



NEW AFRICAN PROPERTIES



ANNUAL  
**REPORT**  
2017



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The Annual Report has been prepared in order to comply, in all material respects, with the requirements of the Botswana Companies Act (CH42:01) and requirements of the Botswana Stock Exchange. Accordingly, the Board of Directors and Management of the Company assume no responsibility for nor warrant compliance of information contained in the Annual Report with requirements of other legal frameworks or regulatory authorities of other jurisdictions.

**Kagiso  
Shopping Centre,  
Gaborone**





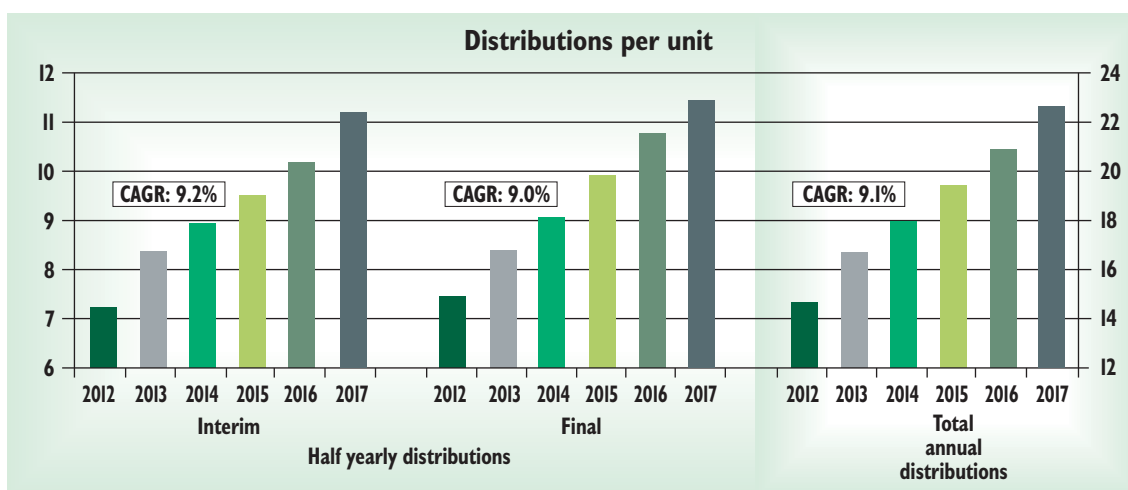
# INVESTMENT HIGHLIGHTS

31 July 2017

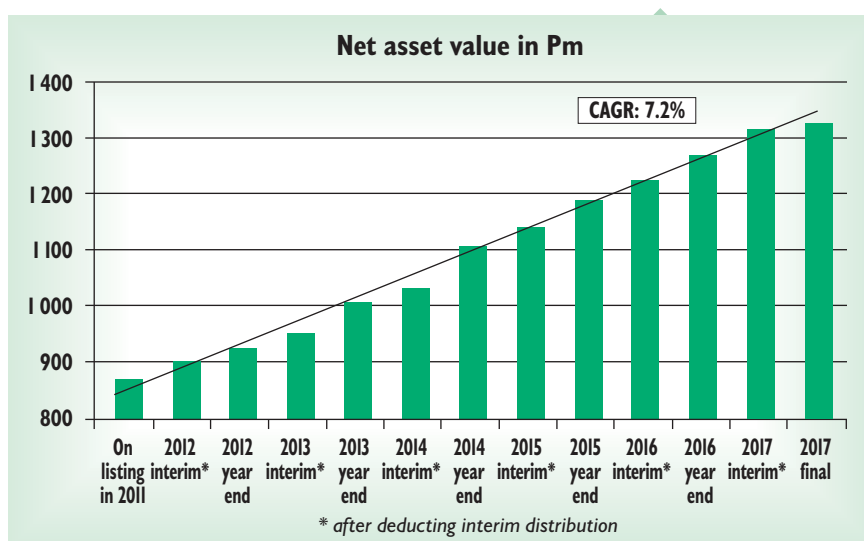
## OVERVIEW

New African Properties Limited ("NAP") is a public variable rate loan stock company offering investors the opportunity to share in a diversified portfolio of 64 well-established, strategically located, primarily retail properties across Botswana as well as a small portfolio of Namibian retail properties, all underpinned by quality tenants.

NAP has delivered a strong, consistent performance since listing on the Botswana Stock Exchange (BSE) on 28 September 2011, generating both distribution and capital growth to investors and with a market capitalisation of P1.95 billion at year end.



While capital growth for investors is based on movement in the unit price it is important to know that there has also been growth in the underlying property value and net asset value.



# INVESTMENT HIGHLIGHTS (continued)

31 July 2017

## STRATEGY

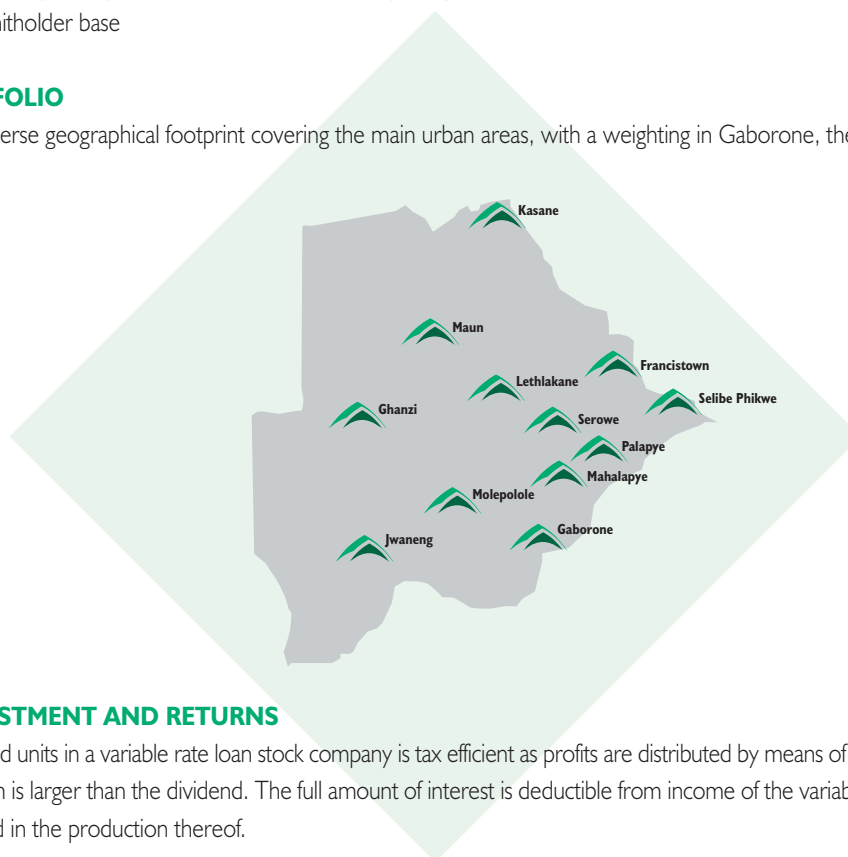
Our primary objective is to provide returns to investors through income and capital growth superior to alternative risk related investments.

The key strategic goals underlying this are:

- Managing our properties to achieve stable and sustainable growth
  - Investing in appropriate properties
  - Maintaining our retail focus
  - Maintaining our strong tenant profile
  - Maximising contractual rentals
  - Minimising rental arrears, bad debts and vacancies
  - Optimising expenditure
- Understanding the environment we operate in
- Managing using a sound governance framework
- The use of skilled service providers
- Distribution certainty and transparency
- Diversifying our funding through the introduction of prudent gearing
- Diversifying the unitholder base

## PROPERTY PORTFOLIO

The portfolio has a diverse geographical footprint covering the main urban areas, with a weighting in Gaborone, the primary economic hub of the country.



## NATURE OF INVESTMENT AND RETURNS

The ownership of linked units in a variable rate loan stock company is tax efficient as profits are distributed by means of a dividend and a debenture interest payment which is larger than the dividend. The full amount of interest is deductible from income of the variable rate loan stock company as an expense incurred in the production thereof.

Dividends paid by the company are subject to withholding tax which is a final tax. Interest payable to residents which are tax paying entities is subject to 10% withholding tax, which can be credited against tax payable by the recipient. Any capital gains on disposal of linked units after one year of acquisition are exempt from taxation under the current taxation regime as the Company has offered more than 49% of its linked units to trade on the Botswana Stock Exchange. In addition to being able to vote on issues that affect them, unitholders' interests are protected through application of a code of governance and appointment of independent directors to the Board.



## FIVE YEAR HISTORICAL REVIEW

for the year ended 31 July 2017

	31 July 2017	31 July 2016	31 July 2015	31 July 2014	31 July 2013
<b>INCOME</b>					
Contractual rental * (P000)	164 733	152 918	141 036	130 793	123 648
Distributable income (P000)	137 155	127 315	117 449	109 002	101 649
Distributable income (tpu)	22.69	21.06	19.43	18.03	16.82
Increase in distributable income (%)	8%	8%	8%	7%	14%
Distributions (tpu):	22.67	20.95	19.43	17.99	16.75
- interim	11.21	10.18	9.51	8.93	8.36
- final	11.46	10.77	9.92	9.06	8.39
Distribution growth (%)	8%	8%	8%	7%	14%
Profit (P000)	199 404	209 762	199 102	211 055	186 918
Increase in profit (%)	-5%	5%	-6%	13%	29%
<b>ASSETS</b>					
Investment property * (Pm)	1 385	1 312	1 225	1 135	1 016
Borrowings (Pm)	25	28	30	32	34
Net asset value (Pm)	1 332	1 268	1 188	1 107	1 007
Increase in net asset value (%)	5%	7%	7%	10%	9%
<b>GEARING</b>					
Debt to property value (%)	2%	2%	2%	3%	3%
Debt fixed (%)	0%	0%	0%	0%	0%
Interest cover (times)	95	75	54	43	32
<b>UNIT STATISTICS</b>					
Units in issue (millions)	604	604	604	604	604
Closing price (tpu)	322	293	242	206	214
Mkt cap at end of period (Pm)	1 946	1 771	1 463	1 245	1 293
Premium to NAV (%)	46%	40%	23%	13%	28%
Historic yield (%)	7.0%	7.2%	8.0%	8.7%	7.8%
Total return per linked unit (%)	17.6%	29.7%	26.9%	4.7%	6.3%
<b>PROPERTIES</b>					
Number of properties	64	64	65	65	65
Last valuation * (Pm)	1 385	1 312	1 225	1 135	1 016
Increase in property valuation (%)	6%	7%	8%	12%	10%
GLA (000m <sup>2</sup> )	129	129	130	130	130
Vacancy (by GLA)	3.2%	1.2%	2.8%	3.7%	3.6%
Vacancy (by rental)	2.2%	0.7%	1.9%	2.2%	2.8%

\* excludes rental straight lining

# DIRECTORS

as at 31 July 2017



**John Tobias Mynhardt**

**Non-Executive Chairman**

**B.Comm (UCT)**

**Chairman of Board and Investment Committee**

After completing his Bachelor of Commerce degree at the University of Cape Town in 1968, Mr Mynhardt started work in the family trading store in Francistown. He has remained involved in the Botswana retail industry ever since. During this time he has developed extensive business interests in Botswana and he is chairman of all the companies in the CBH Group including Furnmart Limited and the companies in the group's Tourism and Hospitality Divisions. During his career he has served as a member of the Francistown Town Council and on the Boards of the Botswana Housing Corporation and First National Bank of Botswana. He is currently a member of the University of Botswana Council.



**Tobias Louis John Mynhardt**

**Managing Director**

**Executive Director**

**B.Comm (Hons - UCT), MSc Econ (LSE)**

**Member of Risk, Audit & Compliance Committee and Investment Committee**

Mr Mynhardt is the Deputy Chairman of the CBH Group which has investments in a number of industries including property, retail, tourism, hospitality, building manufacturing supply and financial services. He led the 2011 listing of NAP which represented the consolidation of the property interests of the CBH Group. Mr Mynhardt has assumed responsibility for various CBH Group divisions since being appointed a director in 2003. He was Managing Director of an associate company, the BSE-listed Furnmart Limited, since 2009 until his appointment as deputy chairman in 2016. Mr Mynhardt's early career encompassed a broad exposure to the investment industry through an investment advisory and Hedge Fund-of-Funds firm in London, following the completion of his Masters degree in Economics from the London School of Economics. Mr Mynhardt is also a non-executive director of Barclays Bank Botswana.



**Riverwalk  
Shopping Centre,  
Gaborone**



## DIRECTORS (continued)

as at 31 July 2017



**Lauren Carole Tapping**

**Chief Financial Officer**

**Executive Director**

**B.Compt (Hons), CTA (UNISA), C.A.(S.A.), ACPA**

**Member of the Investment Committee**

**Attends Risk, Audit & Compliance Committee meetings by invitation**

Ms Tapping has 29 years financial experience, with a significant focus on the property industry and specifically the listed real estate sector in South Africa, Namibia and more recently in Botswana. She joined CBH Group as NAP's Chief Financial Officer in March 2012 and was appointed as a director in July 2014. She is also the CBH Group Chief Financial Officer. Prior to joining CBH Group she served as Finance Director of Marriott Property Services (Proprietary) Limited, JSE listed SA Corporate, director of Namibian listed Oryx Properties Limited and Head of Finance for the Listed Real Estate Division at Old Mutual Property Investments. In these capacities she gained experience with the various facets of property from a listed company and broad property services company perspective, was involved in a number of listings and corporate transactions and served on various listed company committees including as chairman of Oryx's Remuneration & Nomination Committee. Prior to her commercial experience she spent 6 years in the audit environment.



**Fact Badzile Lebala**

**Executive Director**

Mr Lebala left the Botswana Police Force after 28 years of service with the rank of Superintendent of Police and was awarded the Police Medal for Good Conduct. During this career he was Commanding Officer for many Police Districts in Botswana. He was for many years responsible for identifying sites and their owners as well as conducting negotiations for their acquisition. He also liaised with all the district councils, licensing and land boards to facilitate the development and commissioning of the various developmental properties. He has retired from the CBH Group after serving as a director in the Group for over 27 years. He continues to be a board member of Furnmart Ltd and NAP and serves the Group on an ad hoc project basis.

**Riverwalk  
Shopping Centre,  
Gaborone**

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## DIRECTORS (continued)

as at 31 July 2017



### **Jerome Patrick McLoughlin**

**Independent, Non-Executive Director**

**B.Comm, Dip Acc (Natal), C.A.(S.A.)**

**Chairman of Risk, Audit & Compliance Committee**

After completing articles with Deloittes (Durban) in 1993 and qualifying as a chartered accountant, Mr McLoughlin started a career in public audit practice and currently serves as a director of a firm of registered auditors known as Hodkinson Inc. He also serves as a non-executive director to companies and serves as trustee on a number of trusts. He has substantial experience in an advisory capacity and in property investment.



### **Seshadri Venkatakrishnan**

**Independent, Non-Executive Director**

**C.A. (India)**

**Member of the Risk, Audit & Compliance Committee**

Mr Venkatakrishnan is a Chartered Accountant from India with about 33 years of wide experience in Finance, Treasury, Operations & General Management of which about 20 years was in Botswana. He has held senior roles in different capacities in varied business sectors like Retail, Manufacturing, Property Holdings and Property development, Tourism and Hospitality, Financial BPO, IT, IT Enabled Services, Healthcare sector and Education. He is currently a management consultant and holds directorships in companies in India.



**Gaborone  
Shopping Centre,  
Gaborone**





## MANAGEMENT

as at 31 July 2017



**Odirile Merafhe**



**Willie Kruger**



**Colin Stewart**



**Jaco Burger**



**Collin van Wyk**

### **Odirile Merafhe - CBH Group Executive, B.Sc (Embry Riddle, USA)**

Mr Merafhe is a member of the Executive Management team of the CBH Group, responsible for business development and special projects. Prior to this he was head of Business Development for Momentum Africa responsible for the growth of Momentum Africa subsidiaries in 10 countries and new opportunities in Africa and emerging markets. Before that he was General Manager of Momentum Botswana, the administrator of Botsogo Health plan, since the inception of the company. He oversaw the growth of the Botswana business to a well-respected and successful medical aid company with over 20,000 lives under administration. Before joining Momentum he was Chief Executive Officer of the Hospitality and Tourism Association of Botswana after spending 12 years in the Airline industry in Botswana and South Africa. Mr Merafhe is Chairman of Metropolitan Health Botswana and a former Chairman of Junior Achievement Botswana, director of Botswana Development Corporation, MRI Botswana Limited, Botswana Tourism Board, Botswana Business Coalition on HIV AIDS. He is a Board member of Business Botswana.

### **Willie Kruger - Chief Executive Officer Nafprop**

Mr Kruger's experience in property commenced in 1987 with Sanlam Properties as a Leasing Consultant and assistant Property Manager. From there he moved to Old Mutual Properties in 1989 where he was trained as Property Manager and Property Portfolio Manager. Here he gained experience in dealing with aspects such as Property Management, Marketing, Facilities Management, Lease Audits and Staff Training. He accepted a position with RMB Properties in 1995 where he was exposed to Property Asset Management. During 1995 he was appointed by Broll Property Group as Property Portfolio Manager. He was appointed as Director to their Board in 1996 and to the Board of Broll Namibia shortly thereafter. After spending 10 years with Broll he established BBA Property Group of which he was appointed Managing Director in 2007. The Property Portfolio under his direct supervision was valued at R2.3 billion in 2012. He joined Nafprop in 2012 as Chief Executive Officer which position he still holds.



## MANAGEMENT (continued)

as at 31 July 2017

### **Colin Stewart - CBH Group Financial Manager, B.Compt (Hons), CTA (UNISA), C.A.(S.A.), ACPA**

Mr Stewart joined the CBH Group in early 2014. Prior to this he served as Group Financial Controller at Celerant Consulting, a multinational management consulting firm based in London. Before that his experience includes a number of financial roles in both the UK and South Africa in the manufacturing, telecommunications and banking sectors. Mr Stewart completed his articles with Deloitte in South Africa having spent 6 years with the firm.

### **Jaco Marius Burger - Nafprop General Manager: Property Management, B.A. (Hons) Industrial Psychology (Armstrong State University, Savannah, Georgia, USA)**

Mr Burger commenced working in the property management industry on completion of his studies in the USA. His first management position was at Old Mutual Properties. Subsequent to that he furthered his career at Shoprite Checkers Properties, Murray & Roberts, The Broll Property Group and Homenet Commercial Properties. Mr Burger left the industry after roughly eight years and ventured into the restaurant industry where he was a shareholder and manager in various franchises over the next decade. He has since decided to return to the property management field and has been with Nafprop for close to four years.

### **Collin van Wyk - Nafprop Financial Manager, B.Compt (Hons), CTA (UNISA), C.A.(S.A.), ACPA**

Mr van Wyk joined Nafprop in early 2017, having served as the Financial Manager at Generator Logic (Proprietary) Ltd in South Africa. Prior to that he was based in Uganda where he served as the Regional Financial Manager at The New Forests Company for approximately two and a half years. Before that he fulfilled managerial roles in the retail sector with a particular focus on high end retail. Preceding his move to commerce, he spent five years in the audit environment.

**Riverwalk  
Shopping Centre,  
Gaborone**



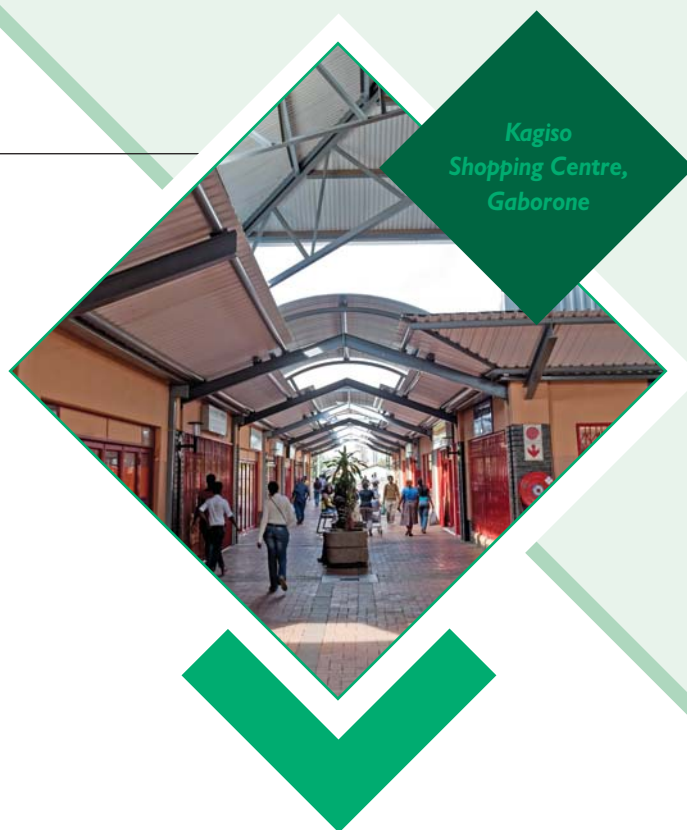


# MANAGEMENT REPORT

for the year ended 31 July 2017

## HIGHLIGHTS

- Total distribution for the year 22.67 thebe
- Distribution growth 8.2%
- Total return 17.6%
- Market capitalisation P1.95 billion
- Net asset value P1.332 billion
- NAV growth 5.0%
- Total asset value P1.59 billion
- Asset value growth 5.2%
- Number of leases 474
- Occupancy level (by GLA) 96.8%
- Net tenant arrears P0.4 million
- Tenant retention 85%

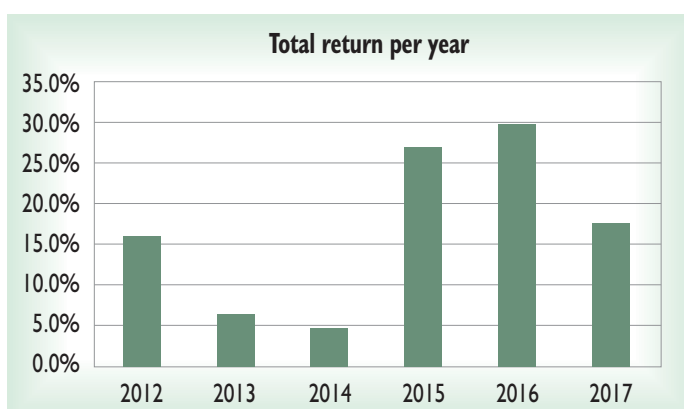
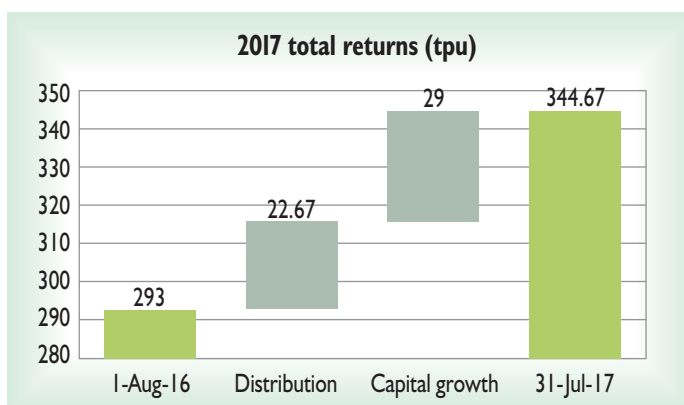


## RETURNS TO INVESTORS

The total return to investors for the year amounts to 17.6%, comprising an income return of 7.7% and capital return of 9.9% on the opening unit price of 293 thebe, effectively returning 22.67 thebe in distributions and 29 thebe in capital growth from the appreciation in the value of linked units.

