

## New Frontier Properties Ltd

**NEW FRONTIER**  
PROPERTIES

(Incorporated in the Republic of Mauritius on 5 June 2014)

(Registration number 123368C1/GBL)

SEM share code: NFP.N000

JSE share code: NFP

ISIN: MU0453N00004

("New Frontier" or "the Company" or "the Group")

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### SUMMARISED AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 AUGUST 2019

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The Company was established in Mauritius as a public company limited by shares holding a Category 1 Global Business Licence. The Company has primary listings on the Stock Exchange of Mauritius Ltd ("SEM") and the Alternative Exchange ("AltX") of the Johannesburg Stock Exchange ("JSE"). The primary objective of the Company was to acquire good quality, income-generating retail and logistics/warehouse property assets in the United Kingdom ("UK") and Europe.

#### REPORTING CURRENCY

The Company's results are reported in pounds sterling ("GBP").

#### FINANCIAL RESULTS

The Group's International Financial Reporting Standards ("IFRS") loss for the year was GBP 67.55 million (2018: Loss of GBP 76.48 million), which reflects the further fall in valuation of the Group's investment property of GBP 69.42 million. The Group has a negative net worth of £44.20 million due to the decline in property valuations.

The average annual "all in" cost of secured debt of the Group as at 31 August 2019, including the effect of fixed rate financial swap derivatives, was 3.07 % per annum (2018: 3.09% per annum). The Group also has an unsecured convertible shareholder loan of GBP 11.4 million at the year end on which interest currently accrues at 12% per annum. Over 88% (2018: 86%) of the Group's debt is fixed by use of financial swap derivatives.

#### DISTRIBUTABLE EARNINGS

The board of directors ("Board") has resolved not to declare a final dividend as indicated in the Company's previous announcements and notes that currently the company does not have any distributable reserves.

#### BANKING

The fall in value of the Group's properties has resulted in its loan to value covenants being exceeded.

At the year-end both lenders were engaging proactively with the Group to determine the best course of action and allow time for further review. Both lenders have trapped the free rental cashflow but are releasing funds for all of the Group's operating expenses and capital expenditure to support letting activity. Meanwhile, surplus funds will be used to repay the outstanding loans. Whilst the Group has the support of its funders, its loan terms are effectively repayable on demand.

The Group announced on 30 October 2019 that BCC Eiffel Limited ("BCC Eiffel"), a wholly-owned subsidiary of New Frontier, received a notice of acceleration from Deutsche Pfannbriefbank on its loan secured on Houndshell Shopping Centre, Blackpool. The demand required BCC Eiffel to repay the outstanding loan of £56.9 million. Deutsche Pfannbriefbank were advised that BCC Eiffel was not able to settle the demand for repayment. Subsequently joint Law of Property Act Receivers, Mathew Nagle and Kevin Mersh, were appointed on 30 October 2019 and they exchanged contracts to dispose of the Houndshell Shopping Centre, Blackpool on behalf of the Deutsche Pfannbriefbank.

#### BUSINESS REVIEW

For retail businesses in the UK, 2019 has been a challenging and frustrating year. Reduced consumer confidence and sterling's depreciation as a result of Brexit (leading to higher prices for imported goods), have combined with increased business rates, higher minimum wages and changing patterns of consumer spending to create the perfect retail storm.

Over the past few years, the sector has been hit by a series of Company Voluntary Arrangements ("CVAs") and receiverships. Tenants including Debenhams, Top Shop, Monsoon Accessorize, Patisserie Valerie and Select have reduced rents and closed stores across the UK. With further CVAs and company administrations likely, we anticipate that these challenging market conditions will continue to impact the business.

In spite of difficult market conditions, well run and appropriately financed retailers will continue to grow but they are often using their financial muscle to strike hard bargains below market rates which has a negative impact on investment performance. However, some tenants including Greggs over the past year, have upsized.

Our asset managers and advisors are working even harder during these challenging times. Given the limited availability of funding for capital expenditure it is encouraging to see an improvement in our vacancy level from 9.73% to 7.05% over the year, thanks to their efforts, particularly as footfall for the three centres has fallen to 25,131,692, a reduction of 4.94% compared to the UK average fall of 3.8%.

### Property Disposal

In July 2019 the Group sold Unit 1, Stadium Business Park, Ballycoolin, Dublin for a consideration of €10.5 million representing a net initial yield of 6.52%.

