New Frontier Properties Ltd

NEW FRONTIER PROPERTIES

(Incorporated in the Republic of Mauritius on 5 June 2014)
(Registration number 123368C1/GBL)
SEM share code: NFP.N000
JSE share code: NFP
ISIN: MU0453N00004
("**New Frontier**" or "**the Company**" or "**the Group**")

SUMMARISED REVIEWED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 AUGUST 2018 AND WITHDRAWAL OF CAUTIONARY

The Company was established in Mauritius as a public company limited by shares holding a Category 1 Global Business Licence. The Company has primary listings on the Stock Exchange of Mauritius Ltd ("**SEM**") and the Alternative Exchange ("**AltX**") of the Johannesburg Stock Exchange ("**JSE**"). The primary objective of the Company is to acquire good quality, income-generating retail and logistics/warehouse property assets in the United Kingdom ("**UK**") and Europe.

REPORTING CURRENCY

The Company's results are reported in pounds sterling ("**GBP**").

FINANCIAL RESULTS

The Group's results shown herein have been reviewed by the Group's auditors and it is anticipated that full audited results will be announced by 7 December 2018. No material amendments are expected to the figures presented in this announcement. The Group's International Financial Reporting Standards ("**IFRS**") loss for the year was GBP 76.481 million (2017: Profit of GBP 242 million), which reflects the fall in valuation of the Group's investment property of GBP 80.835 million.

The average annual "all in" cost of secured debt of the Group as at 31 August 2018, including the effect of fixed rate financial swap derivatives, was 3.09% per annum (2017: 3.25% per annum). Over 86% (2017: 85%) of the Group's debt is fixed by use of financial swap derivatives. The Group also had a convertible shareholder loan of GBP 10.132 million on which interest currently accrues at 12% per annum.

DISTRIBUTABLE EARNINGS

The board of directors ("**Board**") has resolved not to declare a final dividend as indicated in the Company's announcement dated 8 November 2018. The interim dividend of GBP 3 pence per share (GBP 4.83 million) was paid for the year.

BANKING

The fall in value of the Group's properties has resulted in its loan to value covenants being exceeded.

Both lenders are engaging proactively with the Group to determine the best course of action and allow time for further review. Currently both lenders have trapped the free rental cashflow but are releasing funds for all operating expenses and capital expenditure to support letting activity. Meanwhile, surplus funds will be used to repay the outstanding loans. Whilst the Group has the support of its funders, its loan terms are effectively repayable on demand.

Following the breach of covenants, HSBC has increased the interest margin from 2.35% to 3%. In order to reduce the level of debt, the Group (post year-end) has put its logistic asset in Dublin (purchased during this financial year) on the market for sale.

BUSINESS REVIEW

For retail businesses in the UK, 2018 has been a challenging and frustrating year. Reduced consumer confidence and sterling's depreciation as a result of Brexit (leading to higher prices for imported goods), have combined with increased business rates, higher minimum wages and changing patterns of consumer spending to create the perfect retail storm.

Over the past few months, the sector has been hit by a series of Company Voluntary Arrangements **("CVAs")** and receiverships. Tenants including New Look, Poundworld and Select have reduced rents and closed stores across the UK. With further CVAs and company administrations likely, we anticipate that these challenging market conditions will continue to impact the business.

In spite of difficult market conditions, well run and appropriately financed retailers will continue to thrive. Indeed, over the past year, a number of our better performing tenants have upsized.

Our asset managers and advisors are working even harder during these challenging times and it is encouraging to see an improvement in our vacancies level from 9.73% to 6.61% since the year end, thanks to their efforts. Moreover, footfall for the three centres has also been largely unaffected, remaining broadly flat at 26,437,602, a reduction of 0.72% compared to the UK average fall of 1.60%.

Furthermore, the Group's asset manager has voluntarily agreed to assist cashflow by accepting reduced fee payments and allowing the unpaid balance to roll up.

Property Acquisition

The Board announced on 3 November 2017 that the Company had acquired Unit 1, Stadium Business Park in Dublin, Ireland for a consideration of EUR 8.65 million reflecting a net initial yield of 8.23%. However, as indicated, this property has been placed on the market for sale and the proceeds will be used to reduce debt levels.

The Group confirms that it will not be proceeding with the proposed property acquisition in Hassfurt, Germany.

Property values

A summary of the assets that are owned by the Company is shown below. These assets were valued at 31 August 2018 by a registered independent valuer, Colliers International Valuation UK LLP, at GBP 195.37 million.