Since listing in September 2011, the total return to investors amounts to 117%, with a total income return of 56% and capital return of 61% on the initial listing price of 200 thebe per linked unit. This equates to a compound annual total return of 13.8%. In addition, in view of being listed, tax paying investors are able to realise their investments without incurring any taxes. These returns and the nature of NAP make it an attractive alternative to fixed income investments, particularly suited to long term investors and pension funds.

In view of the movement in unit prices total returns do fluctuate annually and the relative returns in 2013 and 2014 were low due to the limited liquidity in NAP units in those years. A diverse unitholder base helps to mitigate this in view of improved liquidity and NAP has diversified its unitholder base significantly in the last two years as detailed below.



# MANAGEMENT REPORT (continued)

for the year ended 31 July 2017

## FINANCIAL RESULTS

Total distributions to linked unitholders amounted to 22.67 thebe per unit for the year, an 8.2% increase on the 2016 financial year's 20.95 thebe.

The final distribution was declared on 26 July 2017 based on the Board's estimate of distributable income of P137.0 million. Actual distributable income for the year was P155 000 higher than this forecast, amounting to P137.2 million or 22.69 thebe per linked unit, 7.7% above 2016's P127.3 million (21.06 thebe).

The increase in distributable income is attributable to a 7.8% increase in rental income which has been slightly diluted by an 8.5% increase in property costs and almost flat net investment income, while portfolio costs have only increased by 4.4% and taxation by less than 3%.

The sustained growth in net rental and operating income is indicative of the quality of earnings from the Group's asset base.

Distributable income was arrived at as follows:

	2017 P'000	2016 P'000	% change
<b>Revenue before straight line adjustment</b>	<b>174 363</b>	161 681	+7.8%
Other income	1 853	1 878	
Property costs	(29 700)	(27 368)	+8.5%
<b>Net rental income</b>	<b>146 516</b>	136 191	+7.6%
Portfolio expenses	(11 081)	(10 614)	+4.4%
<b>Operating profit before straight line adjustment</b>	<b>135 435</b>	125 577	+7.9%
Net investment income	4 992	4 918	
<b>Profit before tax, straight line and fair value adjustments</b>	<b>140 427</b>	130 495	+7.6%
Taxation (relating to distributable income)	(3 272)	(3 180)	
<b>Distributable income</b>	<b>137 155</b>	127 315	+7.7%
Number of units in issue (in 000's)	604 397	604 397	
<b>Distributable income in tpu</b>	<b>22.69</b>	21.06	+7.7%
Distributions declared			
Interim	67 753	61 528	+10.1%
Final	69 264	65 094	+6.4%
<b>Total distributions</b>	<b>137 017</b>	126 622	+8.2%
Retained distributable income	138	693	
Retained distributable income in tpu	0.02	0.11	

In the comparative year the net rental income growth was 9.4% primarily as a result of property expenses only increasing by 4.0% compared to this year's 8.5%. The primary drivers behind the relatively high increase in property costs this year are a significant increase in utility costs following the water tariff increases and the introduction of sewerage charges, higher repairs and maintenance costs incurred on a discretionary basis, increased letting commissions in view of the greater level of expiries during the year and the impairment provisions. The aggregate of other property costs remained flat.

As reported in the half year results the distribution growth for the first half was higher than expected due to certain turnover being received in the first half instead of the second half which adversely impacted the distribution growth for the second half.

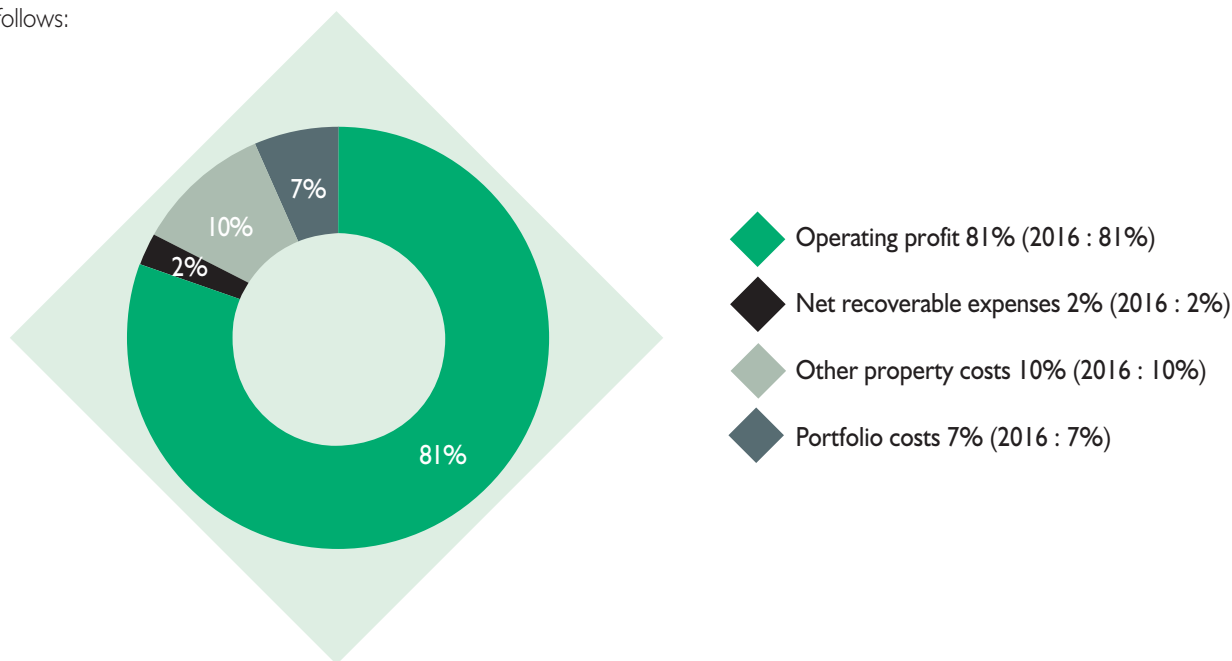


## MANAGEMENT REPORT (continued)

for the year ended 31 July 2017

### FINANCIAL RESULTS (continued)

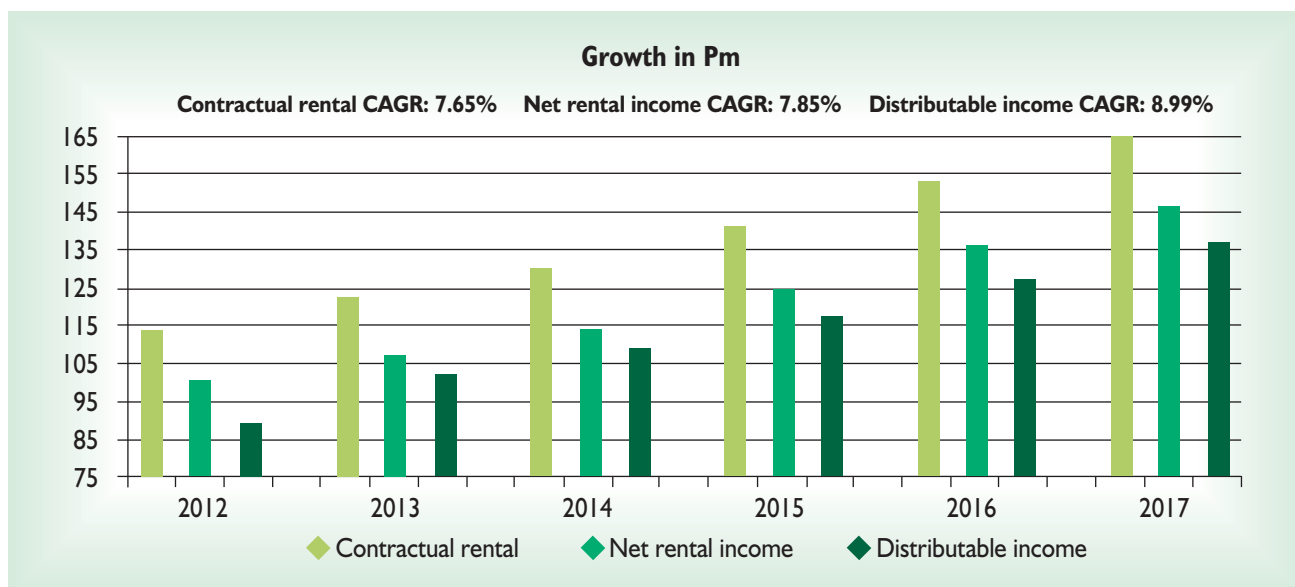
Operating profit as a percentage of operating income (contractual rental and other income) remains constant at 81% and can be analysed as follows:



The relatively flat net investment income diluted growth in distributable income by 0.3%, both as a result of softer interest rates and the fact that it is not an escalating income stream. The investment of surplus cash into property with escalating income streams will accordingly enhance long term distribution growth.

Increases in portfolio level expenses have been contained mainly due to the non-recurrence of exchange rate movements on dividends from the Namibian subsidiary as a result of a more constant exchange rate and the streamlined processes around settlements.

The graph below demonstrates the key line items making up distributable income on an annual basis.



# MANAGEMENT REPORT (continued)

for the year ended 31 July 2017

## FINANCIAL RESULTS (continued)

The remaining items included in profit and comprehensive income are not included in distributable income as they relate to accounting adjustments that are not accompanied by corresponding cash flows and predominantly comprise fair value driven line items with their corresponding tax consequences. The difference between profit and comprehensive income is the net impact of foreign exchange currency changes on the conversion of the Namibian subsidiary which is positive for the first time this year.

	2017 P'000	2016 P'000	
Distributable income is reconciled to profit and total comprehensive income for the year as follows:			
<b>Distributable income</b>	<b>137 155</b>	127 315	+7.7%
Fair value adjustments			
- Investment property (net of straight lining)	68 412	93 192	
- Financial asset	1 169	2 367	
Share of associate's profit	3 766	9 074	
Amortisation of intangible asset	(881)	(881)	
Rent straight lining adjustments	699	(1 732)	
Deferred tax on			
- Investment property	(8 892)	(16 868)	
- Share of associate's profit	(282)	(1 638)	
- Rent straight lining	(107)	395	
- Other non-distributable items	(1 635)	(1 462)	
<b>Net profit after tax</b>	<b>199 404</b>	209 762	-4.9%
Foreign exchange currency difference	1 364	(2 745)	
<b>Comprehensive income</b>	<b>200 768</b>	207 017	-3.0%

Profit for the year amounted to P199.4 million (2016: P209.8 million) reflecting net non-distributable gains of P62.2 million (2016: P82.4 million) which, together with other comprehensive income, has the impact of increasing net asset value by 10.55 thebe per linked unit. Net asset value increased by 5.0% for the year to P1.33 billion from 2016's P1.27 billion.

The reason for lower fair value gains this year is that the 2016 gains included the impact of reduced capitalisation and discount rates flowing from the decrease in long bond base rates in the 2016 year as reported last year. The Botswana base rate has effectively remained unchanged during the 2017 financial year while the Namibian base rate increased by 142 basis points. The overall weighted average capitalisation rate applied by the external valuer in the property valuations dropped by 74 basis points in 2016 in comparison to the increase of 1 basis point in 2017.

The properties were valued by Curtis Matobolo of Knight Frank at P1.53 billion (2016: P1.45 billion). The carrying value of investment property of P1.36 billion (2016: P1.29 billion) is lower as a result of assets reflected elsewhere in the statement of financial position and an adjustment for the nature of title in one of the properties. This resulted in fair value gains of P69.1 million (2016: P91.5 million) and a 5.5% increase in carrying values, both before rent straight lining adjustments but including exchange rate movements on the Namibian assets. The movement in carrying value includes P1.8 million capital expenditure, including the property reinstatement after last year's insurance claim.

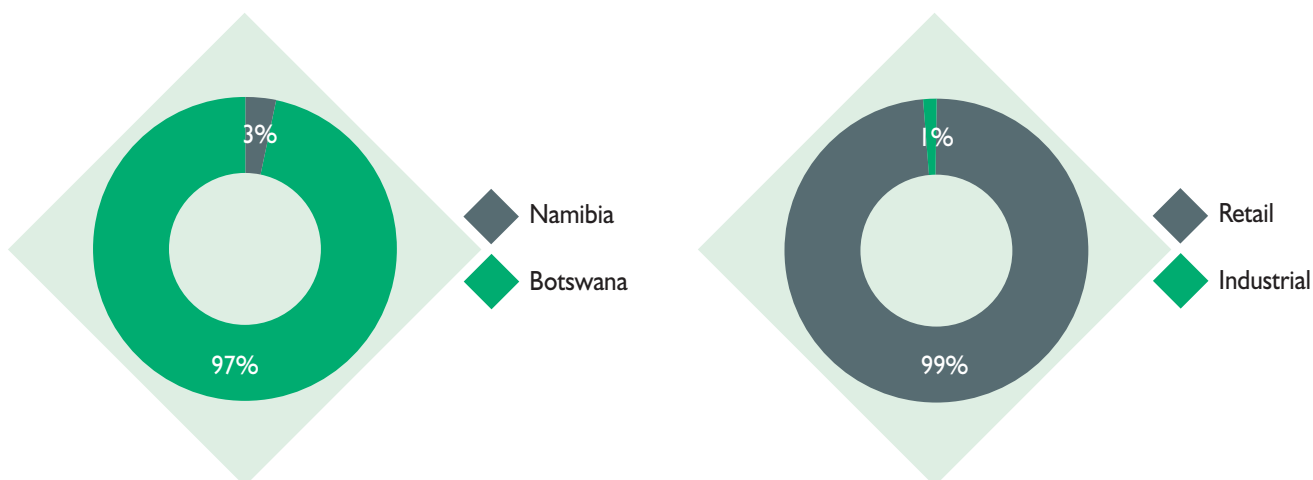


# MANAGEMENT REPORT (continued)

for the year ended 31 July 2017

## PROPERTY PORTFOLIO

The portfolio comprises predominantly Botswana retail assets which is where we are able to add the most value, and comprises 64 properties occupied by 474 tenants at year end.



The Namibian properties are retail properties and comprise 3% of total value with Botswana industrial properties comprising 1% of the portfolio value. While certain Botswana retail properties have a small office component properties are categorised based on primary use, and the remaining 96% of property value is Botswana retail focused.

	Namibia Pm*	Botswana Pm*	Total Pm*	%
<b>Fair value by sector:</b>				
Retail	46	1 319	1 365	99%
Industrial	-	20	20	1%
<b>Total</b>	<b>46</b>	<b>1 339</b>	<b>1 385</b>	<b>100%</b>
%	3%	97%	100%	
Number of properties	7	57	64	
GLA (m <sup>2</sup> )	12 561	116 685	129 246	

\* Fair value before rent straight line adjustment.

The properties have a wide geographical spread within the relevant countries with a weighting to the economic hub of Gaborone. Typically the properties are in key locations where development was driven by the demand for retail property and as a result the majority of the properties are located in urban and semi-urban areas of Gaborone, Molepolole, Tlokweng, Maun, Kasane and Selebi Phikwe.

The impact of owning foreign properties has a significant impact on the distributable income of NAP due to cross border taxes and the tax efficient PLS structure in Botswana. To illustrate this impact the following table summarises the impact of holding Namibian properties in comparison to Botswana properties. It looks at the impact on NAP distributions and ultimately the after tax earnings of the majority of current investors (taxable companies and tax exempt entities like pension funds), all assuming net rental income of 100 "units" and that all income (after necessary taxes) is distributed in the most efficient manner. In view of this tax impact on net returns to investors it is not considered prudent to increase the exposure to Namibia.

# MANAGEMENT REPORT (continued)

for the year ended 31 July 2017

## PROPERTY PORTFOLIO (continued)

	Botswana investment	Namibian investment	Impact
<b>In NAP group</b>			
- Total tax	-	42.2	42.2
- Distribution (pre WHT)	100.0	57.8	(42.2)
	The difference here will impact the NAP distributions (a 42% dilution on this income)		
<b>In Corporate unitholder</b>			
- Total tax (incl in above structures)	22.0	46.5	24.5
- Net after tax	78.0	53.5	(24.5)
<b>In pension fund / exempt unitholder</b>			
- Total tax (incl in above structures)	-	46.5	46.5
- Net after tax earnings	100.0	53.5	(46.5)

The top 10 properties by value comprise 80% (2016: 80%) of the total value of the portfolio at year end and are:

Property	Carrying value 31/7/2017* P'000	% of portfolio	Location	Major tenants
Riverwalk	285 136	20.59%	Gaborone	Pick 'n Pay, Hi Fi Corp, Ackermans, Woolworths, Mr Price, Dunns, CB Stores, Bata Shoes, Nando's, Mugg & Bean, Exclusive Books, Cape Union Mart and Nu Capitol Cinemas.
Kagiso Centre	174 400	12.60%	Gaborone	Payless Supermarket, Pep, Jet, CB Stores, Topline, Taku, Sheet Street, Options, Bata Shoes, JB Sports, Pharma South Pharmacy, Cash Crusaders.
Gaborone Shopping Centre	159 900	11.55%	Gaborone	Pep, Furnmart, CB Stores, Options, Dodo's, Studio 88, Cell City, JB Sports, Dunns, Fashion World, Side Step, Sole Shoes.
Riverwalk Plaza	115 300	8.33%	Gaborone	Homecorp, Spar, Tops, FNB, Incredible Connection.
Mafenyatlala Mall	110 610	7.99%	Molepolole	Spar, Kweneng District Council, FNB, Ackermans, Barclays Bank, Pep, Dunns, Cashbuild, Bank Gaborone, Barcelo's Chicken, KFC.
Kasane Mall	78 200	5.65%	Kasane	Spar, Furnmart, CB Stores, Pep, Dunns, BTC, Barclays Bank, KFC, Local Enterprise Authority, Woolworths, Air Botswana, Taku.
Madirelo Centre	54 300	3.92%	Gaborone	Payless Supermarket, CB Stores, Furnmart, Topline, Cash Crusaders, Afritec, First National Bank.
Mokoro Centre	49 500	3.57%	Maun	Spar, Ackermans, Pep, Dunns, Topline, Furnmart, Style, Jet Stores, Dodo's Taku, Beaver Canoe.
Plot 8, Station	46 960	3.39%	Gaborone	Knock Out Supermarket, CB Stores, Debonairs Pizza/Milky Lane, Chesa Nyama, Hungry Lion.
Tlokweng Shopping Centre	35 750	2.58%	Gaborone	Choppies, Furnmart, Liquorama, Pep.
<b>Total carry value 2017 year end*</b>	<b>1 110 056</b>	<b>80.17%</b>		
Total carrying 2016 year end*	1 044 287	79.58%		

\* Fair value before rent straight line adjustment.