The property was originally acquired in November 2017 for a purchase consideration of €8.6 million as part of New Frontier’s strategy of diversifying its property portfolio to include logistics and warehousing properties occupied by the growing online retail sector. The funds were used to pay down the part of the outstanding balance of the Group’s loans.

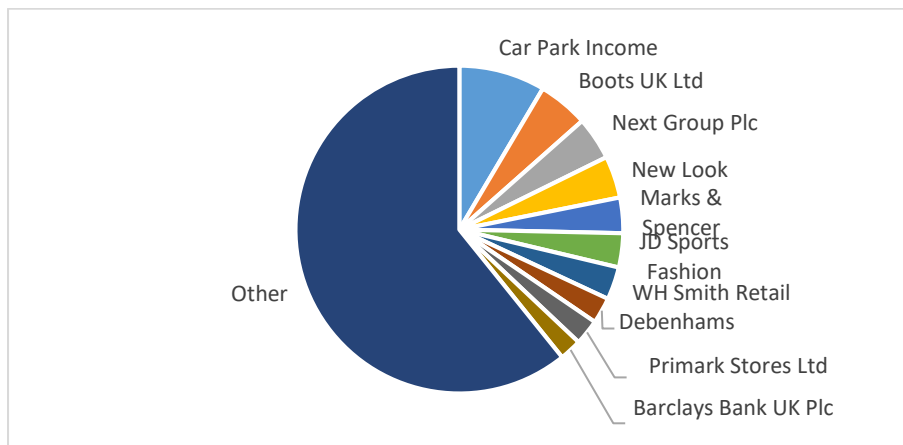
### Property values

The assets owned by the Group were valued at 31 August 2019 by a registered independent valuer, Colliers International Valuation UK LLP, at GBP 119.00 million representing a significant reduction in the value of the company’s UK shopping centre portfolio of GBP 68.40 million. This can be attributed to several factors including recent Company Voluntary Arrangements (“CVA’s”), company receiverships and tough trading conditions across the UK retail sector. These events had a negative impact on rents and consequently made investors and financiers reluctant to commit to this sector with the outward shift in yields driving significant valuation falls across the sector.

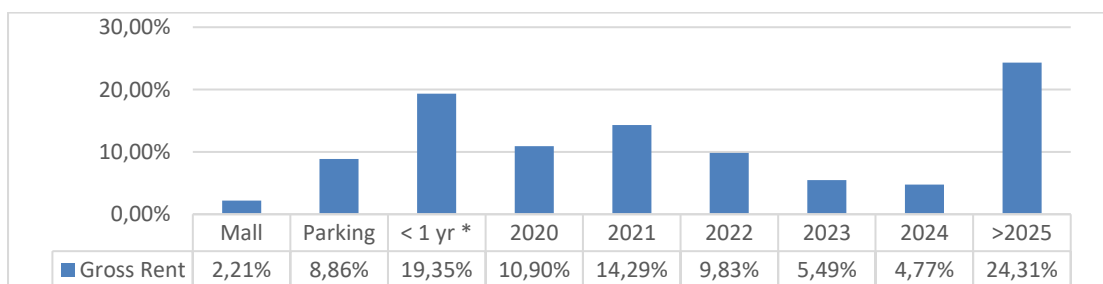
### Portfolio analysis

#### Retail income by covenant type

The majority of tenants in New Frontier’s shopping centres are strong covenants with 82% of gross rental income secured to national retail operators.

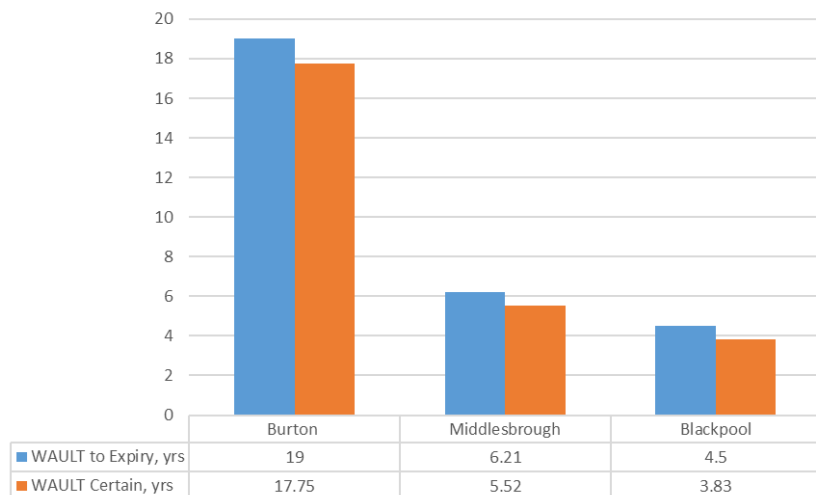


#### Lease expiry by gross rental



## Weighted average unexpired lease term (“WAULT”)

The centres benefit from a WAULT to expiry of 9.88 years and to a term certain of 9.04 years.



