



Putprop

**Unaudited Condensed
Interim Financial Results**
for the six months ended
31 December 2020
and Dividend Declaration



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")





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Financial Highlights

Gross property revenue **flat at**

R38.4 million,

despite COVID-19 impact on retail tenants.

Headline earnings per share **DECREASED**

SLIGHTLY BY

1.6%

FROM 36.4 CENTS TO 35.9 CENTS PER SHARE

Profit after tax

increased by

61.9%

TO R25.7 MILLION

Market value per m² of

property portfolio of

**R8 074
per m²**

Net Asset Value of

1419

cents per share

Annual escalation on
contractual rental income

reflects a drop from

7.67% to 7.5%

in difficult rental market

Property expenses **DECLINED BY**

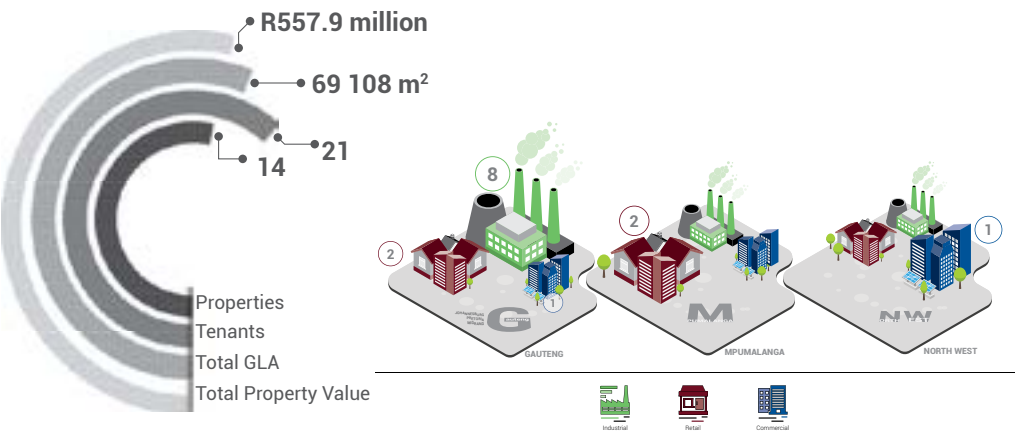
6.5%

reflecting tight focus by management
during the pandemic





Footprint



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Strategic Positioning and Business Model

Broaden our contractual tenant base so as to minimise risk of over-dependence on a limited number of tenants	Optimise our profit before tax and growth in shareholder distributions	Achieve and maintain balanced exposures to the industrial, retail and commercial segments of the property sector
Contract with financially sound tenants on a long lease basis in order to ensure sustainable income streams	Maintain a strong statement of financial position with limited application and exposure to gearing to the extent that such gearing enhances returns	Preserve and enhance our properties with a structured ongoing maintenance and upgrading programme
Continue to broaden our geographic exposure into all of the provinces	Focus aggressively on the Group's vacancy profile and manage the lease expiry profile of the portfolio	

Commentary

OVERVIEW

Putprop is a property investment company, listed on the Main Board of the JSE Limited ('JSE') under the real estate sector. The Company offers investors an opportunity to participate in the industrial, commercial, and retail sectors of a JSE listed property company.

The property portfolio comprises 14 (June 2020: 14) strategically located properties, situated primarily in the Gauteng geographical area. The total Gross Lettable Area ('GLA') of the invested properties is 69 108m² (June 2020 : 68 553m²) with a value of R518.9 million (June 2020: R541.1 million). Investment property held for resale was R39.0 million (June 2020: R21.0 million).

The South African property market continued to operate under extremely onerous conditions for the second half of 2020. The second wave of the virus that first appeared in Europe, together with the development of the so called South African Variant, forced government to raise the level of lockdown from Level 2 to Level 4.

Again, the liquor and restaurant trade together with those enterprises' dependent on a large traffic of people - recreational activities and gyms were affected. The property market which appeared to be regaining some of its losses from the first half of the year again saw a deterioration in rental collections and an increased number of rental defaults and tenants going out of business.

We expect conditions to remain challenging for the remainder of our financial year.

