



**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

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**UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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**DIRECTORS' COMMENTARY**

The Company was newly incorporated on 9 September 2021 and the rental income was acquired with effect from 1 January 2022. aReit Prop successfully completed its listing on the Main Board of the JSE Limited ("the JSE") on 1 March 2022. The group's property portfolio was independently valued during November 2021 at R913 918 000 ahead of its listing on the JSE.

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 261m<sup>2</sup>. 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 6,000m<sup>2</sup>. The property is leased by Suncare for 5 years, with three 5-year renewal options,

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 was applicable from 1 January 2022 for Afrirent and from 1 January 2023 for Cresta Hotels. The annual escalation of 5% was implemented on all the leases from 1 January 2023.

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 commenced with the Fountains Hotel from 1 January 2022 and the Cresta Grande Hotel from 1 January 2023. Due to the long term leases, with strong tenants and the nature of the business, the Board does not consider that the Group will be exposed to any negative impact from world events.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 June 2023 Unaudited R	30 June 2022 Unaudited R
<b>Revenue</b>		
Rental Income - base	20 973 000	19 980 000
Rental income - variable*	-	1 111 789
Lease income - straight-line adjustment	11 628 753	11 628 753
<b>Total revenue</b>	<b>32 601 753</b>	<b>32 726 542</b>
Other Income	328 563	57 920
Operating expenses	(1 413 164)	(808 075)
Fair value adjustment	(11 628 753)	-
<b>Operating profit before taxation</b>	<b>19 888 401</b>	<b>31 976 388</b>
Taxation	-	-
<b>Net profit</b>	<b>19 888 401</b>	<b>31 976 388</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>19 888 401</b>	<b>31 976 388</b>

Whilst occupancy reports indicate that variable income of R568 613 and R883 250 from Fountains Hotel and Cresta Grande will be earned, as the variable income is calculated over the period of a year and occupancy is lower in the winter season, it will be finalised and invoiced in December 2023.

## STATEMENT OF FINANCIAL POSITION

	30 June 2023 Unaudited R	31 December 2022 Audited R
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment property	913 918 000	913 918 000
<b>Total Non-current assets</b>	<b>913 918 000</b>	<b>913 918 000</b>
<b>Current assets</b>		
Loan to related party	20 624 662	9 978 072
Trade and other receivables	86 045	57 371
Cash and cash equivalents	5 320	1 068
<b>Total Current Assets</b>	<b>20 716 027</b>	<b>10 036 511</b>
<b>TOTAL ASSETS</b>	<b>934 634 027</b>	<b>923 954 511</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stated capital	917 000 100	917 000 100
Retained Income	16 806 387	6 521 239
<b>Total equity</b>	<b>933 806 487</b>	<b>923 521 339</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	827 540	433 172
<b>Total liabilities</b>	<b>827 540</b>	<b>433 172</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>934 634 027</b>	<b>923 954 511</b>
Number of ordinary shares in issue (net of treasury shares)	100 000 000	100 000 000
Net Asset Value per share(cents)	933.8	935.2
Net Tangible Asset Value per share (cents)	933.8	935.2

## STATEMENT OF CHANGES IN EQUITY

	Stated capital R	Retained Income R	Total equity R
<b>Balance at 1 January 2022</b>	<b>917 000 100</b>	<b>(3 082 000)</b>	<b>913 918 100</b>
Profit for the year	-	39 597 993	39 597 993
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>39 597 993</b>	<b>39 597 993</b>
Dividends	-	(29 992 754)	(29 992 754)
<b>Balance at 31 December 2022</b>	<b>917 000 100</b>	<b>6 521 239</b>	<b>923 521 339</b>
Profit for the six months to 30 June 2023	-	19 888 401	19 888 401
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>917 000 100</b>	<b>26 409 640</b>	<b>943 409 740</b>
Dividends paid	-	(9 603 253)	(9 603 253)
<b>Balance at 30 June 2023</b>	<b>917 000 100</b>	<b>16 806 387</b>	<b>933 806 487</b>

