Putprop Limited
Incorporated in the Republic of South Africa
(Registration number 1988/001085/06)
Share code: PPR | ISIN: ZAE000072310
('Putprop' or 'the company' or 'the Group')

Abridged Summarised Condensed Consolidated Audited Results For the year ended 30 June 2020

Preparation of Annual Financial Statements

The annual financial statements contained in this report are also available on the Group's website www.putprop.co.za and have been prepared by the Chief Financial Officer, James E. Smith B.Sc, B. Acc, CIEA. The annual financial statements have been audited in compliance with the requirements of the Companies Act.

Condensed Consolidated Statements of financial position as at 30 June 2020

	Group	
	2020	2019
	R'000	R'000
ASSETS		
Non-current assets		
Net investment property	512 626	495 640
Gross investment property	541 121	518 220
Straight-line rental income adjustment	(28 495)	(22 580)
Other non-current assets		
Straight-line rental income asset	22 117	23 313
Furniture, fittings, computer equipment and motor vehicles	247	167
Investment in subsidiary	–	–
Loan to subsidiary	–	–
Deferred interest on discounting of the loan to subsidiary	–	–
Investment in associates	143 132	150 564

Loan to associate	23 206	22 676
Cumulative redeemable preference shares in associate	35 891	35 891
	737 221	728 251
Net investment property held for sale	20 310	41 267
Gross investment property	21 000	42 000
Straight-line rental income adjustment	(690)	(733)
Current assets		
Straight-line rental income asset	7 067	-
Trade and other receivables	5 768	9 137
Current taxation receivable	595	718
Cash and cash equivalents	3 984	5 771
	17 415	15 626
Total assets	774 946	785 144
Equity and liabilities		
Equity attributable to owners of the parent		
Stated capital	98 148	98 148
Accumulated profit	485 230	489 040
Total equity	583 377	587 188
Non-current liabilities		
Deferred taxation	44 946	42 785
Loan liabilities	125 760	139 294
	170 706	182 079
Current liabilities		
Loan liabilities	10 492	6 691
Trade and other payables	5 089	9 186
Bank Overdraft	5 281	-
	20 862	15 877
Total equity and liabilities	774 946	785 144

	2020	2019
Net Asset value (cents per share)	1 329	1 337

Condensed Consolidated
Statements of comprehensive income
for the year ended 30 June 2020

	Group	
	2020	2019
	R'000	R'000
Property rental revenue	58 611	59 305
Operating cost recoveries	15 280	16 786
Gross property revenue	73 890	76 091
Property expenses	(19 856)	(19 636)
Net profit from property operations	54 035	56 455
Corporate administration expenses	(11 566)	(11 328)
Expected credit losses	298	(1 900)
Investment and other income	2 016	5 356
Share of associates' profits/(losses)	(7 433)	18 217
Operating profit before finance costs	37 350	66 800
Finance costs	(12 623)	(15 105)
Profit before fair value adjustments	24 727	51 695
Fair value adjustments	(14 688)	(14 587)
Profit before taxation	10 039	37 108
Taxation	(7 155)	(3 499)
Profit and total comprehensive income for the year	2 884	33 609
Attributable to owners of parent	2 884	33 609
Earnings per share (cents)	6.57	76.26

Condensed Consolidated
Statements of changes in equity
for the year ended 30 June 2020

	Stated capital R'000	Accumulated profit R'000	Total R'000
GROUP			
Balance at 30 June 2018	101 969	461 199	563 168
Profit and total comprehensive income for the year	–	33 609	33 609
Dividends paid	–	(5 761)	(5 761)
Share buyback	(3 821)	–	(3 821)
Balance at 30 June 2019	98 148	488 040	587 188
Profit and total comprehensive income for the year	–	2 884	2 884
Dividends paid	–	(6 694)	(6 694)
Balance at 30 June 2020	98 148	485 230	583 377