## Letting activity and lease renewals

As at 31 August 2019, the centres at Blackpool, Middlesbrough and Burton upon Trent have seen increases in combined occupancy to 92.95% (2018: 90.27%) by Estimated Rental Value (“ERV”) and 92.01% (2018: 88.14%) by Gross Lettable Area (“GLA”).

In the past 12 months, New Frontier has concluded 66 leasing events, 8 of which have been core, long-term leases with an average lease length of 9 years and average rent-free of 15.6 months.

## PROSPECTS

Over the past year, the sector has been hit by a series of CVA’s and receiverships. We anticipate further CVAs and company administrations and that these challenging conditions will continue to impact the market and consequently business over the next year

The Group will continue to actively manage its centres to minimise vacancy levels and reduce void costs. It is investigating ways of repaying debt through disposals and part disposals of our assets, working with its lender in the hope that values can recover as much as possible.

The Board considers that whilst the Group has the support of its lenders, it can service its obligations in the normal course of business and will continue as a going concern. HSBC have signed an amendment which takes the Group out of its default position by resetting the covenant levels including removing the LTV covenant. The Group will continue to work with HSBC to realise the value in its assets and repay the outstanding loan in accordance with the terms of the amended loan.

The group has tried to further reduce costs by delisting the company from the JSE and SEM as previously announced and has actively engaged with the two stock exchanges who have been unable to assist. Subsequently some of our new shareholders have indicated their desire to maintain a listing. This can only be achieved by further shareholder funding or by the lenders releasing cash who have indicated that this is not their long-term intention.

The Group has a negative net worth of £44.20 million due to the fall in the valuation of its investment properties and in the Directors’ opinion this will not be reversed in the short term.

## Post year end

As reported above, since the year end the lender at Blackpool has exercised its security over the shopping centre at Blackpool and that property has been sold.

## Corporate Governance

The Company is currently operating with only four directors. Two of these directors are Mauritian (non-executive) and two UK executive directors from the asset manager. The lenders are currently releasing cash to remunerate the Mauritian directors and have said that they will not currently fund new directors to the Board. The UK directors do not receive any remuneration from the company for their roles.

The company recognises that due to the practical difficulties in appointing further directors it is not fully compliant with the King IV code, but it believes it is managing the business in a manner which is appropriate for its current situation and following the principles set out in the code.

## **CHANGES TO BOARD**

On 11 July 2019 Sisa Ngebulana and Rob Becker resigned from the New Frontier Board, following the disposal of the Rebasis shareholding in the company. The Board thanks Sisa and Rob for their significant contributions to the Board.

## **BASIS OF PREPARATION**

These summarised audited consolidated results for the year ended 31 August 2019 have been prepared in accordance with IFRS, including IAS 34 – Interim Financial Reporting, the SEM Listing Rules, the Securities Act of Mauritius 2005 and the JSE Listings Requirements to the extent required. The accounting policies are in accordance with IFRS and are consistent with those applied in the previous annual financial statements.

## **Auditor's report**

The Company's external auditors, BDO & Co, have issued their unmodified audit opinion on the Group's financial statements for the year ended 31 August 2019.

### ***Material uncertainty related to going concern***

The following is an extract of the emphasis of matter paragraph included in the audit report:

“The Group and the Company have a shareholder's deficit of GBP 44.2 million and GBP 11.3 million respectively. In forming our opinion, we have considered the adequacy of the disclosure in note 2.1.2 to the financial statements concerning the Group and the Company ability to continue as a going concern basis. The validity of which depends on the continued financial support from its banks. The matters as set forth in note 2.1.2 indicate that a material uncertainty exist that may cast significant doubt on the group's and the company's ability to continue as a going concern. In view of the significance of this matter, we considered it should be drawn to your attention. Our opinion is not modified in this respect.”

This summarised report is extracted from audited information but is not itself audited.

The directors take full responsibility for the preparation of these financial results and that the audited condensed consolidated results have been extracted from the audited financial statements.

## **SEGMENTAL INFORMATION**

The Group derives its revenue from a single business activity, the property sector. Following the disposal of the property in Dublin the Group has one market segment being UK Shopping Centres.

