



# Adrenna Property Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1998/012245/06)

(JSE share code: ANA)

(ISIN: ZAE000163580)

## CONSOLIDATED UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2018

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 August 2018 R'000 (unaudited)	Six months ended 31 August 2017 R'000 (unaudited)	12 months ended 28 February 2018 R'000 (audited)
<b>Revenue</b>	14 303	13 076	27 549
Operating income before interest and revaluations	4 207	9 312	16 886
Fair value adjustments on investment properties	-	448	13 736
Investment income	672	432	838
Finance costs	(3 396)	(3 032)	(9 814)
Share of profit/(loss) from associate	(143)	-	-
Net income before taxation	1 340	7 160	21 646
Taxation	(607)	(2 542)	(5 978)
Income after taxation for the period	733	4 618	15 668
Non-controlling interest	-	-	-
Income attributable to ordinary shareholders	733	4 618	15 668
Total net profit	733	4 618	15 668
Other comprehensive income	-	-	-
<b>Total comprehensive income attributable to:</b>			
- Ordinary shareholders	733	4 618	15 668
- Non-controlling interests	-	-	-
	733	4 618	15 668

### CONDENSED STATEMENT OF FINANCIAL POSITION

	31 August 2018 R'000 (unaudited)	31 August 2017 R'000 (unaudited)	28 February 2018 R'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	243 538	231 562	243 309
Property, plant and equipment	898	18	898
Investment in associate	235	-	-
Loans owing by third parties	26 714	4 912	3 324
Operating lease assets	6 502	6 913	6 502
Other financial assets	800	-	800
Deferred taxation	-	254	-
	278 687	243 659	254 833
<b>Current assets</b>			
Loans owing by third parties	3 761	2 190	2 061
Inventory	1 430	1 430	1 430
Accounts receivable	1 932	2 854	5 191
Operating lease assets	3 730	2 871	3 730
Current taxation receivable	123	146	123
Cash and cash equivalents	3 375	6 554	6 395
	14 351	16 045	18 930
Non-current assets held for sale	-	6 000	-
<b>Total assets</b>	293 038	265 704	273 763
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital and reserves	162 922	151 139	162 189
<b>Non-current liabilities</b>			
Borrowings	84 922	59 913	64 814
Deferred tax	40 932	39 060	40 932
	125 854	98 973	105 746
<b>Current liabilities</b>			
Current portion of borrowings	-	11 030	-
Loans with third parties	88	-	-
Accounts payable	3 997	1 654	2 530
Taxation payable	177	1 262	514
Bank overdraft	-	1 646	2 784
	4 262	15 592	5 828
<b>Total equity and liabilities</b>	293 038	265 704	273 763

### CONDENSED STATEMENT OF CASH FLOWS

	Six months ended 31 August 2018 R'000 (unaudited)	Six months ended 31 August 2017 R'000 (unaudited)	12 months ended 28 February 2018 R'000 (audited)
<b>Cash generated by operations</b>	9 338	8 190	15 636
Finance costs	(3 396)	(3 032)	(9 814)
Investment income – interest	264	432	838
Taxation refunded	-	130	136
Taxation paid	(941)	(1 170)	(3 280)
	5 265	4 550	3 516
<b>Cash flows (used in)/from investing activities</b>			
Proceeds from sale of investment property	-	5 500	11 500
Acquisition of investment property	(229)	(10 959)	(11 119)
Acquisition of equipment	-	(18)	(910)
Acquisition of other financial assets	-	-	(800)
Acquisition of associate	(378)	-	-
Net movement in loans owing by third parties	(25 002)	219	1 935
	(25 609)	(5 258)	606
<b>Cash flows from financing activities</b>			
Repayment of borrowings	-	(3 290)	(64 231)
Raising of bond finance	20 108	10 000	64 814
	20 108	6 710	583
<b>Movements in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period	3 611	(1 094)	(1 094)
<b>Cash and cash equivalents at the end of the period</b>	3 375	4 908	3 611

### CONDENSED STATEMENT OF CHANGES IN EQUITY

	31 August 2018 R'000 (unaudited)	31 August 2017 R'000 (unaudited)	28 February 2018 R'000 (audited)
<b>STATED CAPITAL</b>			
Ordinary stated capital	567	567	567
<b>RESERVES</b>			
<b>Retained earnings</b>			
Balance at beginning of period	161 622	145 954	145 954
Comprehensive income attributable to ordinary shareholders	733	4 618	15 668
<b>Balance at the end of the period</b>	162 355	150 572	161 622
<b>Total reserves attributable to:</b>			
Ordinary shareholders	162 355	150 572	161 622
Non-controlling interests	-	-	-
<b>Total reserves</b>	162 355	150 572	161 622
<b>Total equity and reserves</b>	162 922	151 139	162 189