## STATEMENT OF CASH FLOWS

	30 June 2023 Unaudited R	30 June 2022 Unaudited R
<b>Cash from operating activities</b>		
Profit before taxation	20 365 573	31 976 388
<b>Adjustments for:</b>		
Deduction for lease income – straight line adjustment	(11 628 753)	(11 628 753)
Fair Value adjustment	11 628 753	-
Interest income	(328 565)	(57 920)
Cash payments made by shareholder on behalf of group	(564 284)	-
<b>Profit before changes in working capital</b>	<b>19 472 723</b>	<b>20 289 714</b>
Increase in other receivables	(10 588 151)	(9 920 364)
Increase in trade and other payables	394 368	280 300
<b>Cash generated by operations</b>	<b>9 278 940</b>	<b>10 649 650</b>
Finance income	328 565	57 920
Dividends paid	(9 603 253)	(10 705 249)
<b>Net cash flow from operations</b>	<b>4 252</b>	<b>2 321</b>
<b>Movement in net cash resources</b>	<b>4 252</b>	<b>2 321</b>
Balance at beginning of the year	1 068	-
<b>Balance at the end of the year</b>	<b>5 320</b>	<b>2 321</b>

## BASIS OF PREPARATION

The consolidated interim 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 interim results are in terms of IFRS and are consistent with those applied in the audited financial statements for the year ended 31 December 2022.

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 six months ended 30 June 2023 was prepared by the Financial Director, Mr Abdul Ismail.

The directors take full responsibility for the consolidated financial results for the six months ended 30 June 2023.

### **COMMENTARY ON RESULTS FOR THE SIX MONTHS ENDED 30 June 2023**

The Board is pleased to present its results for the first six months ended 30 June 2023, noting that the Company's business model is relatively simple.

Revenue, before the straight-lining adjustment of R11 628 753, comprises base rental income from the four leases amounting to R20 973 000 for the 12 months. The base rental income represented the minimum contracted rental revenue.

Whilst occupancy reports indicate that variable income of R568 613 and R883 250 from Fountains Hotel and Cresta Grande will be earned, as the variable income is calculated over the period of a year and occupancy is lower in the winter season, it will be finalised and invoiced in December 2023.

Investment property consist of leasehold rights acquired, and held by the Group for a period of 40 years. The leasehold rights give the Group the right to use the property, and are accounted for as investment property on the basis that these are held to earn rental income. The leasehold properties are leased out under operating leases and are not occupied by the Group. The investment property was valued by means of the discounted cash flow methodology using a weighted discount rate of 9.87%, a rental growth rate of 5% which is in line with the signed lease agreements with the tenants, an average expense growth rate of 5% and was valued internally at year end and again at the interim period by the directors. These inputs are considered to be sensitive in nature, and any change in these inputs would result in a significant increase/decrease in the fair value of the investment property. There were no acquisitions or disposals of investment properties during the current year.

The straight lining of lease income is deducted from investment property as the discounted value of future rental cash flows is already incorporated into the fair value. This is reflected as an adjustment to the fair value for the current period. A fair value adjustment equal to the lease straight lining asset has been made to the carrying value of the investment to prevent double counting. All the leases increased by 5% with effect from 1 January 2023 and variable income can be earned on the Cresta lease from 1 January 2023. The Investment property has been categorised as Level 3, in terms of the fair value hierarchy, which applies inputs used which are not based on observable market data. There has been no change/transfer between levels during the period.

Investment income comprises interest income earned on the loan to a related party for the period.

Operating expenses amounted to R1 413 164 for the period under review and relate primarily to the costs associated with being a listed group. In terms of the tenant leases and the leasehold acquisition agreement, the Group is not liable for property related costs such as maintenance, insurance or rates and taxes.

The group does not have any gearing and thus there is no interest expense relating to borrowings in the Group.

Trade creditors increased to R827 540 at 30 June 2023, which includes business operating expenses not yet paid to suppliers. This is being reduced after the period end.

The profit for the first six months period is R19 888 401. No provision for taxation has been raised as the Company typically declares 100% of its distributable income as a dividend.

## RECONCILIATION OF BASIC EARNINGS TO HEADLINE EARNINGS

	30 June 2023 Unaudited R	30 June 2022 Unaudited R
Basic Earnings for the period	19 888 401	31 976 388
Adjustments:		
- Add back fair value adjustment (equal to the straight line lease income adjustment)	11 628 753	-
Headline Earnings	32 601 753	31 976 388
<b>Share information:</b>		
Weighted average number of shares	100 000 000	100 000 000
Basic earnings per share (cents)	19.88	31.98
Headline earnings per share (cents)	32.60	31.98

## PROPERTY INFORMATION

### Geographic profile:

The three properties are all located in the Western Cape.