Property	**Location**	**Acquisition date**	**Valuation 2018 (GBP)****	**Valuation 2017 (GBP)***
Coopers Square	Burton upon Trent	14 April 2015	67,470,000	95,000,000
The Cleveland Centre	Middlesbrough	14 April 2015	49,725,000	72,500,000
Houndshill Shopping Centre	Blackpool	23 September 2015	70,200,000	98,500,000
Stadium Business Park	Dublin	31 October 2017	7,970,000	-
Total			195,365,000	266,000,000

*Assuming Stamp duty saving shared ** Assuming full purchasers costs

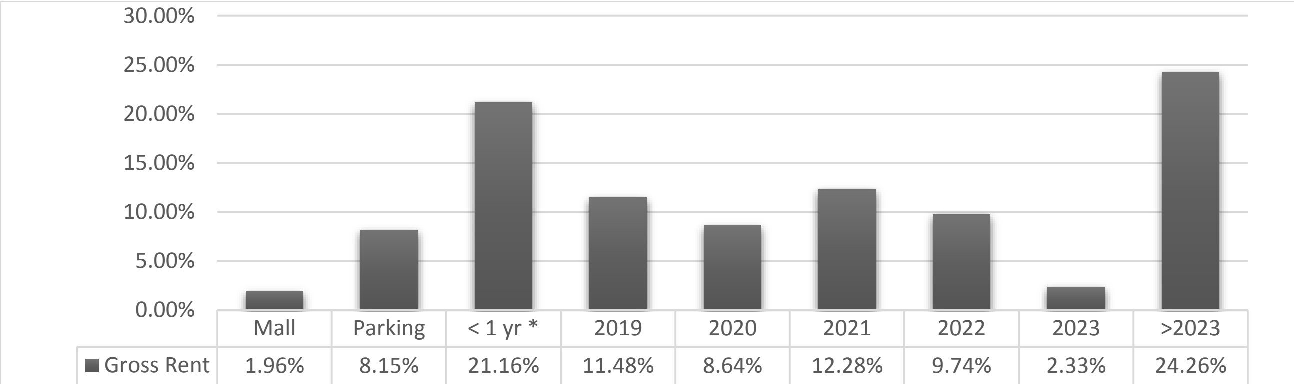
This significant reduction in the value of the company's shopping centre portfolio of £78.61 million (down £73.80 million assuming stamp duty saving as per 2017) can be attributed to several factors including recent Company Voluntary Arrangements ("**CVA's**"), company receiverships and tough trading conditions across the UK retail sector. This combined with rising interest rates, the fall in the value of sterling, rising costs and concerns over Brexit has resulted in a weakened investor market, particularly outside London and the South East. Consequently, investment yields have moved out which has exacerbated the valuation fall.

Portfolio analysis

Retail income by covenant type

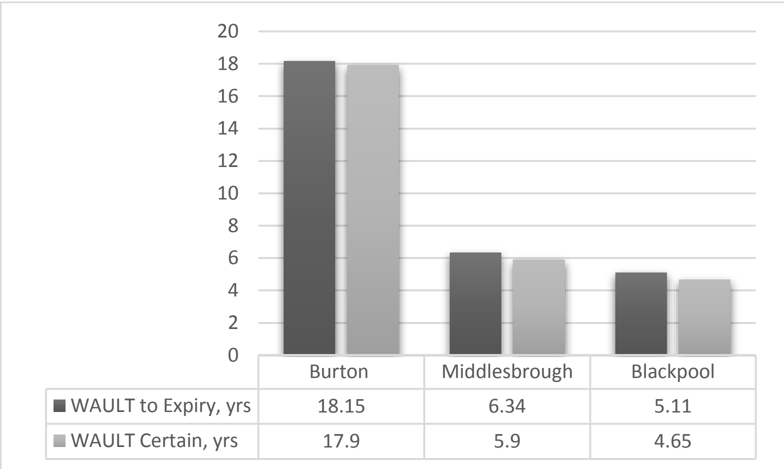
The majority of tenants in New Frontier's shopping centres are strong covenants with 83.11% of gross rental income secured to national retail operators.

Lease expiry by gross rental



Weighted average unexpired lease term (“WAULT”)

The centres benefit from a WAULT to expiry of 9.79 years and to a term certain of 9.17 years.



Letting activity and lease renewals

As at 31 August 2018, the centres at Blackpool, Middlesbrough and Burton upon Trent have seen decreases in combined occupancy to 90.27% (2017: 94.51%) by Estimated Rental Value (“**ERV**”) and 88.14% (2017: 91.93%) by Gross Lettable Area (“**GLA**”).