Condensed Consolidated
Statements of cash flows
for the year ended 30 June 2020

	Group	
	2020	2019
	R'000	R'000
Cash flow generated from/(utilised in) operating activities	6 746	16 482
Net cash generated from operations	28 907	39 303
Finance costs	(12 623)	(15 105)
Investment income	2 016	4 798
Taxation paid	(4 870)	(6 753)
Dividends paid	(6 694)	(5 761)
Cash flow (utilised in) investing activities	(4 202)	(6 261)
Additions and improvements to investment properties	(7 799)	(3 129)
Proceeds on sale of investment properties	–	25 500
Additions to investment in associates	–	(11 268)
Loan repayment received from associates	(3 747)	–
Loan advanced to associate	–	(17 218)
Acquisition of furniture, fittings, computer equipment and motor vehicles	(150)	(146)
Cash flow from financing activities	(9 612)	(7 928)
Payments made on share buyback	–	(3 821)
Payments made on loan liabilities	(9 612)	(5 597)
Proceeds received on loan liabilities	–	1 490
Net increase/(decrease) in cash and cash equivalents	(7 068)	2 293
Cash and cash equivalents at beginning of year	5 771	3 478
Cash and cash equivalents at end of year	(1 297)	5 771

Reconciliation of Group net profit to headline earnings

	Group 2020 R'000	Group 2020 Cents per share	Group 2019 R'000	Group 2019 Cents per share
Earnings per share	2 884	6.57	33 609	76.26
Adjusted for				
Net change in fair value of investment property	14 688	33.46	14 587	33.10
Tax effects of fair value adjustments to property	(3 290)	(7.50)	(3 267)	(7.41)
Equity accounted earnings of associates	8 878	20.22	(19 940)	(45.25)
Tax effect of equity accounting	(1 989)	(4.53)	4 467	10.14
Capital gain tax effect on disposal of investment property	-	-	2 115	4.80
Headline earnings and diluted earnings	21 171	48.23	31 570	71.64

Condensed Consolidated
Segment Information
for the year ended 30 June 2020

	Retail R'000	Commercial R'000	Industrial R'000	Corporate R'000	Total R'000
Segment revenue					
Contractual rental income	17 917	11 247	20 656	-	49 820
Recoveries	4 638	4 877	5 765	-	15 280
Straight-line rental adjustment	2 309	2 453	4 028	-	8 790
Total revenue	24 863	18 577	30 450	-	73 890
Share of associates profits	(4 478)	(2 955)	-	-	(7 433)
Segment result					
Operating profit/(loss)	19 883	12 994	21 936	(11 566)	43 246
Finance costs	(7 093)	(5 471)	-	(60)	(12 623)
Investment and other income received	-	-	-	2016	2016
Fair value adjustments to					

investment properties	(13 938)	4 400	3 640	–	(5 898)
Straight-line rental adjustment	(2 309)	(2 453)	(4 028)	–	(8 790)
Net profit/(loss) before tax	(7 934)	6 035	21 548	(9 610)	10 039
Other information					
Property assets	229 382	134 300	198 439	–	562 121
Investment in associates	26 664	116 468	–	–	143 132
Loan to associate	–	23 206	–	–	23 206
Cumulative redeemable preference shares in associate	35 891	–	–	–	35 891
Trade and other receivables	(694)	115	4 857	1 491	5 768
Cash and cash equivalents	–	–	–	3 984	3 984
Segment assets	291 243	274 089	203 296	5 475	774 103
Loan liabilities	75 498	60 754	–	–	136 251
Trade and other payables	780	353	(110)	4 067	5 089
Bank overdraft	–	–	–	5 281	5 281
Segment liabilities	76 277	61 107	(110)	9 348	146 621

One of the Group's tenants, Larimar Limited contributes approximately 33.3% (2019: 35%) of the total revenue received. This revenue falls within the industrial segment.

