



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

BSE share code: NAP ISIN code: BW 000 000 1049

www.newafricanproperties.co.bw

AUDITED ABRIDGED FINANCIAL RESULTS

For the year ended 31 July 2022

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 2022 P000's | 2021 P000's |
|---|----------------|----------------|
| Revenue | 224 336 | 209 537 |
| Contractual rental and recoveries | 225 814 | 212 911 |
| Rental straight line adjustment | (1 478) | (3 374) |
| Other income | 4 412 | 3 760 |
| Operating expenses | (53 989) | (51 659) |
| Net finance income | 174 759 | 161 638 |
| Finance income | 2 408 | 3 317 |
| Finance expense | (3 062) | (4 076) |
| | (654) | (759) |
| | 177 167 | 164 955 |
| Investment property fair value adjustment | 16 618 | (22 901) |
| At fair value | 14 904 | (26 504) |
| Rental straight line adjustment | 1 478 | 3 374 |
| Lease accounting adjustment | 236 | 229 |
| Financial asset fair value adjustment | 1 397 | (1 177) |
| Intangible asset amortisation | (881) | (881) |
| Share of associate's profit | 7 078 | 4 111 |
| Profit before taxation | 201 379 | 144 107 |
| Taxation | 24 120 | 17 411 |
| Profit for the year | 225 499 | 161 518 |
| Other comprehensive income | | |
| Currency translation difference | 35 | 3 637 |
| Total comprehensive income | 225 534 | 165 155 |
| Linked units in issue | 604 397 124 | 604 397 124 |
| Earnings per linked unit (thebe)* | 37.31 | 26.72 |
| Distribution per linked unit (thebe) | 29.01 | 27.34 |

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

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 2022 P000's | 2021 Restated# P000's | 2020 Restated# P000's |
|---|------------------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment property | 1 514 711 | 1 434 835 | 1 453 820 |
| At valuation | 1 544 713 | 1 466 546 | 1 489 026 |
| Rental straight line adjustment | (30 689) | (32 162) | (35 428) |
| Lease accounting adjustment | 687 | 451 | 222 |
| Investment in associate | 60 766 | 53 688 | 49 577 |
| Financial asset receivable | 24 726 | 23 329 | 24 506 |
| Intangible asset | 3 383 | 4 264 | 5 145 |
| Rental straight line adjustment | 25 257 | 27 594 | 28 829 |
| | 1 628 843 | 1 543 710 | 1 561 877 |
| Current assets | | | |
| Trade and other receivables | 45 542 | 109 069 | 112 321 |
| Rental straight line adjustment - current portion | 5 432 | 4 568 | 6 599 |
| Tax receivable | 1 415 | 1 034 | 2 029 |
| Deposits in money market funds | 25 060 | 8 826 | 24 503 |
| Cash and cash equivalents | 12 227 | 33 873 | 7 078 |
| | 89 676 | 152 370 | 152 530 |
| TOTAL ASSETS | 1 718 519 | 1 696 080 | 1 714 407 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | 1 483 394 | 1 433 196 | 1 433 283 |
| Non-current liabilities | | | |
| Borrowings | 4 343 | 8 134 | 11 839 |
| Deferred taxation liabilities | 109 777 | 137 443 | 158 710 |
| | 114 120 | 145 577 | 170 549 |
| Current liabilities | | | |
| Trade and other payables | 26 988 | 28 196 | 25 295 |
| Distributions payable to unitholders | 89 913 | 85 281 | 81 761 |
| Taxation payable | 308 | 147 | - |
| Borrowings - current portion | 3 796 | 3 683 | 3 519 |
| | 121 005 | 117 307 | 110 575 |
| TOTAL EQUITY AND LIABILITIES | 1 718 519 | 1 696 080 | 1 714 407 |

Refer note B.