### Tenant profile:

Sector	By GLA
A	85.5%
B	14.5%
C	0.0%
<b>Total</b>	<b>100.0%</b>

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 Afirent, which leases the Fountains Hotel. Cresta Hotels is part of a large international company whilst Afirent 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.

### 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 2023	0	0
December 2024	0	0
December 2025	0	0
December 2026	14.5	20%
December 2027	0	0
December 2028	0	0
December 2029	0	0
December 2030	0	0
December 2031	85.5	80%
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The above analysis excludes the Supasite lease.

**Vacancy profile:**

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

**Sectoral profile:**

Sector	By GLA %	By Rental Revenue %
Hospitality	85.5%	80.0%
Medical	14.5%	20.0%
<b>Total</b>	<b>100.0%</b>	<b>100%</b>

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.

A summary average annualised property yield information for aReit Prop is set out below:

Sector	GLA	Revenue	Lease expiry profile	Weighted average rental per m <sup>2</sup>	Weighted average escalation
Hospitality					
- Cresta Hotels	13 610	9 450 000	30 March 2031	115,72	5%
- Supasite	<b>Note 1</b>	498 000	31 December 2031	6.48	5%
- Afrirent	5 415	6 930 000	31 December 2031	213.30	5%
<b>Sub-total</b>	<b>19 025</b>	<b>16 878 000</b>			
Medical	3 236	4 095 000	31 August 2026	210.91	5%
<b>Sub-total</b>	<b>3 236</b>	<b>4 095 000</b>		<b>210.91</b>	<b>5%</b>
<b>Total</b>	<b>22 261</b>	<b>20 973 000</b>		<b>157,31</b>	<b>5%</b>

Note: GLA is not applicable as the rental income is for a billboard on top of the Cresta Grande Hotel.

**SEGMENTAL INFORMATION**

Segments are reported in a manner that is consistent with the internal reporting provided to the executive committee, which comprises the executive directors of the Group. The Executive Committee regularly reviews the operating results of the Group's operating segments which are based on a per property basis. The segments drive their revenue primarily from rental income from leases. All expenses that are not specifically attributable to individual properties are included in the head office segment. The measurement of results reviewed by the Executive Committee is consistent with those presented in the consolidated and separate financial statements.

The Group comprises the following main reportable operating segments:

Six months 30 June 2023	Cresta Grande Hotel	Fountains Hotel	Lady Hamilton	Head Office	Total
Revenue	9 450 000	6 930 000	4 095 000	-	20 475 000
Straight-line adjustment	5 083 692	4 114 038	2 431 022	-	11 628 753
Fair value adjustment	(5 083 692)	(4 114 038)	(2 431 022)	-	(11 628 753)
Variable rental					
Investment income				328 565	328 565
Other operating expenses				(1 413 164)	(1 413 164)
Finance cost					
Profit before tax	<b>9 450 000</b>	<b>6 930 000</b>	<b>4 095 000</b>	<b>(1 084 599)</b>	<b>19 390 401</b>
Tax	-	-	-	-	-
Profit after tax	<b>9 450 000</b>	<b>6 930 000</b>	<b>4 095 000</b>	<b>(1 084 599)</b>	<b>19 390 401</b>
Investment property	463 658 543	304 680 278	121 203 883	-	913 918 000

No separate segment report was presented for the six months to 30 June 2022. Accordingly, the segment report for the year ended 31 December 2022 is presented below, noting that the revenue and costs, are evenly distributed over the year, other than the variable rental, which was earned in the first six months ended 30 June 2022:

<b>Year ended 31 December 2022</b>	<b>Cresta Grande Hotel</b>	<b>Fountains Hotel</b>	<b>Lady Hamilton</b>	<b>Head Office</b>	<b>Total</b>
Revenue	18 960 000	13 200 000	7 800 000	-	39 960 000
Straight-line adjustment	10 656 044	8 623 530	5 095 722	-	24 375 296
Fair value adjustment	(10 656 044)	(8 623 530)	(5 095 722)	-	(24 375 296)
Variable rental	-	1 117 789	-	-	1 117 789
Investment income	-	-	-	372 795	372 795
Other operating expenses	-	-	-	(1 851 133)	(1 851 133)
Finance cost	-	-	-	(1 458)	(1 458)
Profit before tax	<b>18 860 000</b>	<b>14 317 789</b>	<b>7 800 080</b>	<b>(1 479 796)</b>	<b>39 597 993</b>
Tax	-	-	-	-	-
Profit after tax	<b>18 860 000</b>	<b>14 317 789</b>	<b>7 800 080</b>	<b>(1 479 796)</b>	<b>39 597 993</b>
Investment property	463 658 543	304 680 278	121 203 883	-	913 918 000