Segment information
30 June 2019

	Retail R'000	Commercial R'000	Industrial R'000	Corporate R'000	Total R'000
Segment revenue					
Contractual rental income	18 992	12 096	23 863	–	54 950
Recoveries	4 677	3 080	9 029	–	16 786
Straight-line rental adjustment	1 554	2 948	(148)	–	4 354
Total revenue	24 086	17 161	34 844	–	76 091
Share of associates profits	2 876	15 341	–	–	18 217
Segment result					
Operating profit/(loss)	20 054	12 717	21 220	(10 765)	43 227

Finance costs	(7 820)	(5 959)	-	(1 326)	(15 105)
Investment and other income received	631	-	-	4 725	5 356
Fair value adjustments to investment properties	106	5 048	(15 387)	-	(10 233)
Straightline rental adjustment	(1 554)	(2 948)	(148)	-	(4 354)
Net profit/(loss) before tax	14 293	24 198	5 982	(7 366)	37 108
Other information					
Property assets	238 320	129 900	192 000	-	560 220
Investment in associates	31 141	119 423	-	-	150 654
Loan to associate	-	22 676	-	-	22 676
Cumulative redeemable preference shares in associate	35 891	-	-	-	35 891
Trade and other receivables	241	226	2 256	6 414	9 137
Cash and cash equivalents	-	-	-	5 771	5 771
Segment assets	306 916	272 225	192 985	12 133	784 259
Loan liabilities	80 646	65 339	-	-	145 985
Trade and other payables	1 551	-	465	7 170	9 186
Segment liabilities	82 197	65 339	465	7 170	155 171

COMMENTARY

BASIS OF PREPARATION

The financial statements have been prepared using a combination of the historical cost and fair value basis of accounting.

The accounting policies and methods of computation are consistent with those for the year ended 2019, except for the first time application of IFRS 16.

PREPARED IN ACCORDANCE WITH

International Financial Reporting Standards (IFRS), interpretations as issued by the International Financial Reporting Interpretations and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, JSE Listings Requirements, Companies Act, Going concern principles.

FUNCTIONAL - AND PRESENTATION CURRENCY
South African Rand

ROUNDING PRINCIPLES
R'000 (Thousand)

These financial statements comprise the financial statements of Putprop Limited, its subsidiary companies and equity accounted associates and joint operations together referred to as the Group.

INTRODUCTION

Extract from the Auditor's Report of consolidated and separate financial statements.

We have audited the consolidated and separate financial statements of Putprop Limited (the group and company) which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Putprop Limited as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

On behalf of the board of directors of the company ("the Board") I am pleased to report to our shareholders and other stakeholders on the 32nd annual financial results of the Group for the year ended 30 June 2020. The second half of 2020 has developed into a momentous year for the world, South Africa, the property industry and Putprop.

New words and phrases such as Covid-19, lockdown, sanitisers, work from home and social distancing have entered and become common in the day to day vocabulary of all South Africans. Masks were something your children wore. Handshakes were replaced by "Elbow Bumps".

Covid-19 is a Black Swan event or an event characterised as extremely rare and unpredictable which has a severe impact on a society or a business, was not only the occurrence of the year and decade but possibly for generations to come.

The impact on the world and South African economies is nothing short of catastrophic. Jobless claims and unemployment statistics have sky-rocketed, hotel occupancies and restaurant bookings have shown declines between 30% to 90% at the height of the various government enforced lockdowns.

Latest estimates from the John Hopkins University of Medicine reflects over 25.8 million confirmed Covid-19 cases world-wide with a global death rate of over 858 000. The general outlook remains negative and we believe this will remain until a general-purpose vaccine is made available worldwide.

The South African economy which was in a poor state prior to Covid-19 has now deteriorated even more. The recent IMF loan and the various packages government has made available will possibly assist recovery provided these funds reach their intended targets.

OPERATING ENVIRONMENT UNDER COVID-19

The listed property environment has reflected results which have not been seen since the 2008 banking crisis and has in many instances, exceeded this in its effect.

Due to the exposure of property investment companies to all sectors of the economy - retail, industrial and commercial as well as a wide variety of tenants operating in these segments, the effect has been even more extreme for companies operating in the property market.

Tenants both nationals and line shops have all suffered losses in income which flows down to what rentals they are able to pay to remain sustainable.

The lockdown period of late March and April has resulted already in many tenants not being viable without assistance from various sources. Property owners are not exempt and are often first on any tenants list for assistance.

