movement on the Namibian portfolio. Total taxes related to the non-distributable items largely offset the revaluation charge for the year.

PROPERTY PORTFOLIO

At year end the property portfolio remained unchanged with 57 Botswana properties and 7 Namibian properties, amounting to 97% and 3% of the total value respectively. The portfolio composition is almost exclusively retail at 99% of total value.

The portfolio value is weighted towards Gaborone with significant exposure to Molepolole, Kasane and Maun. The balance of the portfolio comprises well located smaller properties across the footprint of Botswana and in the central and northern part of Namibia. These properties provide valuable retail nodes for both communities and retailers across the breadth of Botswana.

Subsequent to the year end a 2 247 m² retail property in Maun, occupied by well-established multinational tenants, was acquired. In addition, an agreement has been reached to acquire two further retail properties in Ghanzi and Ramotswa. The Competition and Consumer Authority approval has been received for the latter transaction and the remaining suspensive conditions are expected to be completed soon. These properties are all being acquired from existing cash resources and are expected to enhance distributable income in view of the initial yield being higher than the return on cash investments and the expected net rental income growth over time.

The strength of the tenant base remains strong, with 60% (2020: 60%) of rentals being received from listed and multinational companies, 11% (2020: 12%) from national companies and a further 6% and 2% (2020: 6% and 2%) from franchisees and government respectively.

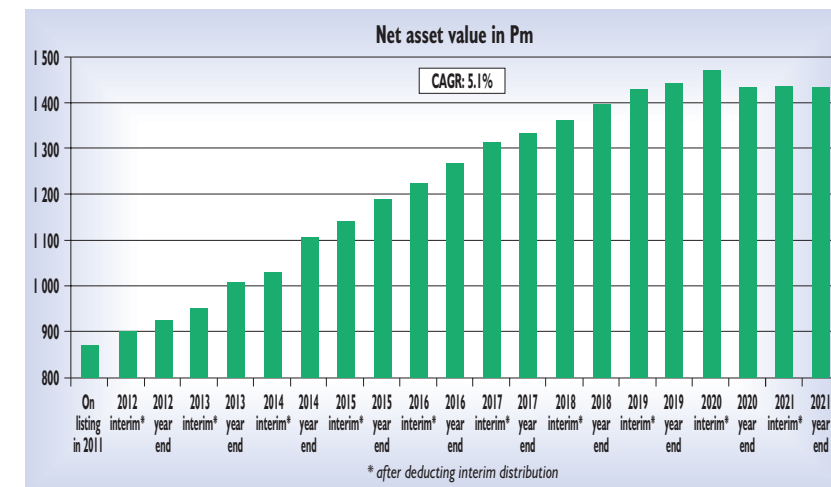
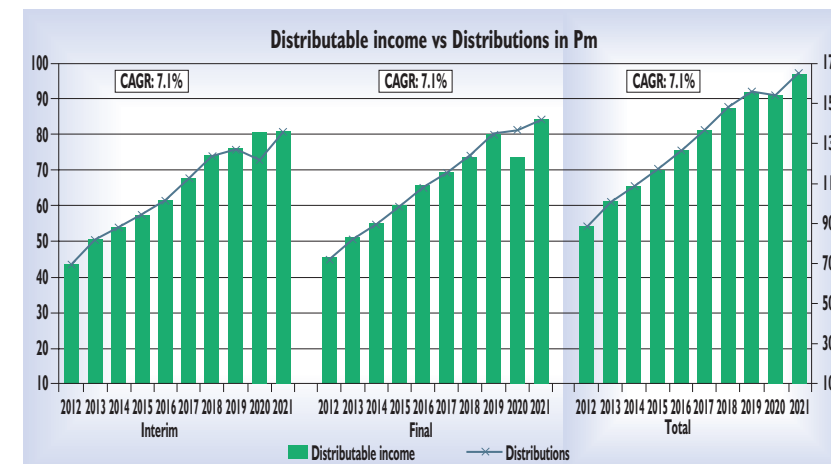
The impact of Covid-19 has demonstrated the resilience of the majority of our tenants. The categories of tenants most impacted by Covid-19 are those in the restaurant, fast food and entertainment sector. These categories of tenants however comprise a relatively small 7% (2020: 7%) portion of July rentals.

The various lockdown, curfew and trade restrictions once again impacted on the collection of rentals and the impairment provisions for the current financial year. Year end unimpairment arrears, net of VAT amount to P1.8 million (2020: P5.4 million) which equates to 10% (2020: 31%) of the average monthly turnover for the year. These amounts are primarily attributable to certain lockdown rentals where negotiations continue.

The vacancy level based on GLA increased marginally from 4.6% at the beginning of the year to 5.0% at year end. The Selebi Phikwe vacancies again account for a significant 31% (2020: 30%) of the total vacancies.

The leases expiring in the 2022 financial year represent 29% of the total GLA, with a weighting to Rivervalk which accounts for 22% of total expiries. The balance of the expiries are spread across a number of properties, limiting the concentration risk.

PERFORMANCE TRENDS



CAGR = compound annual growth rate

The total return to investors is based on total distributions paid plus the movement in the unit price during the year. Notwithstanding the impact of Covid-19 the income returns to investors has remained strong. The income return on the opening price has increased from 7.9% in 2020 to 8.5% for the 2021 financial year.

NAP's balance sheet is sound and with a low gearing level remains well positioned to acquire additional properties.

Covid-19 has impacted the last two financial years and, both the ongoing and residual effects are still unknown. The tourist industry remains under pressure which has a direct bearing on retail properties in those areas. The relatively high lease expiries in the coming year also create some uncertainty. Conversely, the investment of cash into property will enhance distributable income. Baring the uncertainty created by Covid-19, modest growth in distributable income is expected in the next year.

For New African Properties Limited

J.T. Mynhardt

Chairman

26 October 2021

T.L.J. Mynhardt

Managing Director

Transfer Secretaries

Grant Thornton Capital Security Services Pty Ltd
Plot 50370, Acumen Park, Gaborone
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Company Secretary

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