#### **DISTRIBUTABLE PROFIT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

A reconciliation of the profit for the six months ended 30 June 2023 is set out below:

<b>Figures in Rand</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
<b>Profit for the period</b>	19 888 401	31 976 388
Revenue straight-line adjustment	(11 628 753)	(11 628 753)
Fair value adjustment	11 628 753	-
Distributable Profit	<b>19 888 401</b>	<b>20 347 635</b>
Less: Dividend paid during the period relating to the distributable profit for the period	-	(10 705 249)
Net distributable profit available	<b>19 888 401</b>	<b>9 642 385</b>
Percentage distribution	0%	100%
<b>Dividend distribution</b>	-	<b>9 642 385</b>
<b>Distribution per share (cents)</b>	-	<b>9.64</b>

It is noted that the dividend paid of R9 603 253 during the period ended 30 June 2023 related to the final dividend for the year ended 31 December 2022.

The per share information is set out below:

<b>Figures in Rand</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
Earnings per share (cents)	19.9	31.98
Headline earnings per share (cents)	32.6	31.98
Declared and distributed during the period – Dividend Number 04	(9.6)	(10.70)
Distribution declared in relation to the period ended 30 June	-	9.64
Net asset value per share (cents)	933.8	935.2
Number of shares in issue	100 000 000	100 000 000

A final dividend of 9.60 cents relating to the year ended 31 December 2022 was declared and paid during the period under review. No distribution has been declared for the interim period, however a distribution will be made before the end of the year.

#### **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 MACRO ECONOMIC FACTORS

The Company was incorporated after the Covid-19 lockdown and accordingly was not exposed to the related 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 commenced with the Fountains Hotel from 1 January 2022 and the Cresta Grande Hotel this year from 1 January 2023.

International events have not impacted negatively on the Company.

## SUBSEQUENT EVENTS

There were no significant events subsequent to 30 June 2023.

## BOARD COMPOSITION

Ms Fatima Noordien resigned as a director on 14 June 2023. .

## RELATED PARTY INFORMATION

As announced on SENS on 14 April 2022, a related party loan arose with Newline Investments 101 Proprietary Limited, which is recovered through the dividend distributions to its shareholders which are all administrated in one loan account with New Line Investments 101 Proprietary Limited. The loan arose as the acquisition agreement was conditional on the listing of the Group and thus the vendors continued to collect rental income on behalf of aReit Prop. This loan is in the name of aReit Prop Limited (company) and is to the value of R 20 191 490. There has been no variation to the terms of this loan since the listing of the Company.

It is intended that the rentals will be collected directly by aReit Prop following the completion of the VAT registration, which process took longer than expected. The loan bears interest at 3.5%.

With effect from 31 December 2021, which agreement was conditional of the listing, the leasehold rights were sold to the Company's subsidiary, aReit Prop Leasehold Proprietary Limited through a loan which has a value at year-end of R913 918 000. This loan is eliminated at consolidated level.

### Related parties

Majority shareholders	New Line Investments 101 Proprietary Limited Leisure Investment Trust Tulip Trust
Subsidiary	aReit Prop Leasehold Proprietary Limited
Directors and members of key management	ME Jaspers AH Ismail JMJ Osse SD Chase JA Kruger
Director with indirect controlling shareholding	JMJ Osse

JMJ Osse's controlling shareholding in aReit Prop Limited is through his control and/or beneficial interest in New Line Investments 101 Proprietary Limited, Leisure Investment Trust and Tulip Trust.

## Related party balances

Details	Q1 30 June 2023 R	Year ended 31 December 2022 R
<b>Loan accounts - Owing by:</b>		
Newline Investments 101 Proprietary Limited	20 191 490	9 978 072
JMJ Osse	100	100
<b>Interest received from related party:</b>		
Newline Investments 101 Proprietary Limited	328 565	372 795
<b>Key management compensation:</b>		
Members of key management	400 000	950 000

## DIVIDEND DECLARATION

No interim dividend has been declared. Shareholders are reminded that a final dividend (Number 4) of 9.60 cents per share was paid in June 2023.

## 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. 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

31 October 2023

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Sponsor  
AcaciaCap Advisors Proprietary Limited