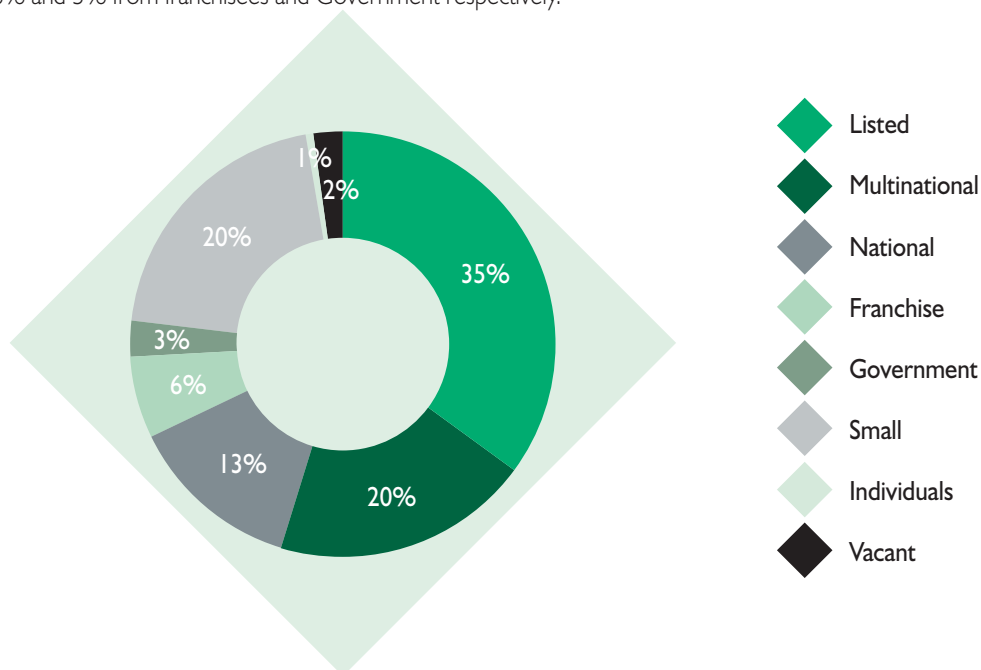
## MANAGEMENT REPORT (continued)

for the year ended 31 July 2017

### PROPERTY PORTFOLIO (continued)

Operationally the property portfolio key performance indicators of vacancies, rent collection and leasing continue to reflect solid performance.

The quality and diversity of tenants occupying the properties are a key factor in NAP's performance. At year end the properties were occupied in terms of 474 leases with 55% of rentals being received from listed and multinational companies, 13% from national retailers and a further 6% and 3% from franchisees and Government respectively.



The top ten tenants contribute approximately 48% of total rental and occupy 51% of gross lettable area. These tenants are all well-known and established operators and include Pick 'n Pay, Spar, Choppies, Mr Price, Woolworths, Pepkor, Furnmart, Knockout, Payless and CB Stores.



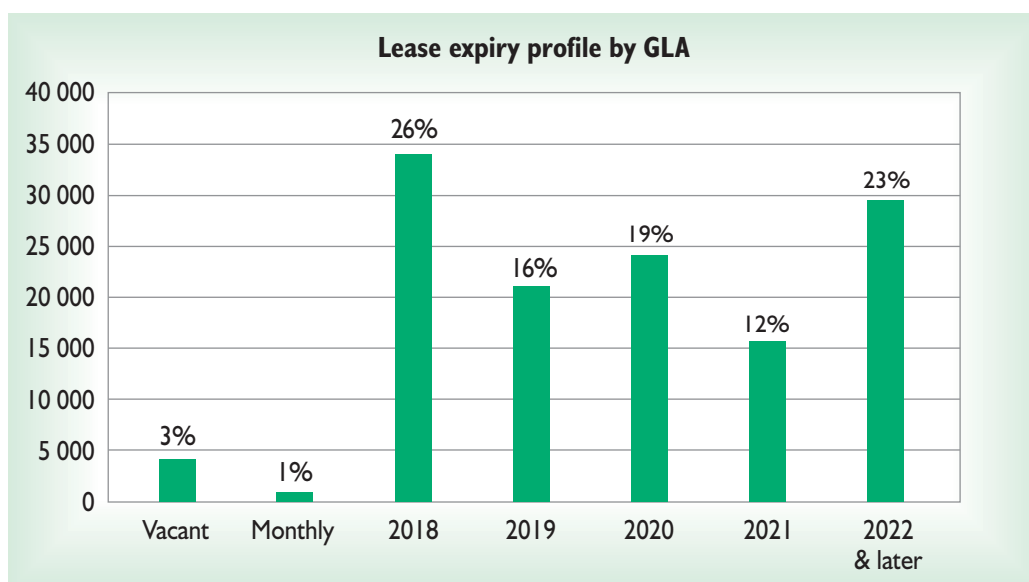
# MANAGEMENT REPORT (continued)

for the year ended 31 July 2017

## PROPERTY PORTFOLIO (continued)

During the year 22% of leases by GLA expired, comprising 23% of the July 2016 rental. Of these expiries 85% by rental (84% by GLA) were renewed at an average increase of 8.6% and 7% were relet to new tenants at a weighted average increase of 10.8%. Vacancies by GLA increased from 1.2% to 3.2% during the year and amount to 4 139m<sup>2</sup> at year end of which 424m<sup>2</sup> has subsequently been let. Selebi Phikwe accounts for 1 124m<sup>2</sup>, 27% of total vacancies at year end and 30% of the remaining 3 715m<sup>2</sup> of vacancies. Year end vacancies are estimated to be 2.2% of rentals at year end.

The lease expiry profile as at 31 July 2017 based on gross lettable area and financial years comprises:



Monthly tenancies amount to 856 m<sup>2</sup> pending resolution of negotiations.

The expiries above are made up of numerous leases across the portfolio which mitigates any potential risk. In 2018 and 2019 the expiries are spread over a number of properties with no significant weighting to any individual property and the cyclical renewals at Mafenyatlala account for almost 40% of the 2020 expiries. NAP remains confident of retaining the major tenants with expiring leases over the next few years and has been successful in securing replacements for underperforming tenants to date.

NAP has exposure to Selebi Phikwe which has been impacted by the closure of BCL in October 2016. There has been an increase in both vacancies and arrears due to this and management is actively managing the affected properties to mitigate the impact as best as possible. The exposure to Selebi Phikwe is 2.7% of the total property value and 3.4% of total rental at year end. The lease expiry profile by GLA in this area is 64%, 14% and 9% in each of the next 3 financial years and 13% thereafter while the tenant composition as at year end was 53% listed and multi-national companies, 1% nationals, 9% government and the balance of 37% smaller tenants.

The retail licencing issue experienced with respect to foreign controlled apparel retailers has not had an impact on NAP to date and is not expected to impact the renewal of leases with existing tenants. A number of South African retailers have also been successful in formulating plans to address these issues and no material impact in the existing portfolio is expected.



## MANAGEMENT REPORT (continued)

for the year ended 31 July 2017

### PROPERTY PORTFOLIO (continued)

Unprovided tenant arrears amount to P0.4 million (2016: P0.3 million) at the end of the year, with a net charge to distributable income of P0.3 million (2016: P0.3 million reversal). After adjusting for the VAT impact arrears are effectively fully provided for. Gross arrears in Selebi Phikwe amount to P0.5 million and 12% of gross arrears.

Subsequent to the year end the Company entered into an agreement to acquire a property as a going concern. The agreement is still conditional on the completion of a number of conditions precedent. The acquisition, if successfully concluded, will be financed by a combination of existing cash (including through the release of the related party receivable) and debt at a floating interest rate. The impact on net asset value, in absolute terms and in thebe per unit, is negligible while the impact on net profit and distributable income in absolute values and in thebe per unit will not be material, which is defined as being less than 3% in terms of the BSE Listings Requirements.

### UNITHOLDER SPREAD

Over the last two financial years there have been significant trades in NAP units which have diversified the unitholder base. In total 51% of linked units have traded in the last two financial years, 24% in 2017 and 27% in 2016. This bodes well for investors as it creates opportunity for more liquidity in the linked units. It also allows investment from a wider investor base, either directly or indirectly through pension funds and similar investors.

### CONCLUSION

The 2017 financial year reflects a continuation of NAP's ability to provide a stable and value enhancing income stream to its investors through the well-established and diversified portfolio of properties with quality tenants.

It appears that the issues surrounding the granting of licenses to foreign controlled apparel retailers, which presented themselves in the last financial year, are now resolved with licenses being granted. It is however expected that the adverse conditions in Selebi Phikwe will continue and management will continue to focus on how best to manage this impact.

The release of equity by the major shareholder over the last two financial years attracted solid demand and improved the diversity of the unitholder base laying the foundation for improved liquidity not only in recent years but also for the future.

NAP remains well positioned to fund developments and acquisitions with available debt capacity.

Riverwalk  
Shopping Centre,  
Gaborone



# UNITHOLDER ANALYSIS

as at 31 July 2017

The following summarises the unitholders:

Category	Number of unitholders		Number of units held		% of units held	
	2017	2016	2017	2016	2017	2016
<b>Unitholders by size of holding:</b>						
1 - 500	678	672	163 726	163 324	-	-
500 - 1 000	109	103	88 108	82 914	-	-
1 001 - 5 000	227	213	544 901	511 568	0.1%	0.1%
5 001 - 10 000	46	40	352 355	304 361	0.1%	0.1%
10 001 - 100 000	105	101	3 040 098	2 729 392	0.5%	0.4%
Over 100 000	100	82	600 207 936	600 605 565	99.3%	99.4%
<b>Total</b>	<b>1 265</b>	<b>1 211</b>	<b>604 397 124</b>	<b>604 397 124</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Unitholders by classification:</b>						
Body corporates / Trusts	30	31	184 667 640	327 152 271	30.5%	54.2%
Insurance companies, pension / equity funds	97	74	378 723 232	243 132 996	62.7%	40.2%
Individuals	1 138	1 106	41 006 252	34 111 857	6.8%	5.6%
<b>Total</b>	<b>1 265</b>	<b>1 211</b>	<b>604 397 124</b>	<b>604 397 124</b>	<b>100.0%</b>	<b>100.0%</b>
Public	1 262	1 208	419 628 921	277 594 866	69.4%	45.9%
Non-public						
Directors' interests (including associates)*	3	3	184 768 203	326 802 258	30.6%	54.1%
<b>Total</b>	<b>1 265</b>	<b>1 211</b>	<b>604 397 124</b>	<b>604 397 124</b>	<b>100.0%</b>	<b>100.0%</b>

\* Some of these holdings are also non-public by virtue of the person holding 10% or more of the linked units

## Unitholders holding more than 5%:

Cash Bazaar Holdings (Pty) Ltd	1	1	183 951 406	325 985 461	30.4%	53.9%
FNB Nominees (Pty) Ltd RE: Agray BPOPF	1	1	120 067 868	107 062 868	19.9%	17.7%
Kgori Capital - BPOPF Equity	1	-	43 703 735	-	7.2%	0.0%
FNB Nominees (Pty) Ltd RE: ACB BPOPF Equity	-	1	-	30 851 543	0.0%	5.1%
Stanbic Nominees RE: BIFM	1	-	30 239 699	-	5.0%	0.0%
<b>Total</b>	<b>4</b>	<b>3</b>	<b>377 962 708</b>	<b>463 899 872</b>	<b>62.5%</b>	<b>76.7%</b>

Madirelo  
Centre,  
Gaborone



## UNITHOLDER ANALYSIS (continued)

as at 31 July 2017

### 2017

Month	Closing mkt cap Pm	High P	Low P	Closing # P	Volume traded	Value traded P	Number of trades	Average trade value P
Aug-16	1 777	2.95	2.93	2.94	80 732	237 358	21	11 303
Sep-16	1 777	2.94	2.93	2.94	7 446	21 890	4	5 473
Oct-16	1 777	2.94	2.94	2.94	31 642	93 027	12	7 752
Nov-16	1 777	2.94	2.94	2.94	468 491	1 377 364	7	196 766
Dec-16	1 777	2.94	2.94	2.94	200 095	588 279	12	49 023
Jan-17	1 789	2.96	2.94	2.96	363 116	1 071 834	15	71 456
Feb-17	1 837	3.04	2.97	3.04	1 489 845	4 470 406	36	124 178
Mar-17	1 904	3.15	3.04	3.15	846 560	2 604 059	44	59 183
Apr-17	1 910	3.16	3.15	3.16	12 260	38 740	4	9 685
May-17	1 940	3.21	3.17	3.21	1 066 643	3 405 468	24	141 894
Jun-17	1 940	3.21	3.21	3.21	51 203	164 362	9	18 262
Jul-17	1 946	3.21	3.21	3.22	142 239 210	456 588 187	96	4 756 127
	1 946	3.21	2.93	3.22	146 857 243	470 660 974	284	1 657 257

Number of units traded as a % of total units in issue 24.30%

### 2016

Month	Closing mkt cap Pm	High P	Low P	Closing # P	Volume traded	Value traded P	Number of trades	Average trade value P
Aug-15	1 463	2.42	2.42	2.42	342 945	829 927	15	55 328
Sep-15	1 481	2.45	2.45	2.45	148 759	364 460	16	22 779
Oct-15	1 565	2.59	2.45	2.59	3 114 312	7 985 540	44	181 490
Nov-15	1 571	2.60	2.59	2.60	51 003	132 453	16	8 278
Dec-15	1 602	2.66	2.60	2.65	256 146	672 748	12	56 062
Jan-16	1 632	2.70	2.65	2.70	282 209	760 941	13	58 534
Feb-16	1 644	2.72	2.70	2.72	464 026	1 260 902	12	105 075
Mar-16	1 668	2.76	2.72	2.76	554 330	1 524 189	22	69 281
Apr-16	1 668	2.76	2.76	2.76	806 822	2 226 829	25	89 073
May-16	1 686	2.79	2.76	2.79	71 550	197 594	12	16 466
Jun-16	1 771	2.93	2.79	2.93	157 631 761	461 844 752	66	6 997 648
Jul-16	1 771	2.93	2.91	2.93	24 903	72 921	18	4 051
		2.93	2.42	2.93	163 748 766	477 873 256	271	1 763 370

Number of units traded as a % of total units in issue 27.09%

# the closing value is based on the BSE report for trades that take place on the last day of the month while all other information is based on the record date per the Transfer Secretary records. At times the closing price is therefore outside the minimum to maximum range for a specific month.



## GOVERNANCE AND RISK

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The directors recognise the need to conduct the business with integrity and in accordance with sound corporate practices.

The Board has accordingly established mechanisms and policies appropriate to the operations, which include a Board Charter, Approval Framework, Public Information Policy as well as two sub-committees as detailed below.

### BOARD AND ITS SUB-COMMITTEES

The Board consists of 6 directors, 50% of whom are non-executive and 33% independent non-executive. The Board members bring significant experience in the property and retail fields which are the primary business sectors relevant to the Group. Non-executive directors are chosen for their business acumen and skills pertinent to the business of the Company. The Board considers that it is adequately constituted to enable it to carry out its duties and that there is an appropriate balance of skills. 50% of the Board are Batswana. One third of directors are required to retire annually at the annual general meeting, based on those longest in office. If, at the date of any ordinary meeting, any Director has held office for three years since their last election or appointment they shall retire at such meeting, either as one of the one third normal rotation or in addition thereto. Retiring members are eligible for re-election with all motions for appointment or re-election being considered individually. During the year Mr J.T. Mynhardt and Ms L.C. Tapping retired and were re-elected at the annual general meeting held on 18 January 2017.

The Board meets at least three times per annum. While the Board strives to have full attendance at meetings, the quorum is any four directors and board papers are distributed timeously to enable members to be properly briefed prior to meetings. Directors who are unable to attend a meeting receive the relevant documents and are able to communicate with the Chairman and Company executives on any issue. During the year the Board met three times with the only absence being Mr J. Mynhardt, who did not attend 1 meeting but provided input as required. Mr J. McLoughlin chaired that meeting in his absence.

Decisions required to be taken between meetings are attended to by the passing of a resolution signed by all directors. These round robin resolutions are subsequently ratified at the following Board meeting.

#### The primary responsibilities of the Board are:

- To exercise leadership, enterprise, integrity and judgment in directing the Company as so to achieve its strategic goals and objectives;
- To approve the strategic direction and budgets of the Company and ensure that the goals and objectives are aligned to those set out in the Trust Deed and that the Company is able to continue as a going concern;
- To retain full and effective control of the Company, its management and key service providers;
- To delegate appropriate matters to its sub-committees, management and key service providers in terms of written mandates and authority, and to amend the terms of reference as well as members of the sub-committees as appropriate;
- To consider the Board composition; and
- Reporting formally to linked unitholders through the annual report and announcements.

The Board has established two sub-committees, being the Risk, Audit & Compliance Committee (RACC) and the Investment Committee (IC). The terms of reference and composition of these committees are set out below.

The Company has no employees and there is therefore no need for a Remuneration Committee. The Board, excluding the independent directors, approves remuneration payable to independent directors, which will then be ratified by unitholders at each annual general meeting. Independent directors receive no compensation other than fees approved and disclosed in this manner.

The Board as a whole considers Board composition and has not formed a separate Nomination Committee.



## GOVERNANCE AND RISK (continued)

### BOARD AND ITS SUB-COMMITTEES (continued)

#### In as far as the Board is aware:

- The Company has not engaged in any activities which contravene laws and regulations;
- The Directors have declared all material interests in contracts involving the Company;
- The Company has made all endeavours to ensure equitable treatment of unitholders;
- The RACC has conducted a review of the key internal controls which cover financial, operational and compliance controls and risk management; and
- The Board has considered the Company's ability to continue as a going concern and concluded that it is able to.

### Risk, Audit & Compliance Committee

#### Composition, quorum & frequency

- Chaired by an independent director.
- Comprise two independent directors (with sufficient financial literacy) and the Managing Director. The Chief Financial Officer and external auditors attend meetings by invitation.
- Meet at least twice per annum and meetings may be held by conference call for logistical reasons.
- Quorum of 2 members.

In addition, the external auditors and independent RACC directors are given the opportunity to meet without management being present if deemed appropriate. Neither the independent directors nor external auditors considered this necessary during the year under review.

#### Scope and Responsibilities

- Review of internal controls and systems;
- Monitoring that decisions taken by the board that affect the RACC are followed through;
- Monitoring compliance with Trust Deed, BSE Listings Requirements, Companies Act, Corporate Governance and other applicable legislation;
- Review the audit management letter;
- Recommend letters of representation and other documentation for board approval;
- Recommend approval of annual reports and interim results to board;
- Recommend approval of BSE announcements to board;
- Agree and recommend accounting policies to board;
- Reporting to board on proceedings of the committee;
- Monitor the corporate risk assessment process;
- As regards External Auditors, the RACC should:
  - recommend their appointment;
  - be satisfied with their independence especially where non-audit services are performed;
  - agree the principles for the audits which do not limit their statutory obligations;
  - decide on the extent of external verification of non-financial information;
  - decide on the external review of interim results;
- Consider problems identified in the going concern assumption;
- Consider the appropriateness and disclosure of related party transactions; and
- Recommendation regarding internal audit.

The Committee met formally three times this year. The members of the Committee are J.P. McLoughlin (Chairman of RACC and Independent non-executive director), S.Venkatakrishnan (Independent non-executive director) and T.L.J. Mynhardt (Managing Director). All other members, the external audit partner, CFO and relevant Financial Manager attended all meetings in person.



## GOVERNANCE AND RISK (continued)

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### BOARD AND ITS SUB-COMMITTEES (continued)

#### Investment Committee

##### *Composition, quorum & frequency*

- Chaired by the Chairman.
- Comprise the Chairman, Managing Director and Chief Financial Officer.
- Meet as required.
- Quorum of 2 members.

##### *Scope and Responsibilities*

- Developing and recommending an investment strategy;
- Advising on and/or effecting disposals, acquisitions and developments within the approved investment policy and authority limits;
- Recommending disposals, acquisitions and developments to the Board which exceed the authority limits;
- Approving the Company's funding facilities, debt fixes and banking arrangements.

The Committee met once during the year and in view of the nature and timing of the meeting invited all Board members to attend. Mr J. Mynhardt was unable to attend the meeting but provided input to the Managing Director who also chaired the meeting. The members of the Committee are J.T. Mynhardt (Chairman), T.L.J. Mynhardt (Managing Director) and L.C. Tapping (Chief Financial Officer).

### ASSET AND PROPERTY MANAGEMENT

The assets and properties of the Company are managed by Nafprop, a wholly owned subsidiary of CBH, in terms of separate property and asset management agreements. The key responsibilities and remuneration in terms of these agreements are set out below.

#### Asset Management

The manager is accountable to the Board of Directors of NAP, with the obligation to report regularly as required by the Board of NAP.

##### *Key responsibilities:*

- Manage the assets and securities owned by the Company, from time to time;
- Carry out all treasury and asset management services;
- Investigate and prepare recommendations of strategy for the Company including potential acquisitions to or disposals from the Company's portfolio;
- Negotiate for and conclude agreements for acquisitions and disposals to and from the portfolio;
- Manage cash surpluses and payment of distributions to linked unitholders;
- Procure valuations;
- Undertake the financial, administrative and secretarial management of the Company;
- Prepare or cause to be prepared all financial statements, reports, returns and valuations of the property portfolio;
- Ensure compliance by the Company with applicable regulatory requirements; and
- Prepare budgets of income and expenditure at the commencement of each financial year.

##### *Remuneration:*

The manager is entitled to be reimbursed any expenditure or other amounts reasonably incurred and disbursed by it in respect of the management of the Company's assets and is entitled to an annual fee equal to 0.50% (exclusive of VAT) of the value of the average market capitalisation of the Company in the month in question plus debt of the Company, paid monthly.

#### Property Management

The manager is accountable to the Board of Directors of NAP, with the obligation to report regularly as required by the Board of NAP.



## GOVERNANCE AND RISK (continued)

### ASSET AND PROPERTY MANAGEMENT (continued)

#### Property Management (continued)

##### Key responsibilities:

- Let accommodation in the properties, prepare leases, collect rentals, enforce leases and other contractual arrangements;
- Manage the properties, paying all costs, disbursements and expenses related to and arrange and maintain insurance in respect of the properties;
- Recommend to the Board any replacement, repairs, refurbishment or maintenance necessary;
- Assist with the preparation of the half yearly and annual financial statements and reports to the Company;
- Maintain a separate bank account into which all rental income is paid and from which all expenses in respect of the properties is disbursed;
- Keep books and records in accordance with acceptable practices and standards, and report in terms of International Financial Reporting Standards (IFRS); and
- Prepare budgets for each financial year and present same for approval by the Board prior to the commencement of that year.