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 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 |
| Transactions with owners | - | - | - | - | - | (175 336) | (175 336) |
| Distributions declared | - | - | - | - | - | (175 336) | (175 336) |
| Total comprehensive income | - | - | - | 35 | 50 236 | 175 263 | 225 534 |
| Profit for the year | - | - | - | - | - | 225 499 | 225 499 |
| Transfer of revaluation gains net of related taxes | - | - | - | - | 50 236 | (50 236) | - |
| Other comprehensive income | - | - | - | 35 | - | - | 35 |
| Balance at 31 July 2022 | 8 719 | 863 105 | 871 824 | (12 696) | 622 472 | 1 794 | 1 483 394 |

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2022 P000's | 2021 Restated# P000's |
|---|-----------------|-----------------------------|
| Net cash flows from operating activities | 3 047 | 9 991 |
| Cash generated from operations | 175 128 | 171 445 |
| Net finance income | 2 408 | 3 317 |
| Distributions paid to linked unitholders | (170 704) | (161 722) |
| Taxation paid | (3 785) | (3 049) |
| Net cash flows from investing activities | (21 015) | 20 345 |
| Net investment in property | (63 022) | - |
| Withdrawal from / (deposit in) related party receivable | 63 241 | (332) |
| Withdrawal from / (deposit in) money market funds | (21 234) | 20 677 |
| Net cash flows from financing activities | (3 678) | (3 541) |
| Net change in cash and cash equivalents | (21 646) | 26 795 |
| Cash and cash at beginning of the year | 33 873 | 7 078 |
| Cash and cash equivalents at end of year | 12 227 | 33 873 |

Refer note B.

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.

NOTES (continued)

- B. Prior year numbers in the Statements of Financial Position and Cash Flows have been restated to reflect deposits in money market funds as a separate line item instead of including in cash and cash equivalents as previously done. These reclassifications have no impact on previously reported profits or on the liquidity of NAP as it merely relates to the IAS7 definition of cash and cash equivalents.
- C. 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 December 2022. Any investment decisions by investors and/or unitholders should be based on consideration of this complete set of consolidated financial statements.
- D. The Group's business activities are concentrated in the retail property rental segment and are primarily carried out within Botswana.
- E. Distribution attributable to linked unitholders is reconciled to comprehensive income as follows:

| | 2022 P000's | 2021 tpu | 2021 P000's | 2020 tpu |
|--|----------------|-------------|----------------|-------------|
| Total comprehensive income | 225 534 | 37.32 | 165 155 | 27.33 |
| Add back/(deduct): | | | | |
| Foreign currency translation difference | (35) | (0.01) | (3 637) | (0.60) |
| Net profit | 225 499 | 37.31 | 161 518 | 26.73 |
| Adjust for non-distributable items: | | | | |
| Fair value adjustments net of tax | (46 106) | (7.63) | 1 688 | 0.28 |
| Amortisation adjustments | 881 | 0.14 | 881 | 0.14 |
| Share of associate's profit net of tax | (6 370) | (1.05) | (2 584) | (0.43) |
| Rental straight line adjustment net of tax | 1 102 | 0.18 | 2 616 | 0.43 |
| Lease accounting adjustment net of tax | 249 | 0.04 | 241 | 0.04 |
| Other non-distributable tax charges | 8 | - | 866 | 0.15 |
| Distributable income | 175 263 | 29.00 | 165 226 | 27.34 |
| Distributions | (175 336) | (29.01) | (165 242) | (27.34) |
| | (73) | (0.01) | (16) | 0.00 |

COMMENTARY

RESULTS

NAP is essentially a conduit that collects rentals from tenants, incurs certain necessary expenses, and distributes the net to investors. The focus is therefore on distributable income and distributions. This excludes all fair value and other accounting adjustments and the related taxes thereon which, while part of profits and net asset value, are not represented by cash flows.

Total distributions of 29.01 thebe per linked unit amounting to P175.3 million were declared to unitholders during the year. This represents a 6.1% increase on the comparable 27.34 thebe and P165.2 million, primarily attributable to a 6.5% increase in distributable net rental income.