### SUPPLEMENTARY INFORMATION

	31 August 2018 (unaudited)	31 August 2017 (unaudited)	28 February 2018 (audited)
Number of ordinary shares in issue at the beginning of the period ('000)	55 915	55 915	55 915
Number of ordinary shares in issue at the end of the period ('000)	55 915	55 915	55 915
Weighted average number of shares in issue during the period ('000)	55 915	55 915	55 915
<b>Basic earnings:</b>			
Net profit per condensed statement of comprehensive income (R'000)	733	4 618	15 668
<i>Basic earnings per share (cents)</i>	1.3	8.3	28.0
<b>Headline earnings</b>			
Net profit per condensed statement of comprehensive income (R'000)	733	4 618	15 668
Profit on sale of investment property (R'000)	-	(1 700)	-
Revaluation of investment property (net of taxation) (R'000)	-	(331)	(11 630)
<b>Headline earnings (R'000)</b>	733	2 587	4 038
<i>Headline earnings per share (cents)</i>	1.3	4.6	7.2
<i>Dividends per share (cents)</i>	-	-	-
<i>Net asset value per share (cents)</i>	291.4	270.3	290.0
<i>Net tangible asset value per share (cents)</i>	291.4	270.3	290.0

## NOTES: BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with IAS 34:Interim Financial Reporting, the requirements of the Companies Act of South Africa and the Listing Requirements of the Johannesburg Stock Exchange Limited "JSE". These unaudited condensed consolidated results have been prepared on the going concern basis as the directors are of the view that the group has adequate resources in place to continue in operation for the foreseeable future. The accounting policies applied are in compliance with International Financial Reporting Standards and the SAICA Financial Reporting Guides (formerly the AC 500 Standards) as issued by the Accounting Practices Committee and its successor and are consistent with those applied in the most recent annual financial statements. These results have been prepared by the Financial Director, Mrs M Beukes. These interim results have not been reviewed or audited.

## CONDENSED SEGMENT RESULTS

	Six months ended 31 August 2018 (unaudited)	Six months ended 31 August 2017 (unaudited)	12 months ended 28 February 2018 (audited)
<b>Revenue</b>			
Investment Property Holding	13 832	12 852	27 549
Property-related Services	-	-	-
Property Held for Resale	-	-	-
Head Office Administration	471	224	-
Non-current Assets Held For Sale	-	-	-
	14 303	13 076	27 549
<b>Income/(Loss) before taxation</b>			
Investment Property Holding	3 804	9 797	22 976
Property-related Services	-	-	-
Property Held for Resale	-	-	-
Head Office Administration	(2 464)	(2 637)	(1 330)
Investment in Associate	-	-	-
Non-current Assets Held For Sale	-	-	-
	1 340	7 160	21 646
<b>Total assets</b>			
Investment Property Holding	259 435	240 669	265 250
Property-related Services	-	-	-
Property Held for Resale	1 430	1 430	1 430
Head Office Administration	32 172	17 605	7 083
Non-current Assets Held For Sale	-	6 000	-
	293 038	265 704	273 763
<b>Total liabilities</b>			
Investment Property Holding	130 116	112 894	108 790
Property-related Services	-	-	-
Property Held for Resale	-	-	-
Head Office Administration	-	1 671	2 784
Non-current Assets Held For Sale	-	-	-
	130 116	114 565	111 574

## GENERAL REVIEW, PROSPECTS AND FINANCIAL RESULTS

During the interim reporting period, the directors embarked on a policy to diversify the company's portfolio so as to mitigate potential current and future economic risks.

In this regard the directors identified possibilities in the healthcare industry and investigated opportunities in this field. The CEO introduced the directors to the operations of the East Sydney Day Hospital (ESDH) in Australia (in which he has a personal investment). It was ascertained that the Australian healthcare system (which was historically very similar to that of South Africa) had recently implemented a number of initiatives which have allowed the private sector to become more involved in the development of modern healthcare services.

It was felt that the ability of Adrenna to introduce these systems into South Africa would be greatly enhanced by "hands-on" knowledge. With this in mind the directors negotiated with the shareholders of ESDH and, subject to shareholders approval, secured an effective 15% shareholding in ESDH and the right to appoint two directors. This shareholding was secured by the provision of an initial loan of A\$ 2 million (R 20 million) which will firstly convert into redeemable convertible preference shares and into ordinary equity at a later stage. The use of preference shares as an intermediate step was used in order to secure the company's investment as the preference shares rank in priority to ordinary shareholders and other creditors of the ESDH (other than the finance leases).