Since the year end, several new lettings have occurred including the upsizing of River Island and Footasylum in Blackpool, which has helped to increase occupancy by ERV to 93.39% and 91.56% by GLA as at 31 October 2018.

In the past 12 months, New Frontier has concluded 22 leasing events, 7 of which have been core, long-term leases with an average lease length of 8.75 years and average rent-free of 3 months. Despite this, new long-term lettings and lease renewals have only increased rental income by 0.11% against 2018 ERV. Again, this may be attributed to the growth in online sales and the resulting spate of CVAs within the sector.

Nevertheless, New Frontier has continued to actively manage its assets in a challenging retail environment - at Burton upon Trent, Next opened a new 25,052 sq ft store in the old BHS unit and in April 2018, H&M took the remaining 20,000 sq ft space alongside Next. At Blackpool, the new IMAX cinema development with ancillary retail is progressing. Meanwhile, at Middlesbrough a number of new lettings are being progressed which will strengthen and improve the quality of the centre’s tenants further.

PROSPECTS

Over the past few months, the sector has been hit by a series of CVA's and receiverships. Tenants including New Look, Shakedog, Poundworld, Ministry of Design and Select have reduced rents and closed stores across the UK. With further CVAs and company administrations expected we anticipate that these challenging conditions will continue to impact the market and consequently business.

On 10 May 2018, the company announced that, at the Rebosis Property Fund Limited ("**Rebosis**") results presentation held on 8 May 2018, Rebosis informed its shareholders that it may motivate to restructure New Frontier including, *inter alia*, to propose the delisting of New Frontier and/or the internalisation of New Frontier's asset management.

The Group has noted the statement issued by Rebosis and is considering a variety of options for the Company to save costs, particularly in the current operating climate.

The Group's asset manager has voluntarily agreed to assist cashflow by accepting reduced payments and allowing the unpaid balance of fees to roll up.

The Group will continue to actively manage the centres to reduce vacancy and minimise void costs and is investigating ways of reducing the level of debt including assessing disposals and part disposals of our assets.

The Board considers that whilst the Group has the support of its lenders, it can service its obligations in the normal course of business and will continue as a going concern.

EXIT FROM UK REIT REGIME

On 30 September 2018 the Group served notice to HM Revenue and Customs in the United Kingdom to leave the UK REIT regime as it was unable to meet the Close company requirement for UK REIT status as its shareholder base is not sufficiently diversified.

On leaving the UK REIT regime, the Group will, in the interim, continue to be UK tax resident and will be liable to pay UK corporation tax at the prevailing rate on its profits. As a consequence of the fall in property values, the Group will not be able to implement intragroup borrowing arrangements to obtain a tax deduction on its corporate expenses. The effective rate of tax borne by the Group is likely to be higher than the UK corporation tax rate.

Shareholders are advised that future distributions by the Company will comprise ordinary dividends rather than property income distributions.

CHANGES TO BOARD

The composition of the board underwent some changes during the year. Mr Nigel Gurkin resigned as financial director of the company on 1 August 2018. Mr Andile Mazwai resigned as a non-executive director of the Company with effect from 26 April 2018. Mr Daniel Romburgh, a Mauritian resident, resigned as a non-executive director of the Company, and as chairperson of the audit and risk committee, on 14 February 2018.

With effect from 1 August 2018, Mr Patrick Smith was appointed to the board as the new financial director of the Company. Mr George Titan, a Mauritian resident, was appointed as a non-executive director, and as the new chairperson of the audit and risk committee, in February 2018.

Following the year-end, on 26 November 2018, Mrs Marelise De Lange resigned as a non-executive director of the Company. Mr Robert Becker, a South African resident, was appointed as a non-executive director on 28 November 2018.

The Board would like to thank Mr Gurkin, Mr Mazwai, Mr Romburgh and Mrs De Lange for their valuable contributions to the Company and are pleased to welcome Mr Smith, Mr Titan and Mr Becker to the board.

VENDOR CONSIDERATION PLACEMENT

On 18 December 2017, the board announced the listing of an additional 8,160,657 New Frontier shares pursuant to a vendor consideration placement at an issue price of ZAR17.50 to settle the purchase consideration of the Dublin property. The additional New Frontier shares were allotted, issued and listed on the JSE on 15 December 2017 and allotted, issued and listed on the SEM on 19 December 2017. Following the issue of the new shares, the company has a total of 160,935,407 ordinary shares in issue.