The growth in net rental income from the standing portfolio was below historic growth levels. Rental negotiations for both renewals and relettings were challenging, particularly in businesses where the effects of covid and the resultant restrictions were more pronounced. Conversely, property costs on the standing portfolio excluding impairments significantly exceeded the growth in rentals.

The growth on the standing portfolio net rental income has been complemented by the effects of the three new acquisitions during the year which enhanced overall returns for investors. These acquisitions are expected to further enhance distributable income in the future, in view of the investment of cash into property at higher initial yields and the expected escalating income streams over time. This investment of cash into property during the year resulted in a reduction in net investment income.

Property costs, excluding impairments, have increased across the board. Utilities and other services with high labour components, such as security and refuse have increased as a result of the current inflationary environment. The expenses of a more variable nature such as repairs and maintenance, letting commissions and tenant installations have all increased significantly in the current year and will have longer term benefits for NAP. Impairments however decreased by 30% and portfolio expenses remained fairly flat year on year. Approximately 50% of the impairment charge this year relates to one tenant. The net unimpaired arrears excluding VAT amounts to P1.4 million at year end (2021: P1.8 million).

Profit for the year at P225.5 million was 39.6% up on last year's P161.5 million as a result of significant changes to the annual fair valuation adjustments and related taxes in addition to the P10.0 million and 6.1% increase in distributable income.

PROPERTY PORTFOLIO

Three properties were acquired at a total cost of P63 million during the year. Aligned with the strategic objectives of NAP, these were funded out of available cash. These properties are occupied by well established tenants with 92% of rentals flowing from listed and multinational tenants. The new acquisitions, being in Ghanzi, Maun and Ramotswa, increase our regional Botswana exposure outside Gaborone. They complement our existing well located property footprint, which provides valuable retail nodes for both communities and retailers across the breadth of Botswana.

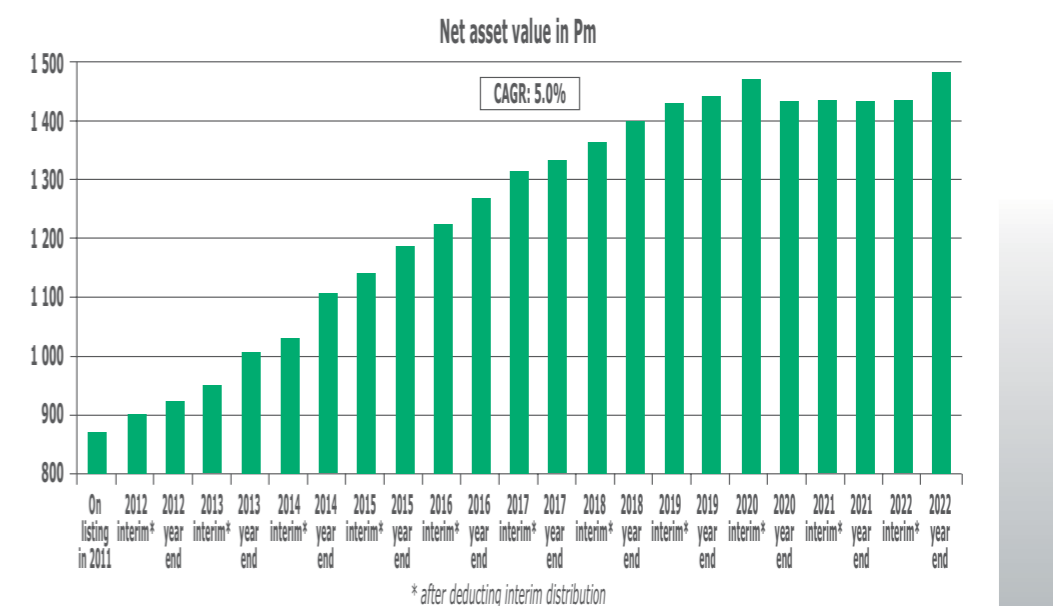
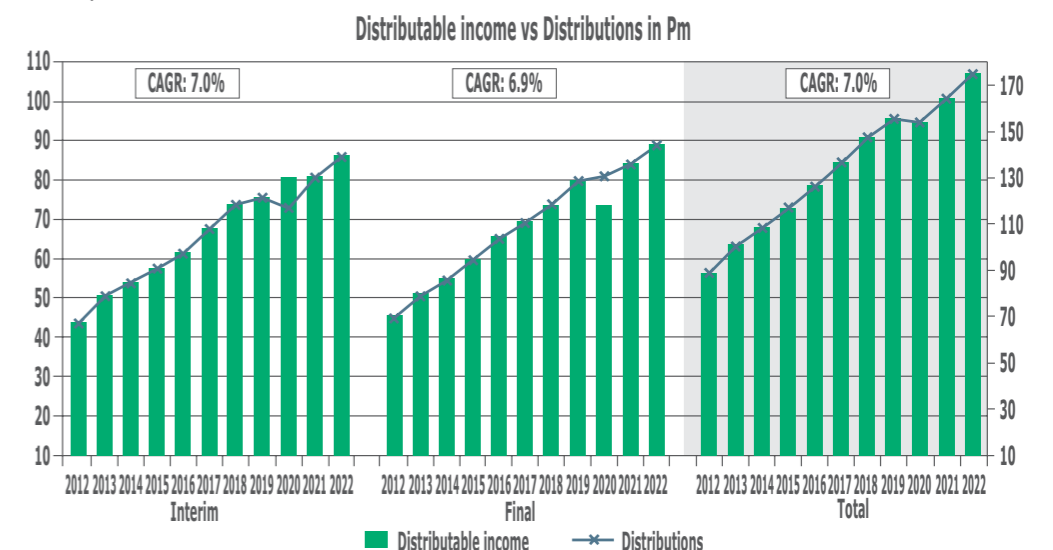
The strength and diversity of the tenant base is key to NAP's ability to deliver returns to investors. NAP continues to benefit from its strong tenant base with 64% of rental income (2021: 60%) flowing from listed and multinational tenants at year end. While this is a key ingredient to achieving strategic objectives, it is also important to provide opportunities for smaller tenants and entrepreneurs to participate in, and stimulate, the economy and employment. One fifth of rentals are earned from this segment.