During the last financial year the existing shareholders in the ESDH wrote down their equity investment substantially as well as reduced and/or wrote off their claims on interest in respect of promissory notes. The bank overdraft was also eliminated. This resulted in the ESDH, at the time of the investment by the company, having no third party loans and showing a significant reduction of accumulated losses.

The investment by the company (together with that of other new investors) will be utilised to expand the operating capacity of the hospital by the introduction of additional beds. The ESDH is also improving the "mix" of procedures being offered due to new extensions to the wards and the acquisition of additional theatre equipment, thereby substantially increasing the operational capacity of the ESDH.

As a result of the foregoing and the fact that the ESDH has overcome its "teething" problems, the directors of the ESDH are confident of achieving a positive EBITA in a short space of time, thereby substantially increasing shareholder value.

The investment in the ESDH will not impact on the cash flows of the company in that interest is currently being received from the ESDH at the rate of 12% which is 1% above the cost to the company.

Revenue for the period ended 31 August 2018 reflects an increase of 9.4% on the comparable results for 2017. The escalations effected on certain large tenants near the end of 2017 has resulted in this positive revenue growth.

Operating profits before interest and revaluations for the period ended 31 August 2018 reflect a decrease of 54.8% on the comparable period for 2017. The main reason for this was the need to expend significant sums on repairs and maintenance at Consani Industrial Park in the Western Cape as a result of the recent floods in the area which cost the company in excess of R 2.5 million. In addition, there were a number of extraneous expenses - bad debts of R 335k, legal and settlement costs regarding a spurious claim against the company which totalled R 230k (it was resolved to settle this claim for an amount which can be considered nominal in comparison to the time and costs of litigation). The foregoing, together with a number of once-off costs, reduced the net income for the period by at least R 3.5 million.

In addition, the company, through its wholly-owned subsidiary, Somerset Mall Developments, has expended funds approximating R 1 million on finalising plans and obtaining rights in respect of a further development comprising 16 luxury apartments on property which it owns in Hout Bay in the Western Cape. Subject to obtaining pre-sales of 70%, this project which expected to contribute positive earnings over a period of time will commence in April 2019.

The group continued to trade in a positive cash position despite the significant expenses incurred. Finance costs reflect an increase on the comparable results for 2017, due to the increase in funding from the Fed Bond facility raised during the period.

Loans receivable increased due to the loan advanced to ESDH as mentioned above. Activities within the period ended 31 August 2018 have produced an improvement in net asset value per share of 1.4 cents since the financial year ending 28 February 2018. The group has experienced a decrease in headline earnings per share of 3.3 cents in comparison with the previous period ended 31 August 2017.

## RELATED PARTY INFORMATION

Related party information for the six months ended 31 August 2018 is set out below:	R
Rental charged – RMS Property and Facilities Management Pty Ltd	120 000
Rental charged – RMS Corporate Solutions Pty Ltd	150 000
Asset management fees paid – RMS Corporate Solutions Pty Ltd	(1 223 693)
Director emoluments	(326 975)
Professional and consulting fees paid to companies associated with directors	(1 102 184)

## ACQUISITIONS, DISPOSALS AND SHARE CAPITAL

There were no acquisitions, disposals, share issues or share repurchases during the period under review.

## DIVIDENDS

Taking into account the expenses referred to above, the directors have resolved not to recommend a dividend in respect of the six months ended August 2018. The directors, however, are of the firm opinion that, based on their expectations for the second half of the financial year, they will be in the position to recommend a dividend in respect of the year ending February 2019.

## 30 November 2018

### DIRECTORS:

R P Fertig (Chief Executive Officer), W P Alcock (Chairman), M Beukes CA(SA) (Financial Director), SP Mothelesi\*, M Moela\*, R Watson\* (\*Independent non-executive)

### COMPANY SECRETARY:

B W Kaiser

### TRANSFER SECRETARIES:

Computershare Investor Services (Pty) Limited, Rosebank Towers 15 Bierman Avenue Rosebank Johannesburg, 2196

### REGISTERED OFFICE:

Unit 32 Waterford Office Park, Waterford Drive, Douglasdale Johannesburg 2021

### SPONSOR:

Arbor Capital Sponsors (Pty) Limited, 20 Stirrup Lane, Woodmead Office Park, Woodmead 2191

### REGISTERED AUDITORS:

RSM South Africa Incorporated, Executive City Cross Street and Charmaine Avenue President Ridge, Randburg 2194