##### Remuneration:

The manager is entitled to be reimbursed all expenditure and other amounts reasonably incurred by and disbursed by it in respect of the properties, and a fee equal to 4.5% (exclusive of VAT) of the amount of total collections by it, and, in respect of letting, 100% of the first month's gross rental for leases that run up to five years and 150% of the first month's gross rental for leases that run in excess of five years, and in respect of renewals of such leases procured by the manager itself 50% of the aforesaid fees based on the period of renewal.

### RISK MANAGEMENT

The primary objective of risk management is to find the balance between minimising risk to acceptable levels and the costs and practicalities in achieving this. This involves gaining an understanding of the risks the Group is exposed to, establishing acceptable tolerance levels and managing the risks to ensure they stay within the tolerable levels.

In the normal course of operations the Group is exposed to strategic and business risk, financial risk, regulatory and compliance risk.

The group's exposure to human resources risk is an indirect risk for the Group as it employs no staff in view of the asset and property management being outsourced. NAP's executives are consulted in all key employment decisions by the Asset and Property Manager and have direct access to the relevant managers as required.

The Group's exposure to technology risk is similarly outsourced and the Asset and Property Manager uses a reputable and well supported property management system, the MDA system, for managing the company and its properties. MDA is an interactive and adaptive system which allows Nafprop to generate real time reports for each of the properties and allows for the effective management of the properties. Nafprop can accurately manage and access instant data on the tenancies, leases, occupancies, rental income and expenses through this system. The RACC considers the appropriateness of reported back up procedures as advised by the Asset and Property Manager.

The key risks that the Group is exposed to, together with the key controls, are summarised below.

#### Financial risk

Financial risk comprises market risk (incorporating interest, currency and other price risk), credit risk and liquidity risk. Notes 30.1 and 30.2 to the annual financial statements deal with the major elements of financial risk which arise from financial instruments to which the Group is exposed, during or at the end of the financial reporting period, and the capital risk management.



## GOVERNANCE AND RISK (continued)

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### RISK MANAGEMENT (continued)

#### Strategic and business risk

This is the risk that the Company does not achieve critical objectives such as meeting stakeholder expectations, does not have access to capital as required, as well as inherent business risks in the property sector.

The annual review of investment strategy, regular budget and forecasting processes, approval framework and the routine presentation of reports to Board are the Board's primary method of managing strategic and business risks. The Company has also contracted with competent asset managers who are responsible for advising the Board on strategy and individual property investments.

#### Portfolio growth

This is the risk that the Group is unable to grow its asset base in order to create new investment opportunities and realise its strategic objectives. The growth of the portfolio has been challenging in view of the demand for property investment opportunities and limited availability of sizeable assets. Both the Board and Management continue to seek potential opportunities but will only consider acquisitions or developments that contribute positively to the long term growth in returns to unitholders. The Company also has access to any development projects secured by Nafprop, including those on land banked properties.

#### Investment decision risk

This is the risk that inappropriate investment decisions are made. These decisions are made in terms of the approval framework, which delegates limited decisions in this regard to the Investment Committee, while retaining decision making responsibility for all significant investment decisions at a Board level. The Board also relies on input from the Asset Manager in this regard.

#### Capital risk management

This is the risk that the Group will have inadequate access to capital to meet its needs and its ability to continue as a going concern. The gearing level, relative cost of debt and equity as well as the yield hurdle and breakeven point forms part of the annual investment strategy review and is a key part of any investment decision contemplated. The Board also reviews cash flow projections at each meeting. This risk is more fully dealt with in notes 30.1 and 30.2 to the annual financial statements.

#### Property performance risk

The Asset and Property Manager is responsible for managing the properties on a day to day, and more strategic, basis. The key considerations are the market factors surrounding the property, the continued tenancy, rental levels, collection of rentals and management of operating costs to optimise spend. Nafprop has various systems, controls and committees in place to manage these issues, including property management and leasing meetings, and report to Board in summarised form on all the relevant items at each meeting.

#### Regulatory and compliance risk

This is the risk that the company does not comply with relevant legal requirements.

The risk is managed through the use of competent, skilled and experienced service providers who are required to provide their respective systems, controls and procedures to the RACC for review, as well as to confirm their compliance to these.

Executives and management take an active role in reviewing and commenting on relevant legislative and regulatory changes where appropriate.

### KING CODE OF CORPORATE GOVERNANCE

To date the Company has used the BSE Code of Best Practice on Corporate Governance, in existence at listing, as a guideline. At the RACC held on 26 July 2017 the Committee considered the Botswana Accountancy Oversight Authority (BAOA)'s recent recommendation to adopt and apply King III as may be appropriate.



## GOVERNANCE AND RISK (continued)

### KING CODE OF CORPORATE GOVERNANCE (continued)

In view of timing the RACC and Board have not yet had adequate opportunity to consider the detailed requirements encompassed in King III and intend preparing a gap analysis and then formulating an action plan with the assistance of the RACC. The RACC has noted that the key areas considered by King III which are summarised below, together with some high level commentary on the current status.

- ***Ethical leadership and corporate citizenship***

The Board has a formal charter and leads the company in an ethical manner, including ensuring fulfillment of obligations and participation in relevant initiatives. The company has no employees but the Asset and Property Manager's staff who are involved in the management of the company are subject to its Code of Conduct.

- ***Boards and directors***

The Board and Committee composition, scope and responsibilities, quorum and frequency of meetings are set out above. The NAP Board and its committees consider the subsidiary company as well as the company's own affairs and all directors of the subsidiary company are also directors of NAP.

Directors have declared all material interests relating to the company and where applicable recuse themselves from voting on matters in which they have an interest. All related party transactions and balances are reported to the both the RACC and Board at each meeting.

The RACC considers systems and controls, governance, risk and compliance responsibilities and reports to the Board on their reviews. All RACC minutes are also distributed to the Board.

NAP only pays directors fees to independent directors which are disclosed. Fees paid to key service providers are disclosed under related party transactions in the annual financial statements where applicable.

- ***Audit Committees***

NAP has the RACC as detailed above. While not formally contemplated as a model, combined assurance is based on key service provider assurance with confirmations to RACC, secondly the oversight of the Board and its committees and thirdly through independent assurance from parties such as the external auditors, valuers, advisors, company secretary and other professional service providers.

- ***Governance of risk***

Key risks are considered under relevant agenda items in meetings, with an overview being included in the annual report and a more detailed analysis on financial risks in the annual financial statements. Where considered necessary appropriate professional service providers are utilised to assist in managing key risks.

- ***Governance of IT***

NAP's exposure relates primarily to the system used by the Asset and Property Manager as described above and the key considerations are the suitability of the system and the safeguarding of data.

- ***Compliance with laws, rules, codes and standards***

NAP uses service providers with the appropriate experience to assist in this compliance.

- ***Internal audit***

There is currently no formal internal audit function but, where considered relevant, independent professionals are requested to review specific areas. The nature of the business allows for strong budgetary and detect controls, in particular through the format of reporting to both the RACC and Board, which together with executive director involvement in key / subjective items enable directors to have oversight on key items that might otherwise be identified through internal audit.

- ***Governing stakeholder relationships***

Key stakeholders are considered to be investors, tenants, communities and service providers. Executives and management are tasked with dealing with specific stakeholders. Investor presentations to major investors and potential investors have been introduced.

- ***Integrated reporting and disclosure***

Further analysis is required in this regard.

## DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are required in terms of the Companies Act (CAP 42:01) to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the Group and the Company as at the end of the financial year and the results of their operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are implemented by trained and appropriately skilled personnel and are reported to the Risk, Audit & Compliance Committee. The Board requires adherence to the highest ethical standards in ensuring that the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year to 31 July 2018 and, in the light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the external auditors and their report is presented on pages 27 to 31.

The consolidated and separate annual financial statements set out on pages 34 to 73, which have been prepared on the going concern basis, were approved by the board on 25 October 2017 and were signed on its behalf by:



**JT Mynhardt**

Chairman

25 October 2017



**TLJ Mynhardt**

Managing Director

25 October 2017



# INDEPENDENT AUDITOR'S REPORT

to the Unitholders of New African Properties Limited

## OUR OPINION

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of New African Properties Limited (the "Company") and its subsidiary (together the "Group") as at 31 July 2017, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

## What we have audited

New African Properties Limited's consolidated and separate financial statements set out on pages 34 to 73, which comprise:

- the group and company statements of financial position at 31 July 2017;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- notes to the financial statements, which include a summary of significant accounting policies.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

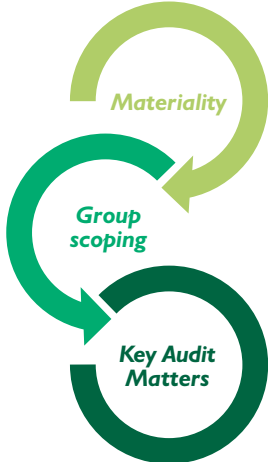
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Group in accordance with the Botswana Institute of Chartered Accountants Code of Ethics (the "BICA Code") and the ethical requirements that are relevant to our audit of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B).

## OUR AUDIT APPROACH

### Overview

	<b>Overall group materiality</b> <ul style="list-style-type: none"><li>• P10,680,000, which represents 5% of the consolidated profit before tax</li></ul>
	<b>Group audit scope</b> <ul style="list-style-type: none"><li>• Our engagement comprised of the statutory audit of New African Properties Limited and the Group's consolidated annual financial statements for the year ended 31 July 2017.</li><li>• The Group consists of the Company and its operating subsidiary in Namibia. Full scope audits were performed at both of these companies.</li></ul>
	<b>Key Audit Matter</b> <ul style="list-style-type: none"><li>• Valuation of investment property</li></ul>

# INDEPENDENT AUDITOR'S REPORT (continued)

## to the Unitholders of New African Properties Limited

### OUR AUDIT APPROACH (continued)

#### Overview (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	<i>P10,680,000</i>
<i>How we determined it</i>	<i>5% of consolidated profit before tax</i>
<i>Rationale for the materiality benchmark applied</i>	<i>We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</i>

#### How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. In doing so, full scope audits were performed at the Company and its Namibian operating subsidiary as - based on materiality and risk - these could individually or in aggregate have a material impact on the consolidated financial statements.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or the component auditor under our instruction. Where the work was performed by the component auditor, we determined the level of involvement we needed to have in the audit work at the component to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

#### KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## INDEPENDENT AUDITOR'S REPORT (continued)

to the Unitholders of New African Properties Limited

### KEY AUDIT MATTER (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investment property (Group and Company)</b></p> <p>The Group accounts for investment properties at fair value. The carrying values of investment properties for the Group and Company at 31 July 2017 were P1,357,415,000 and P1,312,226,000, respectively. The fair value adjustment recorded in net profit before tax in respect of investment properties for the Group and Company amounted to P68,412,000 and P67,447,000, respectively, for the financial year.</p> <p>At 31 July 2017, the Group's valuation of the portfolio of properties was based on valuations carried out by an independent valuer using the investment method, with the exception of the Riverwalk property, where the Group reduced the value determined by the independent valuer to take account of specific contractual arrangements. This also impacts the equity accounted value of the Group's investment in associate (refer Critical accounting estimates and judgements, Associate (Page 51)).</p> <p>Significant judgement is required to determine the fair value of investment properties, especially with respect to the determination of appropriate capitalisation rates and net cash flows, and we therefore considered the valuation of these assets to be a matter of most significance to the current year audit due to the significance of the balances, combined with the significant assumptions associated with determining the fair values.</p> <p>The disclosures relating to fair value assessments are set out in the financial statements in the following notes:</p> <ul style="list-style-type: none"><li>• Critical accounting estimates and judgements, Investment property (Page 50)</li><li>• Note 5 Investment Property (Page 52)</li></ul>	<p>We assessed the competence and capabilities of the Group's independent valuer by verifying his qualifications and past experience.</p> <p>We obtained written confirmation from the valuer that:</p> <ul style="list-style-type: none"><li>• all professional staff involved in the valuation process are in good standing with relevant professional bodies;</li><li>• he is free from any direct or indirect shareholding or financial interest in the Group;</li><li>• the Group did not place any restrictions on the valuation process; and</li><li>• he is not aware of any information relevant to the valuation which had been withheld by the Group.</li></ul> <p>We compared the valuation approach used by the independent valuer against IFRS requirements and industry norms to confirm that the methodology was appropriate under the circumstances. The valuation method was comparable to those typically used in the market.</p> <p>We tested a selection of data inputs used in the independent valuations, including net cash flows, against appropriate supporting documentation (such as rental agreements, business plans and historical performance) to assess the accuracy and completeness thereof.</p> <p>We compared the capitalisation rates utilised in the valuation to those generally used in the market, rates used in historical valuations and general market factors, such as comparable long-bond yield rates. Capitalisation rates were found to be within a reasonable range of likely rates.</p> <p>With respect to the Riverwalk property, we tested the Group's calculation of the downward adjustment in value to ensure that:</p> <ul style="list-style-type: none"><li>• the calculations were consistent with existing contractual arrangements which had not been taken into account by the independent valuer;</li><li>• the data inputs used in the calculation, including future cash flows from net rental income are consistent with supporting documentation (such as rental agreements, business plans and historical performance); and</li><li>• the discount rate utilised to calculate the present value of estimated future cash flows was appropriately determined based on the discount rate implied by the independent valuation.</li></ul>



# INDEPENDENT AUDITOR'S REPORT (continued)

to the Unitholders of New African Properties Limited

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## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the sections of the New African Properties Annual Report 2017, but excludes the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



## INDEPENDENT AUDITOR'S REPORT (continued)

to the Unitholders of New African Properties Limited

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Practicing member: **Rudi Binedell**

Membership number: 20040091

27 October 2017

Gaborone

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report for the year ended 31 July 2017.

## NATURE OF BUSINESS

New African Properties Limited is a property investment company listed on the Botswana Stock Exchange and is classified as a public variable rate loan stock company. The Group derives its income from rental income from a portfolio of predominantly Botswana based retail properties.

## STATED CAPITAL

As a loan stock company the equity of the company comprises linked units, where every one ordinary share is indivisibly linked to one variable rate debenture.

At 31 July 2017 there were 604 397 124 (2016: 604 397 124) linked units in issue with no changes during the year:

### Balance at beginning and end of year

2017	2016
604 397 124	604 397 124

## DISTRIBUTION

Distributions to linked unitholders comprise dividends on the ordinary shares and interest on debentures. The following distributions were declared for the year:

2017: Number 11 - declared 12 April 2017, paid 26 May 2017

(2016: Number 9 - declared 15 April 2016, paid 27 May 2016)

Interest

Dividends

2017		2016	
P'000	thebe per linked unit	P'000	thebe per linked unit
61 951	10.25	56 149	9.29
5 802	0.96	5 379	0.89
67 753	11.21	61 528	10.18
2017: Number 12- declared 26 July 2017, paid 1 September 2017		2016: Number 10 - declared 13 July 2016, paid 29 August 2016	
63 220	10.46	59 292	9.81
6 044	1.00	5 802	0.96
69 264	11.46	65 094	10.77
137 017	22.67	126 622	20.95

### Total for the year

## SUBSIDIARY COMPANIES

Details of the Group's subsidiary company are set out in note 6 to the financial statements.



## DIRECTORS' REPORT (continued)

### DIRECTORS

The following directors served on the Board during the year:

Name	Date of appointment	Last reappointed/ ratification
JT Mynhardt (Chairman)	22/02/2008	18/01/2017
FB Lebala	22/02/2008	13/01/2016
JP McLoughlin	12/08/2011	15/01/2015
TLJ Mynhardt (Managing Director)	22/02/2008	13/01/2016
LC Tapping (Financial Director)	15/07/2014	18/01/2017
S Venkatakrishnan	12/08/2011	15/01/2015

There have been no changes to the board up to the date of this report.

### DIRECTORS' FEES

Independent directors are paid fees for meetings attended and these fees amounted to P225 000 for the year (2016: P159 000). No other executive or non-executive directors are paid fees by the Company and the Company pays no other compensation to any director.

### DIRECTORS' INTERESTS

The aggregate number of linked units held directly by directors at 31 July 2017 was 340 332 (2016: 340 332) linked units. Indirectly, 184 427 871 (2016: 326 461 926) linked units were held.

### BORROWINGS

The company's borrowing capacity is limited to 70% of the value of the assets of the Company or such other sum as the Company may, by ordinary resolution, in general meeting determine. Directors are authorised to secure the repayment of or raise any such sum by mortgage or charge upon the whole or any part of the property and assets of the Company.

Borrowings amount to P24.8million at 31 July 2017 (2016: P27.6 million).

### COMPANY SECRETARY

The company secretary is DPS Consulting Services (Proprietary) Limited.

### POST BALANCE SHEET EVENTS

Subsequent to the year end the Company entered into an agreement to acquire a property. The agreement is still conditional to the completion of a number of conditions precedent. Further details are set out in note 28 to the financial statements and on page 17 in the Management report.

There are no other material subsequent events occurring between the year end and the date of these financial statements.



**JT Mynhardt**

Chairman

25 October 2017



**TLJ Mynhardt**

Managing Director

25 October 2017



# STATEMENTS OF FINANCIAL POSITION

at 31 July 2017

		Group		Company	
	Notes	2017 P'000	2016 P'000	2017 P'000	2016 P'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment property	5	1 357 415	1 285 780	1 312 226	1 243 026
At fair value		1 384 676	1 312 314	1 338 907	1 268 538
Less: Rent straight line adjustment		(27 261)	(26 534)	(26 681)	(25 512)
Investment in subsidiary	6	-	-	36 650	36 650
Investment in associate	7	30 547	26 781	4 951	4 951
Financial asset receivable	8	24 490	23 321	24 490	23 321
Intangible asset	9	7 788	8 669	7 788	8 669
Rent straight line adjustment		26 124	24 981	25 739	24 465
<b>Total non-current assets</b>		<b>1 446 364</b>	<b>1 369 532</b>	<b>1 411 844</b>	<b>1 341 082</b>
<b>Current assets</b>					
Trade and other receivables	10	96 962	91 405	99 379	93 553
Rent straight line adjustment - current portion		1 137	1 553	942	1 047
Tax receivable	25	972	729	972	573
Cash and cash equivalents	11	43 170	46 559	38 719	42 776
<b>Total current assets</b>		<b>142 241</b>	<b>140 246</b>	<b>140 012</b>	<b>137 949</b>
<b>TOTAL ASSETS</b>		<b>1 588 605</b>	<b>1 509 778</b>	<b>1 551 856</b>	<b>1 479 031</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Linked units	12	871 824	871 824	871 824	871 824
Foreign currency translation reserve		(10 766)	(12 130)	-	-
Retained income		470 937	408 550	431 025	372 829
<b>Total equity</b>		<b>1 331 995</b>	<b>1 268 244</b>	<b>1 302 849</b>	<b>1 244 653</b>
<b>Non-current liabilities</b>					
Borrowings	13	21 878	24 859	21 878	24 859
Deferred tax liability	14	143 315	132 223	137 900	127 093
<b>Total non-current liabilities</b>		<b>165 193</b>	<b>157 082</b>	<b>159 778</b>	<b>151 952</b>
<b>Current liabilities</b>					
Trade and other payables	15	19 028	16 545	16 891	14 519
Distributions payable	24	69 390	65 172	69 390	65 172
Borrowings - current portion	13	2 948	2 735	2 948	2 735
Taxation payable	25	51	-	-	-
<b>Total current liabilities</b>		<b>91 417</b>	<b>84 452</b>	<b>89 229</b>	<b>82 426</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 588 605</b>	<b>1 509 778</b>	<b>1 551 856</b>	<b>1 479 031</b>



# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 July 2017

		Group		Company	
	Notes	2017 P'000	2016 P'000	2017 P'000	2016 P'000
<b>Revenue</b>	16	175 062	159 949	167 456	152 548
Contractual		174 363	161 681	166 287	154 147
Rent straight line adjustment		699	(1 732)	1 169	(1 599)
Other income	17	1 853	1 878	7 042	6 640
Property costs	18	(29 700)	(27 368)	(29 149)	(26 751)
<b>Net rental income</b>		147 215	134 459	145 349	132 437
Other expenses	19	(11 081)	(10 614)	(11 080)	(10 585)
<b>Operating profit</b>		136 134	123 845	134 269	121 852
Net finance income		4 992	4 918	4 794	4 598
Finance income	20	6 447	6 667	6 249	6 345
Finance expense	21	(1 455)	(1 749)	(1 455)	(1 747)
		141 126	128 763	139 063	126 450
Investment property fair value adjustment	5	68 412	93 192	67 447	99 434
At fair value		69 111	91 460	68 616	97 835
Rent straight line adjustment		(699)	1 732	(1 169)	1 599
Financial asset receivable fair value adjustment	8	1 169	2 367	1 169	2 367
Amortisation of intangible asset	9	(881)	(881)	(881)	(881)
		209 826	223 441	206 798	227 370
Share of associate's profit	7	3 766	9 074	-	-
<b>Profit before taxation</b>		213 592	232 515	206 798	227 370
Taxation	22	(14 188)	(22 753)	(11 585)	(18 957)
<b>Profit for the year attributable to linked unitholders</b>		199 404	209 762	195 213	208 413
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss					
Currency translation differences		1 364	(2 745)	-	-
<b>Comprehensive income for the year attributable to linked unitholders</b>		200 768	207 017	195 213	208 413
Units in issue at end of year		604 397 124	604 397 124	604 397 124	604 397 124
		Thebe	Thebe	Thebe	Thebe
Basic and diluted earnings per unit attributable to linked unitholders	23	32.99	34.71	32.30	34.48
Distribution per linked unit	24	22.67	20.95	22.67	20.95