The board of directors of Putprop ('Board') is pleased to announce the unaudited interim results for the six months ended 31 December 2020. These results were flat when compared with the period ended 31 December 2019 ('the comparable period') in respect of gross property rental revenue. Property expenses were down 6.5% due to lower fixed costs than previously forecast. Maintenance expenditure was contained on all properties in the Groups' portfolio. Maintenance is expected to remain constant in the second half of the financial year.

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Increases in corporate expenses at 4.8% or R6.4 million (2019: R6.2 million), were again well controlled in this pandemic environment.

Profit before taxation increased to R29.3 million (2019: R18.1 million), and profit after taxation was up by 61.9% to R25.7 million (2019: R15.9 million).

The underlying portfolio continues to perform satisfactorily.

As at 31 December 2020, the property portfolio reflected a 17.9% vacancy (June 2020: 16.3%). Our Brits property continues to be largely vacant and accounts for the majority of our vacancy profile. There have also been some direct casualties from the Covid-19 pandemic, and the various government enforced lockdowns in our associate companies. The Brits property is a non-core property for the Group and continues to be on the market for disposal. The current climate however, is not conducive to an early disposal at an acceptable price.

DEVELOPMENT PROPERTIES

As noted in previous shareholder communications, Putprop has successfully concluded agreements with McCormick Property Development Proprietary Limited to develop its Mamelodi and Dobsonville properties. This was formally approved by shareholders on 22 August 2019. Progress on the final stages of the various legal and municipal processes has taken longer than anticipated. In addition, our requirement for a minimum signed confirmed lease agreements of 75% before commencement of building, has also provided challenges in the Covid-19 environment. Many nationals and restaurant chains have put their expansion plans on hold until a more certain operating environment is evident. However, we are confident that the legal and municipal processes are close to finalisation, with services expected to be installed late May 2021. Lease negotiations are still in progress, but we are hopeful to still commence with construction of the Mamelodi project in early August of this year. The dolomite issues at the Dobsonville property, which were disclosed in the circular distributed to shareholders on 19 July 2019, remain problematic and may delay the start of construction. Management will review this issue regularly.

Commentary (Continued)

BASIS OF ACCOUNTING

The unaudited condensed interim financial results for the six months ended 31 December 2020 and the comparative information have been prepared in accordance with and contain the information required by IAS 34 - Interim Financial Reporting and the information required by the Listings Requirements of the JSE Limited, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and the relevant sections of the South African Companies Act (Act 71 of 2008), as amended.

The accounting policies applied in the preparation of these condensed financial statements, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards ('IFRS') and are consistent with those applied in the annual financial statements for the year ended 30 June 2020.

These condensed interim financial results have not been audited or reviewed or reported on by the Group's auditors.

These statements have been prepared under the supervision of James E Smith (B.Sc., B. Acc, CIEA), the Financial Director of the Company.

The directors take full responsibility for the preparation of these interim financial statements.

These interim financial statements are available for inspection at Putprop's registered office.

FINANCIAL RESULTS

The Group reports that gross property revenue for the six months ended 31 December 2020, including straight-line income adjustments, remained flat at R38.4 million (December 2019: R38.6 million).

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Property expenses were stable over the comparable period.

Net property income reflected a small increase of 1.8% from R28.2 million to R28.7 million. Administration expenses increased by 4.8% over the comparable period.

Associated companies reflected a profit of R7.4 million (December 2019: R8.3 million profit).

This small decrease on the previous reporting period, arose directly from the effects of the Covid-19 pandemic regulations imposed by national government. Rental streams received both from Pilot Peridot and its mixed-use precinct, Summit Place, as well as the Belle Isle portfolio were down for this reporting period. We expect this trend to continue with the possibility of large bad debt write-offs at associate company level.

Operating profit before finance charges was flat at R30.9 million (December 2019: R31.2 million).

Net profit before taxation and fair value adjustments increased by 6.2% to R26.0 million (December 2019: R24.5 million).

Profit after taxation increased by 61.9% to R25.7 million (2019: R15.9 million).

Headline Earnings Per Share (HEPS), decreased by 1.6% from 36.4 cents per share to 35.9 cents per share.

The directors' valuation of the Group's property portfolio (including properties held for sale) as at 31 December 2020 was R4.2 million down (December 2019: R5.4 million down) to R557.9 million. This downward adjustment was considered necessary in order to accommodate certain of the older properties as well as reversions granted to tenants as a result of the Covid-19 pandemic. The Board is also of the view that the current weakening property market may not support some of the valuations.