By order of the Board

Osiris Corporate Solutions (Mauritius) Limited  
Company secretary

**3 December 2019**

## NOTES

Copies of this report are available to the public at the registered office of the Company, Chemin Vingt Pieds, 5<sup>th</sup> Floor, La Croisette, Grand Baie, Mauritius.

Copies of the statement of direct or indirect interest of the Senior Officers of the Company pursuant to rule 8(2)(m) of the Securities (Disclosure of Obligations of Reporting Issuers) Rules 2007 are available to the public upon request to the company secretary at the Registered Office of the Company at Chemin Vingt Pieds, 5<sup>th</sup> Floor, La Croisette, Grand Baie, Mauritius.

This communiqué is issued pursuant to Listing Rule 12.14 and Section 88 of the Securities Act of Mauritius 2005. The Board accepts full responsibility for the accuracy of the information in this communiqué.

For further information please contact:

JSE designated advisor  
**Java Capital** +27 11 722 3050

Company secretary  
**Osiris Corporate Solutions (Mauritius) Limited** +230 650 4030

NEW FRONTIER PROPERTIES LTD

STATEMENTS OF FINANCIAL POSITION AT 31 AUGUST 2019

	<b>GROUP - Audited</b>	
	<u>2019</u>	<u>2018</u>
	£000	£000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	13	15
Investment property	68,593	193,288
Derivative financial instrument	149	1,103
	<u>68,755</u>	<u>194,406</u>
<b>Current assets</b>		
Trade and other receivables	3,583	5,179
Cash and cash equivalents	2,344	3,471
	<u>5,927</u>	<u>8,650</u>
Non-current assets classified as held for sale	<u>47,514</u>	-
<b>Total assets</b>	<u><u>122,196</u></u>	<u><u>203,056</u></u>
<b>EQUITY</b>		
<b>Capital and reserves (attributable to owners of the parent)</b>		
Share capital	47,136	47,136
Hedging reserve	(678)	(915)
Accumulated losses	(90,657)	(23,102)
<b>Owner's (deficit)/interest</b>	<u>(44,199)</u>	<u>23,119</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	-	143,581
<b>Current liabilities</b>		
Trade and other payables	4,115	5,000
Borrowings	162,280	31,356
	<u>166,395</u>	<u>36,356</u>
<b>Total liabilities</b>	<u>166,395</u>	<u>179,937</u>
<b>Total equity and liabilities</b>	<u><u>122,196</u></u>	<u><u>203,056</u></u>

**NEW FRONTIER PROPERTIES LTD**

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME -  
YEAR ENDED 31 AUGUST 2019**

	<b>GROUP - Audited</b>	
	<u>2019</u>	<u>2018</u>
	<b>£000</b>	£000
<b>Continuing operations</b>		
<b>Revenue</b>		
Rental income	<b>14,737</b>	16,972
<b>Expenses</b>		
Property operating expenses	<b>(4,525)</b>	(3,363)
Administrative expenses	<b>(933)</b>	(2,351)
Fair value loss on investment property	<b>(69,421)</b>	(80,616)
	<b>(60,142)</b>	(69,358)
<b>Finance charges</b>		
Finance costs	<b>(7,400)</b>	(6,193)
Loss on foreign exchange	<b>(9)</b>	(7)
	<b>(7,409)</b>	(6,200)
<b>Other income</b>		
Other income	<b>2</b>	21
Loss before tax	<b>(67,549)</b>	(75,537)
Income tax expense	<b>(520)</b>	(7)
<b>Loss for the year from continuing operations</b>	<b>(68,069)</b>	(75,544)
<b>Discontinued operations</b>		
<b>Post tax profit/(loss) from discontinued operations</b>	<b>514</b>	(937)
<b>Loss for the year - all operations</b>	<b>(67,555)</b>	(76,481)
<b>Other comprehensive income</b>		
Fair value (loss)/gain on derivative financial instruments	<b>(953)</b>	1,404
<b>Other comprehensive income for the year</b>	<b>(953)</b>	1,404
<b>Total comprehensive loss for the year</b>	<b>(68,508)</b>	(75,077)
<b>Earnings per share from continuing operations</b>		
Basic and diluted loss per share (GBP)	<b>(0.423)</b>	(0.476)
Headline earnings per share (GBP)	<b>0.008</b>	0.032
<b>Earnings per share from discontinued operations</b>		
Basic and diluted earnings/(loss) per share (GBP)	<b>0.003</b>	(0.006)
Headline earnings/(loss) per share (GBP)	<b>0.003</b>	(0.005)