BASIS OF PREPARATION

Basis of preparation

The reviewed provisional condensed consolidated financial statements for the year ended 31 August 2018 are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports, the SEM Listings Rules and The Securities Act of Mauritius 2005. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS and as a minimum to contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the provisional condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

Auditor's review report

BDO, the group's independent auditor, has reviewed the provisional condensed consolidated financial statements for the year ended 31 August 2018 and expressed a qualified review conclusion thereon in respect of going concern on the basis that two subsidiaries of the group are in breach of the covenant contained in their respective bank loan agreement. The subsidiaries are dependent on the continued financial support of its lenders. This indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

A copy of the auditor's review report is available for inspection at the company's registered office together with the accompanying financial information. The auditor's review report does not necessarily report on all the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's review report together with the accompanying financial information from the company's registered office.

The directors take full responsibility for the preparation of these financial results and that the reviewed provisional condensed consolidated results have been extracted from the reviewed financial statements.

SEGMENTAL INFORMATION

The Group derives its revenue from a single business activity, the property sector, which it considers as its only segment.

WITHDRAWAL OF CAUTIONARY

Shareholders are referred to the cautionary announcement released on SENS and published on the SEM website on 8 November 2018. Shareholders are no longer required to exercise caution when dealing in the company's securities as full information regarding the decline in value of New Frontier's property portfolio has now been provided to shareholders.

By order of the Board

Osiris Corporate Solutions (Mauritius) Limited
Company secretary

30 November 2018

NOTES
Copies of this report are available to the public at the registered office of the Company, Chemin Vingt Pieds, 5th Floor, La Croisette, Grand Baie, Mauritius.

Copies of the statement of direct or indirect interest of the Senior Officers of the Company pursuant to rule 8(2)(m) of the Securities (Disclosure of Obligations of Reporting Issuers) Rules 2007 are available to the public upon request to the company secretary at the Registered Office of the Company at Chemin Vingt Pieds, 5th Floor, La Croisette, Grand Baie, Mauritius.

This communiqué is issued pursuant to Listing Rules 11.3. The Board accepts full responsibility for the accuracy of the information in this communiqué.

For further information please contact:

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NEW FRONTIER PROPERTIES LTD

STATEMENTS OF FINANCIAL POSITION AT 31 AUGUST 2018

	THE GROUP	
	Reviewed	
	31 August 2018	31 August 2017
	GBP 000	GBP 000
ASSETS		
Non-current assets		
Property, plant and equipment	**15**	**17**
Investment property	**193,288**	**264,800**
Derivative financial instrument	**1,103**	**-**
	194,406	**264,817**
Current assets		
Trade and other receivables	**5,179**	**6,091**
Cash and cash equivalents	**3,471**	**5,510**
	8,650	**11,601**
Total assets	**203,056**	**276,418**
EQUITY		
Capital and reserves ***(attributable to owners of the parent)***		
Share capital	**47,136**	**39,412**
Hedging reserve	**(915)**	**(3,330)**
(Accumulated losses)/retained earnings	**(23,102)**	**63,678**
Total equity	**23,119**	**99,760**
LIABILITIES		
Non-current liabilities		
Borrowings	**143,581**	**159,112**
Derivative financial instrument	**-**	**300**
	143,581	**159,412**
Current liabilities		
Borrowings	**31,356**	**11,738**
Trade and other payables	**5,000**	**5,508**
	36,356	**17,246**
Total liabilities	**179,937**	**176,658**
Total equity and liabilities	**203,056**	**276,418**

NEW FRONTIER PROPERTIES LTD

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 AUGUST 2018

	THE GROUP	
	Reviewed	
	Year ended 31 August 2018	Year ended 31 August 2017
	GBP 000	GBP 000
Rental income	17,521	19,279
Expenses		
Property operating expenses	(3,395)	(1,895)
Administrative expenses	(2,555)	(1,432)
Other income	21	99
Movement in foreign exchange	(16)	-
Fair value loss on investment property	(80,835)	(10,046)
	(69,259)	6,005
Net finance costs	(7,201)	(5,847)
(Loss)/profit before tax	(76,460)	158
Taxation	(21)	84
(Loss)/profit for the year	(76,481)	242
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss		
Fair value gain on derivative financial instruments	1,404	2,284
Other comprehensive income for the year	1,404	2,284
Total comprehensive (loss)/income for the year	(75,077)	2,526
Earnings/(loss) per share		
Basic (loss)/earnings per share (GBP)	(0.482)	0.002
Headline earnings per share (GBP)	0.027	0.067