Trade and other receivables were not in line with management's forecast. The increase in receivables of nearly R8.2 million, relates almost entirely to one tenant, Larimar, where due to bus volumes being curtailed due to the affects of Covid-19, they have not kept to their credit terms. Management have negotiated a payment plan, implemented from February 2021, which should reduce both arrears and future rentals by June 2021. Overall debtor's management going forward is expected to be challenging as the general economic climate continues to constrict due to both political and economic factors.

Cash reserves were stable for the review period. Minimal use was made of the Group's overdraft facility.

Commentary (Continued)

Loan liabilities decreased marginally during the period under review.

The lease expiry profile is reflected in the table below.

LEASE EXPIRY PROFILE – GLA

	%	Cumulative %	GLA (m ²)
Monthly Rentals (as at 31 December 2020)	0.0	-	0
Vacancies (as at 31 December 2020)	17.9	17.9	12 365
Year ending 2021	17.4	35.3	12 064
Year ending 2022	16.4	51.7	11 307
Year ending 2023	15.2	66.9	10 555
Year ending 2024 onwards	33.1	100	22 817
Total	100	100	69 108

SEGMENTAL ANALYSIS

The 'Segmental Analysis' table included in these condensed interim financial results summarises by segment, the performance for the six months ended 31 December 2020. Segment assets include all operating assets used by a segment and consist of investment properties, receivables and cash. Assets not directly attributable to a segment are allocated to the corporate segment. Segment liabilities include all operating liabilities of a segment and consist principally of outstanding accounts.

ACQUISITIONS, EXPANSIONS, AND REFURBISHMENTS

No major refurbishments or acquisitions were undertaken in the review period.

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VALUATION OF PROPERTY PORTFOLIO

It is the Group's policy to value the entire investment property portfolio on a bi-annual basis on the basis of a director's internal valuation as at the December interim reporting period, and an independent external valuer's valuation as at the Group's June year end. The next independent external valuation will be as at 30 June 2021. The directors have valued the Group's investment portfolio as at 31 December 2020 at R557.9 million, a net movement downwards of R4.2 million on the independent external valuation performed as at 30 June 2020. Included in the figure of R557.9 million is Investment Property held for Sale valued at R39.0 million (June 2020: R21.0 million). This director's valuation is based on a review of current market sales and purchase transactions in each property's location as well as reasonable judgements and estimates made by the directors. The effect of any acquisition made during the year is not included in any revaluation. The Board has taken a conservative approach in respect of its six-monthly valuation of the property portfolio as at this reporting date, due to rental reversions on several of its properties arising from the effects of the Covid-19 pandemic. In addition, certain non-core and older properties are becoming problematic in achieving their reflected realisable value in the current depressed property operating environment. Future additional downward movements cannot be excluded.

BORROWINGS AND CAPITAL COMMITMENTS

The Company has borrowings as at 31 December 2020 of R130.7 million (June 2020: R136.3 million). There are no capital commitments as at the reporting date (June 2020: Nil). The reported borrowings relate entirely to the acquisition of the Secunda Value Mart, Corridor Hill and Cavi properties.

SHARE BUYBACK

As announced on SENS on 15 September 2020 and 4 November 2020, the Company agreed to repurchase 1 488 098 of its shares at an offer price of 313 cents per share (Specific Repurchase). The Specific Repurchase represented 3.39% of Putprop's shares in issue at the time. Approval for the Specific Repurchase was granted by the JSE and formal approval by the Company's shareholders in a general meeting held on 4 December 2020.

Given the forward yield at which Putprop shares are currently trading, buying back the Company's shares will be yield accretive and create value for shareholders .

Commentary (Continued)

CHANGES TO THE BOARD

There have been no changes to the Board since the last reporting date.

SUBSEQUENT EVENTS

The Group has disposed of its Grand Central property during January 2021. This property was previously identified as a non-core property due to its location and tenant risk profile. Proceeds will be ring fenced for the acquisition of a more strategic income producing property.

There have been no other significant reportable subsequent events between 31 December 2020 and the date of release of these unaudited condensed interim financial results.