The challenges experienced with negotiating and finalising leases post lockdowns has improved in recent months which resulted in a reduction of monthly tenancies from 11% of GLA at the start of the financial year to 7% at year end. At least 75% of these are purely timing and will be closed in the short term, there are however some smaller tenants who are unlikely to renew.

The vacancies have increased from 5% at the start of the year to 6% at year end. Namibian and Selebi Phikwe vacancies comprises 25% and 21% of the year end vacancies respectively. Both of these nodes are likely to be problematic. Kasane comprised a further 16% of vacancies at 31 July, however letting activity in this area is showing improvement and a tenant installation is currently underway for a multinational retailer for 29% of this vacancy.

PERFORMANCE TRENDS

NAP has delivered a strong, consistent performance since listing in 2011, generating both distribution and capital growth to investors and with a market capitalisation of approximately P2.0 billion at 31 July 2022.



CAGR = compound annual growth rate

NAP's balance sheet is sound and effectively ungeared. The investment of P63 million cash into retail property during the year is in line with the Company's strategy and should continue to enhance distributions.

The current economic environment is challenging and the high inflationary environment is resulting in expense growth exceeding embedded rental escalations and rental growth on new leases. Certain segments of the market, primarily the restaurant and entertainment sectors, are also likely to continue to face headwinds. The tourist industry is however showing signs of improvement after a prolonged challenging period and we are starting to see this in the properties in those areas.

For New African Properties Limited

J.T. Mynhardt
Chairman
28 October 2022

T.L.J. Mynhardt
Managing Director

Company Secretary

DPS Consulting Services Pty Ltd
Plot 28892 (Portion of Plot 50370), Twin Towers, West Wing - First Floor
Fairgrounds, Gaborone
(PO Box 1453, Gaborone, Botswana)

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