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2017

	Stated share capital P'000	Debentures P'000	Total linked units P'000	Foreign currency translation reserve P'000	Non distributable retained income P'000	Distributable retained income P'000	Total P'000
<b>Group</b>							
<b>2016</b>							
<b>Balance at beginning of year</b>	8 719	863 105	871 824	(9 385)	324 295	1 115	1 187 849
<b>Transactions with owners</b>							
Distributions declared (note 24)							
Number 9 - declared 15 April 2016	-	-	-	-	-	(61 528)	(61 528)
Number 10 - declared 13 July 2016	-	-	-	-	-	(65 094)	(65 094)
Total transactions with owners	-	-	-	-	-	(126 622)	(126 622)
<b>Comprehensive income</b>							
Comprehensive income for the year	-	-	-	-	-	207 017	207 017
Transfer of revaluation gains net of related taxes	-	-	-	-	82 447	(82 447)	-
Transfer to foreign currency translation reserve	-	-	-	(2 745)	-	2 745	-
Total comprehensive income	-	-	-	(2 745)	82 447	127 315	207 017
<b>Balance at end of year</b>	8 719	863 105	871 824	(12 130)	406 742	1 808	1 268 244
<b>2017</b>							
<b>Balance at beginning of year</b>	8 719	863 105	871 824	(12 130)	406 742	1 808	1 268 244
<b>Transactions with owners</b>							
Distributions declared (note 24)							
Number 11 - declared 12 April 2017	-	-	-	-	-	(67 753)	(67 753)
Number 12 - declared 26 July 2017	-	-	-	-	-	(69 264)	(69 264)
Total transactions with owners	-	-	-	-	-	(137 017)	(137 017)
<b>Comprehensive income</b>							
Comprehensive income for the year	-	-	-	-	-	200 768	200 768
Transfer of revaluation gains net of related taxes	-	-	-	-	62 249	(62 249)	-
Transfer to foreign currency translation reserve	-	-	-	1 364	-	(1 364)	-
Total comprehensive income	-	-	-	1 364	62 249	137 155	200 768
<b>Balance at end of year</b>	8 719	863 105	871 824	(10 766)	468 991	1 946	1 331 995



## STATEMENTS OF CHANGES IN EQUITY (continued)

for the year ended 31 July 2017

	Stated share capital P'000	Debentures P'000	Total linked units P'000	Foreign currency translation reserve P'000	Non distributable retained income P'000	Distributable retained income P'000	Total P'000
<b>Company</b>							
<b>2016</b>							
<b>Balance at beginning of year</b>	8 719	863 105	871 824	-	289 909	1 129	1 162 862
<b>Transactions with owners</b>							
Distributions declared (note 24)							
Number 9 - declared 15 April 2016	-	-	-	-	-	(61 528)	(61 528)
Number 10 - declared 13 July 2016	-	-	-	-	-	(65 094)	(65 094)
Total transactions with owners	-	-	-	-	-	(126 622)	(126 622)
<b>Comprehensive income</b>							
Comprehensive income for the year	-	-	-	-	-	208 413	208 413
Transfer of revaluation gains net of related taxes	-	-	-	-	81 235	(81 235)	-
Total comprehensive income	-	-	-	-	81 235	127 178	208 413
<b>Balance at end of year</b>	8 719	863 105	871 824	-	371 144	1 685	1 244 653
<b>2017</b>							
<b>Balance at beginning of year</b>	8 719	863 105	871 824	-	371 144	1 685	1 244 653
<b>Transactions with owners</b>							
Distributions declared (note 24)							
Number 11 - declared 12 April 2017	-	-	-	-	-	(67 753)	(67 753)
Number 12 - declared 26 July 2017	-	-	-	-	-	(69 264)	(69 264)
Total transactions with owners	-	-	-	-	-	(137 017)	(137 017)
<b>Comprehensive income</b>							
Comprehensive income for the year	-	-	-	-	-	195 213	195 213
Transfer of revaluation gains net of related taxes	-	-	-	-	58 119	(58 119)	-
Total comprehensive income	-	-	-	-	58 119	137 094	195 213
<b>Balance at end of year</b>	8 719	863 105	871 824	-	429 263	1 762	1 302 849

# STATEMENTS OF CASH FLOWS

for the year ended 31 July 2017

		Group		Company	
	Notes	2017 P'000	2016 P'000	2017 P'000	2016 P'000
<b>Cash flows from operating activities</b>					
Profit before taxation		213 592	232 515	206 798	227 370
Adjustments for:					
Net finance income		(4 992)	(4 918)	(4 794)	(4 598)
Fair value and impairment adjustments		(68 700)	(94 678)	(67 735)	(100 920)
Share of associate's profit		(3 766)	(9 074)	-	-
Rent straight line adjustment		(699)	1 732	(1 169)	1 599
Changes in working capital					
Trade and other receivables		973	2 247	704	7 316
Trade and other payables		2 483	(561)	2 372	745
Currency translation difference		(6)	(120)	-	-
<b>Cash generated from operations</b>		<b>138 885</b>	<b>127 143</b>	<b>136 176</b>	<b>131 512</b>
Finance expense		(1 455)	(1 749)	(1 455)	(1 747)
Finance income		6 447	6 667	6 249	6 345
Distributions paid to linked unitholders	24	(132 799)	(121 414)	(132 799)	(121 414)
Taxation paid	25	(3 405)	(3 042)	(1 177)	(969)
<b>Net cash flows from operating activities</b>		<b>7 673</b>	<b>7 605</b>	<b>6 994</b>	<b>13 727</b>
<b>Cash flows from investing activities</b>					
Investment property acquired / improved	5	(485)	(2 001)	(474)	(1 794)
Proceeds on disposal of investment property	5	-	2 496	-	2 496
Insurance proceeds / reinstatement	5	(1 279)	1 279	(1 279)	1 279
Deposit in related party receivable		(6 530)	(7 919)	(6 530)	(7 919)
<b>Net cash flows from investing activities</b>		<b>(8 294)</b>	<b>(6 145)</b>	<b>(8 283)</b>	<b>(5 938)</b>
<b>Cash flows from financing activities</b>					
Borrowings decreased		(2 768)	(2 552)	(2 768)	(2 552)
<b>Net cash flows from financing activities</b>		<b>(2 768)</b>	<b>(2 552)</b>	<b>(2 768)</b>	<b>(2 552)</b>
<b>Net change in cash and cash equivalents</b>		<b>(3 389)</b>	<b>(1 092)</b>	<b>(4 057)</b>	<b>5 237</b>
Cash and cash equivalents at beginning of year		46 559	47 651	42 776	37 539
<b>Cash and cash equivalents at end of year</b>	11	<b>43 170</b>	<b>46 559</b>	<b>38 719</b>	<b>42 776</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 July 2017

## 1. GENERAL INFORMATION

New African Properties Limited and its subsidiaries (together the Group) own a portfolio of investment property located primarily in Botswana. The company is listed on the Botswana Stock Exchange.

These financial statements have been approved by the Board of Directors on 25 October 2017.

## 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Group and Separate annual financial statements are set out below and are consistent in all material respects with those applied in the previous year.

### 2.1 Basis of preparation

These annual financial statements have been prepared on a going concern basis, are prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations and have been prepared under the historical cost convention as modified by the measurement of investment properties and certain financial assets at fair value. Fair value adjustments do not affect the calculation of distributable income but do impact the net asset value per linked unit to the extent that adjustments are made to the carrying value of assets and liabilities.

### 2.2 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group annual financial statements incorporate the results and financial position of the Company and all subsidiaries, currently only New African Properties (Namibia) (Proprietary) Limited. The results of subsidiaries are included from the effective dates of gaining control and up to the effective dates of relinquishing control.

All Group companies have a 31 July year end and apply uniform accounting policies for like transactions.

Shopping Centres  
adjacent to  
Gaborone Station



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Basis of consolidation (continued)

All intercompany transactions and balances between Group entities are eliminated with the exception of intercompany interest capitalised to the cost of investment property during construction.

The Company carries its investment in subsidiaries in its separate financial statements at cost less any accumulated impairment.

### 2.3 Common control transactions

Business combinations which result from transactions between the holding company and its subsidiaries or between subsidiaries of the Company are defined as common control transactions and are accounted for using the predecessor method of accounting.

Under the predecessor method of accounting, the results of the entities or businesses under common control are presented as if the business combination had been effected from the effective date. The assets and liabilities combined are accounted for prospectively, based on the carrying amounts applying the Company's accounting policies at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the net assets received. Any resulting differences are classified as equity.

### 2.4 Business combinations

The Group may invest in subsidiaries that hold properties but do not constitute a business. These transactions are therefore treated as asset acquisitions rather than business combinations.

For acquisitions meeting the definition of a business combination the acquisition method of accounting is used. The cost of an acquisition is measured as the aggregate of the fair value of the underlying assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is not amortised but is tested for impairment on an annual basis. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, attributable goodwill is included in the determination of the profit or loss on disposal. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in profit or loss.

### 2.5 Investment in associate

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Currently the only associate is Edco (Proprietary) Limited and the Group's interests are protected in terms of a shareholders agreement, which includes a pre-emptive right.

An investment in associate is accounted for using the equity method in the consolidated financial statements and at cost in the separate company financial statements, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

Losses in an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.5 Investment in associate (continued)

At each reporting date the group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associates" in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein. When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

### 2.6 Investment properties

Investment properties are those properties, either owned by the Group or where the Group is a lessee under a finance lease, that are held either to earn rental income or for capital appreciation, or both, and that is not occupied by companies in the consolidated Group. In addition, properties held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value which includes accrued operating lease income and other assets that are also supported by the same cash flows used in determining the value of investment property. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are assessed at every reporting date. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Direct costs relating to major capital projects are capitalised and are incurred to maintain, upgrade or refurbish properties to preserve or improve capital value. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Changes in fair values, as well as gains or losses on disposal are recorded in the statement of comprehensive income in the period in which they occur. Such gains, losses or fair value adjustments are excluded from the calculation of distributable income and are transferred to non-distributable retained income.

### 2.7 Intangible assets

Intangible assets other than goodwill are recognised where the entity has acquired or developed identifiable, non-monetary assets that are expected to generate future economic benefits for the entity and where the cost can be reliably measured. These assets are initially recognised at cost and subsequently carried at cost less accumulated impairment losses and, where the assets have a finite useful life, any accumulated amortisation.

Land lease rights have a finite useful life based on the underlying contractual agreement and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the lease rights over their estimated useful lives based on the underlying lease period.

### 2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.8 Impairment of non-financial assets (continued)

The Group determines whether there is objective evidence that the investment in subsidiaries or associates is impaired at each reporting date. If this is the case the Group calculates the amount of any impairment and recognises the loss in profit and loss.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

Such impairments and reversals are excluded from the calculation of distributable income and are transferred to non-distributable retained income.

### 2.9 Financial instruments

Non-derivative financial instruments recognised on the statement of financial position include cash and cash equivalents, trade and other receivables, assets arising from contractual rights to receive cash, interest bearing borrowings and trade and other payables. The group currently has no derivative financial instruments.

#### (a) Financial assets

##### (i) Initial recognition

Financial assets are initially measured at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Financial assets are classified into the following specific categories: 'at fair value through profit or loss', 'held to maturity investments', 'available for sale' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### (ii) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or substantially reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Such changes are excluded from the calculation of distributable income and are transferred to non-distributable retained income.

The financial asset receivable reflected as non-current assets has been designated as at fair value through profit or loss.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.9 Financial instruments (continued)

#### (a) Financial assets (continued)

##### (iii) Held-to-maturity investments

Bills of exchange and other assets with fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment losses. The Group does not currently have any held-to-maturity assets.

##### (iv) Available for sale financial assets

Gains and losses arising from changes in fair value of available for sale financial assets, other than impairment losses, are recognised directly in equity. Where the investment is disposed of the cumulative gain or loss previously recognised in equity is transferred to profit or loss. Such transfers are excluded from the calculation of distributable income and are transferred to non-distributable retained income.

The Group does not currently have any available for sale financial assets.

##### (v) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are measured at amortised cost using the effective interest method, less any impairment.

The Group's financial assets classified as loans and receivables, include trade and other receivables and cash and cash equivalents.

##### (vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the asset, the Group recognises its retained interest in the asset and an associated liability for amounts it will have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### (b) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### (i) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Such changes in fair value are excluded from the calculation of distributable income and are transferred to non-distributable retained income.

The Group does not currently have any financial liabilities at fair value through profit or loss.

##### (ii) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate which exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### (iii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited as other income in the statement of comprehensive income.

### 2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### 2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.





# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.13 Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

### 2.15 Revenue recognition

Revenue includes rental income from properties.

#### (a) Rental income

Rental income from operating leases is recognised in income on a straight-line basis over the lease term.

#### (b) Interest income

Interest income is recognised on a time proportion basis, taking account of the principal outstanding amount and the effective rate over the period to maturity when it is determined that such income will accrue to the Group.

### 2.16 Operating lease (Group is the lessor)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

When properties are leased out under an operating lease, the properties are included in the statement of financial position as investment properties. Lease income is recognised over the term of the lease on a straight-line basis and the adjustments between this and the contractual rentals are transferred to non-distributable retained income.

### 2.17 Interest expense

Where the Group undertakes a major development or refurbishment of its property, interest is capitalised to the cost of the property concerned during the construction period. All other interest expenses for borrowings are recognised within 'finance expense' in the statement of comprehensive income using the effective interest rate method.

### 2.18 Current and deferred income tax

The tax expense comprises current and deferred income tax and is recognised in the statement of comprehensive income, except where it relates to items recognised directly in other comprehensive income or equity. In those cases the tax is also recognised in other comprehensive income or equity as applicable.

Current tax is determined at current rates on the net income for the year after taking into account income and expenditure which is not subject to tax, assessed or estimated tax losses brought forward from prior years and the tax effect of credits and charges, including depreciation, attributable to periods other than the current year.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for the following temporary differences:

- If it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss;
- Goodwill that arises on initial recognition of a business combination;
- Differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred income tax is determined using the tax rates that have been enacted as at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.18 Current and deferred income tax (continued)

The carrying value of the combined entity's investment property will generally be realised by capital (the consideration on the sale at the end of use). The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the statement of financial position. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale.

Taxation on items that are not distributable is similarly excluded from the calculation of distributable income and is transferred to non-distributable retained income.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.19 Distributions

Distributions to linked unitholders are recognised as a liability in the Group's financial statements in the period in which the distributions are approved by the Board.

### 2.20 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group financial statements are presented in Pula, which is the Company's functional currency and Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

#### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.20 Foreign currency translation (continued)

#### (c) Group companies (continued)

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

### 2.21 Operating segments

As stated in note 29 no segmental results are reflected. This is consistent with the internal reporting to the Managing Director, the Group's chief operating decision-maker, who reviews the performance of the Group as a single economic entity.

## 3. ADOPTION OF NEW AND REVISED STANDARDS

- (a) Standards and amendments to existing standards and interpretations effective on or after 1 August 2016 and adopted by the Group.

Amendment/ Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 5 ^	Amendment: 'Non-current assets held for sale and discontinued operations'	1 January 2016
IFRS 7 ^	Amendment: 'Financial instruments: Disclosures'	1 January 2016
IFRS 10 & IAS 28	Amendment: 'Consolidated financial statements' and 'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016
IFRS 11	Amendments: 'Joint arrangements' on acquisition of an interest in a joint operation	1 January 2016
IFRS 14	'Regulatory deferral accounts'	1 January 2016
IAS 1	Amendments: 'Presentation of financial statements' disclosure initiative	1 January 2016
IAS 16 & IAS 38	Amendments: 'Property, plant and equipment' and 'Intangible assets' on depreciation and amortisation	1 January 2016
IAS 16 & IAS 41	Amendments: 'Property, plant and equipment' and 'Agriculture' on bearer plants	1 January 2016
IAS 19 ^	Amendment: 'Employee benefits' on discount rate	1 January 2016
IAS 27	Amendments: 'Separate financial statements' on equity accounting	1 January 2016
IAS 34 ^	Amendment: 'Interim financial reporting'	1 January 2016

^ part of the annual improvements project 2012-2014 issued in September 2014

These standards, interpretations and amendments did not have a material impact on the Group in the current financial year.

- (b) New standards, amendments and interpretations issued, but not yet effective and not early adopted.

The following new and amended standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 August 2017 or later periods and are expected to be relevant to the Group:

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

### (b) New standards, amendments and interpretations issued, but not yet effective and not early adopted. (continued)

Amendment/ Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	'Financial Instruments' (2009&2010)	1 January 2018
IFRS 10 & IAS 28	Amendment: 'Consolidated financial statements' and 'Investments in associates and joint ventures' on sale or contribution of assets	Postponed (initially 1 January 2016)
IFRS 12*	'Disclosure of interests in other entities' on clarification of scope of the standard	1 January 2017
IFRS 15	'Revenue from contracts with customers'	1 January 2018
IFRS 15	Amendment: 'Revenue from contracts with customers'	1 January 2018
IFRS 16	'Leases'	1 January 2019
IAS 7	Amendment: 'Statement of cash flows' on disclosure initiative	1 January 2017
IAS 12	Amendment: 'Income taxes' on recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 28*	'Investments in associates and joint ventures' on measuring an associate or joint venture at fair value	1 January 2018
IAS 40	Amendment: 'Investment Property' on transfers of investment property	1 January 2018
IFRIC 22	'Foreign currency transactions and advance consideration'	1 January 2018

\* part of the annual improvements project 2014-2016 issued in December 2016

- IFRS 9 - 'Financial Instruments' (2009 & 2010)  
This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.
- Amendments to IFRS 10 - 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures' on sale or contribution of assets  
The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.
- IFRS 12 - 'Disclosure of interests in other entities' on clarification of scope of the standard  
The amendment clarified that the disclosure requirements of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests.
- IFRS 15 - 'Revenue from contracts with customers'  
The FASB and IASB issued their converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

### 3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

#### (b) New standards, amendments and interpretations issued, but not yet effective and not early adopted. (continued)

##### - Amendment to IFRS 15 - 'Revenue from contracts with customers'

The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

##### - IFRS 16 - 'Leases'

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), Lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### - Amendment to IAS 7 - 'Statement of cash flows' on disclosure initiative

In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

##### - Amendment to IAS 12 - 'Income taxes' on recognition of deferred tax assets for unrealised losses

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.

##### - IAS 28 - 'Investments in associates and joint ventures' on measuring an associate or joint venture at fair value

The standard allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition.

##### - Amendment to IAS 40 - 'Investment Property' on transfers of investment property

These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

##### - IFRIC 22 - 'Foreign currency transactions and advance consideration'

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

### (b) New standards, amendments and interpretations issued, but not yet effective and not early adopted. (continued)

The Group is in the process of assessing the impact of these above statements, amendments and interpretations.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company.

The following new and amended standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2017 or later periods but are not expected to be relevant to the Group:

Amendment/ Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 1*	Amendment: 'First time adoption of IFRS'	1 January 2018
IFRS 2	Amendment: 'Share-based payment'	1 January 2018
IFRS 4	'Insurance Contracts'	1 January 2018
IFRS 9	Amendment: 'Financial instruments' on general hedge accounting	1 January 2018

\* part of the annual improvements project 2014-2016 issued in December 2016

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In arriving at the amounts at which assets and liabilities are measured in the financial statements, the Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

### Investment property

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information the Group determines the estimated fair value and has utilised an independent expert in making this assessment.

The valuation basis used is market value, which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In calculating the market value the investment method has been adopted. The key assumptions underlying the investment method are net cash flows and the capitalisation rate used. These are unobservable inputs and accordingly result in the valuations being classed as level 3 in terms of the fair value hierarchy.

Net cash flows were based on rentals and relevant expenditure taking cognisance of existing tenancies, operating expense budgets and specific market circumstances relative to these. A 10% change in the net cash flows would have the estimated impact of P153 million for the Group and P149 million for the Company (2016: P145 million for the Group and P140 million for the Company) on the carrying value of the investment property.

The capitalisation rate has been determined based on a relevant long bond yield adjusted for the relevant risks applicable to each property including asset class, sector, location, building, leasehold / freehold and tenancy. The weighted average capitalisation rate is 9.25% (2016: 9.24%) and a 1% upward shift in this rate would reduce the aggregate independent valuation by an estimated P150 million for Group and P148 million for Company (2016: P141 million for Group and P139 million for Company), while a 1% downward shift in capitalisation rate would increase the valuations by an estimated P186 million for Group and P185 million for Company (2016: P175 million for Group and P173 million for Company).



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### Investment property (continued)

There are inter-relationships between unobservable inputs. To avoid double counting or omitting the effects of risk factors, capitalisation rates reflect assumptions that are consistent with those inherent in the cash flows.

The value of one property has been reduced by the directors to take into account specific contractual arrangements:

- NAP's Associate (Edco) holds the Government lease on part of the Riverwalk property and sub-let this portion to NAP until 2026. The portion of the property occupied by the anchor tenant is held directly by NAP under the Government lease.
- NAP also has the option to increase the holding in the Associate between 2024 and 2029.
- NAP obtains an annual independent valuation for Riverwalk, which assumes that standard terms and conditions with respect to title apply to the property as a whole. Given the specific ownership structure and related contractual arrangements, the directors reduce the value of this property to take account of these factors.
- The resultant fair value of the investment in the Riverwalk property is accounted for in investment property and in investment in associate.
- The total value of this investment is calculated by discounting the expected cash flows to NAP from the property, assuming outflows from the exercise of the option (in 2026) and using the implied discount rate from the independent valuation.
- The fair value of Edco's investment in Riverwalk is calculated as the present value of expected cash flows to Edco and using the same implied discount rate. NAP equity accounts for its 26% interest in this fair value (after allowing for deferred income tax).
- The investment property portion of NAP's investment in Riverwalk is represented by the total value of the investment minus the carrying value of the investment in the associate.