NEW FRONTIER PROPERTIES LTD

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED 31 AUGUST 2018

			Reviewed	
	Share capital	**Hedging reserve**	**(Accumulated losses)/ retained earnings**	**Total**
	GBP 000	**GBP 000**	**GBP 000**	**GBP 000**
THE GROUP				
Balance at 1 September 2017	39,412	(3,330)	63,678	99,760
Loss for the year	-	-	(76,481)	(76,481)
Other comprehensive income for the year	-	1,404	-	1,404
Total comprehensive income for the year	**-**	**1,404**	**(76,481)**	**(75,077)**
Issue of shares	7,724	-	-	7,724
Amortisation of historic cash flow hedging reserve	-	1,011	-	1,011
Dividends	-	-	(10,327)	(10,327)
Waiver of dividends	-	-	28	28
Total transactions with owners of the parent	**7,724**	**1,011**	**(10,299)**	**(1,564)**
Balance at 31 August 2018	**47,136**	**(915)**	**(23,102)**	**23,119**
Balance at 1 September 2016	124,412	(5,614)	(10,051)	108,747
Profit for the year	-	-	242	242
Other comprehensive income for the year	-	2,284	-	2,284
Total comprehensive income for the year	**-**	**2,284**	**242**	**2,526**
Capital reduction	(85,000)	-	85,000	-
Dividends	-	-	(11,611)	(11,611)
Waiver of dividends	-	-	98	98
Total transactions with owners of the parent	**(85,000)**	**-**	**73,487**	**(11,513)**
Balance at 31 August 2017	**39,412**	**(3,330)**	**63,678**	**99,760**

NEW FRONTIER PROPERTIES LTD

STATEMENTS OF CASH FLOWS
YEAR ENDED 31 AUGUST 2018

	THE GROUP Reviewed	
	Year ended 31 August 2018	Year ended 31 August 2017
	GBP 000	GBP 000
Cash flows from operating activities		
Cash generated from operations	**10,819**	16,375
Tax refunded	**146**	217
Interest paid	**(4,755)**	(5,411)
Net cash from operating activities	**6,210**	11,181
Cash flows from investing activities		
Addition to investment property	**(8,150)**	**-**
Capital improvements to investment property	**(1,132)**	(2,258)
Interest received	**-**	5
Net cash used in investing activities	**(9,282)**	(2,253)
Cash flows from financing activities		
Proceeds from borrowings	**13,818**	7,500
Premium paid to reset interest rate swap	**-**	(3,030)
Repayment of borrowings	**(1,783)**	-
Payment on borrowing costs	**(695)**	(14)
Dividend payment	**(10,299)**	(11,513)
Net cash from/(used in) financing activities	**1,041**	(7,057)
Net (decrease)/increase in cash and cash equivalents for the year	**(2,031)**	1,871
Effect of foreign exchange rate changes	**(8)**	**-**
Cash and cash equivalents at the beginning of the year	**5,510**	**3,639**
At 31 August 2018/ 31 August 2017	**3,471**	5,510

During the year ended 31 August 2018, a non-cash transaction occurred. A shareholder loan of £7,723,214 was converted into equity and shares were issued for that amount.

NEW FRONTIER PROPERTIES LTD

EARNINGS PER SHARE

	THE GROUP	
	Reviewed	
	Year ended 31 August 2018	Year ended 31 August 2017
	GBP 000	GBP 000
Basic and headline earnings per share		
Basic (loss)/earnings attributable to equity holders of the Company	**(76,481)**	242
Fair value movement on investment properties	**80,835**	10,046
Headline earnings attributable to equity holders of the Company	**4,354**	10,288
Number of shares/weighted average number of shares	**158,587,821**	152,774,750
(Loss)/earnings per share		
Basic (loss)/earnings per share (GBP)	**(0.482)**	0.002
Headline earnings per share (GBP)	**0.027**	0.067

Note: As at 31 August 2018 the Company had shareholders convertible loans outstanding of GBP 10.1million (2017: GBP 4.0 million). The loans will be converted into shares of the Company as and when the Company undertakes an equity raise. The loan is unsecured and repayable when the Company undertakes the vendor placement, failing which the loans will be repayable on 12 April 2019 which would not have a dilutionary effect on EPS or HEPS in terms of IAS 33. Since the year end it has been agreed to extend the loan by a further 12 months from the repayment date. During the year convertible loans of GBP 7.7 million were converted into shares.