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 Consolidated Results For the year ended 30 June 2021

The information has been extracted from the full Annual Financial Statements and the long-form is not itself audited by, the external auditors.

These abridged summarised consolidated 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.

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 and are also available on the Group's website www.putprop.co.za.

These results have been prepared by the Group Financial Manager, Andrea Lehman AGA(SA) under supervision of the Chief Financial Officer, James E. Smith B.Sc, B. Acc, CIEA. The annual financial statements from which these results have been extracted have been audited in compliance with the requirements of the Companies Act.

Abridged Summarised Consolidated Statements of Financial Position
as at 30 June 2021

	Audited Group	
	2021	2020
	R'000	R'000
Assets		
Non-current assets		
Net investment property	986 893	512 626
Gross investment property	1 026 410	541 121
Operating lease asset	(39 517)	(28 495)
Other non-current assets		
Operating lease asset	39 249	22 117
Property, plant and equipment	764	247
Investment in associates	30 363	143 132
Loan to associates	-	23 206
Cumulative redeemable preference shares in associate	35 891	35 891
	1 093 160	737 221
Net investment property held for sale	30 156	20 310
Gross investment property	30 300	21 000
Operating lease asset	(144)	(690)

Current assets		
Operating lease asset	412	7 067
Trade and other receivables	29 030	5 768
Current taxation receivable	-	595
Cash and cash equivalents	24 323	3 984
	53 765	17 415
Total Assets	1 177 081	774 946
Equity and liabilities		
Equity attributable to owners of the parent		
Stated capital	93 490	98 148
Retained income	503 619	485 230
Non-controlling interest	18 590	-
	615 698	583 377
Non-current liabilities		
Deferred taxation	49 286	44 946
Loan liabilities	470 948	125 760
	520 233	170 706
Current liabilities		
Loan liabilities	24 939	10 492
Trade and other payables	10 293	5 089
Bank overdraft	5 587	5 281
Current taxation payable	331	-
	41 150	20 862
Total Equity and Liabilities	1 177 081	774 946

Abridged Summarised Consolidated Statements of Comprehensive Income
for the year ended 30 June 2021

	Audited Group	
	2021	2020
	R'000	R'000
Rental income and recoveries	73 075	73 890
Property operating costs	(26 184)	(19 856)
Profit from property operations	46 891	54 035
Corporate administration costs	(12 144)	(11 566)
Investment and other income	11 365	2 016
Expected credit losses	396	298
Share of associates' profits/(losses)	16 063	(7 433)
Operating profit before finance costs	62 571	37 350
Finance costs	(11 303)	(12 623)
Profit before fair value adjustments	51 268	24 727
Fair value adjustments on investment properties	(28 761)	(14 688)

Profit/(loss) before taxation	22 507	10 039
Taxation	(86)	(7 155)
Profit/(loss) and total comprehensive income for the year	22 421	2 884
Profit/(loss) and total comprehensive income attributable to:		
Owners of the parent	22 714	2 884
Non-controlling interest	(294)	-
Earnings per share		
Basic and diluted earnings per share (cents)	52.63	6.57

Abridged Summarised Consolidated Statements of Changes in Equity
for the year ended 30 June 2021

Audited Group	Stated capital R'000	Retained income R'000	Total attributable to equity holders of company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 30 June 2019	98 148	488 040	587 188	-	587 188
Profit and total comprehensive income for the year	-	2 884	2 884	-	2 884
Dividends paid	-	(6 694)	(6 694)	-	(6 694)
Balance at 30 June 2020	98 148	485 230	583 377	-	583 377
Non-controlling interest on acquisition of subsidiary	-	-	-	18 883	18 883
Share buy-back	(4 658)	-	(4 658)	-	(4 658)
Profit and total comprehensive income for the year	-	22 714	22 714	(294)	22 421
Dividends paid	-	(4 326)	(4 326)	-	(4 326)
Balance at 30 June 2021	93 490	503 574	597 064	18 590	615 698
Company					
Balance at 30 June 2019	98 148	426 330	524 478	-	524 478
Profit and total comprehensive income for the year	-	15 760	15 760	-	15 760
Dividends paid	-	(6 694)	(6 696)	-	(6 694)
Balance at 30 June 2020	98 148	435 396	533 543	-	533 543
Share buy-back	(4 658)	-	(4 658)	-	(4 658)
Profit and total comprehensive income for the year	-	744	744	-	744
Dividends paid	-	(4 326)	(4 326)	-	(4 326)
Balance at 30 June 2021	93 490	431 813	525 304	-	525 304