The current discount rate used for calculating the value of NAP's investment in Riverwalk is 15.75% (2016: 15.75%). A 1% downward shift in the discount rate would increase the carrying value by approximately P32 million (2016: P33 million) and a 1% upward shift would decrease the carrying value by approximately P26million (2016: P26 million), while a 10% change in the lump sum payment would have an estimated P8.2 million (2016: P7.1million) impact on the carrying value of investment property.

#### Financial asset

The financial asset arises from the right to receive 63% of the rental income from an investment property in terms of a cession. The asset has been valued by discounting the projected income streams at 14.5% (2016: 14.5%). These assumptions are unobservable inputs and therefore considered level 3 in terms of the fair value hierarchy.

A 1% downward shift in the discount rate would increase the carrying value by approximately P2.0 million (2016: P2.0 million) and a 1% upward shift would decrease the carrying value by approximately at P1.8 million (2016: P1.8 million), while a 10% change in the cash flows would have an estimated P2.4 million (2016: P2.3 million) impact on the carrying value.

#### Associate

The Associate's financial statements are prepared on the historical cost basis based on a 30 June year end. To comply with the group's accounting policies, this investment is equity accounted based on the Directors' fair value of the only underlying asset which has been determined by discounting the expected cash flows from operations at the Group's year end using a discount rate of 15.75% (2016: 15.75%) and the related deferred tax liability. These assumptions are unobservable inputs and therefore considered level 3 in terms of the fair value hierarchy.

A 1% downward shift in the discount rate would increase the carrying value of the investment in the associate by approximately P9.7 million (2016: P9.7million) and a 1% upward shift would decrease the carrying value by approximately P7.5 million (2016 P7.3million).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

### Income taxes

The Group is subject to tax in two jurisdictions, Botswana and Namibia. Certain estimates are required in determining the provision for income taxes and where the final tax is different from the amounts estimated such differences will impact the current and deferred taxation provisions.

The principal assumption that has a material effect on these financial statements is the tax that will be payable on the future disposal of investment properties. Following the adoption of IAS 12 for investment property, it is assumed that capital gains will be taxed using the applicable capital gains tax rate and calculations, and not the corporate tax rates. For Botswana properties this is based on normal company tax rates being applied to the difference between the selling price and the indexed adjusted cost, while in Namibia it means that no tax is payable. The Group has provided for tax on fair value gains on this basis. In the event that the tax regulations are amended before the disposal of properties, the actual liability that would arise could be very different.

## 5 INVESTMENT PROPERTY

Opening balances

At fair value

Rent straight line adjustment

Subsequent additions and improvements at cost

Insurance proceeds

Disposals

Fair value adjustment

At fair value

Rent straight line adjustment

Effect of translation to presentation currency

At fair value

Rent straight line adjustment

Total valuation at end of year

At fair value

Rent straight line adjustment

**Net carrying value at end of year**

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Opening balances	1 285 780	1 197 122	1 243 026	1 145 573
At fair value	1 312 314	1 225 449	1 268 538	1 172 684
Rent straight line adjustment	(26 534)	(28 327)	(25 512)	(27 111)
Subsequent additions and improvements at cost	485	2 001	474	1 794
Insurance proceeds	1 279	(1 279)	1 279	(1 279)
Disposals	-	(2 496)	-	(2 496)
Fair value adjustment	68 412	93 192	67 447	99 434
At fair value	69 111	91 460	68 616	97 835
Rent straight line adjustment	(699)	1 732	(1 169)	1 599
Effect of translation to presentation currency	1 459	(2 760)	-	-
At fair value	1 487	(2 821)	-	-
Rent straight line adjustment	(28)	61	-	-
Total valuation at end of year				
At fair value	1 384 676	1 312 314	1 338 907	1 268 538
Rent straight line adjustment	(27 261)	(26 534)	(26 681)	(25 512)
<b>Net carrying value at end of year</b>	<b>1 357 415</b>	<b>1 285 780</b>	<b>1 312 226</b>	<b>1 243 026</b>

The investment property acquired at listing was settled primarily by the issue of linked units to the vendors.

The investment properties were independently valued at an aggregate P1 533 million for Group and P1 487 million for Company as at 31 July 2017 (2016: P1 445 million for Group and P1 402 million for Company) by Curtis Matobolo of Knight Frank (Pty) Ltd. He holds recognised relevant professional qualifications, is a member of the Royal Institute of Chartered Surveyors (RICS) and the Real Estate Institute of Botswana and has relevant experience for the investment properties valued.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 5 INVESTMENT PROPERTY (continued)

The properties were valued in accordance with Statement of Asset Valuation Practice and Guidance Notes prepared by the RICS (The Red Book) on an open market basis using an adapted discounted cash flow approach at capitalisation rates ranging from 7.50% to 17.0% (2016: 7.50% to 15.75%) and a weighted average rate of 9.25% (2016: 9.24%), assuming that the properties are not subject to any adverse easements, restrictive covenants or undue provisions that would otherwise depress the values.

The independently determined fair values totalling P1 533 million (2016: P1 445 million) have been reduced by the directors to account for the impact of the restrictive lease covenants pertaining to one of the Group's properties.

Investment property valued at P111 million (2016: P106 million) is used as security for the bank borrowings referred to in note 13.

No interest was capitalised to investment property during the year (2016: nil).

Commitments are set out in note 27.

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Operating income attributable to the investment property amounts to:				
Revenue	175 062	159 949	167 456	152 548
Rent straight line adjustment	(699)	1 732	(1 169)	1 599
Contractual revenue earned from investment property	174 363	161 681	166 287	154 147
Other income	1 853	1 878	7 042	6 640
Property costs	(29 700)	(27 368)	(29 149)	(26 751)
Recoverable expenses	(13 101)	(12 548)	(12 809)	(12 218)
Other property expenses	(16 599)	(14 820)	(16 340)	(14 533)
<b>Net rental income excluding rent straight line adjustment</b>	<b>146 516</b>	<b>136 191</b>	<b>144 180</b>	<b>134 036</b>
And to reconcile to statement of comprehensive income:				
Add / (Less) : Straight line adjustment	699	(1 732)	1 169	(1 599)
<b>Net rental income per statement of comprehensive income</b>	<b>147 215</b>	<b>134 459</b>	<b>145 349</b>	<b>132 437</b>

## 6 INVESTMENT IN SUBSIDIARY

Total investment in shares and loans at cost

Comprising:

	<b>% holding</b>	<b>Investment in shares P'000</b>	<b>Investment in loans P'000</b>	<b>Total investment P'000</b>
<b>Company</b>				
<b>2017</b>				
New African Properties (Namibia) (Proprietary) Limited	100%	36 650	-	36 650
<b>2016</b>				
New African Properties (Namibia) (Proprietary) Limited	100%	36 650	-	36 650

This wholly owned subsidiary is carried at cost in the company financial statements and its assets, liabilities and results included in the consolidated financial statements. The subsidiary owns investment properties in Namibia.

The subsidiary is based in Namibia and is accordingly subject to local exchange control regulations which impose certain restrictions on transferring funds from the country. Normal dividends are however permitted.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

		Group		Company	
		2017 P'000	2016 P'000	2017 P'000	2016 P'000
<b>7 INVESTMENT IN ASSOCIATE</b>	% holdings				
Acquired at cost	26%	4 951	4 951	4 951	4 951
Share of associate's profit post acquisition		25 596	21 830	-	-
		<b>30 547</b>	<b>26 781</b>	<b>4 951</b>	<b>4 951</b>
This investment was acquired on 4 June 2012.					
The Botswana based associate company holds the unencumbered lease rights to certain plots after the expiry of an existing lease, is not expected to generate cash flows until that time, has earned no revenue since acquisition and has no liabilities. No dividends have been declared or received since acquisition.					
A change in the operations of the company would be considered an impairment indicator and there have been no impairment indicators since the last impairment test as at 31 July 2012 when it was tested by discounting the projected future income streams at a discount rate of 16.5%. No impairment is considered necessary at this time.					
New African Properties Ltd has an option to increase its holding in the Associate to 80% between 2024 and 2029. Such option is exercisable at open market value.					
<b>8 FINANCIAL ASSET RECEIVABLE</b>					
Opening balance		23 321	20 954	23 321	20 954
Fair value adjustment		1 169	2 367	1 169	2 367
<b>Carrying value</b>		<b>24 490</b>	<b>23 321</b>	<b>24 490</b>	<b>23 321</b>
This asset comprises the right to receive 63% of the rental income from an investment property comprising a shopping mall in Gaborone until 2037 in terms of a cession agreement with Mynco (Pty) Ltd and is effectively secured over the underlying asset.					
The asset is carried at fair value as determined by directors based on the estimated future cash flows to the company discounted at 14.5% (2016: 14.5%) and is within level 3 of the fair value hierarchy.					
<b>9 INTANGIBLE ASSET</b>					
<b>Land lease rights</b>					
Opening balance		8 669	9 550	8 669	9 550
Amortisation		(881)	(881)	(881)	(881)
		<b>7 788</b>	<b>8 669</b>	<b>7 788</b>	<b>8 669</b>

The land lease right arises from contractual rights acquired by the Group which allow future cost and operational efficiencies.

There have been no impairment indicators since the last impairment test as at 31 July 2012 when it was tested by discounting the projected future income streams at a discount rate of 16.5%. No impairment is considered necessary at this time.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 10 TRADE AND OTHER RECEIVABLES

Trade receivables net of impairment

Trade receivables

Less: impairment

Prepayments

Related party receivables

Dividends receivable

Other receivables

Age analysis of trade receivables past due and not impaired:

30 days

60 days

Age analysis of impaired trade receivables:

30 days

60 days

90 days

> 90 days

The impaired receivables are mainly 90 days and over and relate to a number of individual tenants in various properties. Movements in accumulated impairment losses are accounted for in the statement of comprehensive income under property costs and are summarised as follows:

Trade receivable impairment:

Opening balance

Net movement in impairments charged to the income statement

Additional impairment during the year

Reversal of previous impairments

Effect of translation to presentation currency

**Balance at end of year**

The provision for impairment as a percentage of arrear rentals is reflected in the table below. The impairment provision has been grossed up for the VAT effect that is included in the arrears amount but not the impairment amount.

Impairment

Add: VAT

Impairment including VAT

Trade receivables

**Impairment as a % of trade receivables**

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Trade receivables net of impairment	380	335	371	328
Trade receivables	4 268	4 053	4 095	3 881
Less: impairment	(3 888)	(3 718)	(3 724)	(3 553)
Prepayments	1 700	2 135	1 700	2 135
Related party receivables	94 234	87 704	94 234	87 704
Dividends receivable	-	-	2 405	2 113
Other receivables	648	1 231	669	1 273
	<b>96 962</b>	<b>91 405</b>	<b>99 379</b>	<b>93 553</b>
Age analysis of trade receivables past due and not impaired:				
30 days	358	172	349	159
60 days	22	163	22	169
	<b>380</b>	<b>335</b>	<b>371</b>	<b>328</b>
Age analysis of impaired trade receivables:				
30 days	201	101	195	96
60 days	120	53	115	49
90 days	85	59	80	54
> 90 days	3 482	3 505	3 334	3 354
	<b>3 888</b>	<b>3 718</b>	<b>3 724</b>	<b>3 553</b>
The impaired receivables are mainly 90 days and over and relate to a number of individual tenants in various properties. Movements in accumulated impairment losses are accounted for in the statement of comprehensive income under property costs and are summarised as follows:				
Trade receivable impairment:				
Opening balance	3 718	4 072	3 553	3 936
Net movement in impairments charged to the income statement	164	(346)	171	(383)
Additional impairment during the year	699	710	695	658
Reversal of previous impairments	(535)	(1 056)	(524)	(1 041)
Effect of translation to presentation currency	6	(8)	-	-
<b>Balance at end of year</b>	<b>3 888</b>	<b>3 718</b>	<b>3 724</b>	<b>3 553</b>
The provision for impairment as a percentage of arrear rentals is reflected in the table below. The impairment provision has been grossed up for the VAT effect that is included in the arrears amount but not the impairment amount.				
Impairment	3 888	3 718	3 724	3 553
Add: VAT	467	446	447	426
Impairment including VAT	4 355	4 164	4 171	3 979
Trade receivables	4 268	4 053	4 095	3 881
<b>Impairment as a % of trade receivables</b>	<b>102</b>	<b>103</b>	<b>102</b>	<b>103</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 10 TRADE AND OTHER RECEIVABLES (continued)

Related party receivables comprise:

Cash Bazaar Holdings (Proprietary) Limited

Nafprop (Proprietary) Limited

The Cash Bazaar Holdings (Proprietary) Limited related party receivable is secured by 50 million NAP linked units based on a 1.5 times cover (2016: 75 million) and certain warranties, is repayable on demand with 3 months' notice and bears interest at 1.5% below prime lending rate. The Group also has the right to offset amounts due to the related party against this loan. The Nafprop (Proprietary) Limited amount in the comparative comprised net rentals collected and not yet paid over.

The Board considers that material credit risk exposure has been adequately provided for on all trade and other receivables.

## 11 CASH AND CASH EQUIVALENTS

Current account - Barclays Bank

- First National Bank

Call account - Bank Gaborone

- Bank ABC

- Barclays

- First National Bank

Fixed deposit - Bank Gaborone

Stanlib Botswana Money Market Fund

**Total**

Group		Company	
2017 P'000	2016 P'000	2017 P'000	2016 P'000
94 234	83 943	94 234	83 943
-	3 761	-	3 761
<b>94 234</b>	<b>87 704</b>	<b>94 234</b>	<b>87 704</b>
8 351	328	8 351	328
(7)	-	-	-
21	10	21	10
78	78	78	78
8 057	2 546	8 057	2 546
4 458	3 783	-	-
-	39 814	-	39 814
22 212	-	22 212	-
<b>43 170</b>	<b>46 559</b>	<b>38 719</b>	<b>42 776</b>



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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
<b>12 LINKED UNITS</b>				
604 397 124 Linked units in issue	871 824	871 824	871 824	871 824
Each linked unit comprises one ordinary share indivisibly linked to one unsecured variable rate debenture.				
Stated share capital comprises 604 397 124 linked units, each comprising one ordinary share of no par value indivisibly linked to one variable rate unsecured debenture.				
Linked units equivalent to 15% of the number of linked units in issue at any time are under the control of the Directors for allotment and issue for the acquisition of immovable property until the next annual general meeting, at which meeting the authority will sought to be renewed until the following annual general meeting.				
In terms of the Trust Deed governing the Debentures:				
<ul style="list-style-type: none"><li>- The debentures are only redeemable at the instance of the Company, after approval by resolution of the Board, and with the written consent of the creditors of the Company or at the discretion of the Trustee following certain events specified in the Trust Deed. In the event that they are to be redeemed, the amount payable for every debenture shall be the higher of 99/100 of the three month average weighted traded price of a linked unit on the BSE or the issue price of P1.98.</li><li>- The interest payable on debentures shall be determined by and in the sole discretion of the Company's Directors. Notwithstanding this, the Company is obliged to distribute at least 80% of monies available after the payment of approved capital expenditure, repayment of capital and interest due on third party debt, provision for replacement repair and refurbishment of assets and operating costs, as interest on the debentures.</li></ul>				
<b>13 BORROWINGS</b>				
Bank Gaborone Limited, comprising:				
Non-current portion	21 878	24 859	21 878	24 859
Current portion	2 948	2 735	2 948	2 735
	24 826	27 594	24 826	27 594

This loan is secured by a mortgage bond for P40 million registered over Tribal Lot 39, Molepolole in the Bakwena Tribal Territory, which is classified as investment property in note 5 and valued at P111 million at the date of this report (2016: P106 million).

The loan is repayable in monthly installments, currently amounting to P351 340, until August 2024 and incurs interest at 1.5% below prime lending rate, currently 5.5% (2016: 6.0%). The capital portion repayable over the next 12 months has been reflected as a current liability.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
<b>13 BORROWINGS</b> (continued)				
The Group is exposed to floating interest rates on this liability.				
The interest on this facility for the next 12 months at the current rate amounts to	1 292	1 582	1 292	1 582
A 1% increase in the prime lending rate would have the impact of increasing this by	238	267	238	267
The Group has no other debt facilities in place at this time.				
The company's borrowing capacity is limited to 70% of the value of the assets of the Company or such other sum as the Company may, by ordinary resolution, in general meeting determine. Directors are authorised to secure the repayment of or raise any such sum by mortgage or charge upon the whole or any part of the property and assets of the Company.				
<b>14 DEFERRED TAX LIABILITY</b>				
Fair value gains on investment property (after indexed cost adjustment)	1 12 865	1 03 973	1 12 865	1 03 973
Building allowances claimed	25 986	23 593	22 492	20 339
Rent straight line adjustment	6 055	5 939	5 870	5 612
Share of associate's profit	1 920	1 638	-	-
Prepaid expenses/ income received in advance	(145)	(50)	-	-
Impairment of receivables	(39)	(39)	-	-
Tax loss utilised	(3 327)	(2 831)	(3 327)	(2 831)
<b>Total deferred tax liability</b>	<b>143 315</b>	<b>132 223</b>	<b>137 900</b>	<b>127 093</b>
And the movement for the year comprises:				
Opening balances	132 223	1 12 516	127 093	108 851
Current year charge	10 975	19 903	10 807	18 242
Effect of translation to presentation currency	117	(196)	-	-
<b>Balance at end of year</b>	<b>143 315</b>	<b>132 223</b>	<b>137 900</b>	<b>127 093</b>
Estimated tax losses of P15.1 million for Group and Company (2016: P12.9 million) have been utilised to reduce deferred tax liabilities. There are no other tax losses in the Group.				
<b>15 TRADE AND OTHER PAYABLES</b>				
Tenant deposits	7 357	6 650	7 016	6 359
Trade payables	2 072	1 966	1 535	1 457
Rent received in advance	3 467	3 352	3 357	3 217
Accruals and provisions	4 543	3 040	4 983	3 486
Related party payable	1 589	1 537	-	-
	<b>19 028</b>	<b>16 545</b>	<b>16 891</b>	<b>14 519</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
<b>16 REVENUE</b>				
Contractual rental	164 733	152 918	156 732	145 443
- Basic	163 969	151 947	155 968	144 527
- Turnover	764	971	764	916
Rent straight line adjustment	699	(1 732)	1 169	(1 599)
Rental income	165 432	151 186	157 901	143 844
Operating cost recoveries	9 630	8 763	9 555	8 704
	<b>175 062</b>	<b>159 949</b>	<b>167 456</b>	<b>152 548</b>
The period of leases under which the Group leases out its investment property generally ranges from three to five years.				
The future minimum contractual rentals receivable under non-cancellable operating leases are as follows:				
Within next year	155 198	146 251	148 426	138 811
Between 1 and 5 years	302 715	267 417	290 838	257 623
Later than 5 years	28 165	32 821	28 165	32 821
	<b>486 078</b>	<b>446 489</b>	<b>467 429</b>	<b>429 255</b>
Of this P27.3 million for Group and P26.7 million for Company (2016: P26.5 million for Group and P25.5 million for Company) has been recognised as a receivable in view of the adjustment to straight line rentals over the period of leases.				
<b>17 OTHER INCOME</b>				
Dividends from subsidiary companies	-	-	5 190	4 764
Promotion and advertising income	950	760	950	760
Tenant contribution to marketing	473	461	473	461
Sundry income	430	657	429	655
	<b>1 853</b>	<b>1 878</b>	<b>7 042</b>	<b>6 640</b>
<b>18 PROPERTY COSTS</b>				
Recoverable costs:				
Cleaning & refuse	(3 882)	(4 040)	(3 817)	(3 979)
Rates	(1 527)	(1 494)	(1 320)	(1 243)
Security	(2 310)	(2 312)	(2 310)	(2 312)
Utilities	(5 382)	(4 702)	(5 362)	(4 684)
Recoverable expenses	(13 101)	(12 548)	(12 809)	(12 218)
Other property costs:				
Impairment of trade receivables	(164)	346	(171)	383
Letting commission	(2 102)	(1 638)	(2 102)	(1 638)
Property management fee	(8 218)	(7 861)	(8 218)	(7 861)
Repairs and maintenance	(2 899)	(2 190)	(2 803)	(2 118)
Other property expenses	(3 216)	(3 477)	(3 046)	(3 299)
Total property costs	<b>(29 700)</b>	<b>(27 368)</b>	<b>(29 149)</b>	<b>(26 751)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 19 OTHER EXPENSES

Asset management fee  
Fees paid to auditors  
    Audit fee current year  
    Other services  
Directors' fees  
Other portfolio expenses

## 20 FINANCE INCOME

Banks and money market investments  
Tenants  
Related party

## 21 FINANCE EXPENSE

Bank borrowings  
Other

## 22 TAXATION

Botswana current taxation  
    Current year  
Namibian current taxation  
    Current year  
    Prior year adjustment  
Total current taxation

Group		Company	
2017 P'000	2016 P'000	2017 P'000	2016 P'000
(9 325)	(8 218)	(9 325)	(8 218)
(577)	(484)	(525)	(419)
(510)	(438)	(510)	(408)
(67)	(46)	(15)	(11)
(225)	(159)	(225)	(159)
(954)	(1 753)	(1 005)	(1 789)
(11 081)	(10 614)	(11 080)	(10 585)
1 201	1 346	1 009	1 014
319	209	313	219
4 927	5 112	4 927	5 112
6 447	6 667	6 249	6 345
(1 455)	(1 747)	(1 455)	(1 747)
-	(2)	-	-
(1 455)	(1 749)	(1 455)	(1 747)
(778)	(715)	(778)	(715)
(2 345)	(2 135)	-	-
(90)	-	-	-
(3 213)	(2 850)	(778)	(715)

Madirelo  
Centre,  
Gaborone



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 22 TAXATION (continued)

Botswana deferred taxation

Current year

Namibia deferred taxation

Current year

Prior year adjustment

Total deferred taxation

### Total taxation

Attributable to:

Distributable income

Fair value adjustments

Other capital deductions

Rental straight line adjustments

Share of associate's profit

Effect of rate change

Group		Company	
2017	2016	2017	2016
P'000	P'000	P'000	P'000
(11 090)	(19 880)	(10 807)	(18 242)
25	(23)	-	-
90	-	-	-
(10 975)	(19 903)	(10 807)	(18 242)
(14 188)	(22 753)	(11 585)	(18 957)
(3 272)	(3 180)	(800)	(871)
(8 892)	(16 868)	(8 892)	(16 868)
(1 635)	(1 570)	(1 635)	(1 570)
(107)	395	(258)	352
(282)	(1 638)	-	-
-	108	-	-
(14 188)	(22 753)	(11 585)	(18 957)

Reconciliation of the effective and statutory tax rate:

Effective tax rate

Adjusted for:

Fair value and other adjustments - net difference

Dividend income

Tax on dividends

Interest on debentures allowed for tax purposes

Share of associate's profit

Effect of difference in country tax rates

Statutory tax rate in Botswana

Group		Company	
2017	2016	2017	2016
6.6%	9.8%	5.6%	8.3%
2.9%	2.3%	2.9%	2.3%
-	-	0.6%	0.5%
-	-	(0.4%)	(0.3%)
12.9%	10.9%	13.3%	11.2%
-	(0.7%)	-	-
(0.4%)	(0.3%)	-	-
22.0%	22.0%	22.0%	22.0%

## 23 BASIC AND DILUTED EARNINGS PER UNIT ATTRIBUTABLE TO LINKED UNITHOLDERS

The basic earnings per share is calculated by dividing the net profit by the weighted number of linked units in issue during the year.