NEW FRONTIER PROPERTIES LTD

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED 31 AUGUST 2019

	Share capital	Hedging reserve	Audited (Accumulated losses)/ Retained earnings	Total
	£000	£000	£000	£000
<b>THE GROUP</b>				
<b>Balance at 1 September 2018</b>	<b>47,136</b>	<b>(915)</b>	<b>(23,102)</b>	<b>23,119</b>
Loss for the year	-	-	<b>(67,555)</b>	<b>67,555</b>
Other comprehensive loss for the year	-	<b>(953)</b>	-	<b>(953)</b>
Total comprehensive loss for the year	-	<b>(953)</b>	<b>(67,555)</b>	<b>(68,508)</b>
Amortisation of historic cash flow hedge reserve	-	<b>1,190</b>	-	<b>1,190</b>
Total transactions with owners of the parent	-	<b>1,190</b>	-	<b>1,190</b>
<b>Balance at 31 August 2019</b>	<b>47,136</b>	<b>(678)</b>	<b>(90,657)</b>	<b>(44,199)</b>
Balance at 1 September 2017	39,412	(3,330)	63,678	99,760
Loss for the year	-	-	(76,481)	(76,481)
Other comprehensive income for the year	-	1,404	-	1,404
Total comprehensive income/(loss) for the year	-	1,404	(76,481)	(75,077)
Issue of shares	7,724	-	-	7,724
Dividends	-	-	(10,327)	(10,327)
Waiver of dividends	-	-	28	28
Amortisation of historic cash flow hedge reserve	-	1,011	-	1,011
Total transactions with owners of the parent	7,724	1,011	(10,299)	(1,564)
Balance at 31 August 2018	47,136	(915)	(23,102)	23,119



**NEW FRONTIER PROPERTIES LTD**

**STATEMENTS OF CASH FLOWS - YEAR ENDED 31 AUGUST 2019**

	<b>GROUP - Audited</b>	
	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Cash flows from operating activities</b>		
Cash from operations	9,407	10,854
Income tax refunded	-	146
Interest paid	(4,847)	(4,755)
<b>Net cash from/(used in) operating activities</b>	<b>4,560</b>	6,245
<b>Cash flows from investing activities</b>		
Capital improvements to investment property	(212)	(1,132)
<b>Net cash used in investing activities</b>	<b>(212)</b>	(1,132)
<b>Cash flows from financing activities</b>		
Proceeds from loans	-	5,714
Repayment of borrowings	(2,614)	(1,783)
Payment of borrowings cost	(2,850)	(695)
Dividend payment	-	(10,299)
<b>Net cash used in financing activities</b>	<b>(5,464)</b>	(7,063)
<b>Net cash flows used in discontinued operations</b>	<b>(10)</b>	(80)
<b>Net decrease in cash and cash equivalents for the year</b>	<b>(1,126)</b>	(2,030)
Effect of movement in exchange rate	(1)	(9)
Cash and cash equivalents at the beginning of the year	3,471	5,510
<b>At 31 August</b>	<b>2,344</b>	3,471

## NEW FRONTIER PROPERTIES LTD

### BASIC AND HEADLINE PER SHARE

<i>Continuing operations</i>		
	<u>2019</u>	<u>2018</u>
	<u>£000</u>	<u>£000</u>
Basic loss attributable to equity holders	(68,069)	(75,544)
Fair value movement on investment properties (Note 7)	<u>69,421</u>	<u>80,616</u>
Headline earnings attributable to equity holders	<u>1,352</u>	<u>5,072</u>
 <i>Discontinued operations</i>		
	<u>2019</u>	<u>2018</u>
	<u>£000</u>	<u>£000</u>
Basic (loss)/earnings attributable to equity holders	514	(937)
Fair value movement on investment properties (Note 7)	<u>-</u>	<u>219</u>
Headline earnings attributable to equity holders	<u>514</u>	<u>(718)</u>
Number of shares/weighted average number of shares	<u>160,935,407</u>	<u>158,587,821</u>
 <b>(Loss)/earnings per share</b>		
 <i>Continuing operations</i>		
Basic and diluted loss per share (GBP)	<u>(0.423)</u>	<u>(0.476)</u>
Headline earnings per share (GBP)	<u>0.008</u>	<u>0.032</u>
 <i>Discontinued operations</i>		
Basic and diluted earnings/(loss) per share (GBP)	<u>0.003</u>	<u>(0.006)</u>
Headline earnings/(loss) per share (GBP)	<u>0.003</u>	<u>(0.005)</u>