Abridged Summarised Consolidated Statements of Cash Flows
for the year ended 30 June 2021

	Audited Group	
	2021	2020
	R'000	R'000
Cash flow from operating activities		
Net cash generated from operations	45 140	28 907
Finance costs	(11 303)	(12 623)
Investment income	6 610	2 016
Taxation paid	(8 685)	(4 870)
Dividends paid	(4 326)	(6 694)
Net cash from operating activities	27 436	6 746
Cash flow from investing activities		
Additions and improvements to investment properties	(7 844)	(7 799)
Loan repayment received from associates	-	3 747
Acquisition of furniture, fittings, computer equipment and motor vehicles	(431)	(150)
Net cash from investment activities	(8 274)	(4 202)
Cash flow from financing activities		
Payments made on share buyback	(4 658)	-
Payments made on loan liabilities	(11 095)	(9 612)
Net cash from financing activities	(15 753)	(9 612)
Total cash at the beginning of the period	15 328	5 771
Total cash movement for the year	3 409	(7 068)
Total cash at the end of the period	18 736	(1 297)

Segment Report - by Sector

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

2021	GLA m2	Investment Property fair value R'000	Revenue R'000	Operating lease rental income adjustments R'000	Property operating costs R'000	Change in fair values R'000	Net income R'000
Industrial	40 977	187 600	35 388	(6 567)	(8 121)	(4 461)	22 806
Retail	20 571	213 710	25 850	481	(4 766)	107	15 944
Commercial	37 428	616 600	24 061	(6 208)	(11 895)	(3 700)	(30 275)
Residential	872	8 500	70	-	(70)	-	-
	99 848	1 026 410	85 369	(12 294)	(24 851)	(41 355)	8 476

2021	GLA m2	Investment Property fair value R’000	Revenue R’000	Operating lease rental income adjustments R’000	Property operating costs R’000	Change in fair values R’000	Net income R’000
Industrial	40 977	198 439	26 421	4 028	(8 514)	3 640	21 548
Retail	20 571	229 382	22 555	2 309	(4 981)	(13 938)	(7 934)
Commercial	7 005	134 300	16 124	2 453	(6 361)	4 400	6 035
	68 553	562 121	65 100	8 790	(19 856)	(5 898)	19 649

One of the Group’s tenants, Larimar Limited contributes approximately 34% (2020: 33%) of total revenue received. This revenue falls within the industrial segment.

Introduction

Overview

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 33rd annual financial results of the Group for the year ended 30 June 2021.

The year 2021 has continued to be dominated by the effects of the Covid-19 pandemic. Writing this report in June 2020 it was never imagined that Covid-19 would spread its effects on the world and South African economy into the third quarter of 2021.

Latest estimates from the John Hopkins University of Medicine reflects over 228 million confirmed Covid-19 cases world-wide with a global death rate of over 4.6 million. Vaccine doses administrated continue to lag behind, with just over 15 million jabs given in South Africa.

The outlook for economic recovery worldwide is at present in a state of flux, with first world economies showing upward trends, while third world are stagnant at best, but in the majority of cases, they continue to deteriorate. The Covid-19 pandemic has also made a huge impact on the political landscape, with unrest and a demand for political change in many third world governments such as Peru, Brazil, Thailand and the Philippines.

The past 12 months have been without any dispute, the most difficult period that the property industry has experienced.

The listed property industry has been one of those sectors materially affected. Industrial property owners have been required to give rental relief in a number of formats from basic deferment of rentals through to 100% rental discounts, in some cases up to six months, in order to retain and ensure the sustainability of their tenant base.

Putprop has had to be active in all of these areas listed above. No relief or support, both from central government as well as municipalities in which we operate was received. Some municipalities have continued to increase rates on properties, well above inflation rates, as has Eskom in the power field. These increases are utilised to fund the ineffective and inefficient structures at present in place, and not to improve efficiencies or ageing infrastructure. This results in pressure being exerted on the ability of listed property funds to maintain yields of their property portfolios.

The Property Operating Environment under COVID-19

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 this market.

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

The fragmented lockdown period,extending from March 2020 until the date of this report has resulted already in many tenants not being viable without assistance from various sources. Property owners are often first on any tenants list for assistance.