Profit for the year attributable to linked unitholders (P'000)

Weighted average number of linked units

Earnings per linked unit in the

199 404	209 762	195 213	208 413
604 397 124	604 397 124	604 397 124	604 397 124
32.99	34.71	32.30	34.48

There are no dilutive ordinary shares and the diluted earnings per linked unit is therefore the same as the earnings per linked unit.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

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## 24 DISTRIBUTIONS PAID TO LINKED UNITHOLDERS

Distributions per linked unit are based on the linked units in issue on the respective declaration date.

### Group and Company

2017: Number 11 - declared 12 April 2017, paid 26 May 2017  
(2016: Number 9 - declared 15 April 2016, paid 27 May 2016)

	2017 P'000	2016 P'000	2017 thebe per linked unit	2016 thebe per linked unit
Interest	61 951	56 149	10.25	9.29
Dividends	5 802	5 379	0.96	0.89
	<b>67 753</b>	<b>61 528</b>	<b>11.21</b>	<b>10.18</b>

2017: Number 12 - declared 26 July 2017, paid 1 September 2017  
(2016: Number 10 - declared 13 July 2016, paid 29 August 2016)

	2017 P'000	2016 P'000	2017 thebe per linked unit	2016 thebe per linked unit
Interest	63 220	59 292	10.46	9.81
Dividends	6 044	5 802	1.00	0.96
	<b>69 264</b>	<b>65 094</b>	<b>11.46</b>	<b>10.77</b>

### Total distribution declared

Amounts unpaid at beginning of year

Amounts unpaid at end of year

Not yet payable

Unclaimed distributions

Distributions paid to linked unitholders

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Receivable at beginning of year	729	537	573	319
Charged during the year	(3 213)	(2 850)	(778)	(715)
Receivable at year end	(972)	(729)	(972)	(573)
Payable at year end	51	-	-	-
	<b>(3 405)</b>	<b>(3 042)</b>	<b>(1 177)</b>	<b>(969)</b>

## 26 RELATED PARTY TRANSACTIONS

Other related parties with whom transactions have occurred, and their relationships with the Group, are:

Afritec (Proprietary) Limited	Related through common ownership and directors
Cash Bazaar (Proprietary) Limited	Related through directors
Furnmart Limited	Related through common ownership and directors
Hunters Africa (Proprietary) Limited	Subsidiary of Mynco (Proprietary) Limited
Mynco (Proprietary) Limited	Related through common ownership and directors
Nafprop (Proprietary) Limited	Related through common ownership and directors
New African Properties (Namibia) (Proprietary) Limited	NAP subsidiary
Directors	Company officers
Linked unitholders	Linked unitholders



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

		Group		Company	
		2017 P'000	2016 P'000	2017 P'000	2016 P'000
<b>26 RELATED PARTY TRANSACTIONS</b> (continued)					
The following related party transactions took place during the year:					
<b>Nature of transaction and party</b>	<b>Terms</b>				
Rental (contractual)		37 715	34 800	34 388	31 731
Afritec (Proprietary) Limited	Lease	519	481	519	481
Cash Bazaar (Proprietary) Limited	Lease	12 251	11 426	12 251	11 426
Furnmart Limited	Lease	22 418	20 595	19 091	17 526
Hunters Africa (Proprietary) Limited	Lease	366	334	366	334
Mynco (Proprietary) Limited	Cession	2 161	1 964	2 161	1 964
Operating cost recoveries		818	709	799	697
Afritec (Proprietary) Limited	Lease	23	22	23	22
Cash Bazaar (Proprietary) Limited	Lease	232	389	231	389
Furnmart Limited	Lease	543	274	525	262
Hunters Africa (Proprietary) Limited	Lease	20	24	20	24
Interest received - Cash Bazaar Holdings (Proprietary) Limited	Linked to prime	4 927	5 112	4 927	5 112
Asset management fee - Nafprop (Proprietary) Limited	Contract	(9 325)	(8 218)	(9 325)	(8 218)
Property management fee - Nafprop (Proprietary) Limited	Contract	(8 218)	(7 861)	(8 218)	(7 861)
Development fee - Nafprop (Proprietary) Limited	Contract	(41)	-	(41)	-
Leasing fees - Nafprop (Proprietary) Limited	Contract	(2 102)	(1 638)	(2 102)	(1 638)
Directors' fees to independent directors	Board approved	(225)	(159)	(225)	(159)
Distributions - Linked unitholders	Board approved	(137 017)	(126 622)	(137 017)	(126 622)
Dividends received					
New African Properties (Namibia) (Proprietary) Limited	Board approved	-	-	5 190	4 764

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

	Notes	Group		Company	
		2017 P'000	2016 P'000	2017 P'000	2016 P'000
<b>26 RELATED PARTY TRANSACTIONS</b> (continued)					
And the following balances exist at the balance sheet date:					
<b>Nature of transaction and party</b>					
Financial asset receivable - Mynco (Proprietary) Limited	8	24 490	23 321	24 490	23 321
Related party receivables	10	94 234	87 704	94 234	87 704
Cash Bazaar Holdings (Proprietary) Limited		94 234	83 943	94 234	83 943
Nafprop (Proprietary) Limited		-	3 761	-	3 761
Dividends receivable	10	-	-	2 405	2 113
New African Properties (Namibia) (Proprietary) Limited		-	-	2 405	2 113
Trade and other receivables		7	-	7	-
Nafprop (Proprietary) Limited		7	-	7	-
Related party payables	15	(1 589)	(1 537)	-	-
Cash Bazaar Holdings (Proprietary) Limited		(1 589)	(1 537)	-	-
Trade and other payables		-	-	(662)	(662)
New African Properties (Namibia) (Proprietary) Limited		-	-	(662)	(662)
Distribution payable - Linked unitholders	24	(69 390)	(65 172)	(69 390)	(65 172)

## 27 CONTINGENCIES AND COMMITMENTS

There are no material contingent liabilities or commitments at the date of the statement of financial position.

## 28 SUBSEQUENT EVENTS

Subsequent to the year end the Company entered into an agreement to acquire a property. The agreement is still conditional on the completion of a number of conditions precedent. If successfully concluded the transaction will be financed by a combination of existing cash (including through the release of the related party receivable) and debt.

There are no other material subsequent events occurring between the year end and the date of these financial statements.

## 29 SEGMENT RESULTS

The portfolio comprises 64 properties, predominantly retail and Botswana based, with a small exposure to Namibian retail (3%) and Botswana industrial (1%). Certain Botswana retail properties have a small office component but properties are categorised based on primary use.

No segmental results are reflected as the Group's business activities are concentrated in the retail property segment, primarily carried out within Botswana, and the Board considers results on an aggregate basis. The Management report elsewhere in this document reflects the geographic and sectoral allocation of the portfolio which supports the immaterial nature of the other segments.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 30 FINANCIAL RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

In the normal course of operations the Group is exposed to strategic and business risk, financial risk, regulatory and compliance risk. This note deals with the major elements of financial risk which arise from financial instruments to which the Group is exposed during or at the end of the financial reporting period. Financial risk comprises market risk (incorporating interest, currency and other price risk), credit risk and liquidity risk. The primary objectives of risk management is to gain an understanding of the risk the Group is exposed to, establish acceptable tolerance levels and manage the risks to ensure they stay within the tolerable levels.

### 30.1 Financials Risks

#### Market risk

This is the risk that the fair value or future cash flows will fluctuate because of changes in market prices. The Group's market risk on financial instruments arises primarily from interest bearing assets and liabilities and foreign exchange movements with respect to the Namibian subsidiary company.

All sensitivities in these financial statements are based on the change of one factor with all others remaining constant which is unlikely to occur in practice.

#### (a) Interest rate

In view of the Group's limited interest-bearing assets and liabilities, the operating cash flows are substantially independent of changes in market interest rates.

The Board considers that the current debt level is sufficiently low to allow all debt to be at floating rates and that this would be reconsidered when the external borrowings exceed 10% of the value of investment property. The impact, on Group and Company, of a 1% increase in the interest rate applicable to external borrowings for the next 12 months is P0.2 million (2016: P0.3 million).

Assets on which interest is earned include trade receivables, related party receivables and cash and cash equivalents. The balance of trade receivables is low and the impact of interest rate changes on these amounts is negligible. The balances on related party receivables and cash and cash equivalents at the year end and the impact of a 1% change in interest rate on these balances is set out below:

	Group		Company		Impact of 1% change			
	2017 P'000	2016 P'000	2017 P'000	2016 P'000	Group 2017 P'000	Group 2016 P'000	Company 2017 P'000	Company 2016 P'000
Related party receivables	94 234	87 704	94 234	87 704	942	877	942	877
Cash and cash equivalents	43 170	46 559	38 719	42 776	432	466	387	428

The Group has no exposure to fixed rate financial instruments (2016: a fixed deposit maturing in August 2016) and therefore has no exposure to fair value interest rate risk (2016: no significant exposure).

#### (b) Foreign exchange risk

The Group owns a Namibian subsidiary company which holds investment property in Namibia and is accordingly exposed to foreign exchange risk in respect of financial assets and liabilities that are not in the Group's functional currency which is the Botswana Pula. The relevant exchange rate is the South African Rand and Botswana Pula rate in view of the Namibian Dollar being linked to the Rand. In view of the size of these assets relative to the overall portfolio the Board does not consider it necessary to enter into foreign exchange hedges.

The net assets subject to foreign exchange risk, converted at a rate of 1.2817 (2016: 1.3254) Rand to the Pula, at the reporting date comprise:

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

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## 30.1 Financial Risks (continued)

### Market risk (continued)

#### (b) Foreign exchange risk (continued)

	Group		Company		Impact of a 10% increase			
	2017	2016	2017	2016	Group		Company	
	P'000	P'000	P'000	P'000	2017	2016	2017	2016
					P'000	P'000	P'000	P'000
Investment property	45 189	42 754	-	-	(4 108)	(3 887)	-	-
Cash and cash equivalents	4 451	3 783	-	-	(405)	(344)	-	-
All other receivables	1 229	1 804	-	-	(112)	(164)	-	-
Trade and other payables	(5 256)	(4 805)	-	-	479	438	-	-
Deferred taxation	(3 494)	(3 491)	-	-	318	317	-	-
	<u>42 119</u>	<u>40 045</u>	<u>-</u>	<u>-</u>	<u>(3 828)</u>	<u>(3 640)</u>	<u>-</u>	<u>-</u>
Reconciled to Investment in subsidiary:								
Net assets per above	42 119	40 045						
Less: post acquisition reserves	(16 235)	(15 525)						
Add: cumulative foreign exchange translation difference	10 766	12 130						
	<u>36 650</u>	<u>36 650</u>						

#### (c) Price risk

The group's exposure to price risk is primarily related to non-financial assets, namely its investment in investment property. Refer to note 4 in this regard.

### Credit risk

Credit risk is the risk that a counterparty may cause financial loss to the Group by failing to discharge an obligation. The Group's financial assets that are subject to credit risk are primarily cash and cash equivalents and trade and other receivables. The Group's maximum exposure to credit risk at the year end was:

	Group		Company	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
Trade and other receivables	96 962	91 405	99 379	93 553
Cash and cash equivalents	43 170	46 559	38 719	42 776
	<u>140 132</u>	<u>137 964</u>	<u>138 098</u>	<u>136 329</u>
Trade and other receivables includes primarily related party receivables and comprises:				
Related party receivables	94 234	87 704	94 234	87 704
Prepayments	1 700	2 135	1 700	2 135
Dividends receivable	-	-	2 405	2 113
Trade receivables net of impairment	380	335	371	328
Other receivables	648	1 231	669	1 273
	<u>96 962</u>	<u>91 405</u>	<u>99 379</u>	<u>93 553</u>

The Cash Bazaar Holdings (Proprietary) Limited related party receivable is payable on 3 months' notice by the Group's holding company and is secured by 50 million (2016:75 million) NAP linked units based on a required 1.5 times cover. The Group also has the right to offset amounts due to its holding company against the loan and the creditor has provided certain warranties to the Group. The remaining related party receivable in 2016 was settled at least monthly and comprised the net rentals collected by the property manager before disbursing to NAP as owner.

Credit risk with respect to trade receivables is minimised by the diverse tenant base. Credit checks are performed prior to concluding leases and arrear rentals are actively managed.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 30.1 Financials Risks (continued)

### Credit risk (continued)

A detailed analysis of these receivables is set out in note 10.

Credit risk attached to the Group's cash and cash equivalents is minimised by only investing cash resources with reputable financial institutions. The balances at the various institutions are detailed in note 11.

### Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations as they become due in the ordinary course of business at a reasonable cost. The Group's liquidity risk is managed by the Group's asset managers on a daily basis with formal cash flow reporting to the Board at each meeting.

The maturity profile of financial instruments is set out in the table below based on the earliest likely settlement:

	Less than 3 months P'000	Between 3 months and 1 year P'000	Between 1 and 5 years P'000	After 5 years P'000	Total P'000
<strong>Group 2017</strong>					
<strong>Assets</strong>					
Financial asset receivable <sup>1</sup>	554	1 793	11 425	90 184	103 956
Trade and other receivables <sup>2</sup>	42 730	52 532	-	-	95 262
Cash and cash equivalents	43 170	-	-	-	43 170
<strong>Liabilities</strong>					
Borrowings <sup>3</sup>	719	2 229	17 429	4 449	24 826
Interest on borrowings <sup>3</sup>	341	951	3 771	145	5 208
Trade and other payables <sup>2</sup>	15 561	-	-	-	15 561
Distributions payable	69 390	-	-	-	69 390
<strong>Group 2016</strong>					
<strong>Assets</strong>					
Financial asset receivable <sup>1</sup>	514	1 652	10 635	93 882	106 683
Trade and other receivables <sup>2</sup>	39 536	49 734	-	-	89 270
Cash and cash equivalents	46 559	-	-	-	46 559
<strong>Liabilities</strong>					
Borrowings <sup>3</sup>	668	2 067	12 736	12 123	27 594
Interest on borrowings <sup>3</sup>	411	1 171	4 531	1 186	7 299
Trade and other payables <sup>2</sup>	13 193	-	-	-	13 193
Distributions payable	65 172	-	-	-	65 172
<strong>Company 2017</strong>					
<strong>Assets</strong>					
Financial asset receivable <sup>1</sup>	554	1 793	11 425	90 184	103 956
Trade and other receivables <sup>2</sup>	45 147	52 532	-	-	97 679
Cash and cash equivalents	38 719	-	-	-	38 719

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 30.1 Financials Risks (continued)

### Liquidity risk (continued)

	Less than 3 months P'000	Between 3 months and 1 year P'000	Between 1 and 5 years P'000	After 5 years P'000	Total P'000
<b>Company</b> (continued)					
<b>2017</b> (continued)					
<b>Liabilities</b>					
Borrowings <sup>3</sup>	719	2 229	17 429	4 449	24 826
Interest on borrowings <sup>3</sup>	341	951	3 771	145	5 208
Trade and other payables <sup>2</sup>	13 534	-	-	-	13 534
Distributions payable	69 390	-	-	-	69 390

### Company 2016

#### Assets

Financial asset receivable <sup>1</sup>	514	1 652	10 635	93 882	106 683
Trade and other receivables <sup>2</sup>	41 684	49 734	-	-	91 418
Cash and cash equivalents	42 776	-	-	-	42 776

#### Liabilities

Borrowings <sup>3</sup>	668	2 067	12 736	12 123	27 594
Interest on borrowings <sup>3</sup>	411	1 171	4 531	1 186	7 299
Trade and other payables <sup>2</sup>	11 302	-	-	-	11 302
Distributions payable	65 172	-	-	-	65 172

<sup>1</sup> based on expected cash flows and not carrying value

<sup>2</sup> excludes prepayments and income received in advance which will not impact future cash flows

<sup>3</sup> based on expected cash flows which are split between capital and interest

## 30.2 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for linked unitholders and benefits for other stakeholders while maintaining an optimal capital structure which reduces the cost of capital.

The capital structure of the Group comprises linked units, being an ordinary share linked to a debenture, external long term borrowings, related party receivables and cash and cash equivalents as set out in notes 12, 13, 10 and 11 respectively.

The company is a variable loan stock company and as such its distributions are governed by the Trust Deed, details of which are set out in note 12. Loan stock companies are typically funded through a combination of linked units and long term debt.

The Group has a business planning cycle that runs on an annual basis with updates as appropriate. The planning process identifies the funding opportunities available to the Group and the expected cost of each as part of this process. Any specific transaction is also considered together with the relative funding considerations. The Group monitors capital on the basis of the gearing ratio, both in absolute terms and based on net debt, at a Group level. This ratio is calculated as the debt or net debt over the total investment property value. Net debt is calculated as total borrowings less cash and cash equivalents as well as related party receivables from the Group's holding company and management company, and the total property value is the investment property at fair value plus any assets designated as Property, Plant & Equipment or Held for sale.

