AREIT PROP LIMITED
Approved as a REIT
(Incorporated in the Republic of South Africa)
(Registration number 2021/837953/06)
("aReit Prop" or "the Company")
ISIN Code: ZAE000306585 | JSE Code: APO

VOLUNTARY UNAUDITED QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022 AND DECLARATION OF MAIDEN CASH DIVIDEND NUMBER 1

DIRECTORS' COMMENTARY
The Company was newly incorporated on 9 September 2021 ahead of its listing and did not trade from incorporation up to the period ended 31 December 2021, which audited results were finalised and approved by shareholders on 28 February 2022 ahead of the listing of the Company, as published on SENS on 1 March 2022. As the Company has not previously published any trading history, the Board has elected to publish quarterly results on a voluntary basis for the first quarter ended 31 March 2022.

The rental income was acquired with effect from 1 January 2022 and aReit Prop successfully completed its listing on the Main Board of the JSE Limited ("the JSE") on 1 March 2022. The Company has elected to publish voluntary financial information for its first quarter ended 31 March 2022 as the Company has previously not published any trading information.

aReit Prop holds a portfolio of three properties, two in the hospitality sector and one in the medical sector, with a total GLA of 22 261m2. The properties are situated in prime locations in Cape Town, and have strong long-term tenants.

Cresta Grande Hotel is a 4 Star hotel facility with panoramic views of the City of Cape Town, Table Mountain, Lions Head and the harbour. The hotel offers 242 superior and deluxe rooms on 11 floors. The hotel has a 200 seat Al La Carte' restaurant as well as bars, conference rooms, a gym, a swimming pool and patio/deck and secure basement parking facilities. The property is leased by Cresta Hotels for 10 years, with a 10-year renewal option and a parent guarantee is held for the lease.

Fountains Hotel operates as a 4-star hotel, comprising 11 floors offering a total of 160 rooms. The common facilities include a restaurant with a 150-patron capacity, plus a bar area and lounge section. There are two conference rooms with a capacity of 60 and 80 heads respectively. The property is leased by Afrirent for 10 years, with a 10-year renewal option and a parent guarantee is held for the lease.

Lady Hamilton previously operated as a 78 room Hotel, situated in the Gardens suburb of Cape Town. The facilities include a 120-seater restaurant, a lounge, outdoor pool and terrace area, a games room and library as well as two conference rooms. The property is being converted into a unique medical facility to provide health care and short-term accommodation. There is a provision in place to increase the allowable bulk on the subject property to over 6,000m². The property is leased by Suncare for 5 years, with three 5-year renewal options,

The group's property portfolio was independently valued during November 2021 at R913 918 000 ahead of its listing on the JSE.

The lease agreements with Cresta Hotels and Afrirent comprise a base rental or variable rental of 25% of turnover, whichever is the higher, providing upside potential for aReit Prop with a secure minimum contracted rental. The variable rental is applicable from 1 January 2022 for Afrirent and from 1 January 2023 for Cresta Hotels.

STATEMENT OF FINANCIAL POSITION

	31 March 2022 Unaudited R	31 December 2021 Audited R
ASSETS		
Non-current assets		
Investment property	913 918 000	913 918 000
Operating lease receivable – straight line	6 373 271	
Total Non-current assets	**920 291 271**	**913 918 000**
Current assets		
Trade and other receivables	10 891 783	100
Cash and cash equivalents	3 366	-
Total Current Assets	**10 895 149**	**100**
TOTAL ASSETS	**931 186 421**	**913 918 100**
EQUITY AND LIABILITIES		
Equity		
Share capital and premium	917 000 100	917 000 100
Retained Income/Accumulated Loss	13 996 521	(3 082 000)
Total Shareholders' Equity	**930 996 621**	**913 918 100**
Liabilities		
Current liabilities		
Trade and other payables	189 800	0
Total liabilities	189 800	**0**
TOTAL EQUITY AND LIABILITIES	**931 186 421**	**913 918 100**
Number of ordinary shares in issue (net of treasury shares) ('000)	**100 000 000**	**100 000 000**
Net Asset Value per share(cents)	**931.0**	**913.9**
Net Tangible Asset Value per share (cents)	**931.0**	**913.9**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 March 2022 Unaudited R	31 December 2021 Audited R
Revenue		
Rental Income - base	9 990 000	-
Rental income – variable	1 117 789	
Lease income - straight-line adjustment	6 373 271	-
Total revenue	**17 481 060**	**-**
Other Income	28 778	-
Operating expenses	(431 318)	(3 082 000)
Operating profit/(loss) before taxation	**17 078 521**	**(3 082 000)**
Taxation	-	-
Net profit/(loss)	**17 078 521**	**(3 082 000)**
Other comprehensive income	-	-
Total comprehensive income/(loss)	**17 078 521**	**(3 082 000)**