RESULTS

Putprop has delivered steadily over the past three decades in terms of returns, sustainable profitability and distributions. Our approach continues to be one of conservative growth and limiting risk to our stakeholders, with the primary objective of building a quality property portfolio evenly spread over all three operating segments, with strong contractual cash flows and capital appreciation. Our dividend distribution policy, our 32nd consecutive pay-out, continues to provide consistency and certainty to our shareholders as well as reward them for the trust and confidence they have given to the Group over the past years. The executive will strive to continue his approach despite the current uncertainties globally and locally.

The Group posted excellent results for the six months ended 31 December 2019 and our expectation was to continue this trend for the second half of 2020.

The Covid-19 pandemic which hit South Africa in late March unfortunately has prevented this expectation from being realised.

However, the Group has managed to limit the effect of this pandemic to a large extent, with careful interaction with all of our tenant base both in Group and company, by offering assistance and thus attempting to accommodate their continued sustainability. This resulted in relief being granted in many instances to our tenants combined with cost cutting exercises. Rental deferrals has been given for repayment within six months.

The review period reflects a decrease of 44.1% (2019: increase of 124.2%) on Putprop's profit before taxation, fair value adjustments and finance costs. Headline earnings at 48.23 cents per share (2019: 71.64 cents per share) were 32.7% down. Group net profit after taxation was substantially down. This arose from a large loss from our associates as a result of write-downs in their portfolio assets as well as sharp declines in profits reported. Losses of R7.4 million were accounted for compared to reported profits of R18.2 million in 2019.

Property and corporate expenses were controlled during the review period, with finance costs decreasing due to interest rate cuts. If the Group's associated companies are discounted, then results would have been comparable with those of 2019, reflecting a decrease of only 7.8%.

The directors have decided to declare a final dividend of 5.75 cents per share payable after 30 June 2020 (30 June 2019: 7 cents). The total declared dividend for the year is 14 cents per share (2019: 13 cents).

PROPERTY PORTFOLIO AND PROSPECTS

At 30 June 2020, our property portfolio consisted of 14 (2019: 14) properties, situated primarily in the Johannesburg and Pretoria metropolitan areas of Gauteng valued at R562.1 million (2019: R560.2 million). The performance of the investment property portfolio was strong with average annual property yields of over 9.5% (2019: 9%). The portfolio has a total gross lettable area of 68 553m² (2019: 68 377m²).

Valuations in the current market have become stretched, the growth in rentals previously received are now no longer available with large reversions in renewed rentals becoming the norm in order to retain tenants.

No additional investments were made in Pilot Peridot One Proprietary Limited or Belle Isle Investments Proprietary Limited this year (2019: R0.168 million).

The Group as previously reported, has entered into a transaction with McCormick Development Company (Pty) Ltd, to develop two community retail centres on two of our properties situated in Mamelodi and Dobsonville, on a 50:50 joint operations basis. As a result of the Covid-19 pandemic certain suspensive conditions have not been realised and as a result Putprop's Board has postponed the start of both developments until early 2021, where conditions will be re-evaluated. Both developments still firmly form part of the Board's strategy to broaden the Group portfolio.

The Board still is of the opinion that these developments will add substantially to the capital growth, future contractual rentals and property yields of the Group.

The Group, will however, continue to actively pursue other potential acquisitions during the coming year.

BOARD CHANGES

There have been no changes in the Group's Board, during the review period.

The Board will continue to place emphasis on corporate governance, sustainability and transparency. Our Board committees continue to be active and effective.

PROSPECTS

Our strategy continues to be that of enhancing our property portfolio by investing in suitable industrial, retail and commercial properties to improve our income streams.

The Covid-19 pandemic is likely to put pressure on tenant sustainability and retention. Cash flows are expected to be critical in the next six to nine months.

Looking ahead, we believe property fundamentals will be under pressure for the foreseeable future. Growth, if any, in gross domestic product is forecast by most economists to be in the region of 0.1% for the 2021 year. Trading conditions in the year ahead are expected to remain challenging with capital and dividend growth in the property sector of around 3% - 6%.

Going forward it is the Group's intention to continue to uphold its policy of strong tenant retention and focus on cost controls, while maintaining the value of its existing portfolio through aggressive maintenance and renovation policies.