This past 18 months, have taught us not to be complacent or believe this is a short-term phenomenon.

Both the second and third waves have presented additional operating challenges, where in some cases substantial discounts and lease reversions being granted in order to try to stabilise our tenant base in various properties, and in all sectors. Some tenants have unfortunately failed, but in the main, we have succeeded in retaining our key tenants.

Management has had to change, modify or rethink its response to Covid-19, often on a weekly basis as a result of the various lockdown structures imposed during the past 18 months. Strategies that were sufficient under one lockdown level, often had to be redesigned under a more severe level.

Preservation of cash and tenants will be critical for all property investment companies for the immediate future.

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 33rd 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 directors will strive to continue this approach despite the current uncertainties globally and locally.

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 at Group and company level 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.

The review period reflects a increase of 67.5% (2020: decrease of 44.1%) on Putprop’s profit before taxation, fair value adjustments and finance costs. Headline earnings at 71.7 cents per share (2020: 48.23 cents per share) were 48.7% up. Group net profit before taxation was substantially up at R22.5 million (2020: R10.0 million). This arose from a substantial increase in the valuation of Summit Place included for the first time in the group reporting, as well as improved profits from our associates. A profit of R16.1 million was reported compared to a reported loss of R7.4 million in 2020.

Corporate expenses remained controlled during the review period, with finance costs decreasing due to interest rate cuts. Property expenses were up 31.8% at R26.1 million (2020: R19.8 million) due to the inclusion of Summit Place. It is difficult to compare current results to those results reported for the 2020 period due to the inclusion of Summit Place. Rental income was included for one month only and does not impact significantly. Conversely, the fair value adjustment, made for the revaluation of the portfolio, does impact the results in conjunction with the reported figures on the Statement of Financial Position.

The directors have decided to declare a final dividend of 10.75 cents per share payable after 30 June 2021 (30 June 2020: 5.75 cents). The total declared dividend for the year is 15 cents per share (2020: 14 cents).

Basis Of Preparation

The Abridged consolidated results for the year ended 30 June 2021 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS), the Financial Reporting Pronouncements as issued by the Financial Standards Reporting Council and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee. The report contains the information required by International Accounting Standards (IAS) 34: Interim Financial Reporting, and are in compliance with the Listings Requirements of the JSE, the Companies Act, (Act 71 of 2008) as amended and the going concern principles. The accounting policies and methods of computation are consistent with those for the year ended 2020. The results are presented in Rand, which is Putprop Limited’s reporting currency.

Rounding Principles
R’000 (Thousand)

The Group’s directors are responsible for the preparation and fair presentation of the Abridged consolidated results and the financial information has been correctly extracted from the underlying Annual Financial Statements.
No changes have been made to the report by the auditors since its release.

Auditor’s Opinion

The results of the underlying annual financial statements have been audited by the Group’s auditors, Mazars. Their unmodified audit opinion is available for inspection at the Company’s registered office or on the Group’s Website www.putprop.co.za.

The audit report includes the communication of key audit matters which are disclosed on pages 108-113 of the Integrated Annual Report.

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 issuer’s registered office or on the Group’s Website www.putprop.co.za.

Headline Earnings Per Share	Group		Group	
	2021	2021	2020	2020
	R'000	Cents per share	R'000	Cents per share
Reconciliation of Group net profit to headline earnings				
Earnings per share	22 714	52.53	2 884	6.57
Adjusted for				
Net change in fair value of investment property	28 761	66.64	14 688	33.46
Tax effects of fair value adjustments to property	(6 442)	(14.93)	(3 290)	(7.50)
Equity accounted earnings of associates	(18 131)	(42.01)	8 878	20.22
Tax effect of equity accounting	4 061	9.41	(1 989)	(4.53)
Headline earnings and diluted earnings	30 963	71.74	21 171	48.23

Weighted average number of shares 43 159 345 (2020: 43 897 279)

Property Portfolio and Acquisition of Pilot Peridot.

At 30 June 2021, our property portfolio consisted of 16 (2020: 14) properties, situated primarily in the Johannesburg and Pretoria metropolitan areas of Gauteng valued at R1 056 million (2020: R562.1 million). The performance of the investment property portfolio was strong with average annual property yields of over 9% (2020: 9.5%). The portfolio has a total gross lettable area of 99 848m² (2020: 68 553m²).