The Group's borrowings are currently low and the Board anticipates increasing this when suitable investment opportunities arise.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
<b>30.2 Capital risk management</b> (continued)				
The gearing ratios as at the year end were as follows:				
Net debt	(112 578)	(106 669)		
Borrowings	24 826	27 594		
Cash and cash equivalents	(43 170)	(46 559)		
Related party receivables	(94 234)	(87 704)		
Investment property at fair value	1 384 676	1 312 314		
Gearing ratios:				
Debt to property value	2%	2%		
Net debt to property value	n/a	n/a		
The company's borrowing capacity is limited to 70% of the value of the assets of the Company, or such other sum as the Company may by ordinary resolution in general meeting determine, in terms of its Constitution.				
At the year end the gearing ratio on this basis was:				
Borrowings	24 826	27 594	24 826	27 594
Total assets	1 588 605	1 509 778	1 551 856	1 479 031
Gearing ratio	2%	2%	2%	2%

## 30.3 Categories of financial instruments

The financial instruments are categorised and reconciled to the statement of financial position as follows:

	Financial instruments			Non- financial assets & liabilities	Total per statement of financial position
	At fair value through profit & loss P'000	Loans & receivables P'000	Financial liabilities at amortised cost P'000	P'000	P'000
<b>Group</b>					
<b>2017</b>					
<b>Assets</b>					
Investment in property	-	-	-	1 357 415	1 357 415
Investment in associate	-	-	-	30 547	30 547
Financial asset receivable	24 490	-	-	-	24 490
Intangible asset	-	-	-	7 788	7 788
Rent straight line adjustment	-	-	-	27 261	27 261
Trade and other receivables	-	95 262	-	1 700	96 962
Tax receivable	-	-	-	972	972
Cash and cash equivalents	-	43 170	-	-	43 170
<b>Total assets</b>	<b>24 490</b>	<b>138 432</b>	<b>-</b>	<b>1 425 683</b>	<b>1 588 605</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 30.3 Categories of financial instruments (continued)

	Financial instruments			Non- financial assets & liabilities	Total per statement of financial position
	At fair value through profit & loss P'000	Loans & receivables P'000	Financial liabilities at amortised cost P'000	P'000	P'000
<b>Group (continued)</b>					
<b>2017 (continued)</b>					
<b>Liabilities</b>					
Borrowings	-	-	24 826	-	24 826
Deferred tax liability	-	-	-	143 315	143 315
Trade and other payables	-	-	13 907	5 121	19 028
Distributions payable	-	-	69 390	-	69 390
Tax payable	-	-	-	51	51
<b>Total liabilities</b>	-	-	108 123	148 487	256 610
<b>Group</b>					
<b>2016</b>					
<b>Assets</b>					
Investment in property	-	-	-	1 285 780	1 285 780
Investment in associate	-	-	-	26 781	26 781
Financial asset receivable	23 321	-	-	-	23 321
Intangible asset	-	-	-	8 669	8 669
Rent straight line adjustment	-	-	-	26 534	26 534
Trade and other receivables	-	89 270	-	2 135	91 405
Tax receivable	-	-	-	729	729
Cash and cash equivalents	-	46 559	-	-	46 559
<b>Total assets</b>	23 321	135 829	-	1 350 628	1 509 778
<b>Liabilities</b>					
Borrowings	-	-	27 594	-	27 594
Deferred tax liability	-	-	-	132 223	132 223
Trade and other payables	-	-	11 639	4 906	16 545
Distributions payable	-	-	65 172	-	65 172
<b>Total liabilities</b>	-	-	104 405	137 129	241 534
<b>Company</b>					
<b>2017</b>					
<b>Assets</b>					
Investment in property	-	-	-	1 312 226	1 312 226
Investment in subsidiary	-	-	-	36 650	36 650
Investment in associate	-	-	-	4 951	4 951
Financial asset receivable	24 490	-	-	-	24 490
Intangible asset	-	-	-	7 788	7 788
Rent straight line adjustment	-	-	-	26 681	26 681
Trade and other receivables	-	97 679	-	1 700	99 379
Tax receivable	-	-	-	972	972
Cash and cash equivalents	-	38 719	-	-	38 719
<b>Total assets</b>	24 490	136 398	-	1 390 968	1 551 856



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

### 30.3 Categories of financial instruments (continued)

	Financial instruments			Non- financial assets & liabilities	Total per statement of financial position
	At fair value through profit & loss P'000	Loans & receivables P'000	Financial liabilities at amortised cost P'000	P'000	P'000
<b>Company (continued)</b>					
<b>2017 (continued)</b>					
<b>Liabilities</b>					
Borrowings	-	-	24 826	-	24 826
Deferred tax liability	-	-	-	137 900	137 900
Trade and other payables	-	-	12 086	4 805	16 891
Distributions payable	-	-	69 390	-	69 390
<b>Total liabilities</b>	-	-	106 302	142 705	249 007
<b>Company</b>					
<b>2016</b>					
<b>Assets</b>					
Investment in property	-	-	-	1 243 026	1 243 026
Investment in subsidiary	-	-	-	36 650	36 650
Investment in associate	-	-	-	4 951	4 951
Financial asset receivable	23 321	-	-	-	23 321
Intangible asset	-	-	-	8 669	8 669
Rent straight line adjustment	-	-	-	25 512	25 512
Trade and other receivables	-	91 418	-	2 135	93 553
Tax receivable	-	-	-	573	573
Cash and cash equivalents	-	42 776	-	-	42 776
<b>Total assets</b>	23 321	134 194	-	1 321 516	1 479 031
<b>Liabilities</b>					
Borrowings	-	-	27 594	-	27 594
Deferred tax liability	-	-	-	127 093	127 093
Trade and other payables	-	-	9 929	4 590	14 519
Distributions payable	-	-	65 172	-	65 172
<b>Total liabilities</b>	-	-	102 695	131 683	234 378

### 30.4 Financial instruments - fair value hierarchy

This analysis categorises the financial instruments carried at fair value into different levels based on the level of subjectivity applied in determining the inputs used in the determination of fair value. This assessment is determined based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input into the fair value measurement in its entirety requires judgment, considering the factors specific to the asset or liability. If a fair value uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

The fair value hierarchy is measured as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data, that is unobservable inputs.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 30.4 Financial instruments - fair value hierarchy (continued)

The Group's financial assets and liabilities carried at fair value as at the year end were classified as follows:

	Group			Company		
	Level 1 P'000	Level 2 P'000	Level 3 P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000
<b>2017</b>						
Financial asset receivable	-	-	24 490	-	-	24 490
Cash and cash equivalents	43 170	-	-	38 719	-	-
<b>2016</b>						
Financial asset receivable	-	-	23 321	-	-	23 321
Cash and cash equivalents	46 559	-	-	42 776	-	-

There have been no transfers between any of the hierarchy levels during the year (2016: Nil).

Level 1 financial assets include only cash and cash equivalents that are based on actual values invested at the relevant financial institutions.

There are no level 2 financial assets carried at fair value.

Level 3 financial assets comprise the receivable more fully described in note 8. The significant inputs used in determining this value are set out in note 4.

Movements in level 3 financial instruments carried at fair value comprise:

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Opening balance	23 321	20 954	23 321	20 954
Fair value adjustment recognised in profit and loss	1 169	2 367	1 169	2 367
<b>Closing balance</b>	<b>24 490</b>	<b>23 321</b>	<b>24 490</b>	<b>23 321</b>

## 30.5 Non-financial instruments - fair value hierarchy

This analysis categorises the non-financial instruments carried at fair value into different levels based on the level of subjectivity applied in determining the inputs used in the determination of fair value. This assessment is determined based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input into the fair value measurement in its entirety requires judgment, considering the factors specific to the asset or liability. If a fair value uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

The fair value hierarchy is measured as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data, that is unobservable inputs.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 July 2017

## 30.5 Non-financial instruments - fair value hierarchy (continued)

The Group's non-financial assets and liabilities carried at fair value as at the year end were classified as follows:

	Group			Company		
	Level 1 P'000	Level 2 P'000	Level 3 P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000
<b>2017</b>						
Investment property	-	-	1 357 415	-	-	1 312 226
<b>2016</b>						
Investment property	-	-	1 285 780	-	-	1 243 026

There have been no transfers between any of the hierarchy levels during the year (2016: Nil).

No non-financial assets carried at fair value are classified as level 1 or 2.

Level 3 non-financial assets comprise the investment property portfolio more fully described in note 5. The significant inputs used in determining this value are set out in that note and note 4.

Movements in level 3 non-financial instruments carried at fair value comprise:

	Group		Company	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Investment property				
Opening balance	1 285 780	1 197 122	1 243 026	1 145 573
Fair value adjustment recognised in profit and loss	68 412	93 192	67 447	99 434
Capital expenditure	485	2 001	474	1 794
Disposals	-	(2 496)	-	(2 496)
Insurance proceeds / reinstatement	1 279	(1 279)	1 279	(1 279)
Foreign currency gains / (losses) reflected under other comprehensive income	1 459	(2 760)	-	-
Closing balance	1 357 415	1 285 780	1 312 226	1 243 026

In addition to the investment property disclosed as such in these financial statements, the group equity accounts for its associate which owns an investment property accounted for at fair value. This property asset is also classified as a level 3 hierarchy and is valued based on a 15.75% (2016: 15.75%) discount rate.

The value of the investment in the associate is based on the Group's share of the net asset value of the company, comprising investment property with a value of P215 million (2016: P196 million) less deferred taxation of P47 million (2016: P43 million). The movement in this net asset value comprises the profit and total comprehensive income of the associate for the year and has been equity accounted.



## TERMS AND DEFINITIONS

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### **Amalgamations, acquisitions, assignment, purchase and receivable**

The method of acquisition of the portfolio and related assets on listing, which included the short and long form amalgamation of companies, acquisition of properties, purchase of shares, assignment of rights and obligations and cession of the right to receive the income, all with effect from the effective date of 1 August 2011, and subsequently the amalgamation of wholly owned subsidiary Riverwalk (Proprietary) Limited and NAP on 1 August 2012.

### **Bps**

Basis points expressed as a hundredth of a percentage.

### **BSE**

The Botswana Stock Exchange as established by the Botswana Stock Exchange Act Cap 56:08.

### **Capitalisation (cap) rates**

The rate at which the annual net income from an investment is capitalised to ascertain its capital value at a given date.

### **CAGR**

Compound annual growth rate is a useful measure of growth over multiple time periods. It can be thought of as the growth rate from the initial value to the ending / current value assuming that the investment has been compounding over the time period at a constant rate.

### **Capital return**

The movement in unit price as a percentage of the opening unit price.

### **CBH**

Cash Bazaar Holdings (Proprietary) Limited, a company registered in the Republic of Botswana.

### **Company, Holding Company or NAP**

New African Properties Limited.

### **CSDB**

Central Securities Depository Company of Botswana Limited.

### **Debentures**

Variable rate unsecured debentures in the debenture capital of the Company, each of which is indivisibly linked to an ordinary share, together making up a Linked Unit.

### **Discount / Premium to NAV**

The difference between the price at which units are trading on the BSE and the NAV, divided by the NAV.

### **Distributable income**

Net income from rentals, after portfolio expenses and net interest, but excluding items of a capital nature (being primarily fair value adjustments and gains / losses on disposal), other accounting entries such as rent straight line adjustments, and taxes on those excluded amounts.

### **Distribution**

Payments to linked unitholders twice per annum based on the distributable income and determined by the Board. These distributions comprise dividends on shares and interest on debentures. It is the income return on linked units.



## TERMS AND DEFINITIONS (continued)

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### **Financial asset receivable**

The right to receive a portion of the income derived by Mynco (Pty) Ltd, for a period of 25 years, by way of cession granted by Mynco (Pty) Ltd to the Company.

### **Financial year**

The financial year ending 31 July annually.

### **Forward yield**

Expected income for the following 12 months divided by the current price / value, expressed as a percentage.

### **Furnmart**

Furnmart Limited, a company incorporated in Botswana and listed on the BSE, and a company related to CBH.

### **Group**

NAP and its subsidiary companies, currently New African Properties (Namibia) (Pty) Ltd.

### **GLA**

Gross Lettable Area.

### **Historic yield**

Distributions for the previous 12 months divided by the current trading price on any given day, expressed as a percentage.

### **IFRS**

International Financial Reporting Standards

### **Income / distribution yield**

Distributions for a 12 month period divided by the unit price at the start of the 12 month period, expressed as a percentage.

### **Interest cover**

The number of times that distributable earnings before interest, tax and distributions covers the interest expense.

### **Linked unit**

One Ordinary share indivisibly linked to one Debenture of the Company, being the equity structure of the Company.

### **Linked unitholders**

Holders, from time to time, of Linked Units.

### **m<sup>2</sup>**

A unit of measure, the area of a square the sides of which measure exactly one metre.

### **Nafprop**

Nafprop (Proprietary) Limited, a company incorporated in Botswana, a subsidiary of CBH. NAP's asset and property manager.

### **Net asset value (NAV)**

The value of all assets less all liabilities, also equal to total unitholders' funds. Also expressed as NAV per linked unit by dividing NAV by the number of linked units.

### **N\$**

Namibian Dollars, the legal tender of Namibia.



## TERMS AND DEFINITIONS (continued)

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### **Ordinary share**

Ordinary share of no par value in the share capital of the Company, which together with one indivisibly linked Debenture make up a Linked Unit in the Company.

### **PLS / VLS / VRLS**

Property loan stock / variable rate loan stock company, being a company registered as such and having a linked unit equity structure and investing in immovable property.

### **Property portfolio**

The properties owned by the Company, either directly or indirectly through subsidiary companies.

### **Pula or P**

The legal tender of Botswana, the reporting currency for the Group.

### **Shares**

Ordinary shares of no par value in the stated share capital of the Company, each of which is indivisibly linked to one Debenture.

### **Straight line adjustment**

The accounting adjustment required to smooth escalating income streams from leases over the period of each lease. This adjustment is required in terms of IFRS and is included in profit but not in the calculation of distributable income which is based on the cash flows inherent in the leases.

### **Tenant retention**

The square metres (m<sup>2</sup>) renewed on expiry expressed as a percentage of the total m<sup>2</sup> that expired during the period.

### **Thebe or t**

The legal tender of Botswana, representing one hundredth of a Pula.

### **Total return/s**

The income distribution plus the movement in the linked unit price as a percentage of the opening unit price, ignoring any reinvestment of income.

### **tpu**

Thebe per linked unit.

### **Trust Deed**

The trust deed relating to the Debentures entered into between the Company and J Y Stevens, as trustee for Linked Unitholders.

### **Trustee**

Party to the Debenture Trust Deed, and acts on behalf of debenture holders in terms of the Deed.

### **Vacancy factor**

Unoccupied space (excluding where vacant due to development) relative to total space, either calculated using GLA or rental income.

### **WHT**

Withholding tax, being a tax deducted at the source of an income stream for direct payment to the revenue authority.



# NOTICE OF ANNUAL GENERAL MEETING

NEW AFRICAN PROPERTIES LTD  
“the Company” or “New African Properties” or “NAP”  
Incorporated in the Republic of Botswana, Company No. Co 2008/545  
BSE share code: NAP  
ISIN code: BW 000 000 1049

## NOTICE TO ALL LINKED UNITHOLDERS

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company for the 2017 financial year will be held in the Nafprop Boardroom, Cash Bazaar Holdings, Plot 20573/4, Block 3, Gaborone, at 08h00 on Thursday, the 18th day of January 2018.

### AGENDA

#### 1. Notice convening the meeting

#### 2. Ordinary resolutions:

##### 2.1 Resolution number 1 :

To consider and adopt the annual financial statements and annual report, including the report of the auditors, for the year ended 31 July 2017.

##### 2.2 Resolution number 2:

To consider and ratify the distributions declared for the year, comprising:

- Number 11 - declared 12 April 2017, paid 26 May 2017 11.21 thebe per unit
- Number 12 - declared 26 July 2017, paid 1 September 2017 11.46 thebe per unit

##### 2.3 Resolution number 3:

To re-elect retiring directors and confirm new directors in accordance with the Company's Constitution. Motions for re-election will be moved individually.

In terms of the Constitution all directors shall retire at the first annual general meeting, thereafter at least one-third of the directors shall retire at each meeting, with all directors who have held office for three years since last election or appointment being required to retire. Accordingly, Messrs. J.P. McLoughlin and S. Venkatakrishnan retire by rotation but being eligible, offer themselves for re-election. Abridged Curriculum Vitae's of these directors are set out on page 6 of this annual report.

Shopping Centres  
adjacent to  
Gaborone Station



# NOTICE OF ANNUAL GENERAL MEETING (continued)

## **2.3 Resolution number 3:** (continued)

Should any shareholder wish to propose another candidate for election as director ("the Candidate"), the procedures are governed by clause 20.9.3 of the Company's Constitution. This provides that no person not being a retiring Director shall be eligible for election to the office of the director at any Annual General Meeting unless the member intending to propose him has, at least five days before the meeting, left at the registered office of the Company a notice in writing, duly signed signifying the intention of such member to propose the Candidate and the consent of the Candidate to assume the office of the director.

## **2.4 Resolution number 4:**

To consider and ratify the directors' fees payable to independent directors for the year ended 31 July 2017 as set out on pages 33 and 63 of the annual report.

## **2.5 Resolution number 5:**

(a) To reappoint PricewaterhouseCoopers as auditors of the Company for the ensuing year; and

(b) to approve their remuneration for the year ended 31 July 2017.

These motions will be moved individually.

## **2.6 Resolution number 6:**

To place linked units equal to an aggregate of 15% of the number of linked units in issue at any time under the control of the directors for allotment and issue for the acquisition of immovable property until the next annual general meeting, at which meeting such authority will be sought to be renewed until the next annual general meeting, subject to the following limitations in respect of each of the two resolutions below. It is specifically recorded that this preamble is applicable to each of the resolutions under 2.6 (a) and (b) and that the 15% limit referred to above is the aggregate limit for all issues under these two subsections of resolution 6 which will be voted on individually.

### **(a) Issue for the acquisition of immovable property:**

- i. The Committee to be consulted and determines that the issue is for the bona fide purchase of assets.

### **(b) Issue for the acquisition of immovable property by way of a vendor consideration placing:**

- i. All vendors must have an equal opportunity of participating in the placing;
- ii. The minimum placing price, unless unitholders specific approval is obtained, is the lower of: a 10% discount to the 30 day weighted average price prior to the directors' authorising the placing or the date of the placing. The Committee to be consulted for a ruling if the linked units have not traded during this period.

## **3. To transact any other business which may be transacted at an annual general meeting.**

## **4. To respond to any questions from unitholders.**

## **5. Close the meeting.**

### **NOTE:**

Any member who is entitled to attend and vote at a general meeting is entitled to appoint one or more persons as a proxy to attend, speak and vote in his / her stead and the proxy so appointed need not be a member of the Company. Proxy forms must be deposited at the registered office of the Company not less than 48 (forty-eight) hours before the time fixed for the meeting.

*By order of the Board*

Dated this 25 October 2017

DPS Consulting Services (Pty) Ltd  
Company secretary  
Registered office:  
Plot 50371, Fairground Office Park, Gaborone  
Fax +267 397 3901



## PROXY FORM

NEW AFRICAN PROPERTIES LIMITED  
“the Company” or “New African Properties” or “NAP”

I/ We \_\_\_\_\_

Of \_\_\_\_\_

Being the registered holder/s of \_\_\_\_\_ linked units in the Company, at the close of business on Monday, 15 January 2018, hereby appoint:

\_\_\_\_\_ of \_\_\_\_\_;  
Or failing him / her

\_\_\_\_\_ of \_\_\_\_\_;  
Or failing him / her

the Chairman of the meeting

as my / our proxy to attend, speak and vote for me / us on my / our behalf at the annual general meeting of the company to be held at 08h00 on Thursday, 18th January 2018, and at any adjournment thereof and to vote for or against the resolutions or to abstain from voting in respect of the units registered in my / our name/s, in accordance with the following instructions:

Resolution number	Detail	In favour	Against	Abstain
1	Consider and adopt the annual financial statements			
2	Consider and ratify the distributions declared for the year			
3	To re-elect retiring directors and confirm new directors (a) J.P. McLoughlin			
	(b) S. Venkatakrishnan			
4	Consider and ratify the directors' fees payable to independent directors			
5	(a) Reappoint PricewaterhouseCoopers as auditors of the Company for the ensuing year, and			
	(b) Approve their remuneration			
6	Place linked units equal to an aggregate of 15% of the number of linked units in issue at any time under the control of the directors - all subject to the full wording in the notice: (a) Issue for the acquisition of immovable property			
	(b) Issue for the acquisition of immovable property by way of a vendor consideration placing			

## PROXY FORM (continued)

Signed this \_\_\_\_\_ day of \_\_\_\_\_

Full name: \_\_\_\_\_

Signature: \_\_\_\_\_

Assisted by (Guardian): \_\_\_\_\_

*A member who is entitled to attend and vote at a general meeting is entitled to appoint one or more persons as a proxy to attend, speak and vote in his / her stead and the proxy so appointed need not be a member of the Company.*

### Registered office:

Plot 50371 Fairground Office Park, Gaborone

Fax +267 397 3901

### INSTRUCTIONS ON SIGNING AND LODGING THIS PROXY FORM

1. This must be deposited at the Registered Office of the Company not less than 48 (forty eight) hours before the time of the scheduled meeting.
2. A deletion of any printed matter and the completion of any blank space(s) need not be signed or initialled. Any alteration or correction made on this form must be signed, not initialled, by the signatory / signatories.
3. The Chairman of the meeting shall be entitled to decline to accept the authority of the signatory:
  - a. Under a power of attorney; or
  - b. On behalf of a company or any other entity;Unless such power of attorney or authority is deposited at the registered office of the company not less than 48 (forty eight) hours before the scheduled time for the meeting.
4. The authority of a person signing a Proxy in a representative capacity must be attached to the Proxy form unless the authority has previously been recorded by the Secretary.
5. The signatory may insert the name of any person(s) whom the signatory wishes to appoint as his proxy in the blank space(s) provided for that purpose.
6. When there are joint holders of units and if more than one such joint holder is present in person or represented by proxy, then the person whose name stands first in the register in respect of such units, or his / her Proxy, as the case may be, shall alone be entitled to vote in respect thereof.
7. The completion and lodging of this Proxy shall not preclude the signatory from attending the meeting and speaking and voting in person thereat to the exclusion of any Proxy appointed in terms hereof should such signatory wish to do so.
8. The Chairman of the meeting may reject or accept any Proxy form which is completed and/ or submitted other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.
9. If the unitholding is not indicated on the Proxy form, the Proxy will be deemed to be authorised to vote the total unitholding.
10. A minor or any other person under legal incapacity must be assisted by his / her parent or guardian, as applicable, unless relevant documents establishing his / her capacity are produced or have previously been registered.



## CORPORATE INFORMATION AND ADMINISTRATION

### NEW AFRICAN PROPERTIES LTD

"the Company" or "New African Properties" or "NAP"

Incorporated in the Republic of Botswana, Company No. Co 2008/545

BSE share code: NAP

ISIN code: BW 000 000 1049

[www.newafricanproperties.co.bw](http://www.newafricanproperties.co.bw)

### Managing Director

Tobias Mynhardt  
Cash Bazaar Holdings  
Plot 20573/4, Block 3, Gaborone  
Private Bag 115, Gaborone  
Tel: +267 367 0501  
Fax: +267 397 4734

### Chief Financial Officer

Lauren Tapping  
Cash Bazaar Holdings  
Plot 20573/4, Block 3, Gaborone  
Private Bag 115, Gaborone  
Tel: +267 367 0501  
Fax: +267 397 4734

### Company Secretary and registered office

DPS Consulting Services (Pty) Ltd  
Plot 50371, Fairground Office Park, Gaborone  
P.O. Box 1453, Gaborone  
Tel: +267 395 2011  
Fax: +267 397 3901

### Transfer Secretaries

Grant Thornton Business Services (Pty) Ltd  
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