PROSPECTS

Trading conditions during the next reporting period are expected to continue to be challenging and difficult.

The effect of the Covid-19 pandemic will be felt for much of the remainder of 2021, both locally and internationally.

South Africa awaits a definite medium-term strategy from Government for the recovery of the economy. Vaccines for 67% of the population appear to be a distant wish list at this point in time. Payment for this immunisation programme is still to be determined. All of these issues will result in a large amount of uncertainty in the market, and impact on consumer confidence.

At the time of this report, the possibility of further tax increases both at a corporate and individual level remain uncertain. If increases are implemented the effect on the economy and property market in particular is expected to be severe.

Our strategies of disposing of non-core and poorly performing portfolio assets, combined with the development, alongside suitable partners, of certain properties situated in densely populated urban areas, remain. We will also continue to seek out suitable income-producing properties in all sectors.

PAYMENT OF INTERIM DISTRIBUTION - ORDINARY INTERIM DIVIDEND NUMBER 63

Notice is hereby given that the Board has declared an interim gross cash dividend ('the dividend') for the six months ended 31 December 2020 of 4.25 cents per ordinary share (December 2019: 8.25 cents per ordinary share).

The dividend is payable to shareholders recorded in the register of the Company at close of business on Thursday, 1 April 2021.

The current local Dividend Withholding Tax ('DWT') rate is 20%. The gross local dividend amount is 4.25 cents per share for shareholders exempt from paying DWT whilst the net local dividend payable is 3.40 cents per share for shareholders liable to pay DWT. The issued share capital of Putprop is 42 409 181 (2020: 43 897 279) shares.

Putprop's income tax reference number is 9100097717. This dividend is payable from income reserves.

The salient dates relating to the dividend are as follows:

Declaration date	Friday, 5 March 2021
Last date to trade share cum dividend	Monday, 29 March 2021
Shares trade ex-dividend	Tuesday, 30 March 2021
Record Date	Thursday, 1 April 2021
Payment date	Tuesday, 6 April 2021

Share certificates may not be dematerialised or rematerialised between Tuesday, 30 March 2021 and Thursday, 1 April 2021, both days inclusive.

On behalf of the Board



BC Carleo
Chief Executive Officer
4 March 2021



JE Smith
Chief Financial Officer
4 March 2021

Portfolio Review

'A'

Large national tenants, listed tenants, governments and major franchises. These include Standard Bank, Liberty Group, Super Group, Volkswagen and Massmart.

GRADE:

'B'

Medium sized national tenants, franchises and medium to large professional firms.

GRADE:

'C'

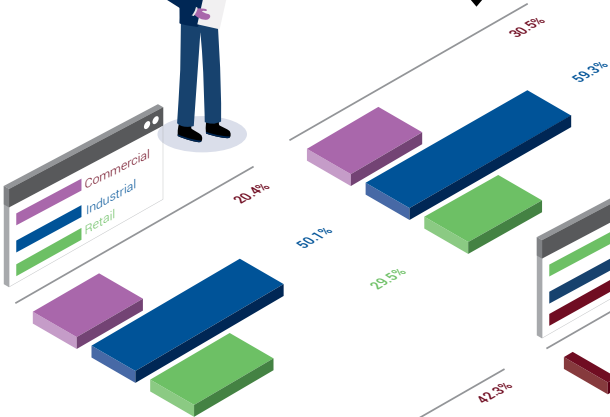
All other tenants that do not fall into the above two categories.

GRADE:

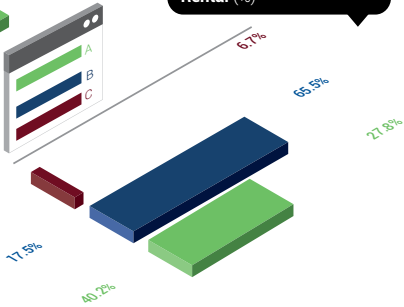
TENANT PROFILE BY GROSS LETTABLE AREA



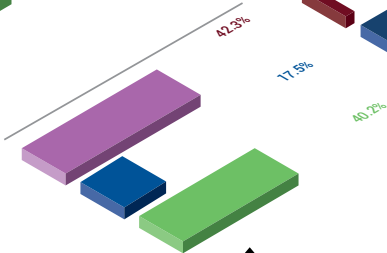
Sectoral Profile (% of gross lettable area)