STATEMENT OF CHANGES IN EQUITY

	Share capital R	Retained Income/ Accumulated Loss R	Total shareholders' equity R
Balance at 1 January 2022	**917 000 100**	**(3 082 000)**	**913 918 100**
Profit for the period	-	17 078 521	17 078 521
Balance at 31 March 2022	**917 000 100**	**13 996 521**	**930 996 621**

STATEMENT OF CASH FLOWS

	31 March 2022 Unaudited R
Cash from operating activities	
Profit before taxation	17 078 520
Deduction for lease income – straight-line adjustment	(6 373 271)
Increase in trade and other receivables	(10 862 905)
Increase in trade and other payables	189 800
Finance income	(28 778)
Cash generated by operations	**3 366**
Movement in net cash resources	**3 366**
Balance at 1 January 2022	-
Balance at the end of the year	**3 366**

No cash flow statement was presented at 31 December 2021 as the only transaction was the acquisition of the leasehold properties with effect from 31 December 2021.

BASIS OF PREPARATION

The consolidated quarterly results are prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements. The Listings Requirements require provisional reports to be prepared in accordance with the framework, concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the quarterly results are in terms of IFRS and are consistent with those applied in the audited financial statements for the period from incorporation to 31 December 2021.

The consolidated financial results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. The Board has performed an assessment of the Group's operations relative to available cash resources and is confident that the Group is able to continue operating for the next 12 months.

These consolidated financial results incorporate the financial results of the company and its subsidiary. All significant transactions and balances between Group enterprises are eliminated on consolidation.

The preparation of the condensed consolidated financial results for the quarter ended 31 March 2022 was prepared by the Financial Director, Mr Abdul Ismail.

The directors take full responsibility for the consolidated financial results for the quarter ended 31 March 2022.

COMMENTARY ON RESULTS FOR THE QUARTER ENDED 31 MARCH 2022

The Board is pleased to present its first results for the quarter ended 31 March 2022, noting that the Company's business model is relatively simple.

Revenue comprised base rental income from the four leases amounting to R9 990 000 for the quarter and a provision for variable income of R1 117 789 arising from the Afrirent lease based on total revenue for the Indalo Fountains Hotel for the quarter. The base rental income represented the minimum contracted rental revenue. The revenue straight-line adjustment is done in accordance with IFRS and is non-cash flow in nature. No fair value adjustment has been made to the carrying value of the investment property in these quarterly results as any adjustment would not be considered material at present, noting that the leasehold properties were recently valued and the Group also earned variable income on the Afrirent lease in the first quarter ended 31 March 2022. A fair value adjustment will be considered at the interim and year end.

Other income comprises interest income earned on trade and other receivables for the period.

Operating expenses amounted to R431 318 and relate primarily to the costs associated with being a listed company. The vendors of the leasehold properties paid for the costs of the listing, which costs were recognised in the period ended 31 December 2021 of R3 082 000 and were once off in nature. In terms of the tenant leases and the leasehold acquisition agreement, the Company is not liable for property related costs such as maintenance, insurance or rates and taxes.

The Company does not have any gearing and thus there is no interest expense in the group.

The profit for the first quarter period is R17 078 521.

RECONCILIATION OF BASIC EARNINGS TO HEADLINE EARNINGS

	31 March 2022 Unaudited R
Basic Earnings	17 078 521
Adjustments	-
Headline Earnings	17 078 521
Share information:	
Weighted average number of shares	100 000 000
Basic earnings per share (cents)	17.08
Headline earnings per share (cents)	17.08

PROPERTY INFORMATION

Geographic profile:

The three properties are all located in the Western Cape.

Sectoral profile:

Sector	**By GLA %**	**By Rental Revenue %**
Hospitality	85.5%	80.0%
Medical	14.5%	20.0%
Total	**100.0%**	**100%**

In addition to the above, there is a billboard on top of the Cresta Grande Hotel, which has been leased to Supasite for R960 000 per annum for 10 years, with a 10-year renewal option.