SUBSEQUENT EVENTS

The financial impact of the COVID-19 pandemic after year end cannot be fully quantified at this stage due to uncertainty of the duration of the lockdown regulation and the future effect on the economy as a whole. The Group is making steady progress with rental collections under these difficult circumstances and debtors are being monitored closely by management. The lockdown is affecting certain industries more than others, but all sectors are seen to be slowly recovering with the re-opening of the economy as announced by the Government.

There were no new rental reduction or deferral agreements entered into after year end or any cancelation of contracts due to the effects of the imposed lockdown which may impact the valuation of the Group's property portfolio. No further impairments were reognised on the trade receivables subsequent to year-end.

DECLARATION OF FINAL DIVIDEND NO 62

The Board is pleased to announce the declaration of a dividend of 5.75 cents per ordinary share in respect of the year ended 30 June 2020 (2019: 7 cents), thus bringing the total dividend payable for the year to 14 cents (2019: 13 cents).

Additional information:

This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The dividend withholding tax ("DWT") rate is 20%. The net amount payable to shareholders who are not exempt from DWT is 4.60000 cents per share, while the gross amount is 5.75 cents per share to those shareholders who are exempt from DWT.

There are 43 897 279 (2019: 43 897 279) ordinary shares in issue; the total dividend amount payable is R2 324 093 (2019: R3 127 059). Putprop's tax reference number is 9100097717, and its company registration number is 1988/001085/06

The salient dates are as follows:

Declaration date	Friday, 4 September 2020
Last date to trade to participate	Tuesday, 27 October 2020
Trading commences ex dividend	Wednesday, 28 October 2020
Record date	Friday, 30 October 2020
Date of payment	Monday,2 November 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 October 2020 and Friday, 30 October 2020, both days inclusive.

Shareholders are advised that the integrated annual report for the year ended 30 June 2020 ('integrated annual report') was distributed to shareholders today, 4 September 2020 and is also available on the Company's website, www.putprop.co.za

Notice is hereby given that the annual general meeting of shareholders of Putprop ('Annual General Meeting') will be held at 11:00 on Wednesday, 4 November 2020 at Larimar Limited, Gaetano Auditorium, 32 Milky Way Avenue, Linbro Business Park, Sandton to transact the business stated in the notice of the annual general meeting, which is contained in the integrated annual report.

These abridged condensed consolidated audited financial statements, which have been derived from the consolidated annual financial statements and with which they are consistent in all material respects, have been audited by Mazars. Their unmodified audit opinions on the consolidated annual financial statements together with the accompanying financial information are available for inspection at the registered office of the company. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the Group's registered office.

This abridged report is extracted from audited information, but is not itself audited.

The Board takes full responsibility for the preparation of this report and that the financial information has been correctly extracted from
the underlying consolidated audited annual financial statements, which is available for inspection at the registered office of the company.

By order of the Board

J E Smith

Financial Director
Sandton
4 September 2020

Corporate Information
Registration Number: 1988/001085/06
Share Code: PPR

ISIN: ZAE000072310

DIRECTORS

Daniele Torricelli (c,e,f,g,h,j)	Chairman	a.	Executive
Hayden Hartley (b,c,d,e,g,i,j,k)		b.	Chairman Audit and Risk Committee
Bruno Carleo (a,g,j)	Chief Executive Officer		
James Smith (a,g,j)	Chief Financial Officer	c.	Independent non-executive
Anna Carleo-Novello (a,g,j)		d.	Member of Audit and Risk Committee
René Styber (c,d,e,g,j)			
Gerrit van Heerden (c,d,e,g,j)		e.	Member of the Remuneration, Nomination and Human Resources Committee
		f.	Chairman Social and Ethics Committee
		g.	Member Social and Ethics Committee
		h.	Chairman, Nomination Committee
		i.	Chairman of Remuneration and Human Resources Committee
		j.	Member Investment Committee
		k.	Chairman, Investment Committee

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LISTING INFORMATION
Putprop Limited was listed on the
JSE Limited on 4 July 1988
JSE code: PPR
Sector: Financial – Real Estate