Tenant Profile by Gross Rental (%)



Contractual Rent by Sector (% of gross rentals)



Portfolio Value by Sector (R'000)

Condensed statement of financial position

	Unaudited 31 Dec 2020 R'000	Audited 30 June 2020 R'000	Unaudited 31 Dec 2019 R'000
ASSETS			
Non-current assets			
Net investment property	498 403	512 626	493 687
Gross investment property	518 979	541 121	518 192
Straight-line rental income adjustment	(20 576)	(28 495)	(24 505)
Other non-current assets			
Straight-line rental income asset	21 402	22 117	24 505
Furniture, fittings, computer equipment and motor vehicles	575	247	138
Investment in associates	150 557	143 132	158 902
Loans to associates	23 206	23 206	19 176
Cumulative redeemable preference shares in associate	35 891	35 891	35 891
Total non-current assets	730 034	737 221	732 299
Net investment property held for sale	38 174	20 310	41 267
Gross investment property	39 000	21 000	42 000
Straight-line rental income adjustment	(826)	(690)	(733)
Current assets	20 156	17 415	14 871
Straight-line rental income asset	-	7 067	-
Current taxation receivable	-	595	815
Trade and other receivables	13 950	5 768	8 640
Cash and cash equivalents	6 207	3 984	5 416
Total assets	788 365	774 946	788 437
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Stated capital	93 490	98 148	98 148
Accumulated profit	508 447	485 230	501 863
Total equity	601 937	583 377	600 011
Non-current liabilities	164 625	170 706	173 830
Deferred taxation	43 762	44 946	41 893
Loan liabilities	120 863	125 760	131 937
Current liabilities	21 803	20 862	14 596
Trade and other payables	8 012	5 089	7 019
Bank overdraft	3 085	5 281	-
Current taxation payable	802	-	-
Loan liabilities	9 905	10 492	7 577
Total equity and liabilities	788 365	774 946	788 437

Condensed statement of comprehensive income

	Unaudited six months ended Dec 2020 R'000	Audited year ended June 2020 R'000	Unaudited six months ended Dec 2019 R'000
Property rental revenue	29 129	58 611	30 275
Operating cost recoveries	9 287	15 280	8 321
Gross property revenue	38 415	73 890	38 596
Property expenses	(9 702)	(19 856)	(10 381)
Net profit from property operations	28 714	54 035	28 215
Corporate administration expenses	(6 444)	(11 566)	(6 149)
Expected credit losses	-	298	-
Investment and other income	1 272	2 016	879
Share of associates' profits/(losses)	7 425	(7 433)	8 337
Operating profit before finance costs	30 966	37 350	31 282
Finance costs	(4 935)	(12 623)	(6 773)
Profit before fair value adjustments	26 031	24 727	24 509
Fair value adjustments	3 314	(14 688)	(6 340)
Profit before taxation	29 345	10 039	18 169
Taxation	(3 604)	(7 155)	(2 273)
Profit and total comprehensive income for the year	25 741	2 884	15 897
Attributable to owners of the parent	25 741	2 884	15 897
Earnings and diluted earnings per share (cents)	58.64	6.57	36.21

Condensed statement of changes in equity

	Stated capital R'000	Accumulated Profit R'000	Shareholders' interest R'000	Total R'000
Balance at 1 July 2019	98 148	489 041	489 041	587 189
Total comprehensive income	-	15 897	15 897	15 897
Dividend Paid	-	(3 073)	(3 073)	(3 073)
Balance at 31 December 2019	98 148	501 865	501 865	600 013
Balance at 1 July 2020	98 148	485 230	485 230	583 378
Total comprehensive income	-	25 741	25 741	25 741
Share buyback	(4 658)	-	-	(4 658)
Dividends paid	-	(2 524)	(2 524)	(2 524)
Balance at 31 December 2020	93 490	508 447	508 447	601 937