Tenant profile:

Sector	**By GLA**
A	85.5%
B	14.5%
C	0.0%
Total	**100.0%**

The above tenant profile excludes the lease with Supasite.

For the tenant profile table, the following key is applicable:

A Large National or International Tenants, and where parent guarantees have been secured. These comprise Cresta Hotels, which leases the Cresta Grande Hotel and Afrirent, which leases the Fountains Hotel. Cresta Hotels is part of a large international company whilst Afrirent is a medium to large private company operating throughout Southern Africa in the car rental and tourism sectors
B Smaller companies owned by professionals, which comprises Suncare, which leases the Lady Hamilton for medical suites.
C Other local tenants and sole proprietors.

Vacancy profile:
All the above properties are fully occupied and there are no vacancies.

Lease expiry profile
The annual lease expiry profile based on existing leases at the Last Practicable Date is set out below:

	Sector	Total GLA (%)	By Rental Revenue (%)
Vacant		0	0
December 2022		0	0
December 2023		0	0
December 2024		0	0
December 2025		0	0
December 2026	Medical	14.5	20%
December 2027		0	0
December 2028		0	0
December 2029		0	0
December 2030		0	0
December 2031	Hospitality	85.5	80%
Total		**100.0**	**100.0**

The above analysis excludes the Supasite lease.

There is no historical average annualised property yield information for aReit Prop. A summary is set out below:

Sector	GLA	Revenue	Lease expiry profile	Weighted average rental per m²	Weighted average escalation
Hospitality					
- Cresta Hotels	13 610	18 000 000	30 March 2031	110,21	5%
- Supasite	***Note 1***	960 000	31 December 2031	6.25	5%
- Afrirent	5 415	13 200 000	31 December 2031	203.14	5%
Sub-total	**19 025**	**32 160 000**			
Medical	3 236	7 800 000	31 August 2026	200.87	5%
Sub-total	**3 236**	**7 800 000**		**200.87**	**5%**
Total	**22 261**	**39 960 000**		**149,82**	**5%**

Notes:
1. GLA is not applicable as the rental income is for a bill board on top of the Cresta Grande Hotel.

RELATED PARTY INFORMATION
As announced on SENS on 14 April 2022, a related party loan arose with Newline Investments Proprietary Limited, which will be recovered through the dividend distributions to Newline and its associates, formerly the vendors to aReit Prop. The loan arose as the acquisition agreement was conditional on the listing of the Company and thus the vendors continued to collect rental income on behalf of aReit Prop. Rentals will be collected directly by aReit Prop once the VAT registration is complete, which process is taking longer than expected. The amount owed is reflected under trade and other receivables. No provision for credit losses is required.

ACQUISITIONS AND DISPOSALS
There have been no additions or disposals during the period under review.

ISSUE OF SHARES
There have been no new issues of ordinary shares during the period.

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR
No new standards and interpretations have been adopted during the period under review.

COVID-19 AND JULY RIOTS
The Company was incorporated after the Covid-19 lockdown and July 2021 riots and accordingly was not exposed to these events. However, the vendors of the leasehold properties negotiated the long-term leases in the midst of the lockdown and accordingly agreed minimum rental income as a base for two of its four leases. These two leases provide for the higher of the minimum contracted rental or 25% of turnover, which variable participation commences with the Fountains Hotel from 1 January 2022 and the Cresta Grande Hotel from 1 January 2023.

SUBSEQUENT EVENTS
There were no significant events subsequent to 31 March 2022.

BOARD COMPOSITION
Mr Theo Nel resigned as a director on 28 February 2022 and the Company appointed Mr Jason Kruger as a new independent non-executive director on 7 April 2022.

PROFIT FORECAST
The profit forecast of aReit Prop for the year ending 31 December 2022 has been extracted from Annexure 8 the Prospectus, and was prepared for illustrative purposes only, to provide information on what the directors believe will be the results of aReit Prop Limited for the year ending 31 December 2022. The nature of the profit forecast may not fairly present aReit Prop's financial position, changes in equity, and results of operations or cash flow information.