During the last quarter of this reporting period the Putprop board agreed to consolidate the equity it held (61.211%) in Pilot Peridot into the Group structure. Previously, this had in the past, been reflected as our associate, over which the Group had significant influence in operations. An additional two directors of Putprop were appointed to the Pilot Peridot board. Putprop now has full control of the Pilot Peridot board, with four out of seven appointed directors.

This has resulted in 30,423m2 of a GLA being added to the Groups, Gross Letable Area.

The Group will also continue its strategy to acquire the balance of the minority shareholding.

This acquisition, will add substantially to the Group's rental streams and cash flow holdings. An increase in the mandated loan to asset value (LTV) to 42% was approved by the Board to accommodate this transaction 39.3% (2020:23.8%). Our LTV after acquisition is now 39.3% (2020: 23.8%).

I am also please to report, that the development of Mamelodi Square, a retail shopping centre in Mamelodi, has finally passed all of the required tenant and yield hurdles. Construction has started in late July, with a completion date of October 2022. This is a joint arrangement with McCormick Development Company (50% holding each).

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

The long-term objective of diversifying its property portfolio further into commercial and retail properties remains a core policy, as does that of further diversification of its rental stream base in order to reduce risk from a limited number of tenants.

Board Changes

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

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.

I believe that our results compare very favourably with the listed property sector and this is reflected in a increase in our dividend payment to shareholders.

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 2% for the 2022 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 have been fully quantified at this stage. Refer to page 82 of the Integrated Annual Report for the Covid-19 relief. The Group is making steady progress with rental collections under 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 as announced by the Government.

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

Putprop Limited acquired a new head office building during this period. As at 30 June 2021 a deposit of R5.5 million has been paid. The balance of R9.5 million has been paid to settle the purchase price after 30 June 2021. Grand Central was held for sale at 30 June 2021. The sale consideration of R18 million was received after the date of this report. No other significant events have occurred between the date of this report and its release.

Contingent Liability

There is significant uncertainty on both the timing and amount owing to/receivable from the municipalities with regard to ongoing re-assessments of past consumption and rate charges. This uncertainty is due to the inconsistent charges invoiced by the municipality. At year end the estimated amount of re-assessments are not material and is under the process of objection.

Declaration of final dividend no 64

The Board is pleased to announce the declaration of a dividend of 10.75 cents per ordinary share in respect of the year ended 30 June 2021 (2020: 5.75 cents), thus bringing the total dividend payable for the year to 15 cents (2020: 14 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 8.600 cents per share, while the gross amount is 10.75 cents per share to those shareholders who are exempt from DWT.

There are 42 409 181 (2020: 43 897 279) ordinary shares in issue; the total dividend amount payable is R4 558 986 (2020: R2 324 093). Putprop's tax reference number is 9100097717, and its company registration number is 1988/001085/06

The salient dates are as follows:

Declaration date	Wednesday, 22 September 2021
Last date to trade to participate	Tuesday, 12 October 2021
Trading commences ex dividend	Wednesday, 13 October 2021
Record date	Friday, 15 October 2021
Date of payment	Monday, 18 October 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 October 2021 and Friday, 15 October 2021, both days inclusive.

Shareholders are advised that the integrated annual report for the year ended 30 June 2021 ('integrated annual report'), which will be distributed to shareholders on or about 29 September 2021 and is also available on the Company's website, wwww.putprop.co.za

Notice is hereby given that the annual general meeting of shareholders of Putprop ('Annual General Meeting') will be held at 11:30 on Thursday, 4 November 2021 at Boardroom 1, 22 Impala Road, Chislehurston, Sandton to transact the business stated in the notice of the annual general meeting, which is contained in the integrated annual report.

By order of the Board

J E Smith
Group Financial Director

Sandton

22 September 2021

Corporate Information

Registration Number: 1988/001085/06
Share Code: PPR
ISIN: ZAE000072310

DIRECTORS

Daniele Torricelli (c,e,f,g,h,j)	Chairman
Hayden Hartley (b,c,d,e,g,i,j,k)	
Bruno Carleo (a,g,j)	Chief Executive Officer
James Smith (a,g,j)	Chief Financial Officer
Anna Carleo-Novello (a,g,j)	
René Styber (c,d,e,g,j)	
Gerrit van Heerden (c,d,e,g,j)	

a. Executive
b. Chairman Audit and Risk Committee
c. Independent non-executive
d. Member of Audit and Risk Committee
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

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