Condensed statement of cash flow

	Unaudited 31 Dec 2020 R'000	Audited 30 June 2020 R'000	Unaudited 31 Dec 2019 R'000
Cash flow generated from/(utilised in) operating activities	9 021	6 746	7 003
Net cash generated from operations	19 025	28 907	19 232
Finance costs	(4 935)	(12 623)	(6 773)
Investment income	1 272	2 016	879
Taxation paid	(3 817)	(4 870)	(3 262)
Dividends paid	(2 524)	(6 694)	(3 073)
Cash flow (utilised in) investing activities	1 821	(4 202)	(887)
Additions and improvements to investment properties	(327)	(7 799)	(4 387)
Loans advanced/(repaid) on interest bearing loans to associates	2 552	3 747	3 500
Acquisition of furniture, fittings computer equipment and motor vehicles	(405)	(150)	-
Cash flow (utilised in)/generated from financing activities	(6 422)	(9 612)	(6 471)
Payments made on loan liabilities	(6 422)	(9 612)	(6 471)
Net (decrease)/increase in cash and cash equivalents	4 419	(7 068)	(355)
Cash and cash equivalents at beginning of period	(1 297)	5 771	5 771
Cash and cash equivalents at end of period	3 122	(1 297)	5 416

Reconciliation of group net profit to headline earnings

	Unaudited six months ended Dec 2020 R'000	Audited year ended June 2020 R'000	Unaudited six months ended Dec 2019 R'000
Reconciliation of group net profit to headline earnings			
Earnings per share	25 741	2 884	15 897
Adjusted for:			
Net change in fair value of investment property	(3 314)	14 688	6 340
Tax effects of fair value adjustments property	742	(3 290)	(1 420)
Equity accounting earnings of associates	(10 312)	8 878	(6 206)
Tax effect of equity accounting	2 887	(1 989)	1 390
Headline earnings and diluted earnings	15 744	21 171	16 001
Headline earnings per share (cents)	35.87	48.23	36.45

Weighted average number of shares in issue 43 897 279 (June 2020: 43 897 279).

Segmental Analysis

for the six months ended 31 Dec 2020

	Industrial R'000	Retail R'000	Commercial R'000	Corporate R'000	Total R'000
Extract from the statement of comprehensive income					
Property revenue and recoveries	21 915	11 100	7 780	-	46 198
Straight-line rental income accrual	(6 936)	(177)	(670)	-	(7 783)
Property expenses	(4 207)	(2 556)	(2 938)	-	(9 702)
Segmental Results	19 247	5 587	9 871	(5 360)	29 345
Extract from the statement of financial position					
Non-Current assets					
Net Investment properties	179 008	210 656	126 602	-	516 267
Net properties held for sale	20 310	-	-	-	20 310
Other non-current assets					
Straight-line rental income asset	660	14 744	5 998	-	21 401
Current assets					
Straight-line rental income asset	-	-	-	-	-
Trade and other receivables	12 657	(1 677)	1 094	1 875	13 950
Cash and cash equivalents	-	-	-	6 207	6 207
Non-Current liabilities	-	65 727	52 136	44 985	162 848
Current Liabilities					
Trade and other payables	(922)	702	(168)	8 400	8 012
Taxation payable	-	-	-	802	802
Bank overdraft	-	-	-	3 085	3 085

Segmental Analysis

for the six months ended 31 Dec 2019

	Industrial R'000	Retail R'000	Commercial R'000	Corporate R'000	Total R'000
Extract from the statement of comprehensive income					
Property revenue and recoveries	16 177	12 335	8 892	-	37 404
Straight-line rental income accrual	(485)	559	1 118	-	1 192
Property expenses	(4 976)	(4 068)	(1 337)	-	(10 381)
Segmental Results	10 716	8 826	8 673	-	28 215
Extract from the statement of financial position					
Non-Current assets					
Net Investment properties	134 130	237 761	121 796	-	493 687
Net properties held for sale	41 267	-	-	-	41 267
Other non-current assets					
Straight-line rental income asset	3 437	12 964	8 104	-	24 505
Current assets					
Trade and other receivables	4 009	2 066	767	2 098	8 940
Taxation receivable	-	-	-	815	815
Cash and cash equivalents	-	-	-	5 416	5 416
Non-Current liabilities	-	70 159	55 652	48 019	173 830
Current Liabilities					
Trade and other payables	1 386	1 929	890	2 814	7 019

Corporate information

COMPANY SECRETARY

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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