Figures in Rand	**31 December 2022**
Revenue	
Rental Income	**39 960 000**
Revenue straight-line adjustment	25 493 085
Total revenue	**65 453 085**
Other operating expenses	(2 552 000)
Operating expenses	(2 552 000)
Operating profit	**62 901 085**
Finance costs	(-)
Profit for the year	**62 901 085**
Dividend distribution (minimum)	(28 056 000)
Transfer to retained income for the year	**34 845 085**

A reconciliation of the profit for the year to expected distributable profit is set out below:

Figures in Rand	**28 December 2022**
Profit for the year	**62 901 085**
Revenue straight-line adjustment	(25 493 085)
Distributable Profit	**37 408 000**
Percentage distribution (minimum)	75%
Expected minimum dividend distribution	**28 056 000**

The forecast distributable profit above is based on contracted revenue only.

The forecast per share information is set out below:

Figures in Rand	31 December 2022
Earnings per share (cents)	62.9
Headline earnings per share (cents)	62.9
Distribution per share (minimum based on 75%) (cents)	28.0
Net asset value per share (cents)	913.9
Number of shares in issue	100 000 000

DISTRIBUTABLE PROFIT FOR THE QUARTER ENDED 31 MARCH 2022
A reconciliation of the profit for the quarter ended 31 March 2022 is set out below:

Figures in Rand	31 March 2022
Profit for the year	17 078 521
Revenue straight-line adjustment	(6 373 271)
Distributable Profit	**10 705 249**
Percentage distribution (actual)	100%
Dividend distribution	**10 705 249**

The per share information is set out below:

Figures in Rand	31 March 2022
Earnings per share (cents)	17.08
Headline earnings per share (cents)	17.08
Distribution per share (actual based on 100%) (cents)	10.70
Net asset value per share (cents)	931.0
Number of shares in issue	100 000 000

DIVIDEND DECLARATION
The Board is pleased to declare a maiden quarterly dividend (Dividend Number 1) of 10.70525 cents per ordinary share, which amounts to 100% of distributable profit. The dividend is declared out of distributable reserves of the Group.

As the company has REIT status, Shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act (No. 58 of 1962), as amended, ("Income Tax Act"). The dividend on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

aReit Prop's tax reference number is 9961778173. The number of ordinary shares which will be eligible for the dividend at the declaration date is 100 000 000.

The salient dates for the dividend will be as follows:

	2022
Last date to trade "cum" dividend	Tuesday, 17 May
Shares commence trading "ex" dividend	Wednesday 18 May
Record date (date shareholders recorded in share register)	Friday, 20 May
Payment date	Monday, 23 May

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 18 May 2022 and Friday, 20 May 2022, both dates inclusive.

TAX IMPLICATIONS

South African tax residents
The dividend received by or accrued to South African tax residents must be included in the gross income of such Shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exception, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT.

The dividend is exempt from dividend withholding tax in the hands of South African tax resident Shareholders, provided that the South African resident Shareholders provide the following forms to the CSDP or broker in respect of uncertificated shares, or to the company, in respect of certificated shares:

a) a declaration that the dividend is exempt from dividend tax; and
b) a written undertaking to inform the CSDP, broker or the company, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service.

Shareholders are advised to contact their CSDP, broker or the company to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Non-resident Shareholders

Dividends received by non-resident Shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Since 1 January 2014, any dividend received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder concerned. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident Shareholders is 8.56420 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the company, in respect of certificated shares:

a) a declaration that the dividend is subject to a reduced rate as a result of the application of DTA; and
b) a written undertaking to inform their CSDP, broker or the company, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service.

Non-resident Shareholders are advised to contact their CSDP, broker or the company to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

PROSPECTS

aReit Prop's business strategy is to invest in yield-enhancing assets and areas that offer consistent, long-term rental growth. The asset and property management function are carried out internally by aReit Prop's experienced management team with a view to extracting maximum value from each property. Whilst the current properties are leasehold properties and are ungeared, the Company does envisage acquiring freehold properties and gearing same, at appropriate levels, within the requirements for a REIT. There is no intention to gear the existing leasehold properties.

With a secure rental income, strong balance sheet and no gearing, aReit Prop has a solid base that will provide the ability to invest in various real estate sectors both locally and internationally through further leasehold and freehold property acquisitions, utilising both debt and equity associated with such acquisitions. The group expects that it will be able to add significantly to its property portfolio on a yield-enhancing basis for its investors over time.

BY ORDER OF THE BOARD
Cape Town
5 May 2022

Sponsor

AcaciaCap
ADVISORS